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1Q26 St. Louis Office Market:

Market Overview

1Q26

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St. Louis Market Observations

Labor Markets

- The region's labor market tightened as macroeconomic conditions shifted. December's unemployment rate decreased to 4.0%, 40 basis points below the national average of 4.4%.
- Year-over-year, job growth was strongest in the Construction sector, followed by Leisure and Hospitality. Information and Trade/Transportation/Utilities posted the largest job losses over the past 12 months.
- Professional business and technology firms are reassessing their workforce needs, with local employment increasing in two out of three office-occupying sectors compared to the prior year.

Leasing Market Fundamentals

- The market loosened during the quarter with negative 545,870 SF of net absorption, bringing the past four-quarter total to negative 1.0 MSF. This marks eight out of the past twelve quarters with negative absorption, as tenants continue to reassess market conditions.
- The construction pipeline has remained inactive since the third quarter of 2022, with 231,870 SF currently under construction.
- Vacancy increased 70 basis points to 15.0% in the quarter; an increase of 140 basis points year-over-year. Vacancy is expected to range from 14.6% to 15.3% in 2026.
- Average asking rental rates declined to $22.17/SF in the quarter. Rates are projected to remain flat in 2026.

Major Transactions

- Burns & McDonnell signed a lease for 74,270 SF of space located on the third, fourth and fifth floors of the 227,780-SF, former Edwards Jones building in Des Peres, MO. An anticipated move-in is scheduled for February 2027.
- UniGroup, Inc. signed a lease for 54,700 SF on the first and second floors of Building III at 1245 J.J. Kelley Memorial Dr. in Des Peres, MO. The lease follows Burns & McDonnell's lease for 74,270 SF within the same building. An anticipated move-in is scheduled for May 2026.
- CI Select signed a 10-year lease at the recently redeveloped The Carriage Works building located at 3950 Laclede Ave. in St. Louis, MO. The firm will occupy 19,100 SF of space.
- 39 North signed a five-year lease at the EDGE@BRDG building located at 1001 North Warson Rd. The firm will occupy 18,440 SF of space on the third floor of the 152,260-SF property.
- Morgan & Morgan signed a 10-year lease at the PNC Center located at 120 South Central Ave. in Clayton. The firm will occupy 17,120 SF on the 11th floor of the 301,610-SF property.

Outlook

- Macroeconomic uncertainty continues to influence market dynamics, prompting occupiers and investors to approach transactions with greater caution, impacting both leasing and investment activity. Vacancy is expected to hold steady near 15.0% in 2026.
- Hybrid work strategies remain a key driver of market shifts. Tenants are expected to maintain strong leverage in lease negotiations, supported by a broad selection of available space. At the same time, the conversion of office properties to alternative uses will help reduce obsolete inventory and limit additional vacancy increases.
- Rental rates are anticipated to ease in the coming quarters, as liquidity constraints lead some landlords to lower rents rather than increase concession packages.

Table of Contents

Economy	04
Leasing Market Fundamentals	08
Submarket Statistics	21

01

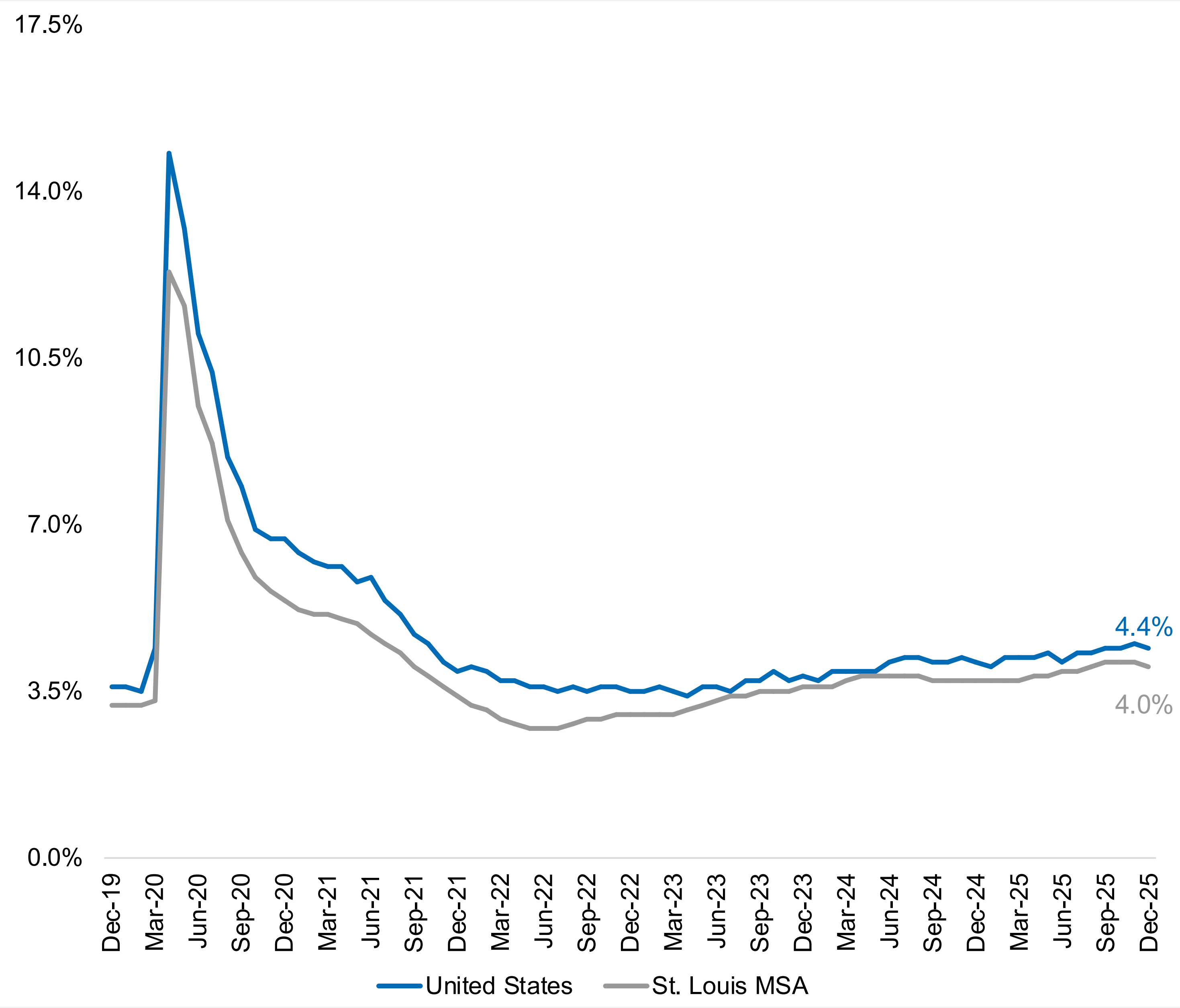
Economy

1Q26 ST. LOUIS OFFICE MARKET OVERVIEW

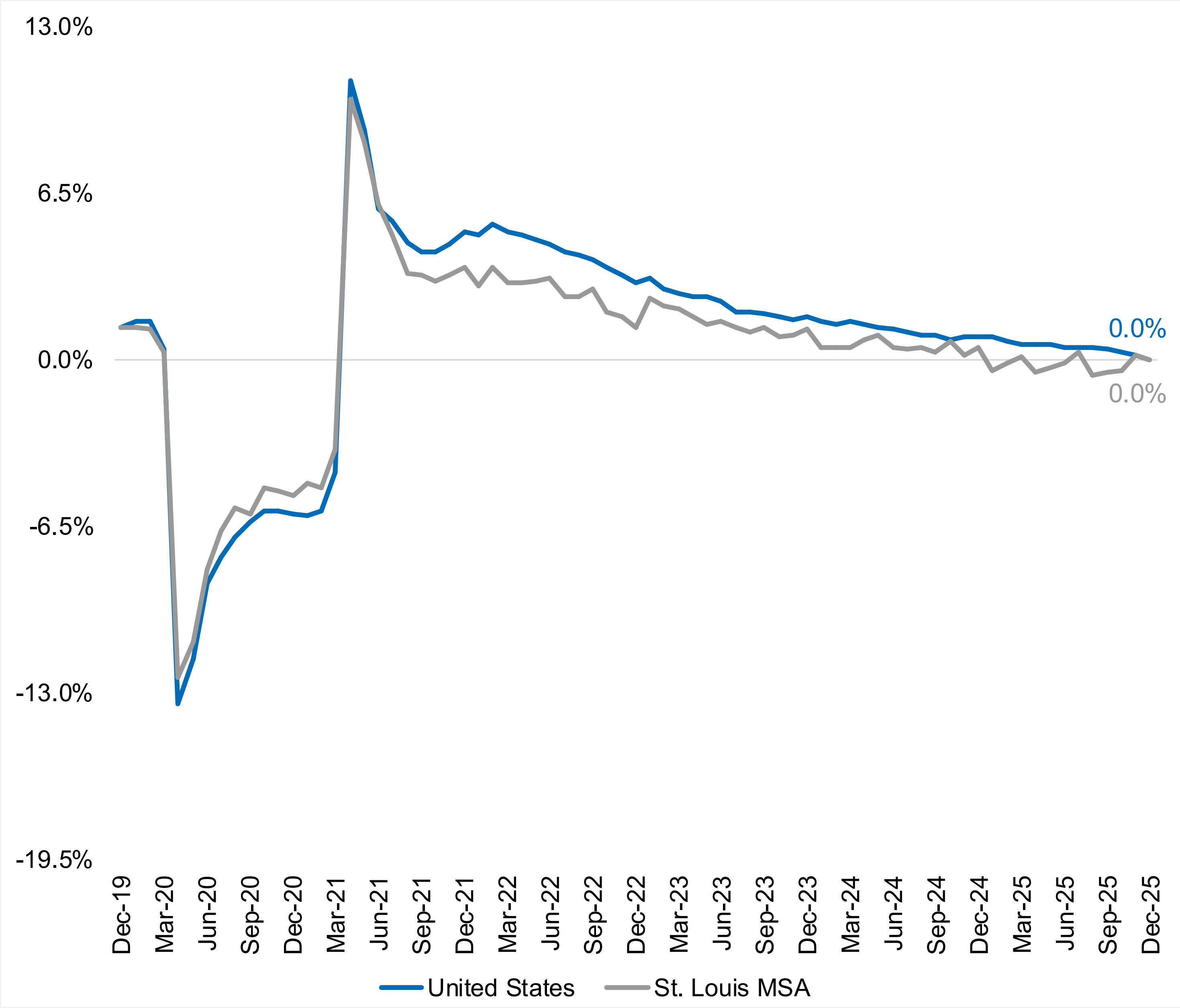
Metro Employment Unemployment Rate Below National Average

Due to a lapse in appropriations in the BLS, the collection of select data points has been delayed at the local or national level. The St. Louis region’s labor market tightened as unemployment decreased 10 basis points in the quarter to 4.0%. The regional unemployment rate now stands 40 basis points below the national average, signaling comparative economic strength. Nonfarm payroll employment in the region is level with the national average at 0.0%. According to the Kansas City Fed Labor Market Conditions Indicators, activity declined from 0.30 to 0.17, while momentum increased from -0.07 to 0.02 in February 2026.

Unemployment Rate, Non-Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

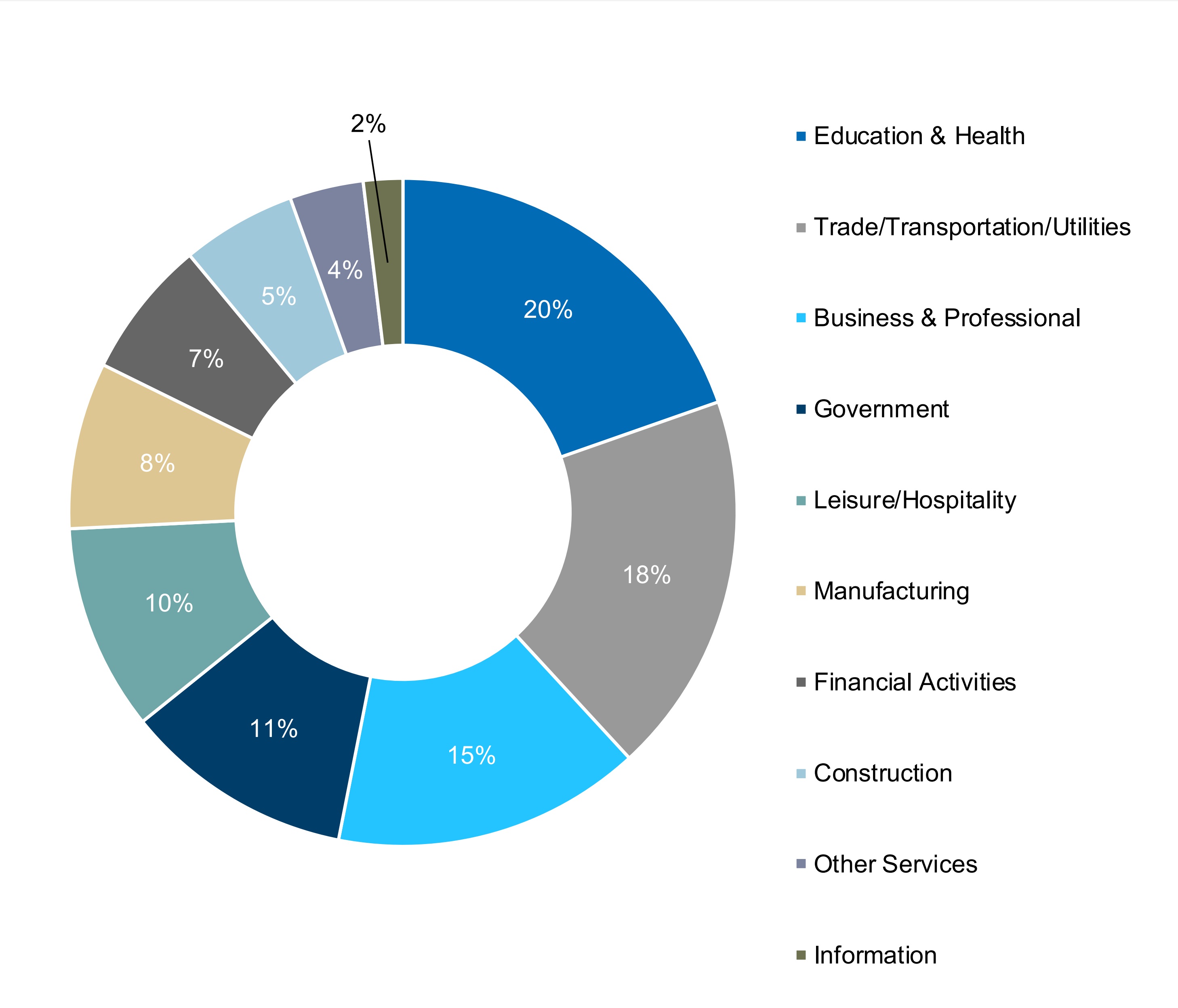


Source: U.S. Bureau of Labor Statistics, Newmark Research, FRED

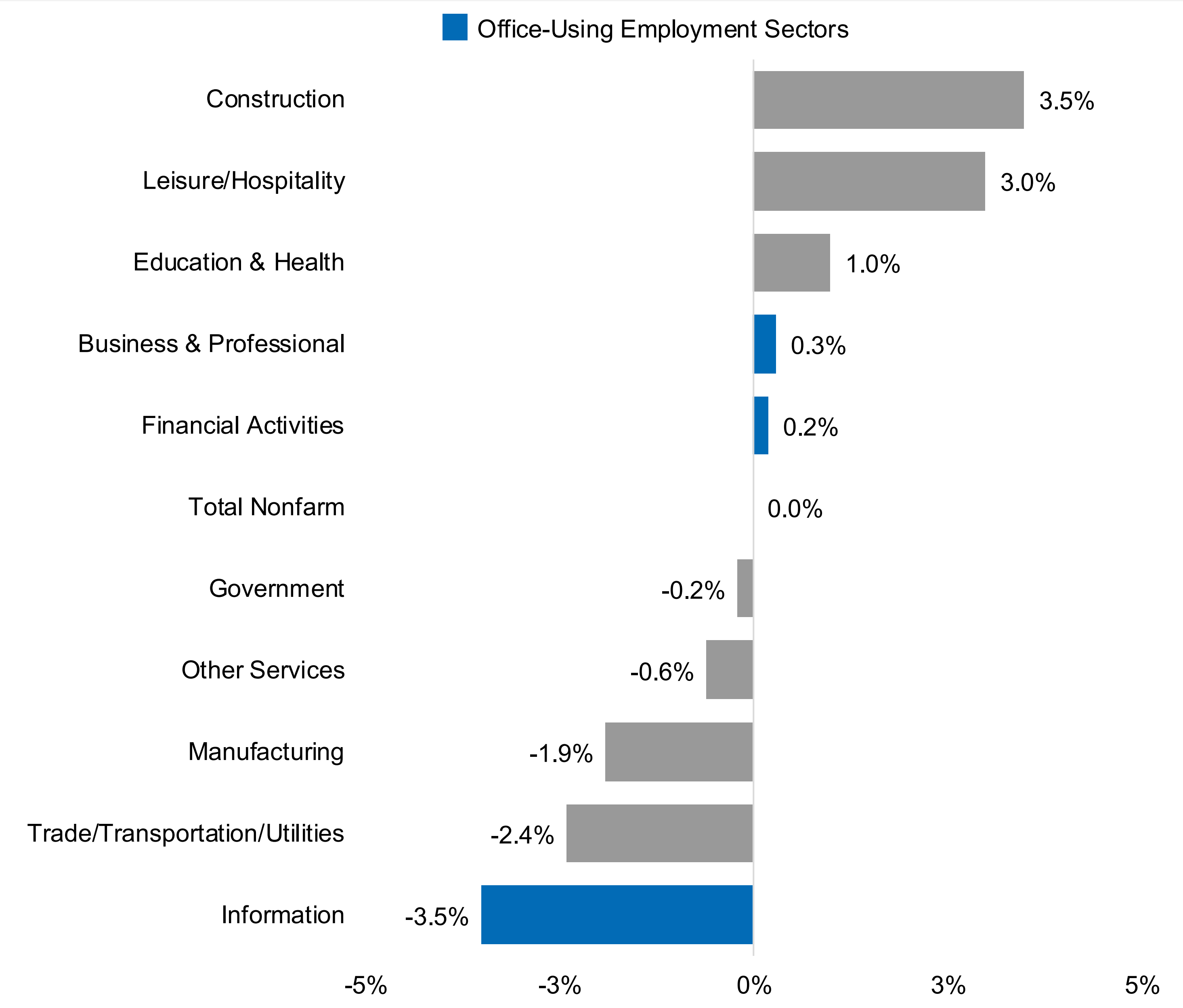
Construction and Leisure/Hospitality Sectors Lead Regional Job Gains

Due to a lapse in appropriations in the BLS, the collection of select data points has been delayed at the local or national level. The Construction sector led regional annual job growth, followed by Leisure/Hospitality. The Information and Trade/Transportation/Utilities sectors posted the largest job losses, with declines of 3.5% and 2.4%, respectively. Two out of three office-occupying industries, reported annual job gains.

Employment by Industry, December 2025



Employment Growth by Industry, 12-Month % Change, December 2025

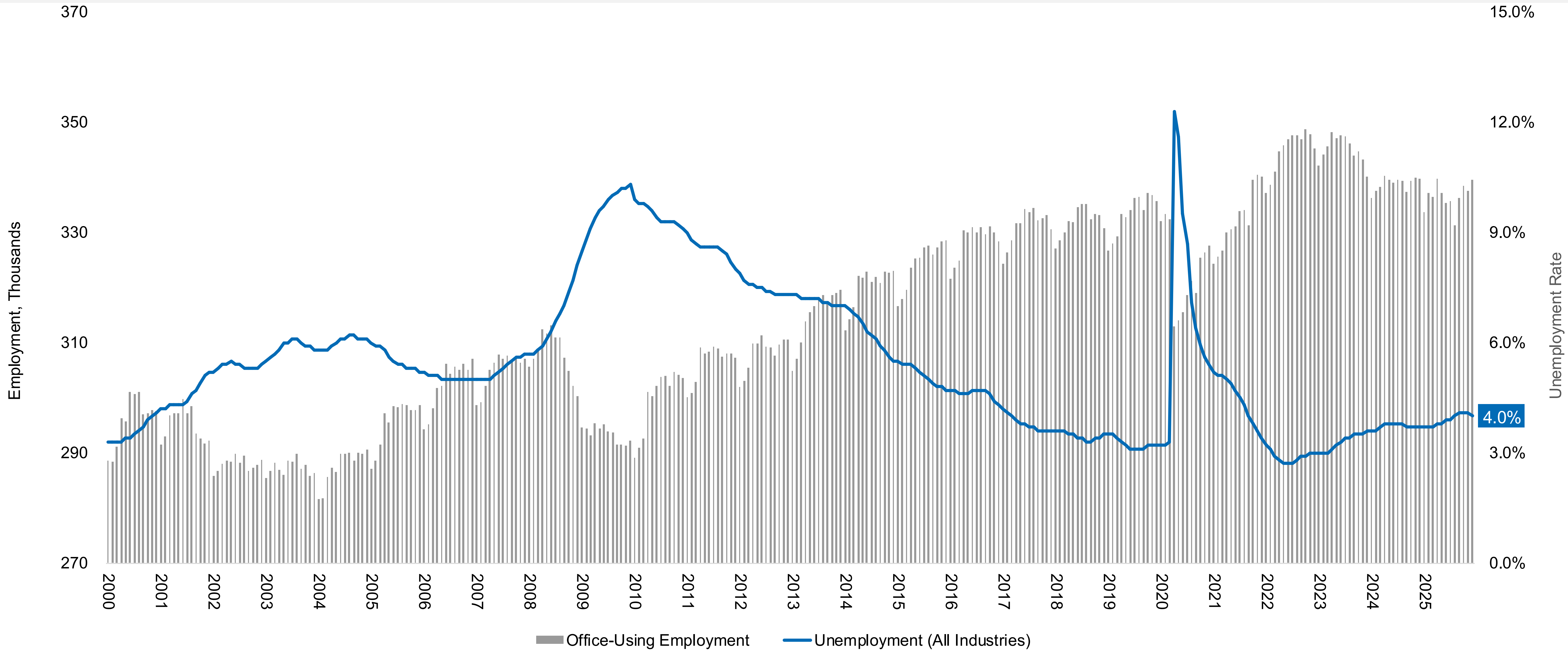


Source: U.S. Bureau of Labor Statistics, Newmark Research – St. Louis MSA

Office Employment Trending Downward

Due to a lapse in appropriations in the BLS, the collection of select data points has been delayed at the local or national level. Office employment has recovered from its pandemic low but has trended downward since April 2023, now aligning with levels last seen in September 2021. While a slight seasonal dip is typical early in the year, the region is expected to experience a decline in 2026.

Office-Using Employment* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, St. Louis MSA
Note: December 2025 data is preliminary.
*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

02

Leasing Market Fundamentals

Market Overview

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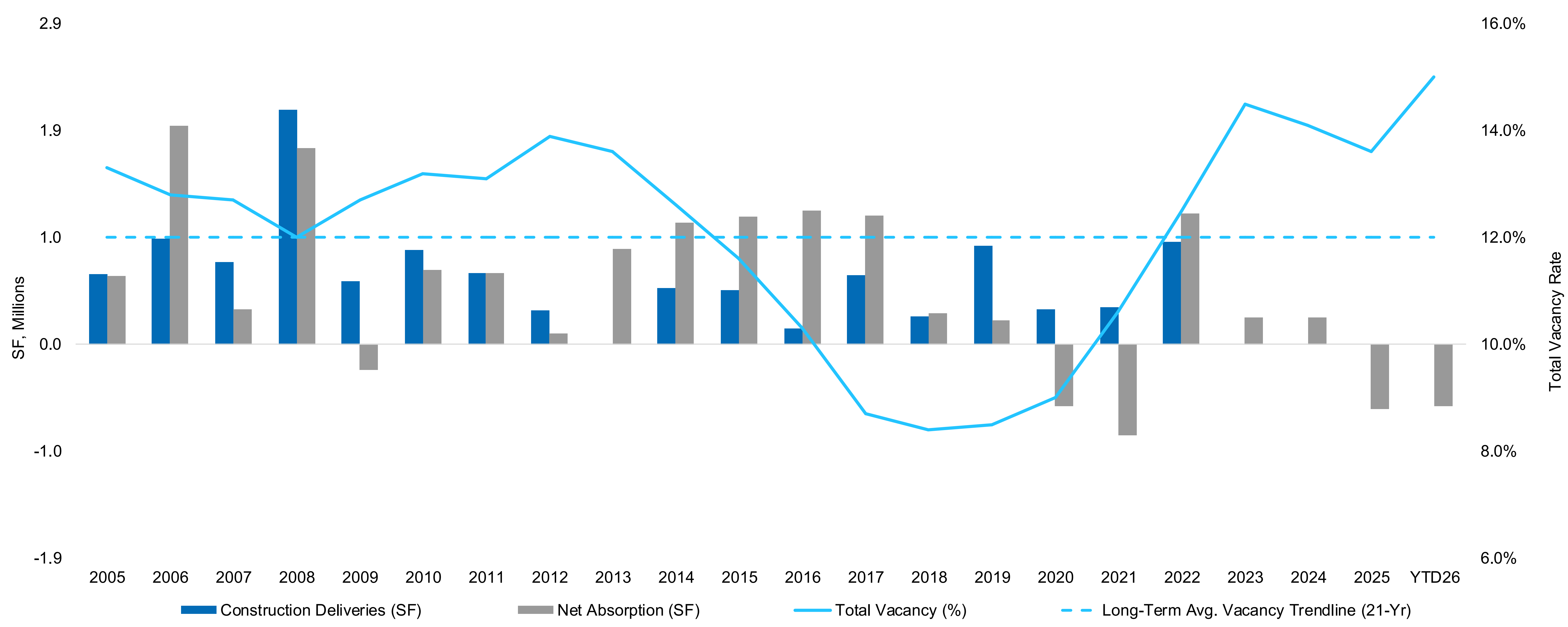
Source: Newmark Research, CoStar

Vacancy Expected To Plateau In 2026 As Market Recalibrates

Vacancy increased 140 basis points year over year to 15.0% as tenants adjusted to hybrid work models and reassessed space needs - five-year leases signed near the end of the Pandemic year in 2021 are now under evaluation. Ongoing office conversions to multifamily, hospitality and retail uses, along with limited new deliveries and a rising trend of in-office worker presence, are expected to limit vacancy increases for the remainder of 2026. Tenants will retain leverage across most Metro submarkets, prompting landlords to offer more competitive deal terms. New office development remains largely limited to build-to-suit and owner-occupied projects.

Historical Construction Deliveries, Net Absorption, and Vacancy

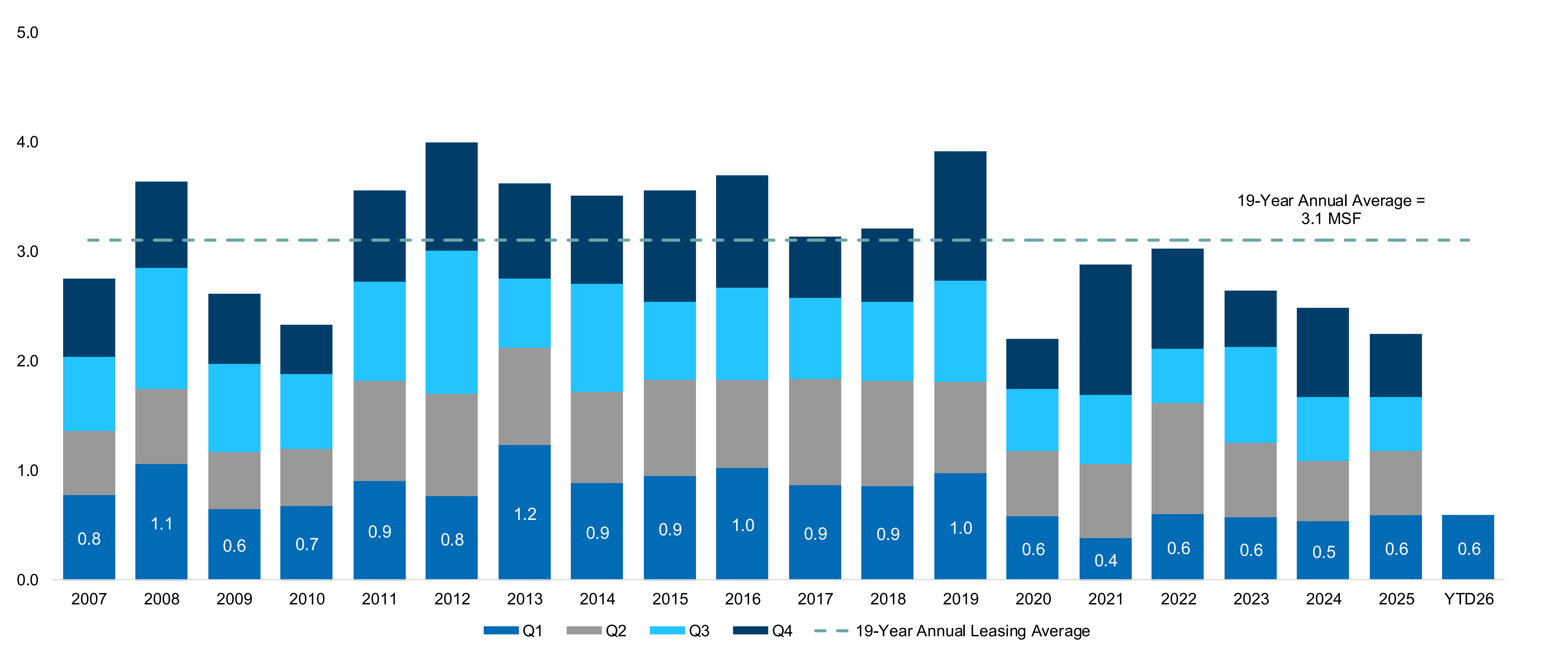


Source: Newmark Research, CoStar

Leasing Activity Remains Muted Across Metro

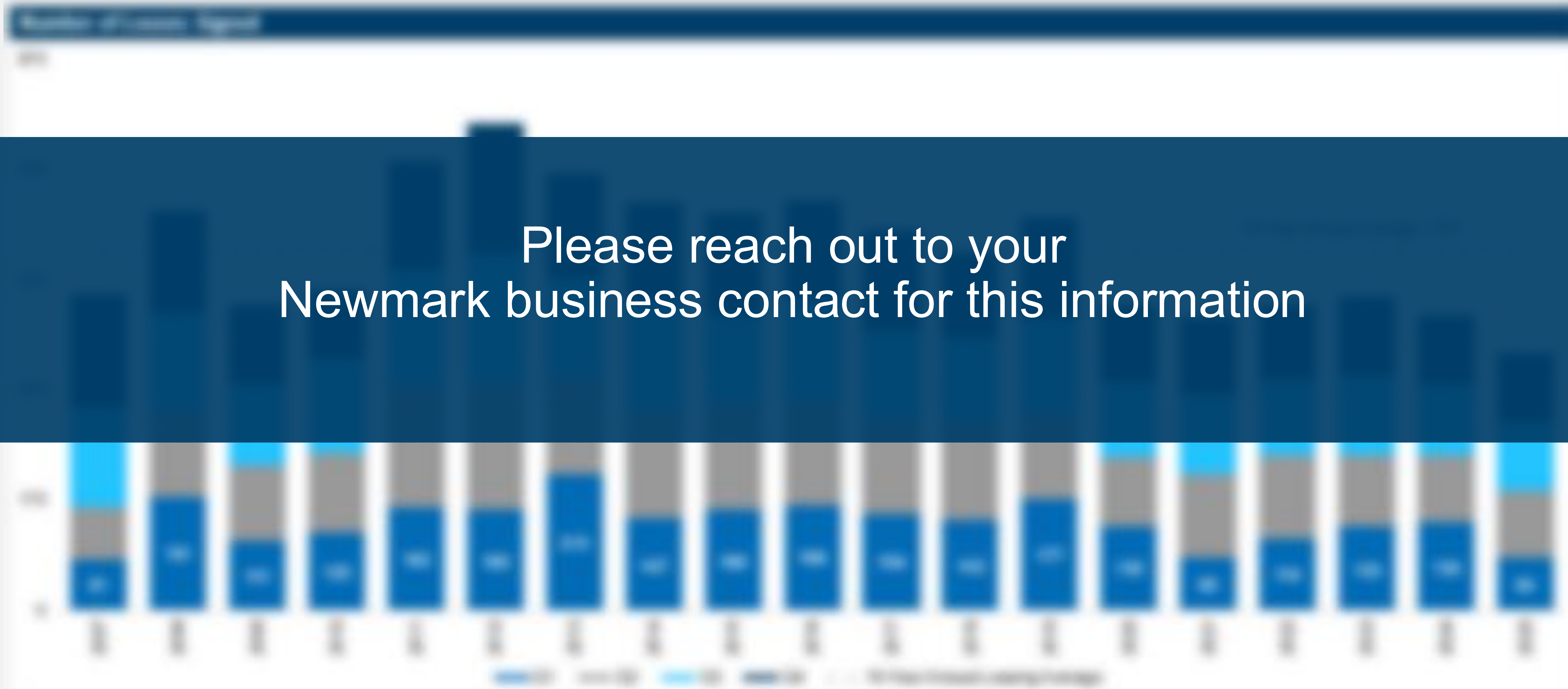
Leasing activity in the first quarter of 2026 totaled 594,007 SF, an 8.2% increase compared to the first-quarter average from 2020 to 2025. Over the past four quarters, activity remained 27.5% below the 19-year average.

Total Leasing Activity (MSF)



Source: Newmark Research, CoStar

Macroeconomic Uncertainty And Financing Challenges Reduce Leasing Volume



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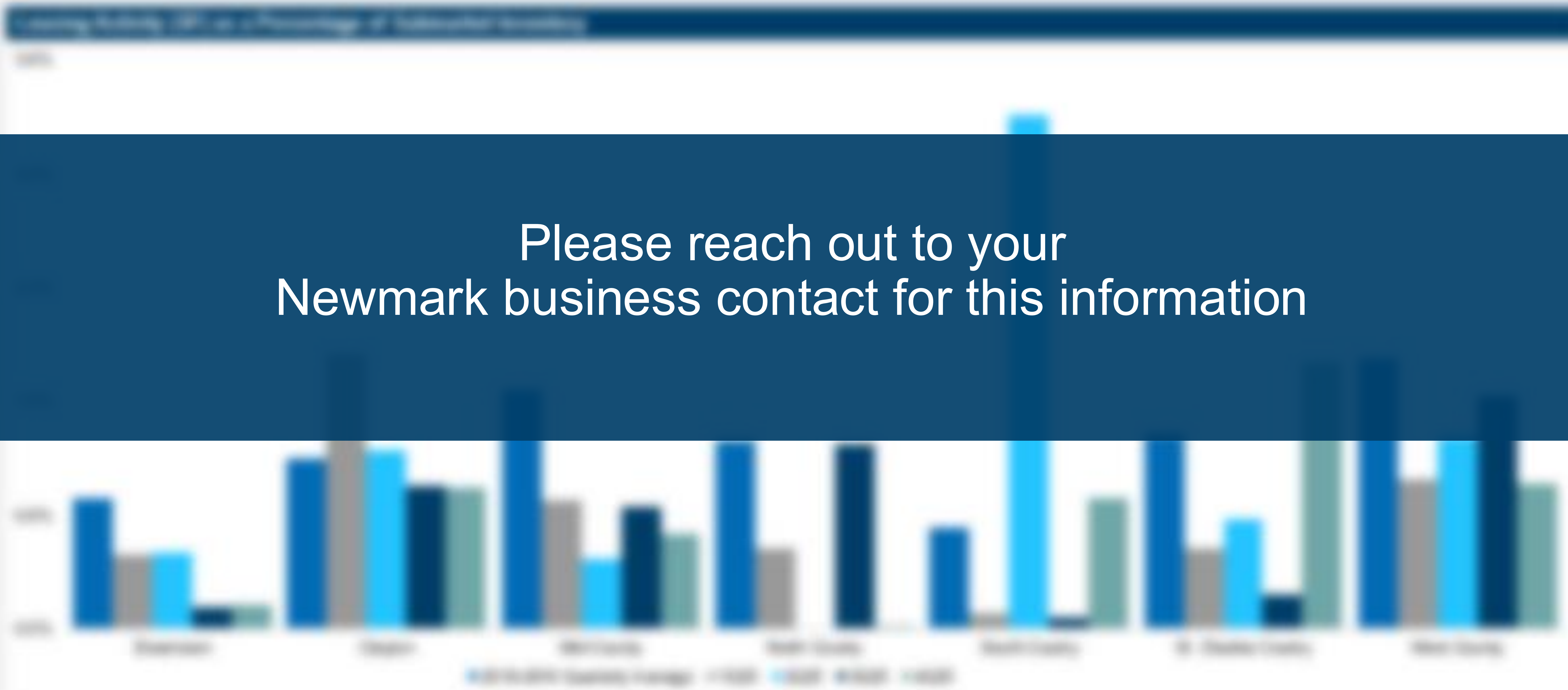
Source: Newmark Research, CoStar

Leasing Activity At Pre-Pandemic Levels In Marquee Submarkets



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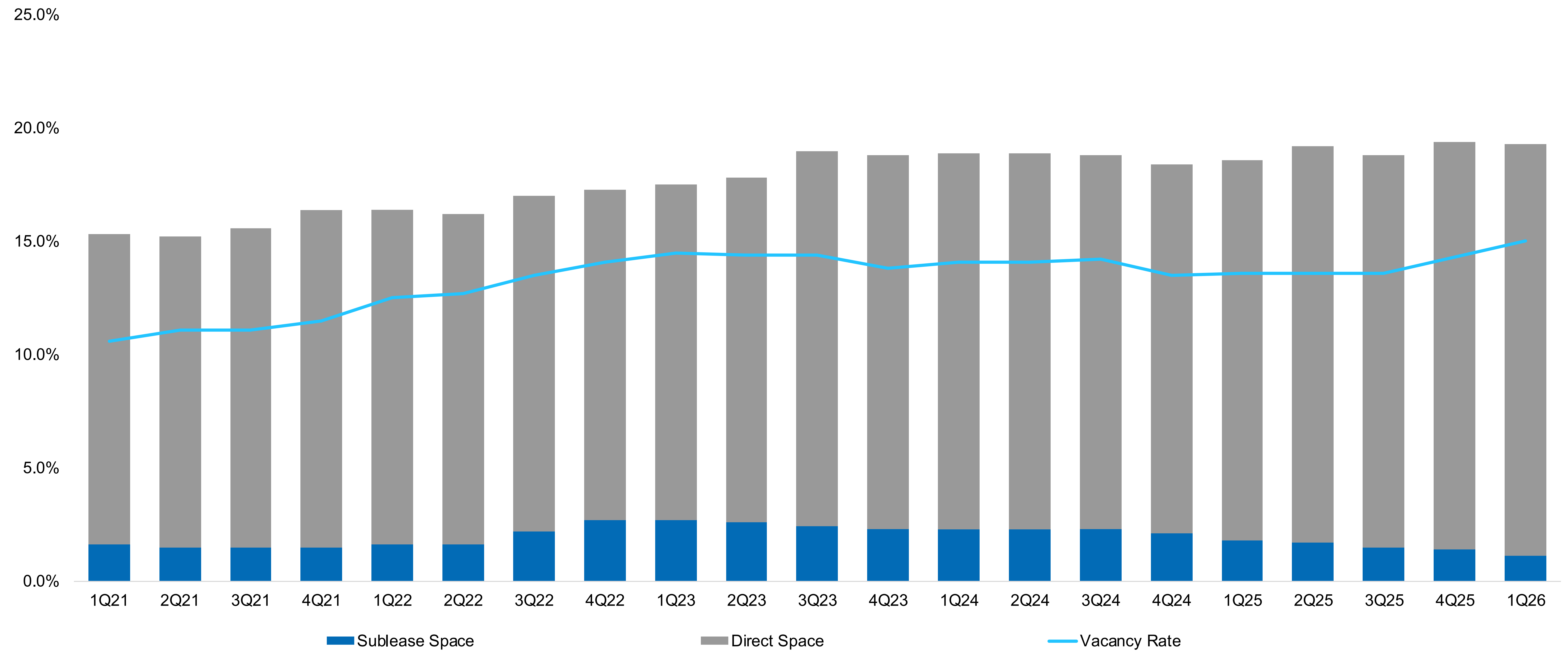
Source: Newmark Research, CoStar

Direct Availability Increases; Sublease Availability Declines To 1.1%

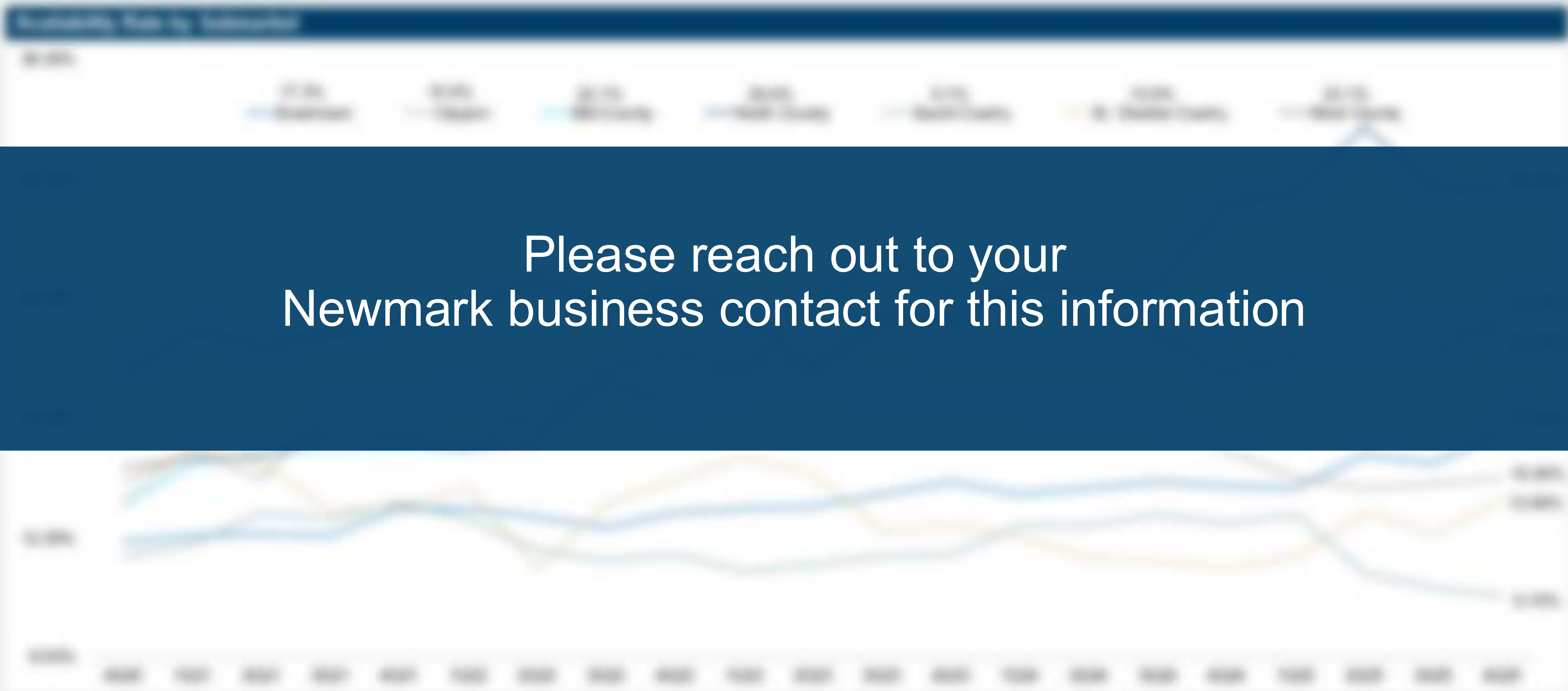
Prior to the pandemic, many technology firms leased space in anticipation of future headcount growth, aiming to hedge against tightening supply and rising rents. While a significant portion of sublease availability was previously tied to tech firms, sublease space has since returned to pre-pandemic levels. Direct availability is projected to begin declining in the second half of 2026.

Available Space as Percent of Overall Market



Source: Newmark Research, CoStar

Downtown Experiences Largest Availability Rate Increase Year Over Year



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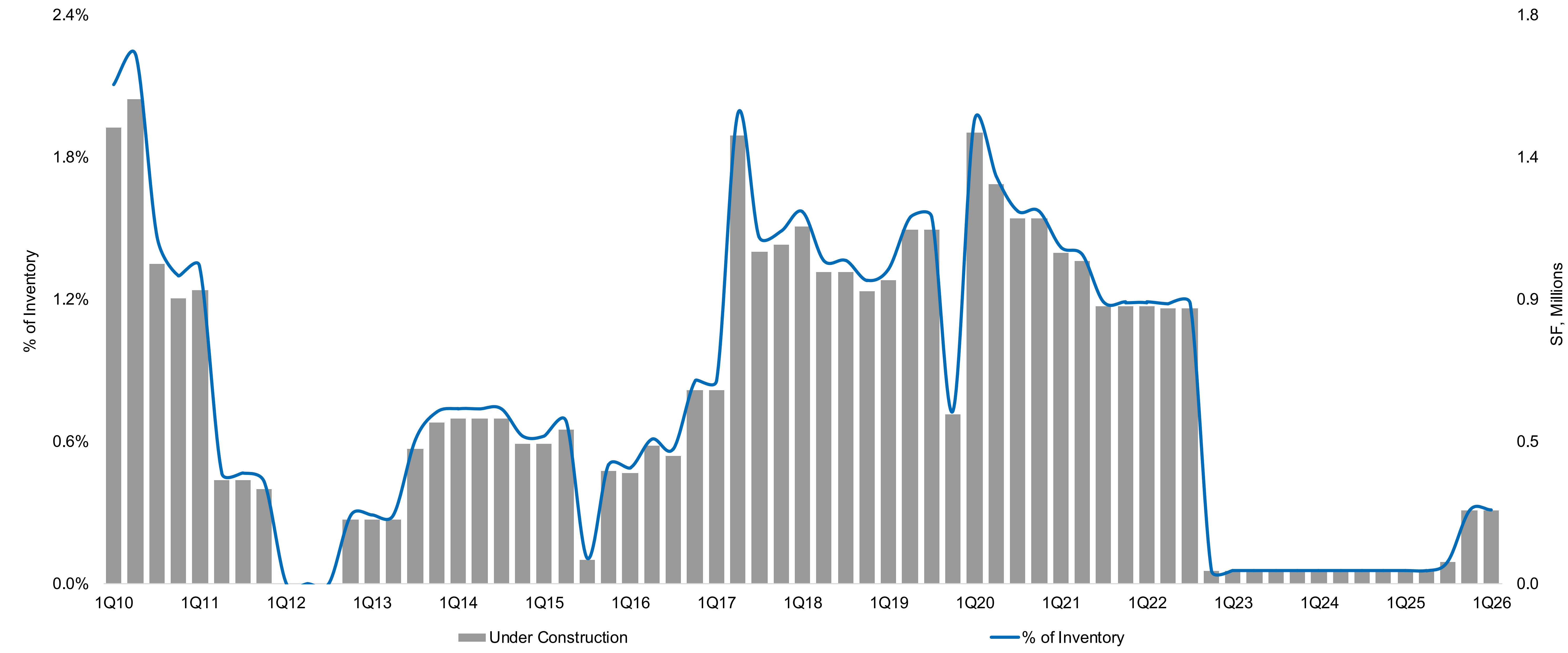
Source: Newmark Research, CoStar

New Construction Remains Limited While Vacancy Registers 15.0%

Since the 2022 deliveries of Commerce Bank Tower and Forsyth Pointe in the Clayton submarket, new construction has declined sharply. Current activity is limited to build-to-suit and owner-occupied projects, as elevated vacancy at 15.0% continues to suppress speculative development.

Office Under Construction and % of Inventory

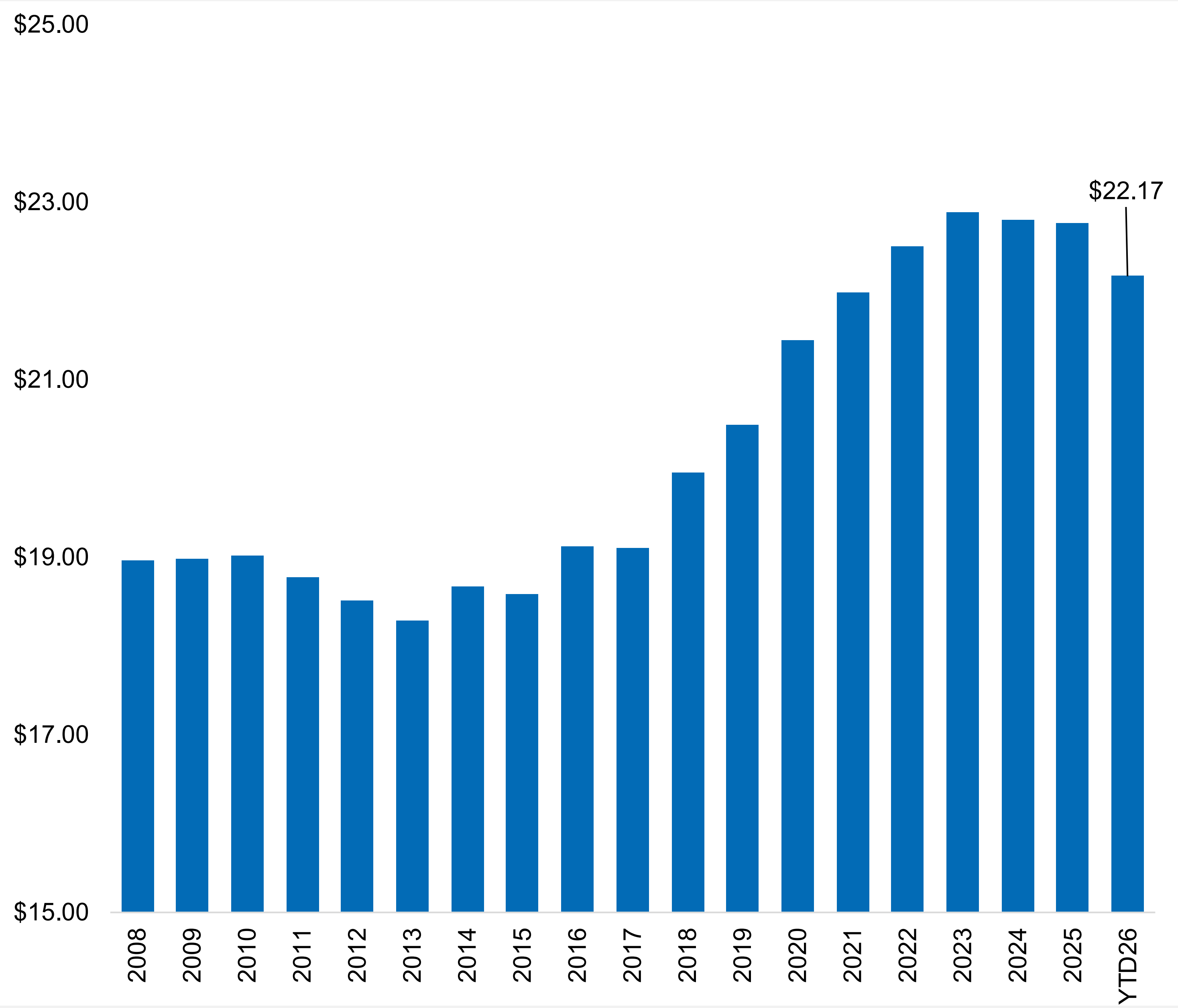


Source: Newmark Research, CoStar

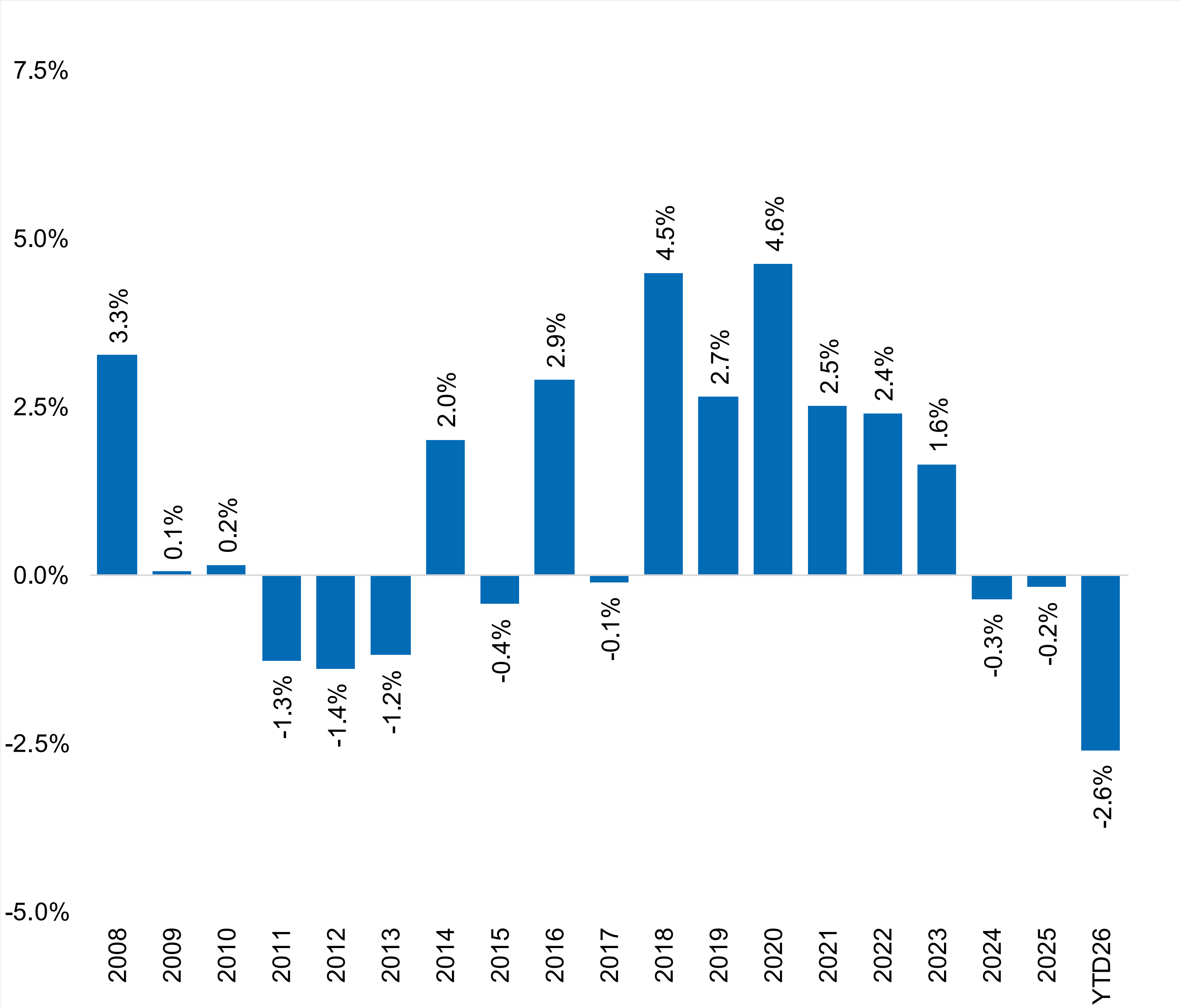
Rents Decline As Landlords Navigate Limited Liquidity

Overall asking rents declined year over year to $22.17/SF and are expected to remain flat in 2026. Limited liquidity is prompting some landlords to lower rents rather than expand concession packages. With inflation remaining elevated over the past three years, real growth in office asking rents has been largely stagnated.

Office Average Asking Rent, $/SF, FS



Year-Over-Year Asking Rent Growth Rate

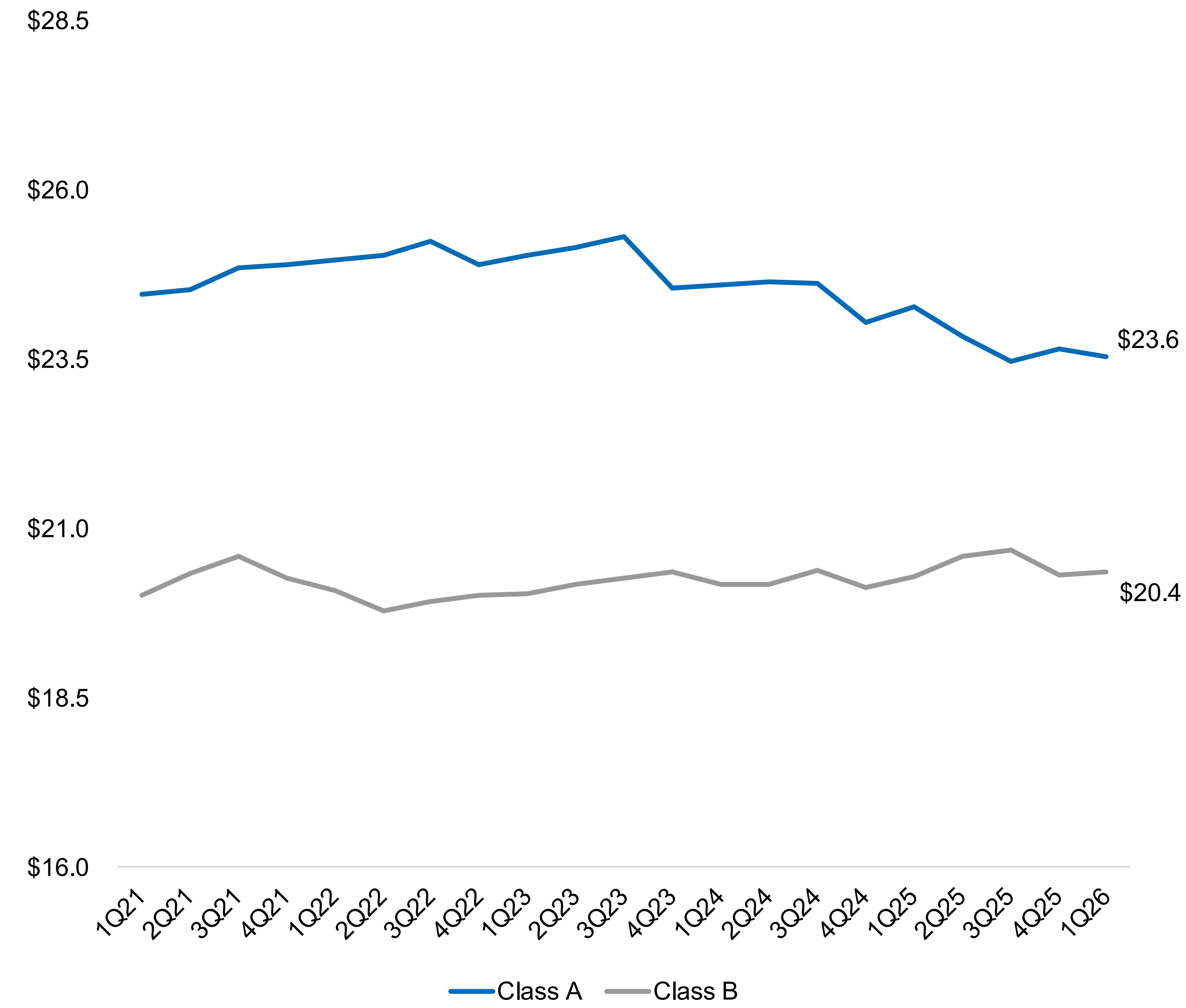


Source: Newmark Research, CoStar

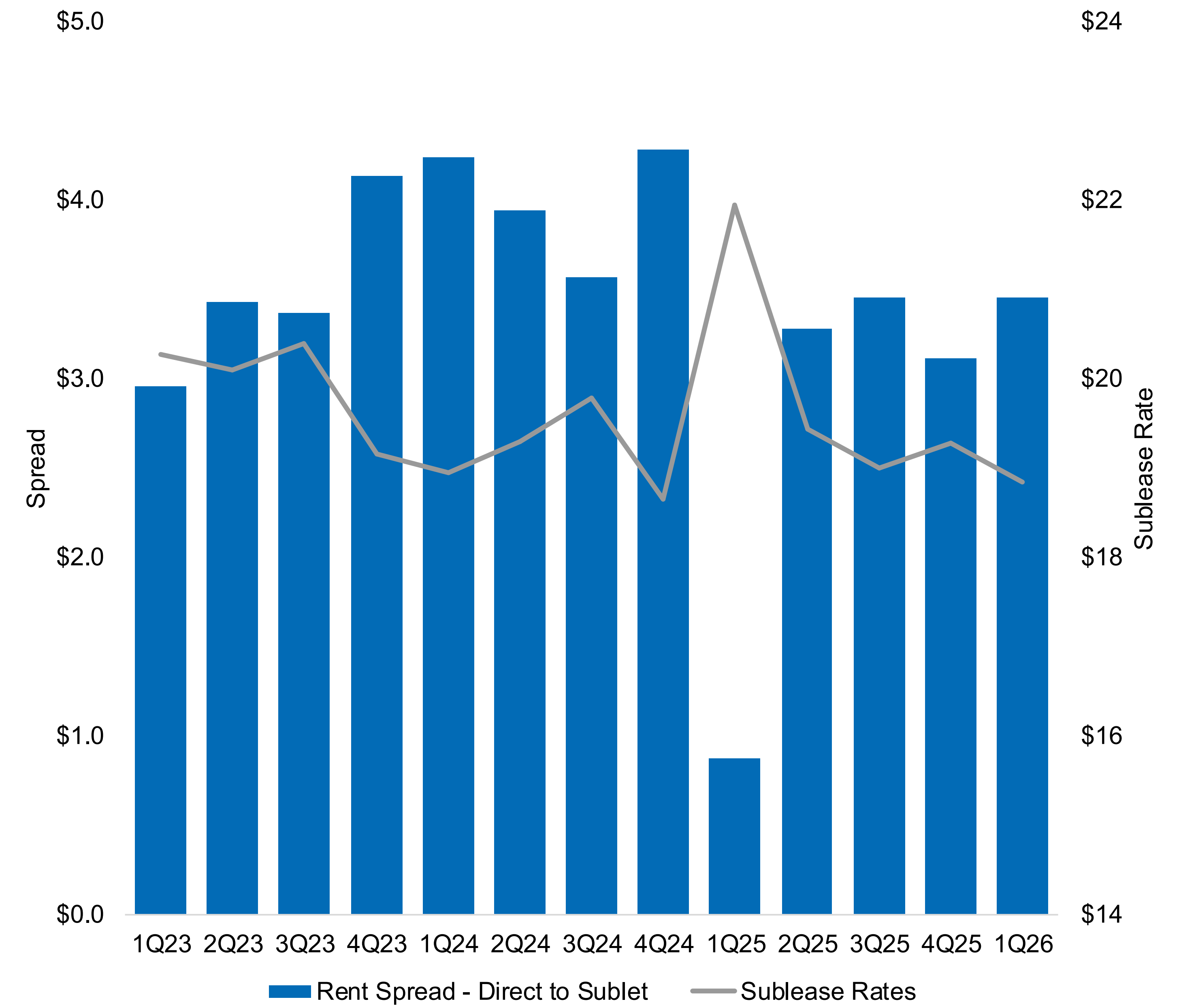
Class A Rents Compress

Historical trends suggest rents eventually adjust to reflect reduced demand. Overall asking rental rates in both the Class A and Class B segments have declined outright or remained stagnant when adjusted for inflation. Select prime Class A office buildings in the Clayton submarket remain the exception to rent compression as local firms have downsized footprints but upgraded quality. Sublease rents registered $18.85/SF in the first quarter of 2026, increasing the rent spread to $3.45/SF.

Class A and Class B Asking Rents

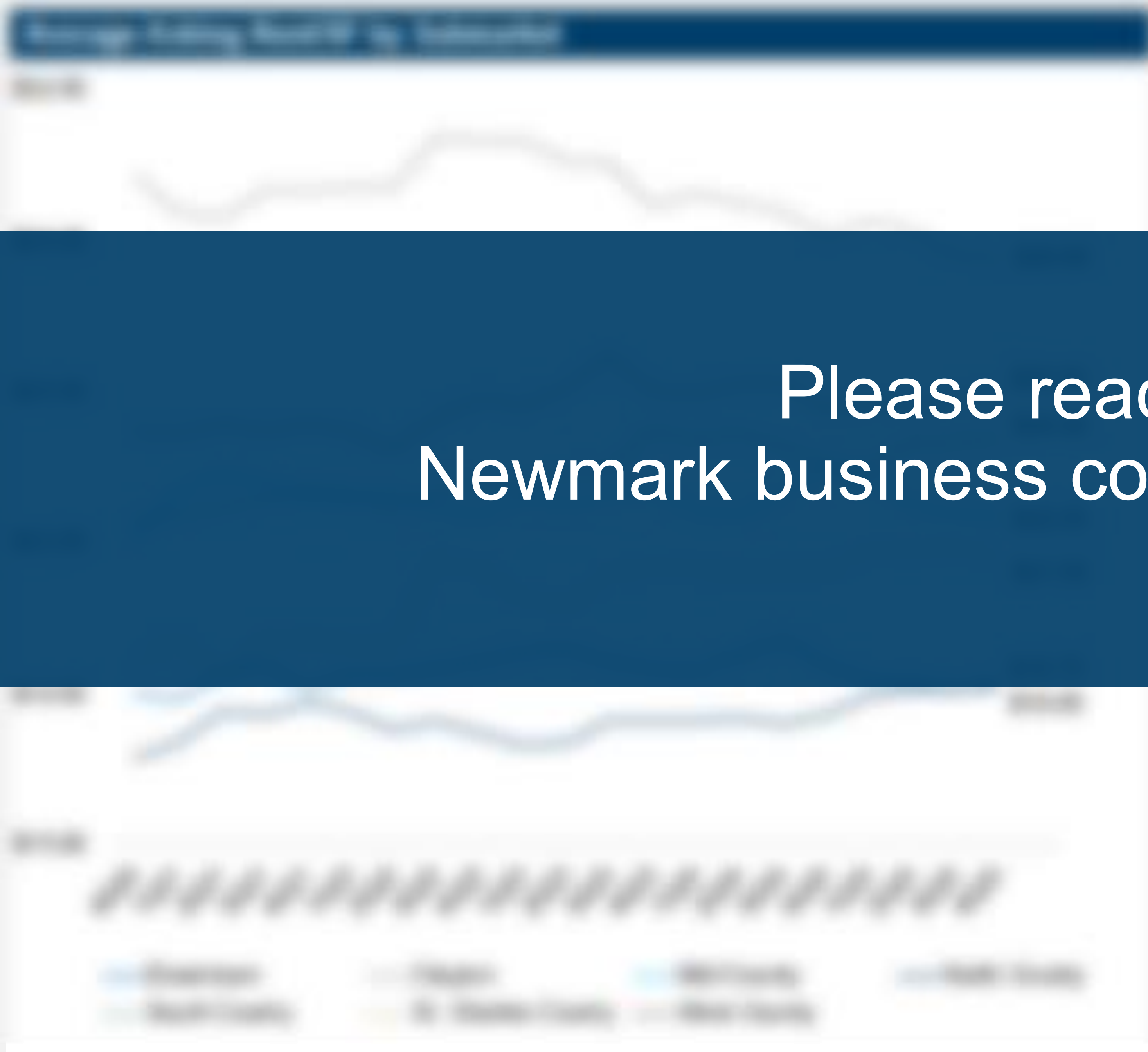


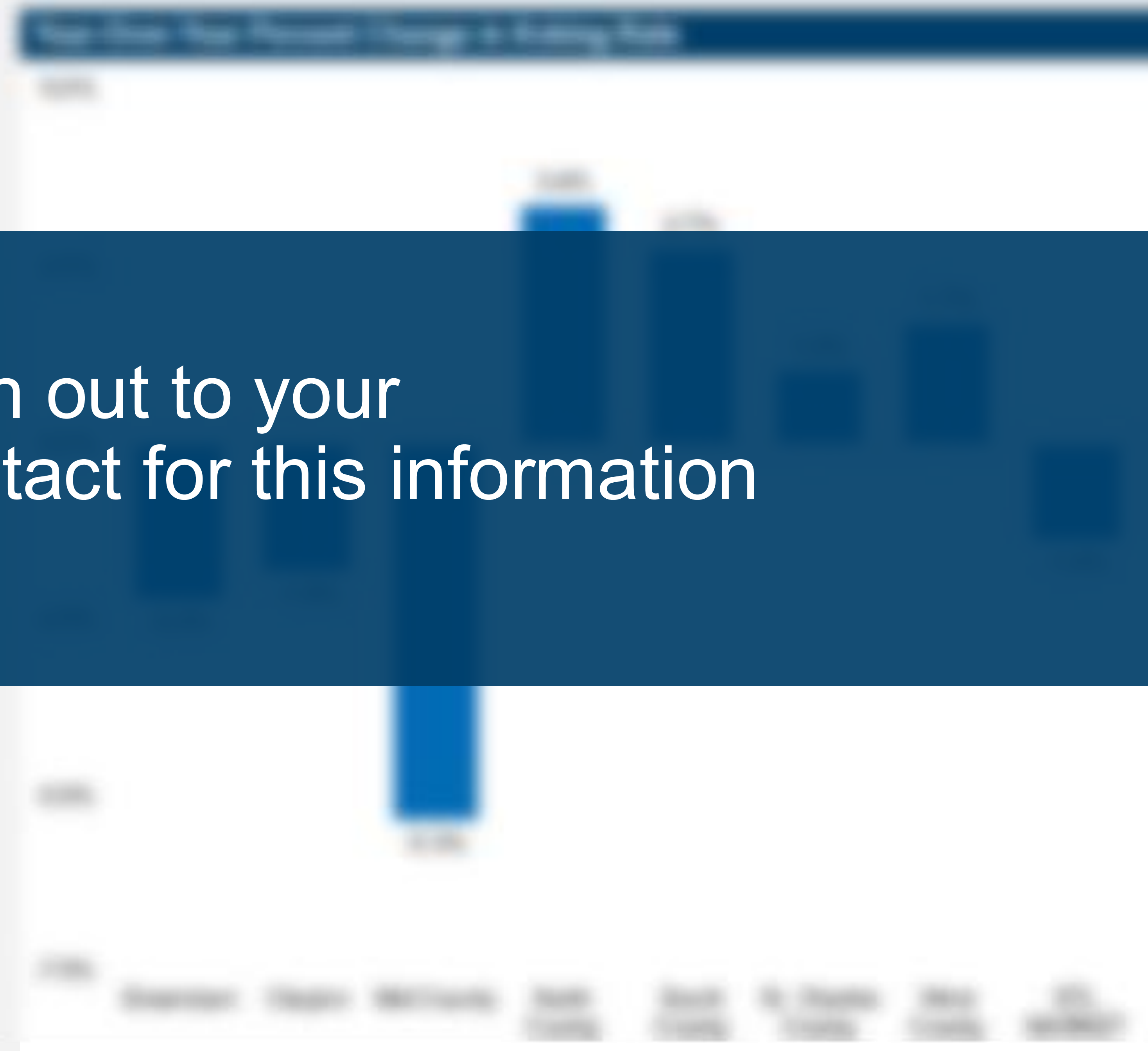
Sublease Rates



Source: Newmark Research, CoStar

Marquee Submarkets See Reversal In Rental Rate Growth





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Source: Newmark Research, CoStar

1Q26 Notable News & Leasing Activity

Demand for new or newly renovated Class A office space in marquee submarkets, particularly those with premium amenities, is expected to remain strong in 2026. Significant tenant movement out of outdated space and ongoing conversions to multifamily and hospitality will continue to contribute market stabilization, with vacancy at 15.0% as of the first quarter of 2026.

Select News & Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Burns & McDonnell	1245 J.J. Kelley Memorial Drive	West County	Direct Lease	74,270
Burns & McDonnell announced it signed a lease for 74,270 SF of space located on the third, fourth and fifth floors of the 227,780-SF former Edwards Jones building in Des Peres, MO. An anticipated move-in is scheduled for February 2027.				
UniGroup, Inc.	1245 J.J. Kelley Memorial Drive	West County	Direct Lease	54,700
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CI Select	3950 Laclede Avenue	Downtown	Direct Lease	19,100
CI Select signed a 10-year lease at the recently redeveloped The Carriage Works building located at 3950 Laclede Ave. in St. Louis, MO. The firm will occupy 19,100 SF of space in the 41,000-SF property. An anticipated move-in is scheduled for June 2026.				
39 North	1001 N Warson Road	Mid County	Direct Lease	18,440
39 North signed a five-year lease at the EDGE@BRDG building located at 1001 North Warson Rd. The firm will occupy 18,440 SF of space on the third floor of the 152,260-SF property. An anticipated move-in is scheduled for June 2026.				
Morgan & Morgan	120 S Central Avenue	Clayton	Direct Lease	17,120
Morgan & Morgan signed a 10-year lease at the PNC Center building located at 120 South Central Ave. in Clayton. The firm will occupy 17,120 SF on the 11th floor of the 301,610-SF property. The asking starting rent was published at a rate of $31.00/SF prior to leasing. An anticipated move-in is scheduled for April 2026.				

Source: Newmark Research

03

Submarket Statistics

1Q26 ST. LOUIS OFFICE MARKET OVERVIEW

Submarket Statistics

1Q26 (Page 1 of 4)

Submarket Statistics – All Classes

Submarket	Class	Total Number of Buildings	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	Past 4 Qtrs Net Absorption (SF)	Total Asking Rent (Price/SF)

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Source: Newmark Research

Submarket Statistics

1Q26 (Page 2 of 4)

Submarket Statistics – All Classes

Submarket	Class	Total Number of Buildings	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	Past 4 Qtrs Net Absorption (SF)	Total Asking Rent (Price/SF)

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Source: Newmark Research

Submarket Statistics

1Q26 (Page 3 of 4)

Submarket Statistics – Class A

Submarket	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	Past 4 Qtrs Net Absorption (SF)	Direct Asking Rent (Price/SF)	Sublet Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
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Source: Newmark Research

Submarket Statistics

1Q26 (Page 4 of 4)

Submarket Statistics – Class B

Submarket	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	Past 4 Qtrs Net Absorption (SF)	Direct Asking Rent (Price/SF)	Sublet Asking Rent (Price/SF)	Total Asking Rent (Price/SF)

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Source: Newmark Research

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