

# A WIN-WIN APPROACH TO FEDERAL REAL ESTATE

2ND EDITION

 TRANSWESTERN

Welcome back: Creating  
better federal workplaces while  
tackling office vacancy.



# ADDRESSING THE INEVITABLE

*Heads of all departments and agencies in the executive branch of Government shall, as soon as practicable, take all necessary steps to terminate remote work arrangements and require employees to return to work in-person at their respective duty stations on a full-time basis, provided that the department and agency heads shall make exemptions they deem necessary.*

—EXECUTIVE ORDER, JANUARY 2025

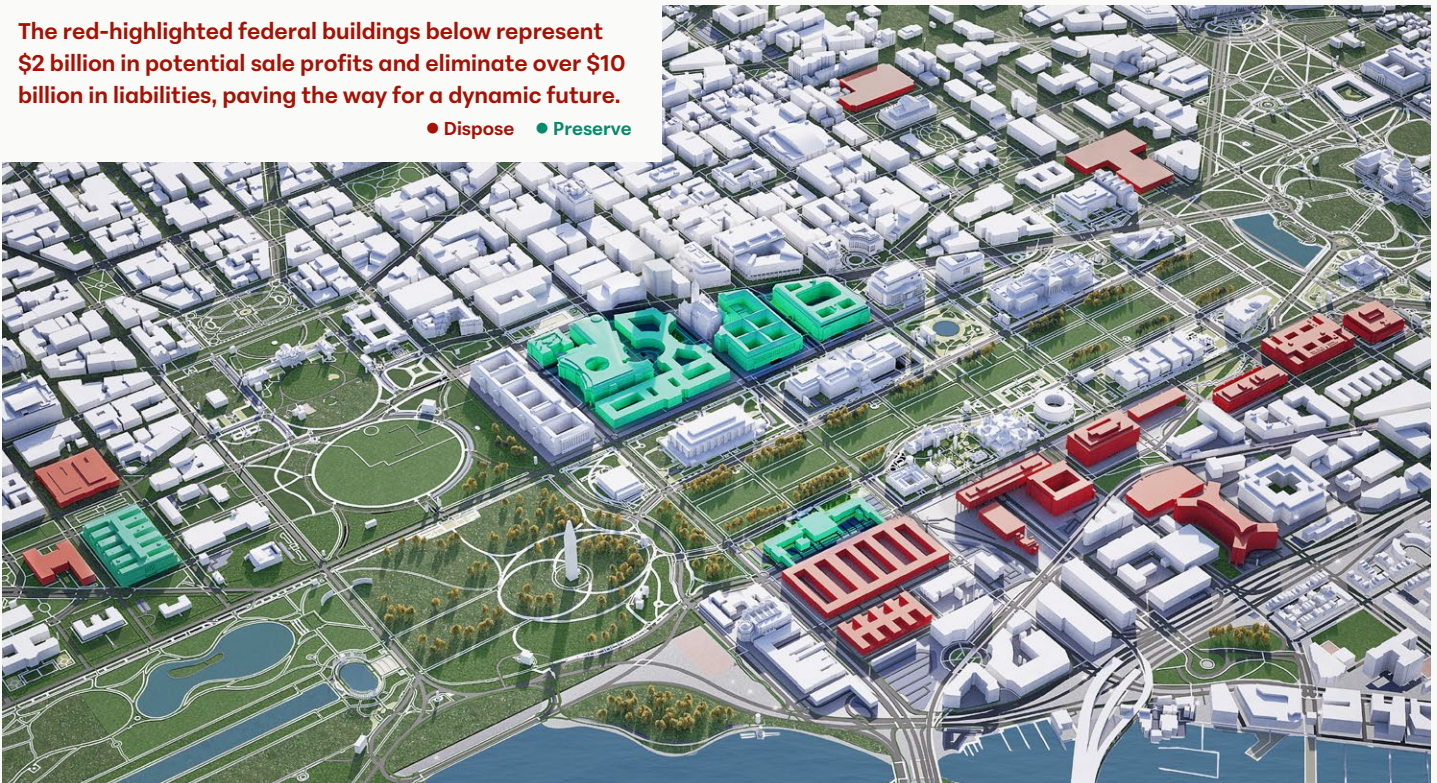
## THE CASE FOR DISPOSAL AND CONSOLIDATION.

The federal government is spending billions maintaining an aging, inefficient real estate portfolio. Many federally owned buildings are crumbling, underutilized, and burdened by unsustainable costs. These properties waste taxpayer dollars and fail to meet workforce needs or support Washington, D.C.'s economy. Addressing these challenges offers a vital opportunity to enhance federal efficiency and revitalize the city.

Consolidating the federal workforce into modern, efficient buildings would reduce the overall footprint, lower costs, and allow the government to dispose of

The red-highlighted federal buildings below represent \$2 billion in potential sale profits and eliminate over \$10 billion in liabilities, paving the way for a dynamic future.

● Dispose ● Preserve



# \$72 Billion

Unmet capital needs associated with the federally-owned office portfolio.

—PUBLIC BUILDINGS REFORM BOARD (PBRB)

# +350%

Federal buildings cost 350% more to operate and maintain annually than Class A office buildings.

—PBRB & TRANSWESTERN

# 75%

of Pew's +10,000 survey respondents nationwide report their employers require in-person work.

—PEW RESEARCH CENTER

# \$1.9 Trillion

Poor workplace environments contribute to the staggering cost of disengagement and lost productivity nationwide.

—GALLUP

underutilized properties. This approach would unlock the potential of currently encumbered real estate while addressing issues like declining tax revenues, economic dead zones, rising crime rates, and a struggling public transportation system.

### THE ECONOMIC AND WORKFORCE IMPLICATIONS.

President Trump's recently issued Executive Order means many federal employees face returning to outdated buildings that fail to compete with modern home offices. To attract and retain top talent, the federal government must align its real estate strategy with workforce needs. The private sector's "flight to quality" demonstrates the value of fewer, higher-quality spaces. The same principle should apply to

the public sector: better buildings lead to a more productive, motivated workforce capable of addressing national challenges.

### A WIN-WIN STRATEGY FOR THE FEDERAL GOVERNMENT, ITS WORKFORCE, TAX PAYERS, AND WASHINGTON, D.C.

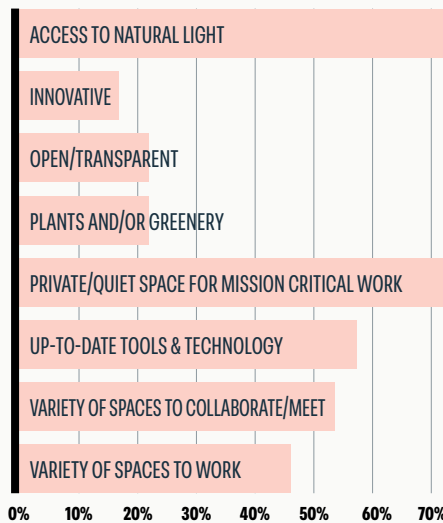
This realignment would benefit a wide range of stakeholders, including the new administration, Congress, the District government, commercial real estate markets, federal employees, and all those invested in Washington, D.C.'s future. Together, they can achieve individual goals while collectively revitalizing the city's economy and fulfilling their missions.

## Buildings identified for disposal typically contain some or all of the following issues:

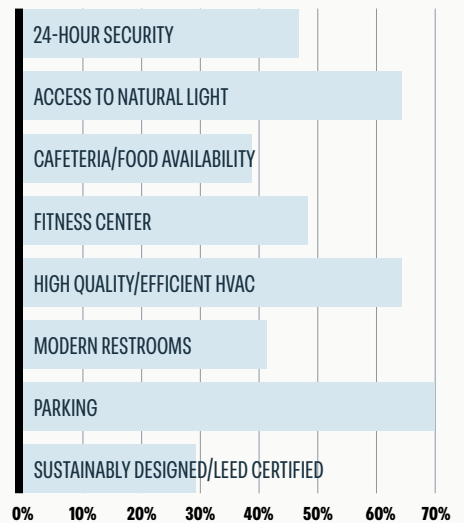
-  INADEQUATE SAFETY FEATURES
-  OUTDATED HVAC SYSTEMS
-  LIMITED TECHNOLOGY INFRASTRUCTURE
-  HIGH OPERATING COSTS
-  DEFERRED MAINTENANCE
-  INEFFICIENT LAYOUTS
-  ENVIRONMENTAL CONCERNS
-  MINIMAL ACCESS TO NATURAL LIGHT

## The federal workplace should offer the same in-office and building qualities viewed as essential by their private sector counterparts.

The most important attributes of the office as a whole.



The most important attributes of the building as a whole.



SOURCE: TRANSWESTERN WORKPLACE STRATEGY SOLUTIONS SURVEYS

# AN UNPRECEDENTED STRATEGY

Transforming federal real estate requires reducing excess and unlocking the value of underutilized assets. A broad, bipartisan coalition should support the disposal and sale of identified properties to private capital, turning major federal liabilities into thriving assets. This strategy also involves consolidating the federal workforce into the most recently renovated, low-liability buildings, as well as commercial office spaces that meet specifications, workforce needs, and budgetary requirements.

## 01—DISPOSE & SELL

Unlock the economic potential of federal properties through bipartisan support and public-private partnerships. Congress must remove barriers and create funding mechanisms to repurpose prime sites, such as those along Independence Avenue, into vibrant neighborhoods. Without timely action, federal decisions could harm Washington, D.C.'s economy.

Disposing of underutilized buildings allows private capital to collaborate with public and nonprofit entities, transforming stagnant corridors into hubs of civic, cultural, and commercial activity.



▲  
Vacant since 2007, the GSA sold the Cotton Annex in 2017. Private capital is reinventing the landmark building as residential.

▶  
GSA disposed of Southeast Federal Center—55 acres of unneeded real estate with significant capital liabilities—for private redevelopment.

## 02—CONSOLIDATE

Consolidate federal operations into fewer, higher-quality buildings, concentrating limited capital on maintaining and enhancing these efficient, iconic structures. Create workplaces that are safe, functional, and appealing, equipped to support a variety of needs, including focused work, collaboration, and co-creation. A modernized portfolio will improve productivity, morale, and overall workforce satisfaction.

### Consolidate Into Monumental Federally-Owned Buildings

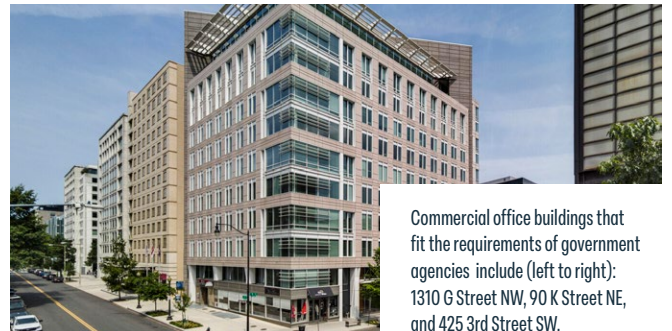


Ideal buildings government agencies can consolidate into include (top to bottom): the Reagan Building, the Herbert Hoover Building, and the Robert F. Kennedy Building

## 03—UTILIZE LEASING

Interim leasing offers a strategic solution during federal office reconfigurations, reducing operational and maintenance costs while aligning with workforce needs. Leasing modern commercial spaces supports the local economy, ensures continuity during transitions, and allows the government to benefit from upgraded properties, creating a more effective workplace strategy.

### Utilize Existing Commercial Office Stock



Commercial office buildings that fit the requirements of government agencies include (left to right): 1310 G Street NW, 90 K Street NE, and 425 3rd Street SW.

# ABOUT TRANSWESTERN

**Transwestern is the largest privately held real estate firm in the nation. With 33 offices across the U.S. and strategic global alliances, Transwestern combines deep local expertise with a global perspective to deliver innovative, tailored solutions.**

Taking a 360-degree approach to commercial real estate, the firm's integrated platform spans brokerage, asset services, development, investment management, and hospitality, providing clients and investors with a comprehensive suite of services across the entire real estate lifecycle.

In the Mid-Atlantic region, Transwestern provides a full range of services to meet the needs of property owners, tenants, and investors. The team's expertise includes agency leasing, tenant advisory and

workplace solutions, capital markets, investment sales, development, multifamily, and healthcare advisory. With an asset services arm focused on maximizing property performance and a specialized project services group—including project and construction management—Transwestern ensures comprehensive support and successful outcomes.

Backed by a robust research team, Transwestern Mid-Atlantic delivers data-driven insights that empower clients to make informed decisions. Transwestern's collaborative culture enables its professionals to work seamlessly across service lines, ensuring exceptional client outcomes. By prioritizing service excellence and fostering innovation, Transwestern continues to positively impact the built environment, strengthen local communities, and advance the careers of its team members.

## 1 Platform, 4 Companies

**33**

U.S. Markets + 25 Global Markets

**2,200+**

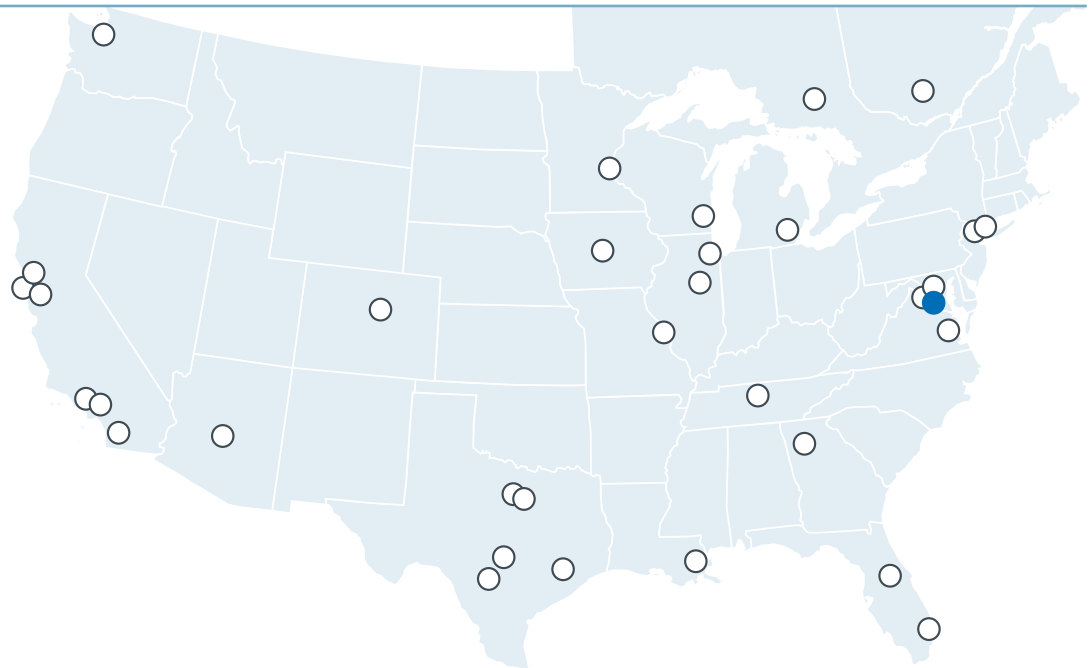
Team Members Nationwide

**320M+**

Square Feet Managed and Leased Annually

**1,400+**

Owner and Occupier Clients





## LUCY KITCHIN

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Leading Transwestern's Government Services advisory group in Washington, D.C., Lucy represents owners and investors of government leased real estate on both regional and national levels. Lucy advises clients on strategies to attract and retain government tenants, providing brokerage and advisory services that include financial evaluation, RFP development and lease negotiation.

A federal real estate expert and former Capital Hill staffer, Lucy brings her wealth of political knowledge to advise her clients on how to maximize their real estate.



## LOGAN GRADISON

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Logan is an experienced Workplace Strategist and certified interior designer. Informed by her background in psychology and corporate interior design, she aligns company culture and business objectives. Known for a unique perspective and a data-driven approach, she emphasizes the role of the office and optimizing the in-office experience.

Logan is a native Washingtonian and a Georgetown Day School Alum.



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**ABOUT TRANSWESTERN.** Four dynamic, integrated companies make up the Transwestern enterprise, giving us the perspective to think broadly, deeply and creatively about commercial real estate. Through offices nationwide, and via global alliances with BNP Paribas Real Estate and ENCOR Advisors, we positively impact the built environment and our communities while fostering a work climate that champions career vitality for all.

Find us online at [Transwestern.com](https://www.transwestern.com).     

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Sources: Transwestern Workplace Strategy Solutions; Transwestern Research Services; Public Buildings Reform Board *Interim Report to Congress*, 03.21.2024; Gallup *U.S. Employee Engagement Sinks to 10-Year Low*; Pew Research Center *Many remote workers say they'd be likely to leave their job if they could no longer work from home*; Images courtesy of CoStar, LoopNet, US Dept. of Agriculture, GSA\Kristen Fusselle, The Library of Congress, TheYards.com, TheAnnexon12th.com, Caleb Fisher via Unsplash