

INVESTMENT FORECAST

Office
St. Louis Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2026

Vacancy Stays Range-Bound While a Favorable Tax Climate Contributes to Transaction Climate

Flight-to-quality favors the suburbs. Office vacancy in St. Louis is expected to remain largely unchanged this year, rising only about 10 basis points, despite one of the steepest declines in office-using employment nationwide. This stability will be supported by a sharply reduced construction pipeline, set to halve in 2026. Net absorption, however, may soften as firms like KDSK and Caleres consolidate into more efficient footprints. Additionally, tenant demand should prioritize Class A buildings, which showed stronger momentum than B/C assets in submarkets such as Central County and West St. Louis County. These areas are expected to continue attracting tenants, supported by deeper Class A inventories and stronger connectivity to major suburban business hubs such as Clayton. By contrast, the CBD faces elevated vacancy pressure, particularly among higher-quality assets, which enter 2026 after climbing to near-decade-high levels.

Regional advantages aid investor confidence. St. Louis recorded one of the highest year-over-year increases in transaction velocity among secondary metros, with trade counts rising more than 50 percent. This improvement is a promising sign for investors, especially as Missouri's elimination of individual state capital gains taxes in early 2025 has enhanced market competitiveness and may support additional activity this year. As one of the few major U.S. metros without a state-level capital gains tax, St. Louis could see heightened participation from out-of-state buyers. Meanwhile, cap rates in the low-8 percent range signal comparatively lower perceived risk compared to other Midwestern metros, though pricing in St. Louis — around \$160 per square foot — may still pose a hurdle relative to other regional investment options. If pricing continues to stabilize, improving entry conditions may increase investor interest during the coming year.

2026 MARKET FORECAST

-0.8%



Employment: Both total employment and traditionally office-using roles will report losses for the second year in a row, with 5,000 of the 11,000 lost positions coming from the office-using sector.

300,000
sq. ft.



Construction: The pace of inventory expansion will slow to 0.2 percent, below the historical average of 0.7 percent. The largest project will deliver in the CBD and be upwards of 160,000 square feet.

+10 bps



Vacancy: Weakness in the core will offset moderate suburban improvements, bringing vacancy to 12.2 percent. This rate aligns closely with the metro's prior half-decade average.

+0.2%

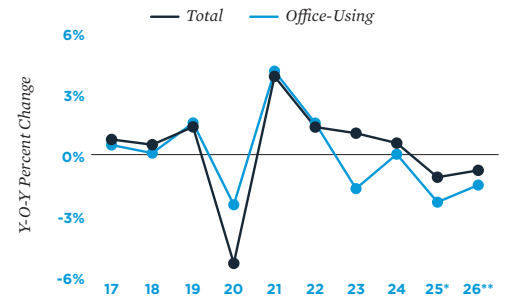


Rent: Though net absorption remains positive, it will fall to its lowest level since the pandemic, contributing only a marginal increase to the average asking rent to \$20.10 per square foot.

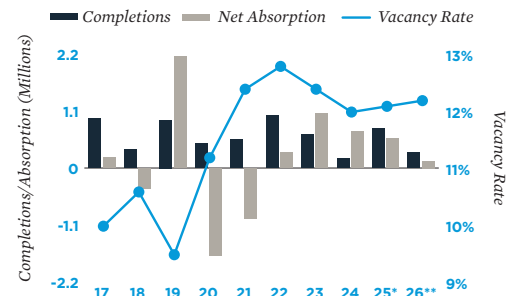
INVESTMENT:

A series of small-to-midsized medical offices traded hands last year in South St. Louis County. A median age of 44, above both the metro and U.S. means, bodes well for healthcare needs and investor interest.

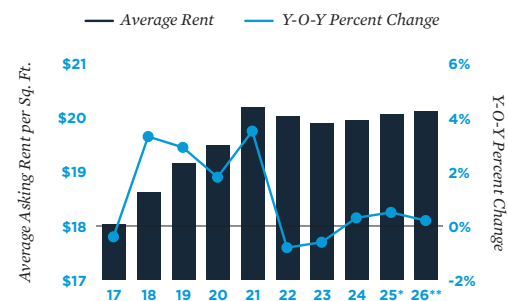
Employment Trends



Supply and Demand



Rent Trends



* Estimate ** Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of January 2026. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and office data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.