CUSHMAN & WAKEFIELD

TRUMP 2.0

IMPACTS FOR THE WASHINGTON, DC METRO REGION

FEBRUARY 2025

CUSHMAN & WAKEFIELD

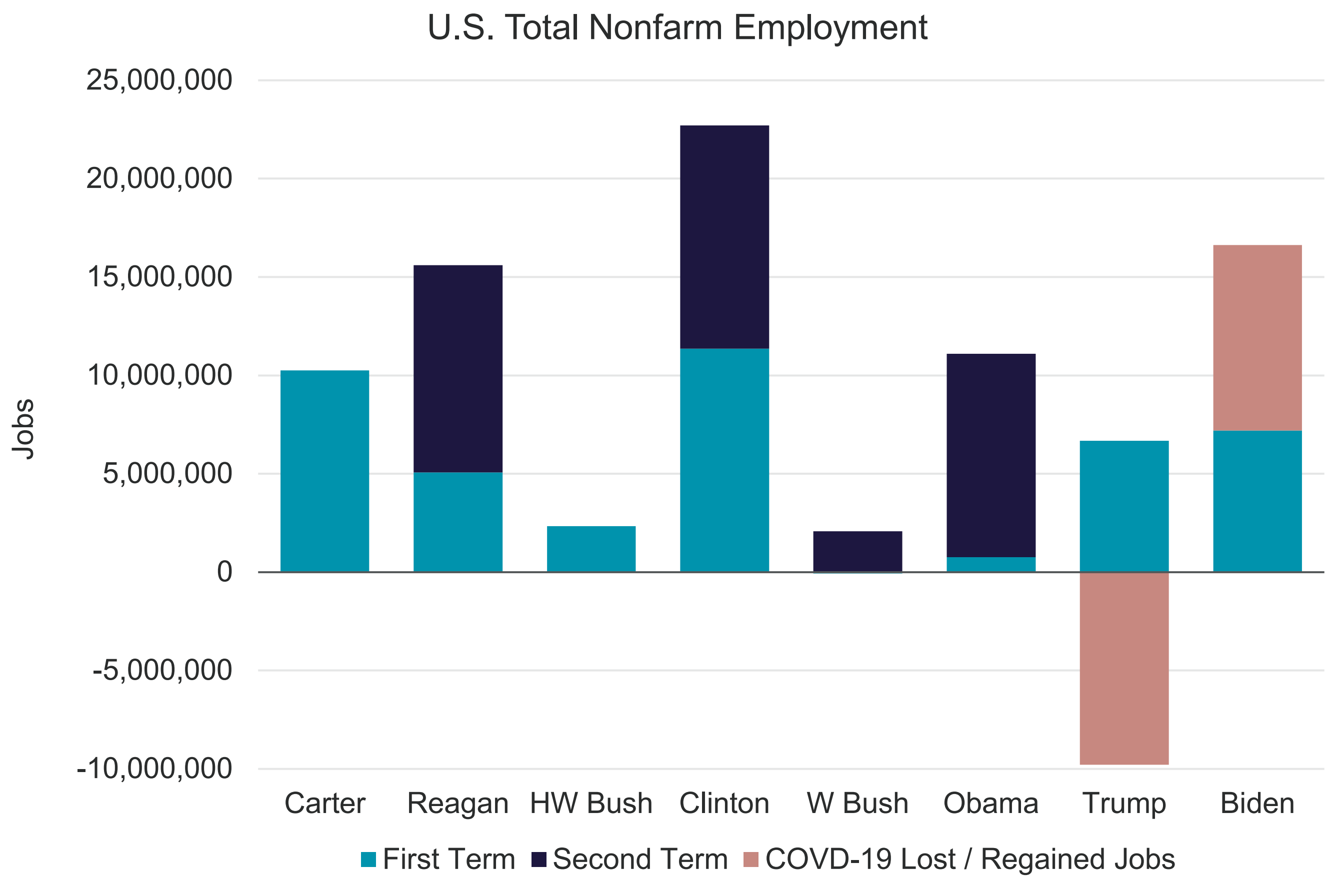
The Department of Government Efficiency (DOGE) and the Trump administration are considering shedding a large portion of the office space that the government owns or leases nationwide. Although it remains unclear what authority DOGE has, outside of its advisory role to Trump, rumors continue to fly around Washington, DC, creating concern and confusion. We emphasize that rumors are just that; more observation is needed before any hard conclusions can be made.

In this report, we analyze the Washington DC Metropolitan through the lens of the first Trump Administration and trends in the economy and real estate market with an eye to the potential impacts of the second Trump Administration. This report is preliminary and will be updated and amended where applicable.

Better never settles

ECONOMY:
IF PAST IS PROLOGUE

JOB GROWTH VS. OTHER ADMINISTRATIONS

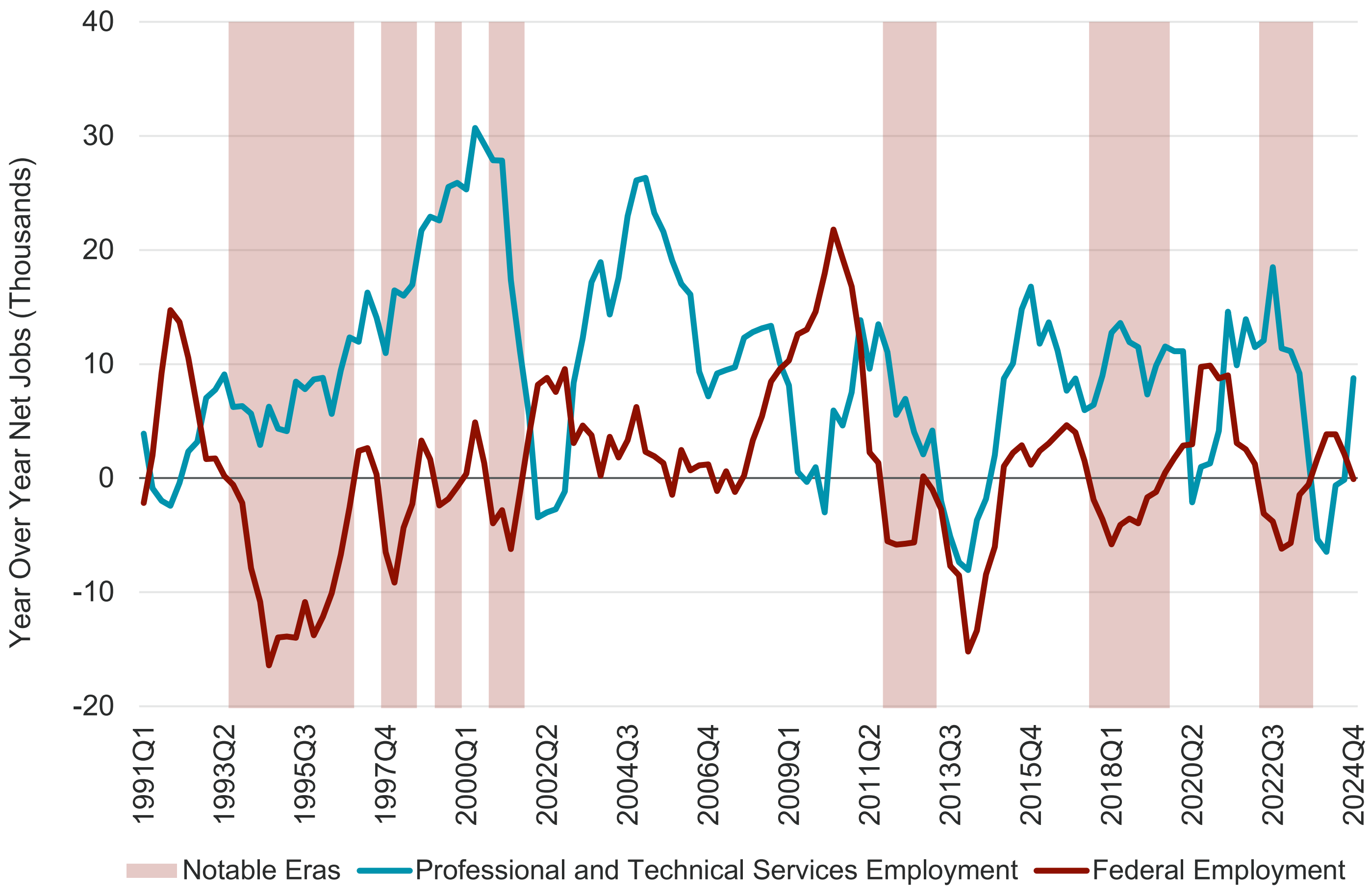


Source: U.S. Bureau of Labor Statistics, Cushman & Wakefield Research

Key Takeaways

- When accounting for the impact of the COVID-19 pandemic, the Trump administration's first term was on par with the first-term presidencies of previous administrations, creating 6.7 million jobs by 2020. The average first-term job growth numbers from Carter through Biden was 5.5 million jobs.
- In the second Trump administration, job growth could be further bolstered by the promise to decrease burdensome regulations and lower taxes but, could also be constrained by low unemployment, policy uncertainty, and potentially higher inflation.

DC REGION: FEDERAL EMPLOYMENT VS. GOVERNMENT CONTRACTORS

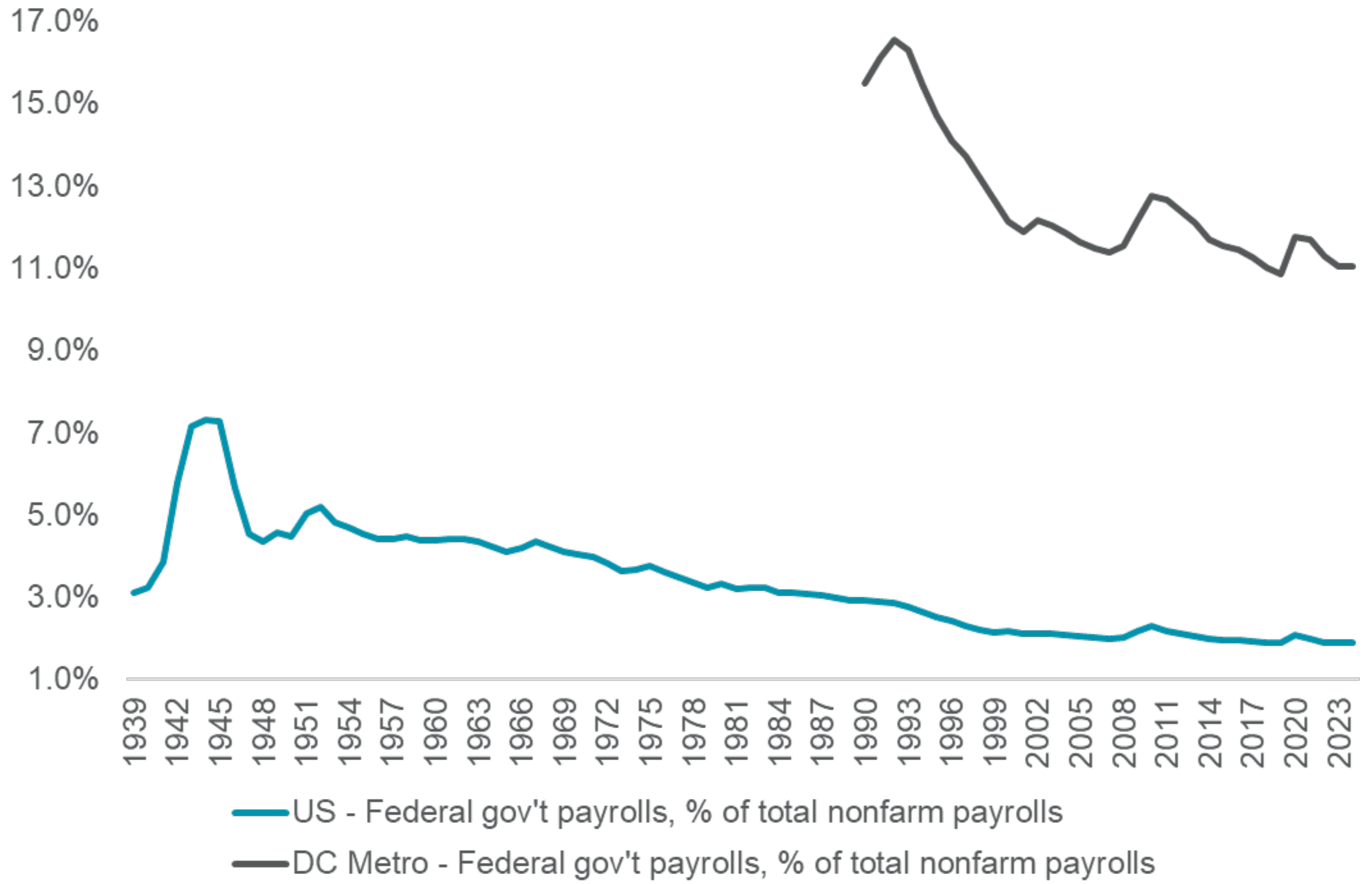


Source: U.S. Bureau of Labor Statistics, Cushman & Wakefield Research

Key Takeaways

- Federal job losses are not new to the region and attempts to rein in the size of the federal workforce have been hallmarks of various prior administrations.
- In nearly all instances, losses in government positions were offset by growth in federal contracting. These jobs are tracked by the U.S. Bureau of Labor Statistics as "professional and technical services employment."
- The second Trump administration has vowed to reduce the size of the federal workforce and to terminate remote work. For more on the potential impacts of these cuts see the DOGE section of this report.

FEDERAL EMPLOYMENT IS ALREADY AT AN ALL-TIME LOW

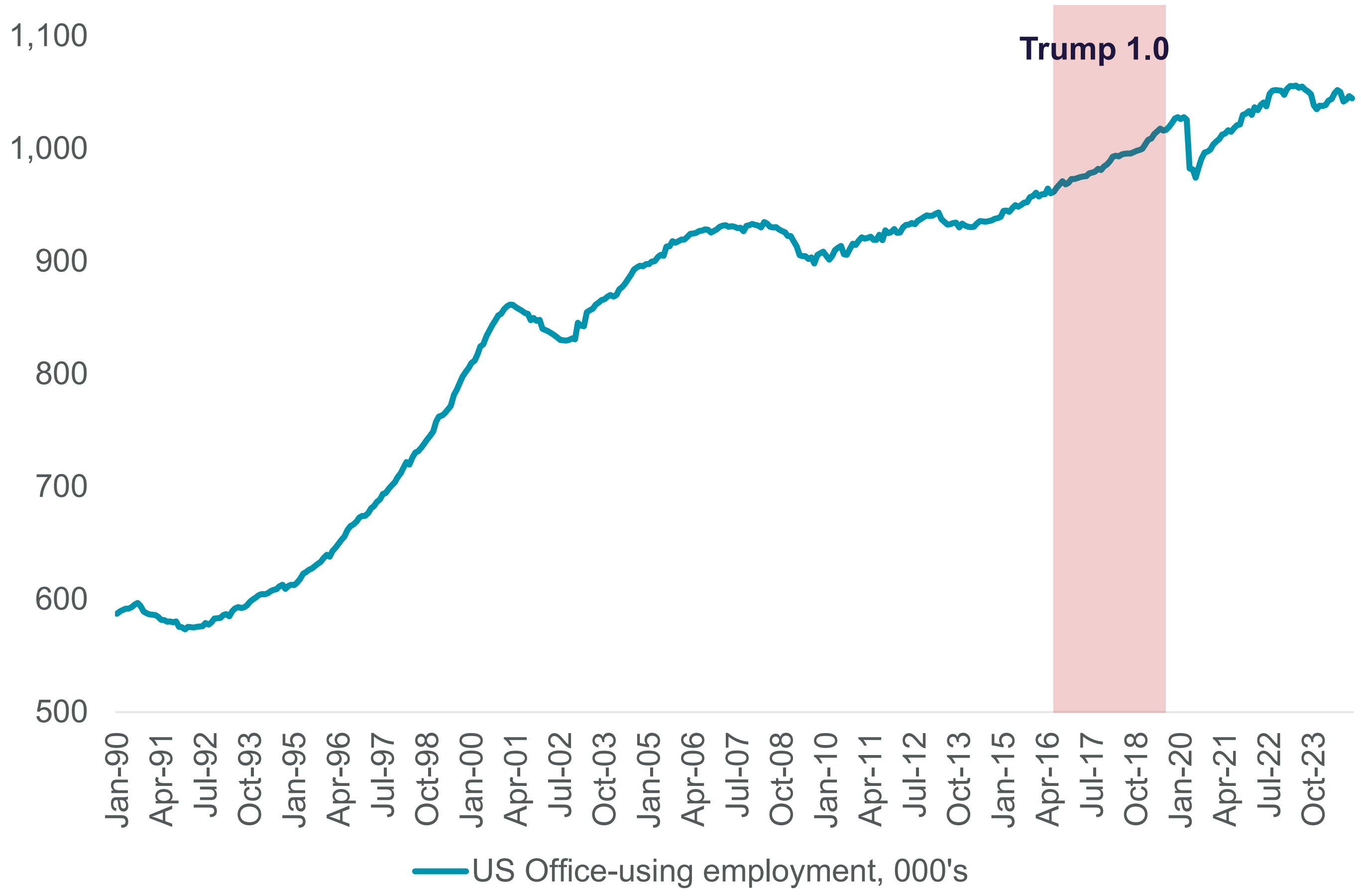


Source: U.S. Bureau of Labor Statistics, Moody's Analytics, Cushman & Wakefield Research

Key Takeaways

- The federal workforce makes up just 1.9% of U.S. nonfarm payrolls, nearly the lowest on record.
- In the DC metro, the federal workforce makes up 11% of the total metro area's workforce, which is also historically low.
- Although DOGE recommends a complete hiring freeze and furloughing 10% of the 3.0 million federal employees in year one of Trump's second term, this could prove to be easier said than done without causing significant disruption to various areas of the economy and various federal missions.

US OFFICE-USING EMPLOYMENT GREW UNDER TRUMP'S FIRST TERM



Source: U.S. Bureau of Labor Statistics, Cushman & Wakefield Research

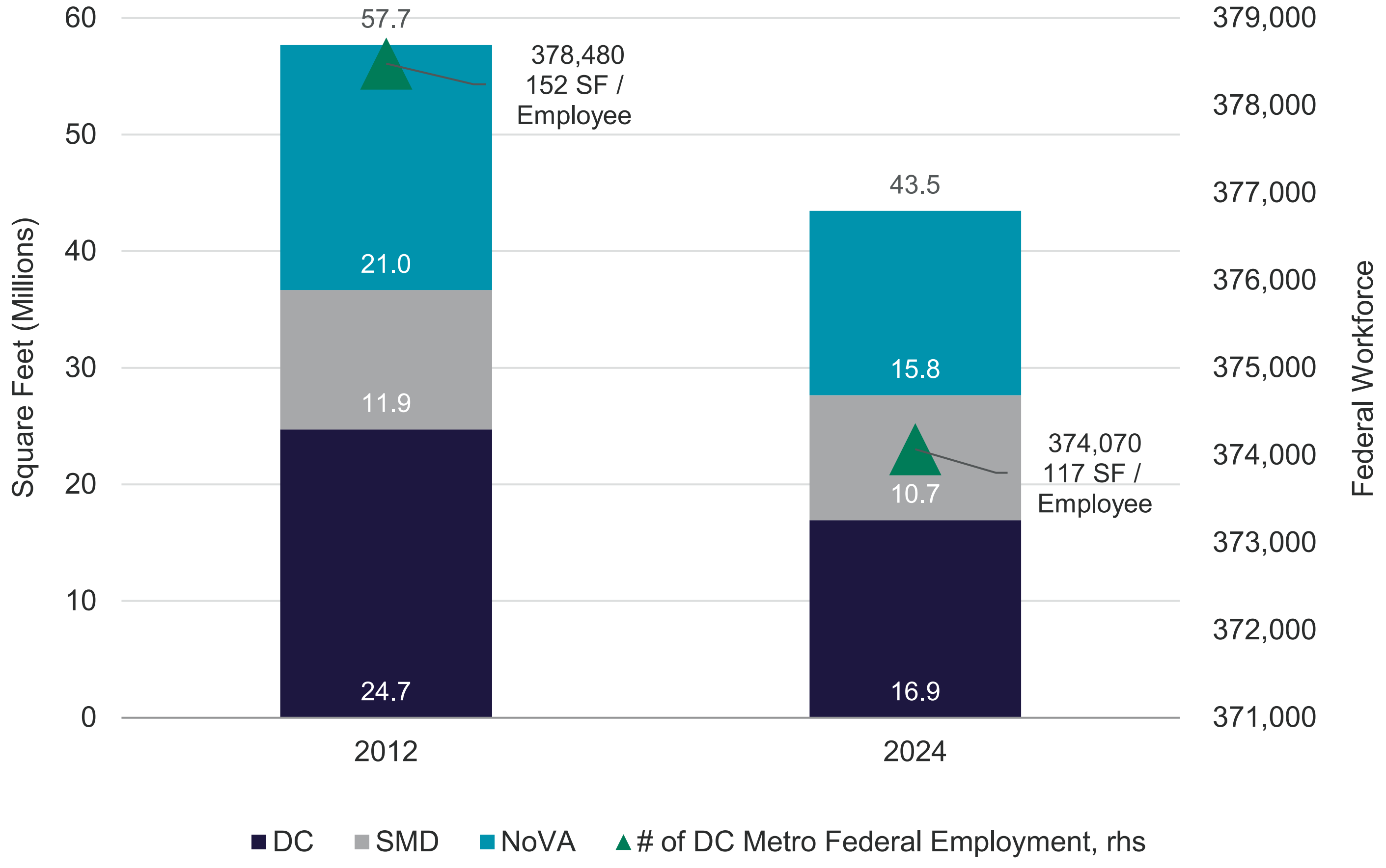
Key Takeaways

- Since 1990, regardless of a political party, unified or divided government, office-using employment has grown consistently in the Washington, DC region.
- Office-using employment historically grew a bit faster on average under Democratic leadership going back to the Carter Administration but also grew in all administrations except the George W. Bush Administration, when it suffered from the Great Financial Crisis which lasted from December 2007 to June of 2009.
- Under President Trump's first term, US office-using employment grew by 553,000 jobs, which is on par with the first term of past administrations.

FEDERAL LEASING

DC METRO FEDERAL LEASED FOOTPRINT

2012 vs. 2024



Source: U.S. General Services Administration, Cushman & Wakefield Research

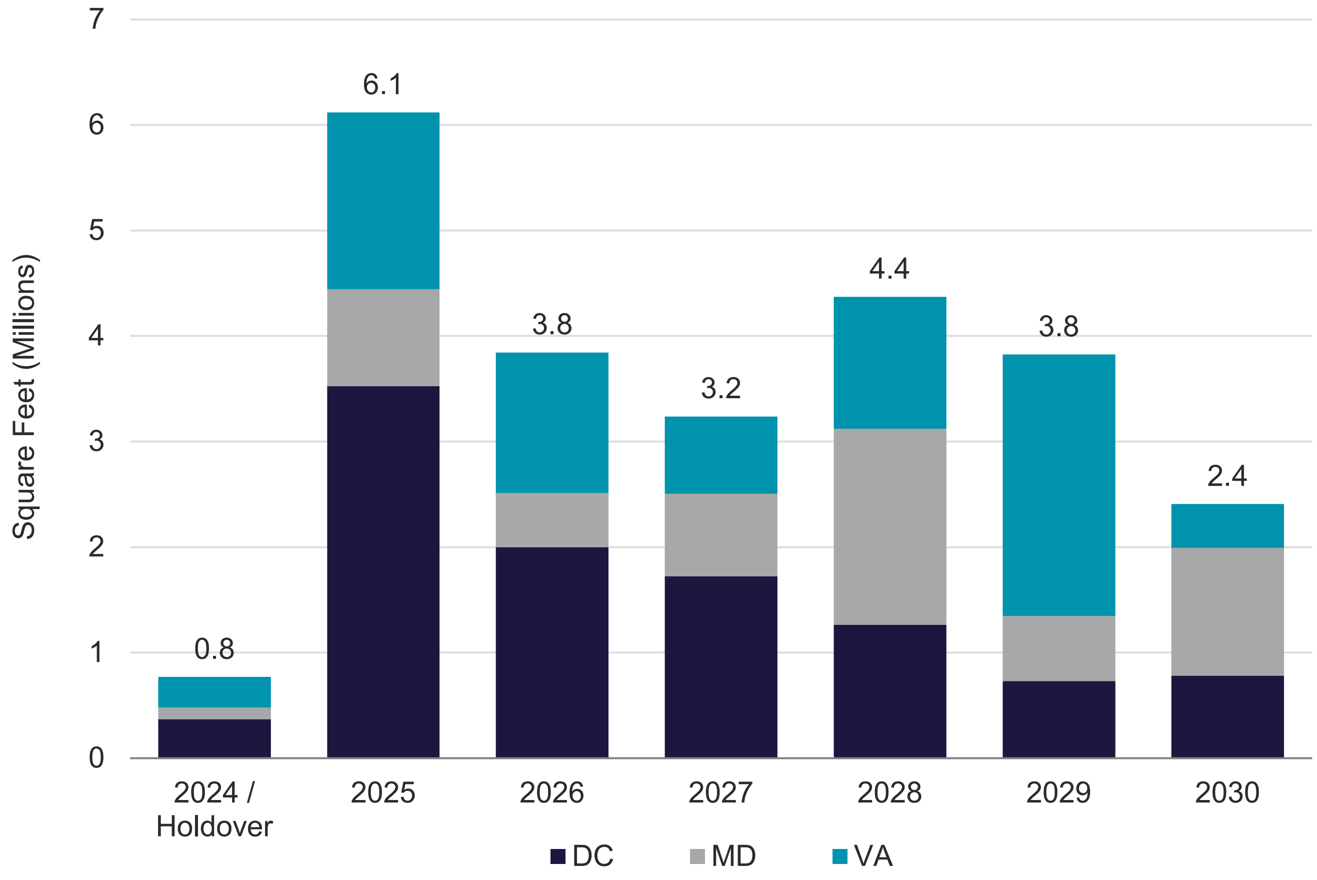
Leased footprint estimates may vary based on product types in totals

Key Takeaways

- Downsizing in federally leased spaces is not a recent development. Since its peak in 2012, the federal leased footprint has decreased by 24%.
- The number of federal employees in the DC Metro region is now 4,400 fewer than at the peak federal workforce in 2012. This reduction has significantly tightened the average office space per employee, dropping from 152 to 117 square feet.
- The DOGE's effort to bring the federal workforce back to the office could complicate agencies' ability to continue to shrink their footprint.

LARGEST UPCOMING LEASE EXPIRATIONS

GSA Lease Expirations by Year

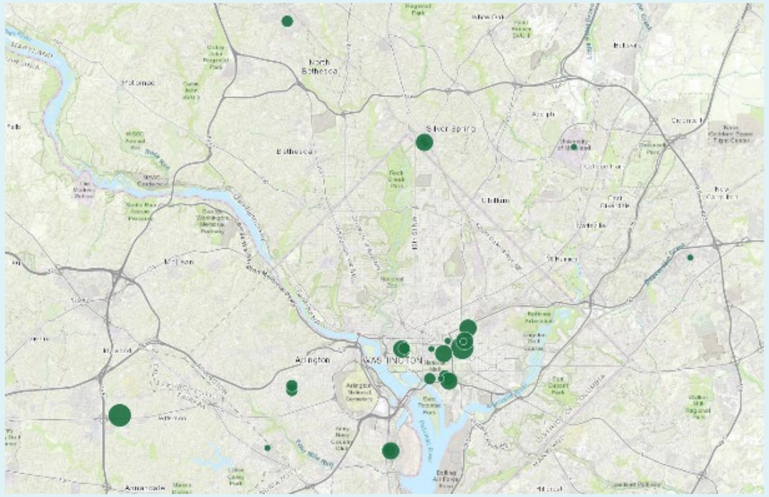


Source: U.S. General Services Administration, Cushman & Wakefield Research

Key Takeaways

- Approximately 40%* of federal leases in the DC Metro region are set to expire during the second Trump administration, providing further opportunity to trim the federal footprint – though again, terminating remote work could complicate agencies' ability to shrink their footprint.
- Federal leases over 200,000 sf, expiring during the second Trump administration, are mostly in Washington, DC, within key submarkets like the CBD, Southwest, and NoMa.

LEASES 200,000+ SF EXPIRING IN NEXT FOUR YEARS



*Does not include leases with early termination options

UPCOMING GSA LEASES

Downsizing Is Expected to Continue

Agency	Submarket	Building	Current SF	Future SF Goal	Change in SF	Delta %	Expiration Year
Federal Trade Commission	Southwest	400 7th Street NW	243,380	179,000	(64,380)	-26%	2027
Patent and Trademark Office	Alexandria	600 Dulany / 2800 Randolph	2,577,486	2,387,000	(190,486)	-7%	2024
Department of Justice	NoMa	2 Constitution Square	575,790	465,000	(110,000)	-19%	2025
Department of Treasury	CBD	1750 Pennsylvania Ave, NW	195,383	103,000	(92,383)	-47%	2025
Federal Bureau of Investigation	East End	1025 F Street, NW	200,432	214,000	13,568	7%	2025
National Labor Relations Board	Capitol Riverfront	1015 Half Street, SE	152,872	125,000	(27,872)	-18%	2025
Department of Defense	Ballston	875 N Randolph	313,595	313,595	-	-	2027
Defense Advanced Research Projects	Ballston	675 N Randolph	354,020	354,020	-	-	2026

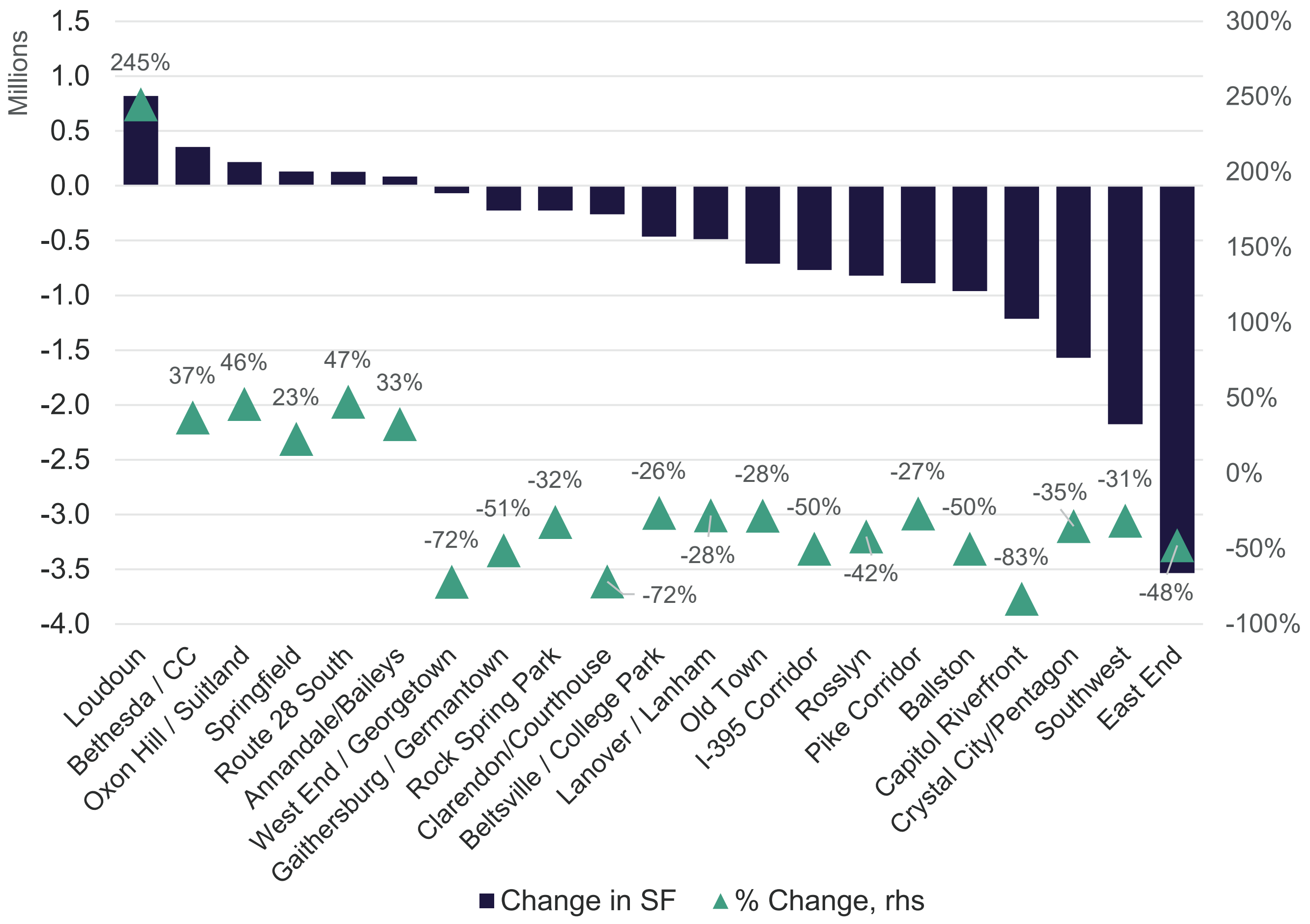
Source: U.S. General Services Administration

Key Takeaways

- Federal downsizing is poised to continue for most agencies, as indicated by the "prospectus-level" leases currently awaiting approval from Congress.
- A prospectus-level lease refers to any lease with an annual cost of $1.96 million or more.
- Agencies largely unaffected from downsizing in the near term tend to be those tied to national security, such as the Department of Defense and Federal Bureau of Investigation. This could change as the new administration further settles into office.
- Most agencies are downsizing their office spaces, aiming for reductions ranging from 7% to 40% during renewals or relocations. On average, these reductions amount to 27%.

WINNERS & LOSERS

Change in Total Federal Leases by Submarket 2012 vs. 2024



Source: U.S. General Services Administration, Cushman & Wakefield Research

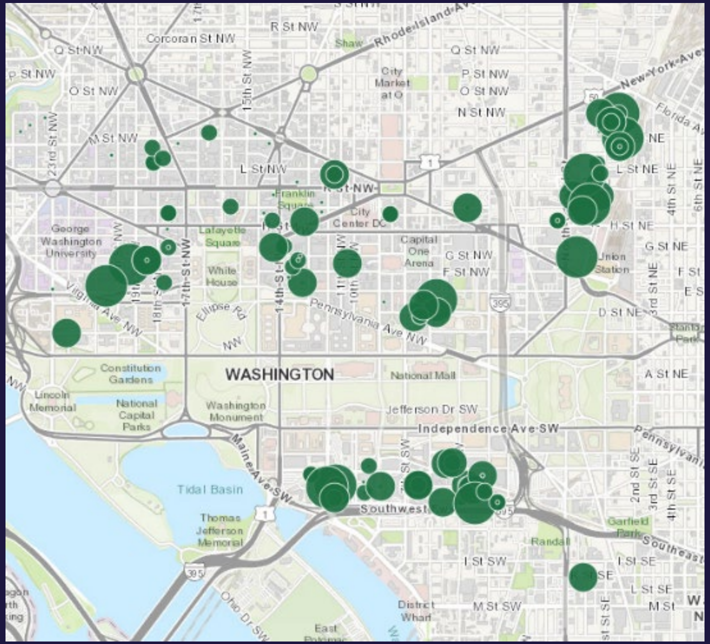
Key Takeaways

- Not all office submarkets are equal when it comes to federal lease downsizing.
- The federal government is largely trading leases in higher-priced “core” submarkets for lower-priced submarkets that allow the government to consolidate large agencies.
- Submarkets that offer the ability to consolidate leases at lower costs such as Loudoun County, Springfield and Prince George’s County are likely to continue to attract federal leases while higher cost submarkets like the East End, Crystal City and the RB Corridor are poised to continue to shrink their GSA footprints.

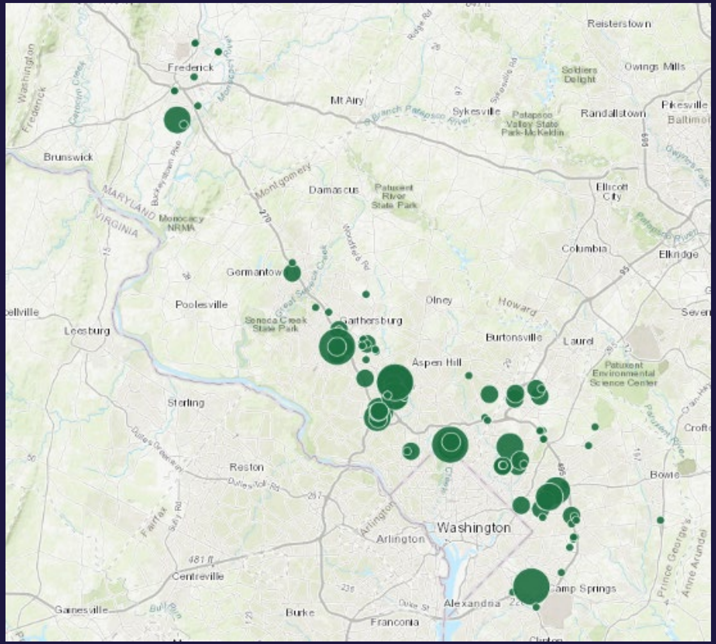
WHERE IS THE EXPOSURE?

GSA Leases in the DC Metro Region

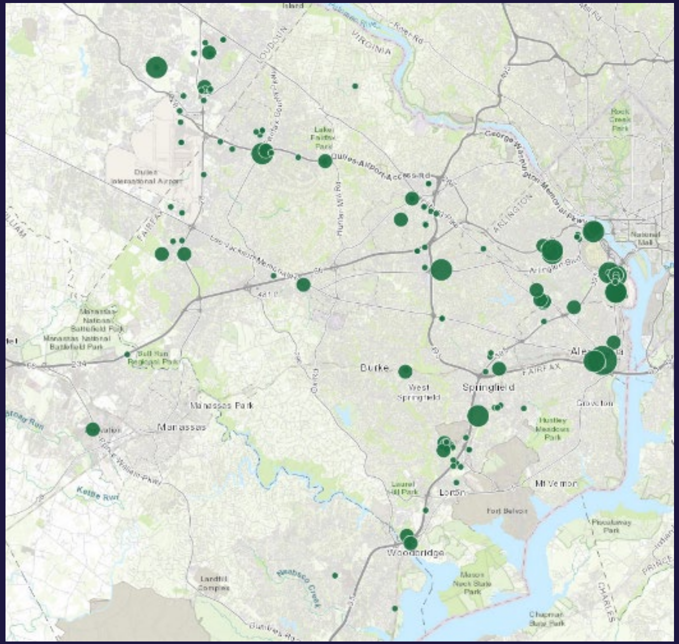
Washington, DC



Suburban Maryland



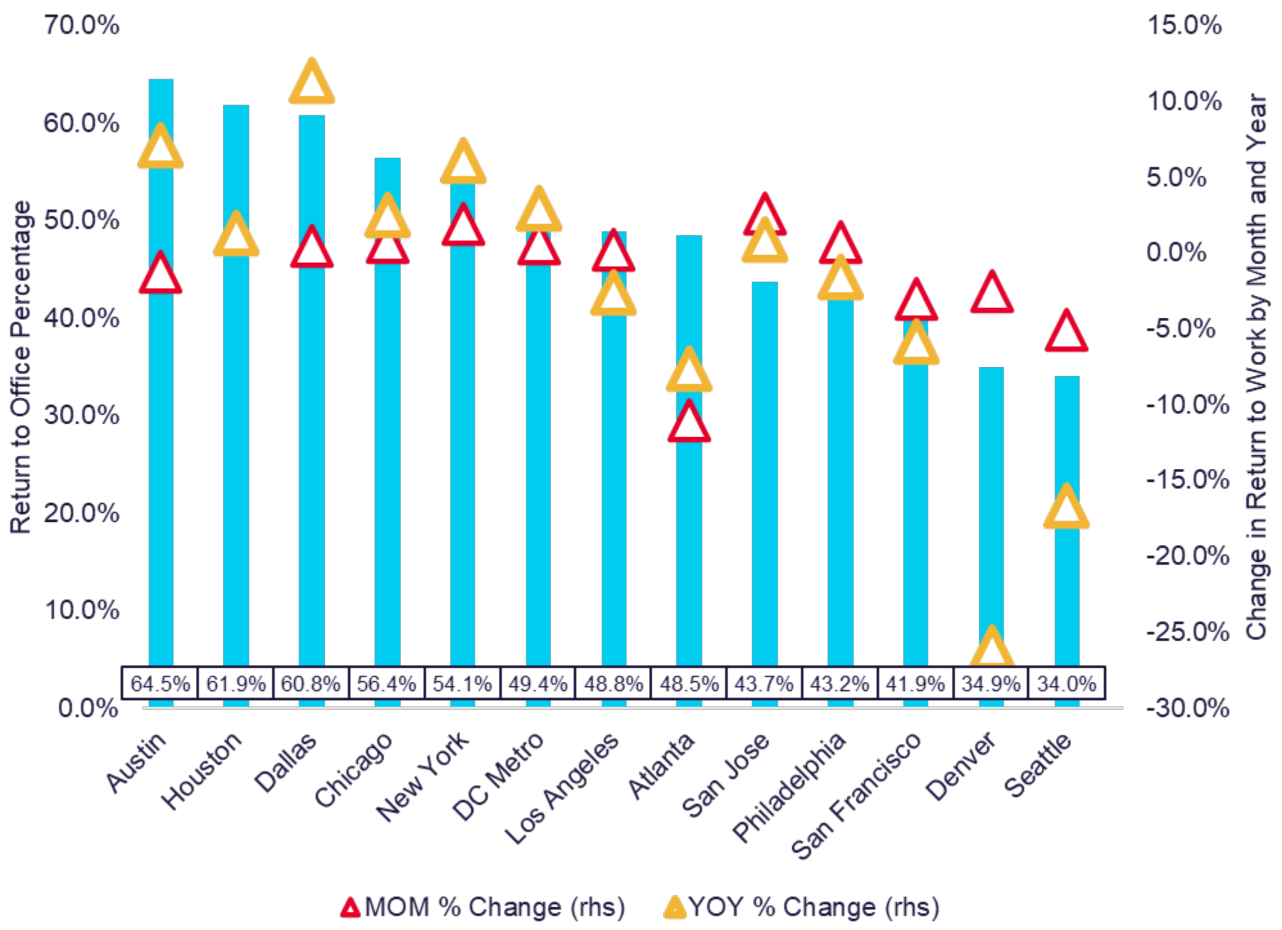
Northern Virginia



Source: U.S. General Services Administration

RETURN TO WORK

RETURN TO OFFICE BY MARKET



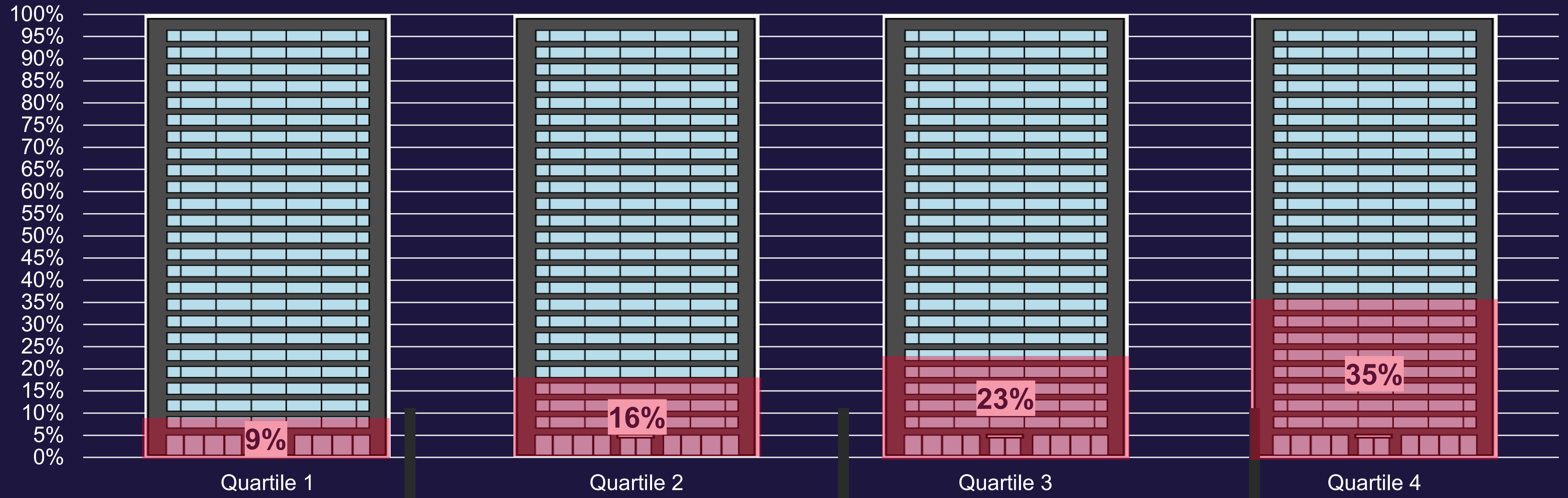
Source: Kastle Systems, Cushman & Wakefield Research

Key Takeaways

- The DC Metro region's private sector return to office (RTO) percentages have outperformed technology driven markets like San Francisco, San Jose and Seattle, it lagged major sunbelt markets and stands at 49.4% in December of 2024 compared to pre-pandemic averages.
- The lower percentage of returning employees has likely been exacerbated by federal policy that dictates some private-sector employee policies in the DC region.
- Federal RTO lags private-sector numbers with most federal agencies allowing employees to work from home at least three days a week. On day one of the new administration a memorandum was issued instructing the heads of executive branch agencies and departments to require employees to return to in-person work on a full-time basis; thus, in-person office attendance in the DC region is generally expected to trend higher from this point forward.

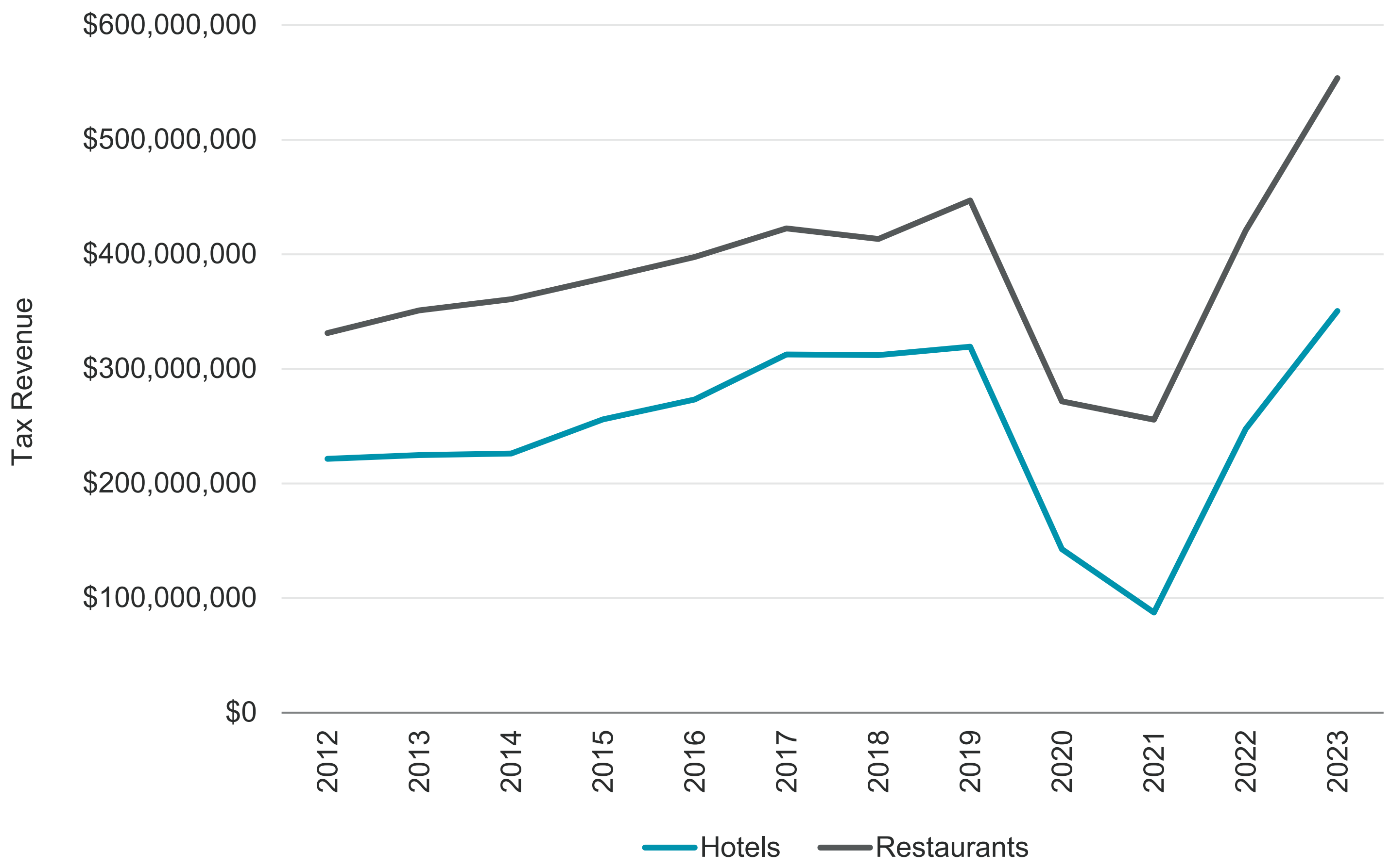
RETURN TO WORK – FEDERAL SECTOR

Government Accountability Office Report on Occupancy of Federal Office Buildings by Agency



REVENUE HIT TO TAX RECEIPTS

District of Columbia



Source: DC Council Budget, Cushman & Wakefield Research

Key Takeaways

- Revenue losses caused by a federal workforce shifting to remote work, combined with the broader economic impact of COVID-19, have led the District of Columbia to increase taxes.
- A stronger return to the office from the federal workforce in DC *could* potentially keep tax revenues stable without the need for higher taxes on goods and services.
- Attracting tourists, both domestic and international, and reversing high-income outmigration would also buttress tax revenues in the near term.

THE DEPARTMENT OF GOVERNMENT EFFICIENCY

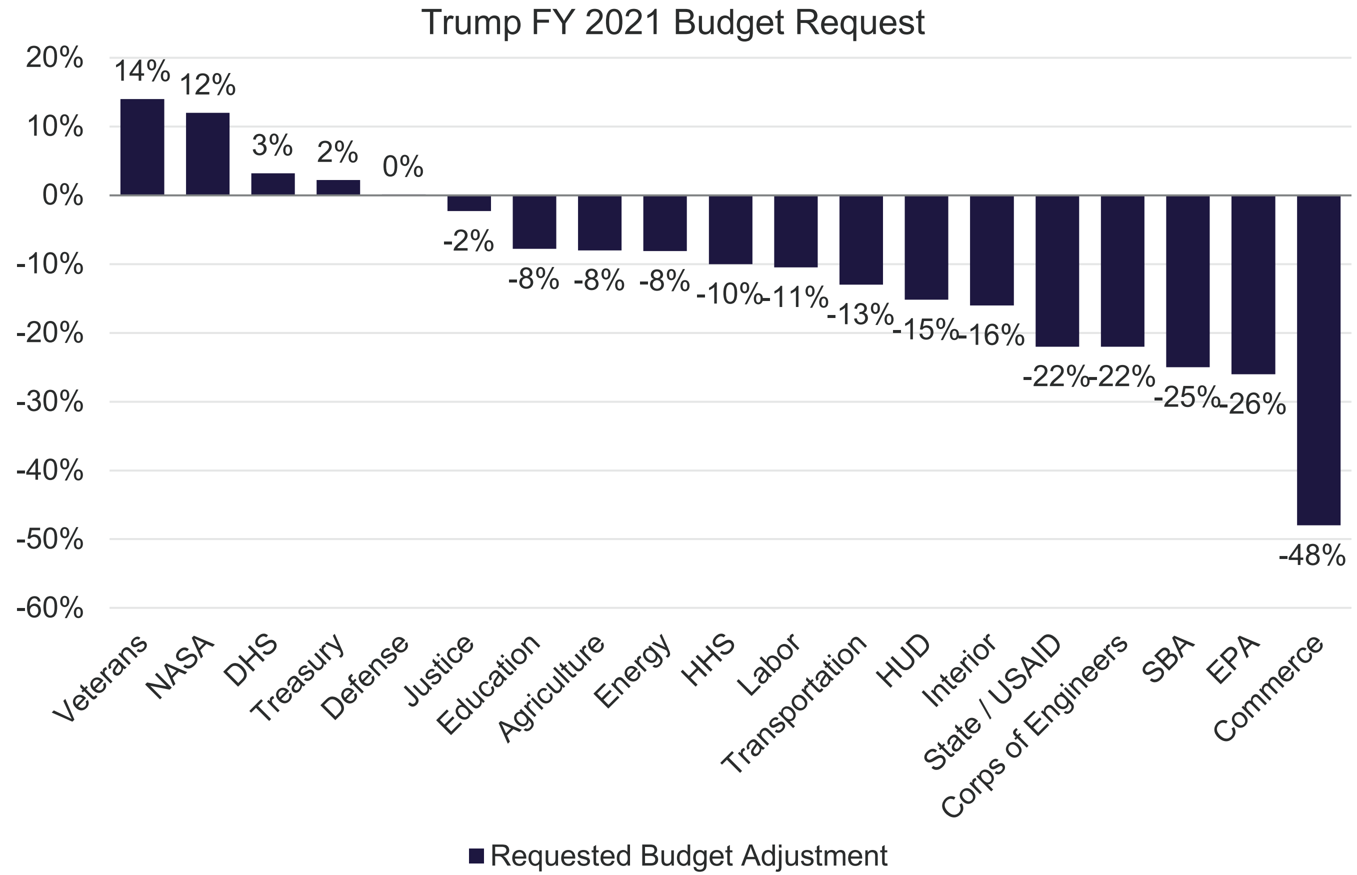
DOGE

Asserted Goals Outlined by the Department of Government Efficiency

- The federal government should prioritize serving taxpayers by fostering a lean, efficient, transparent and accountable bureaucracy.
- No amount of waste, fraud, abuse, duplication or administrative inefficiency is too small or too large to address.
- Federal employees, regulations and agencies must demonstrate both effectiveness and responsiveness to taxpayers, avoiding unnecessary costs or burdens.
- Every dollar spent in Washington must deliver clear, direct benefits to the public, with a focus on transparency, accountability and efficiency.
- Federal agencies, programs, rules or regulations that fail to provide value to taxpayers must either be reformed or eliminated entirely.
- All rules and regulations should be grounded in statute—Congress has constitutional authority over spending and tax policy, not elected bureaucrats.
- Streamlining federal spending and bureaucracy is essential to making Washington work better for the American people.

Source: Pillsbury: Trump 2.0: A First Look at the Department of Government Efficiency

WHICH AGENCIES WILL BEAR THE BRUNT OF DOGE?



Source: The White House, U.S. Office of Management and Budget

Key Takeaways

- Joe Biden famously said, "Don't tell me what you value—show me your budget, and I'll tell you what you value."
- We can gain valuable insights into DOGE targets by examining Trump's previous budget priorities, which clearly highlight significant winners and losers.
- Expect the budget to prioritize defense, space, and national security, while agencies responsible for regulating businesses and the economy are likely to face funding cuts.
- Of course, the U.S. Congress, not the President, holds the "power of the purse" and ultimately controls government spending levels.

THE OUTLOOK

ECONOMIC OUTLOOK

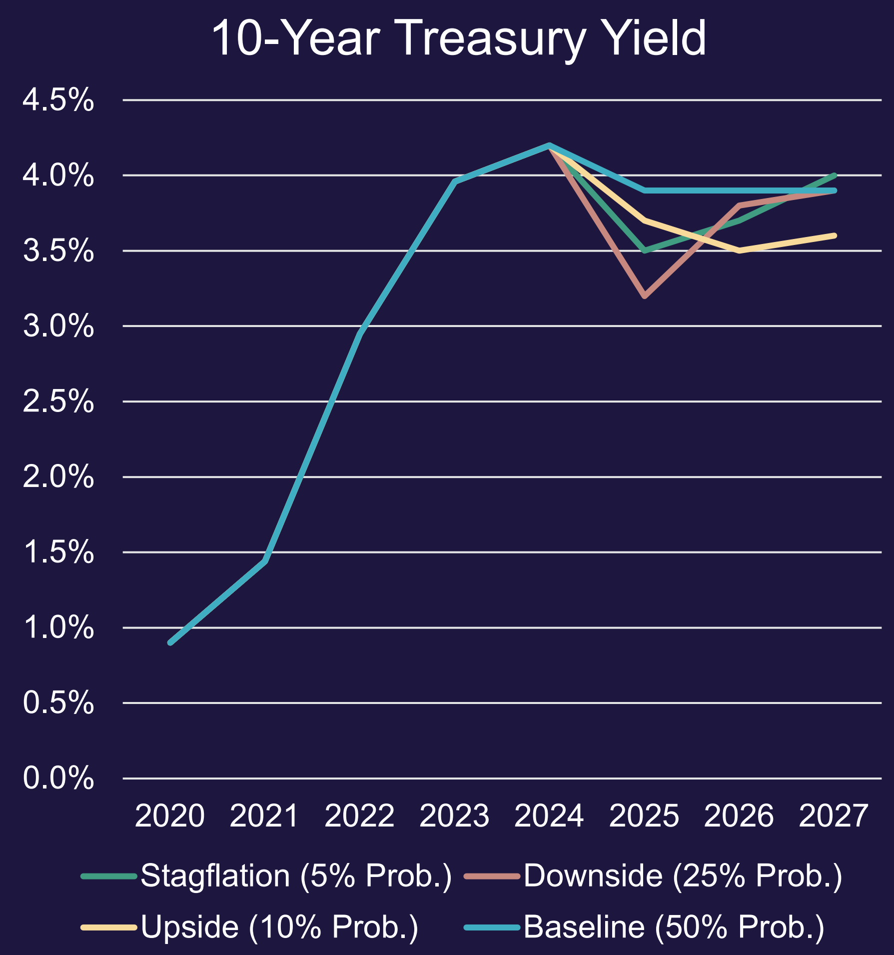
DC Metro

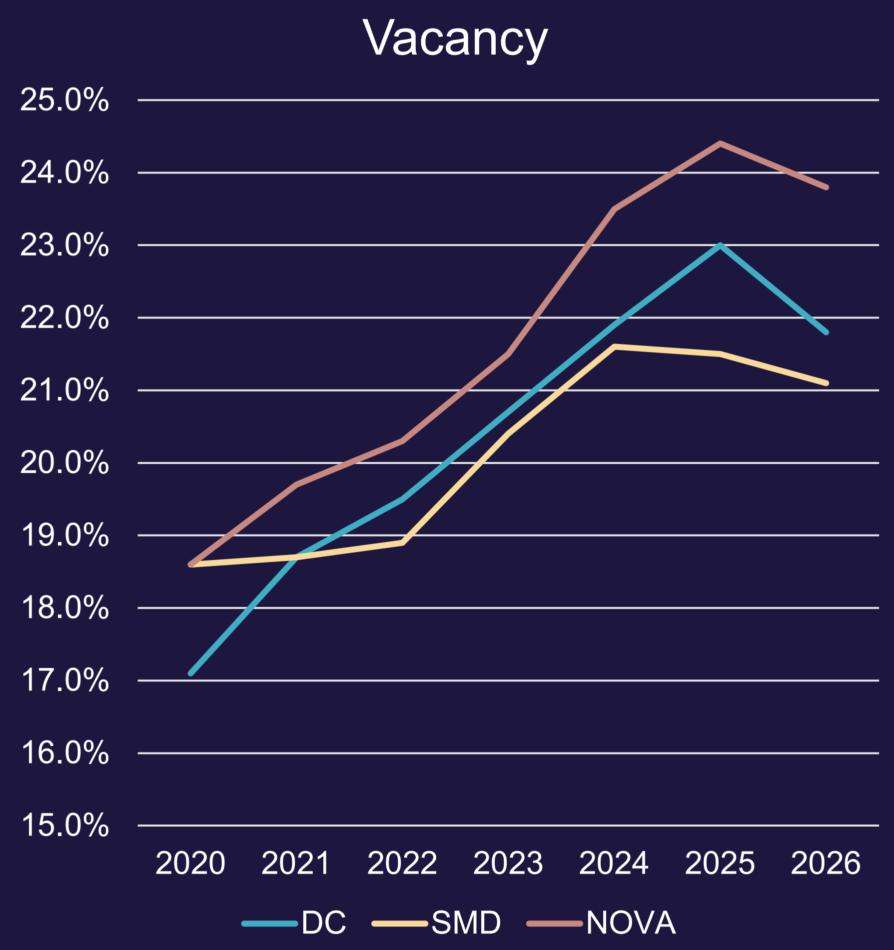
	2023	2024	2025F	2026F
Gross Metro Product (Y/Y, %)	2.7%	2.0%	2.3%	1.9%
Unemployment Rate	2.6%	2.9%	3.2%	3.2%
Job Growth (000s)	59	27	31	17
Population (000s)	6,399	6,423	6,465	6,486
Personal Income Growth (Y/Y, %)	7.5%	6.1%	4.5%	4.2%

Source: Moody's Analytics (Jan. 2025 Vintage), Cushman & Wakefield Research

- Despite policy uncertainty and renewed focus on fiscal austerity, the DC metro's economy is expected to continue to grow in the coming years; albeit at a slower pace than previously assumed.
- Job growth is expected to slow to a pace of 31,000 in 2025 and 17,000 in 2026 – well below the historical average of 50,000 net new jobs per year, but still positive.
- In the wake of federal hiring freezes and offers for federal employees to have the option to retire early, a rise in unemployment is expected.

FORECAST





Source: Cushman & Wakefield

BY 2030...

DC Metro Region Multifamily Forecast

420K Population Increase	**70K** Population / Year	@ **3.3 ppl** / Household = 21,200 additional Houses	**40%** will be Renters	Necessitates **8,500 MF** Units / Year

Source: U.S. Census Bureau, Cushman & Wakefield

FOOD FOR THOUGHT

DC Metro

Investor Strategies

- **Keep a focus on the medium and longer-term:** The federal workforce comprises a low share of the metro's employment base and history has shown that reductions in federal employment have been associated with growth in the private sector. Regardless of whether federal employment rationalizations lead to a positive offset and gain in private sector growth, employment throughout D.C. is expected to increase in the long-term.
- **Take advantage of oncoming distress with an eye for repositioning/redevelopment opportunities (i.e. establish a nimble ability to execute across sectors):** The metro still boasts a relatively strong foundation defined by its diverse economy, low unemployment, high educational attainment, and strong income and demographics profile. These qualities position the market as prime for creative mixed-use redevelopments. Our Reimagining Cities research sets forth a significant opportunity for investors willing to explore options to optimize assets and diversify real estate uses towards Live and Play. According to this research, Downtown DC could benefit from at least doubling its Play real estate and increasing its Live square footage by 6-7x. The city has also unveiled additional tax incentive programs (such as the Housing in Downtown and Office-to-Anything Programs) aimed at using tax incentives to encourage redevelopment.
- **Have a regional strategy:** Bipartisan efforts to rein in the size of the federal workforce have happened for decades. As federal employment shrinks, historically it is offset by growth from federal contractors. Suburban markets with a high concentration of contractors such as Tysons Corner, Reston/Herndon, Bethesda/Chevy Chase and the Rockville area could get a boost.
  For GSA-leased investors: There are smart plays to be made to capture GSA demand. Focus on the markets where the federal government is migrating to and have caution with the higher priced submarkets that have lost federal leases over the course of the last 15 years.

Occupier Strategies

- **Plan ahead because quality space is running out:** Despite the headlines, the office vacancy rates in the DC Metro region are not always what they seem. Vacancy is concentrated in commodity product while vacancy rates across the region in the best office product are under 12%. With the cost of construction debt, materials, and labor at generational highs, new supply is at the lowest point in memory and rents are rapidly rising. Get creative to acquire the high-quality office that fuels the acquisition and retention of skilled employees before it runs out.
- **Be aware of changes in nearby government buildings:** Foot traffic may be impacted by shifts in government policy. This can impact the vitality and activity of neighborhoods, both of which are draws for occupiers and their employees. If the government chooses to terminate or not-renew certain leases, foot traffic may decrease, negatively impacting office-focused restaurants and retail. Conversely, increases in in-office attendance of government employees will have positive impacts on activity in and around those federal buildings.

Source: Cushman & Wakefield

CUSHMAN & WAKEFIELD

About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in nearly 400 offices and 60 countries. In 2023, the firm reported revenue of $9.5 billion across its core services of property, facilities and project management, leasing, capital markets, and valuation and other services. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DEI), sustainability and more. For additional information, visit www.cushmanwakefield.com.

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