



FD | STONEWATER

# Workplace Trends and Strategies

January 25, 2023

# DISCUSSION ITEMS

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- Return to the Office Policy
- Occupancy Data
- Impact on Real Estate Portfolio Strategy
- Principles for Managing the Government RE Portfolio
- Outlook for the Future

# REMOTE WORK AND TELEWORK: A WORK IN PROGRESS

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- Initial focus: public health and protecting employees
- “Proof of Concept” during the pandemic
- The Potential Benefits
  - Reduced commuting burden
  - Ability to recruit/retain employees
  - No significant impact on productivity
- The Potential Downsides
  - Impact on organizational culture
  - Impact on employee mentorship and development
  - Zoom fatigue

# WORKPLACE FLEXIBILITY: PRIVATE SECTOR EXAMPLES

0-1 DAYS

2-3 DAYS

4-5 DAYS



# WORKPLACE FLEXIBILITY: STATE GOVERNMENT

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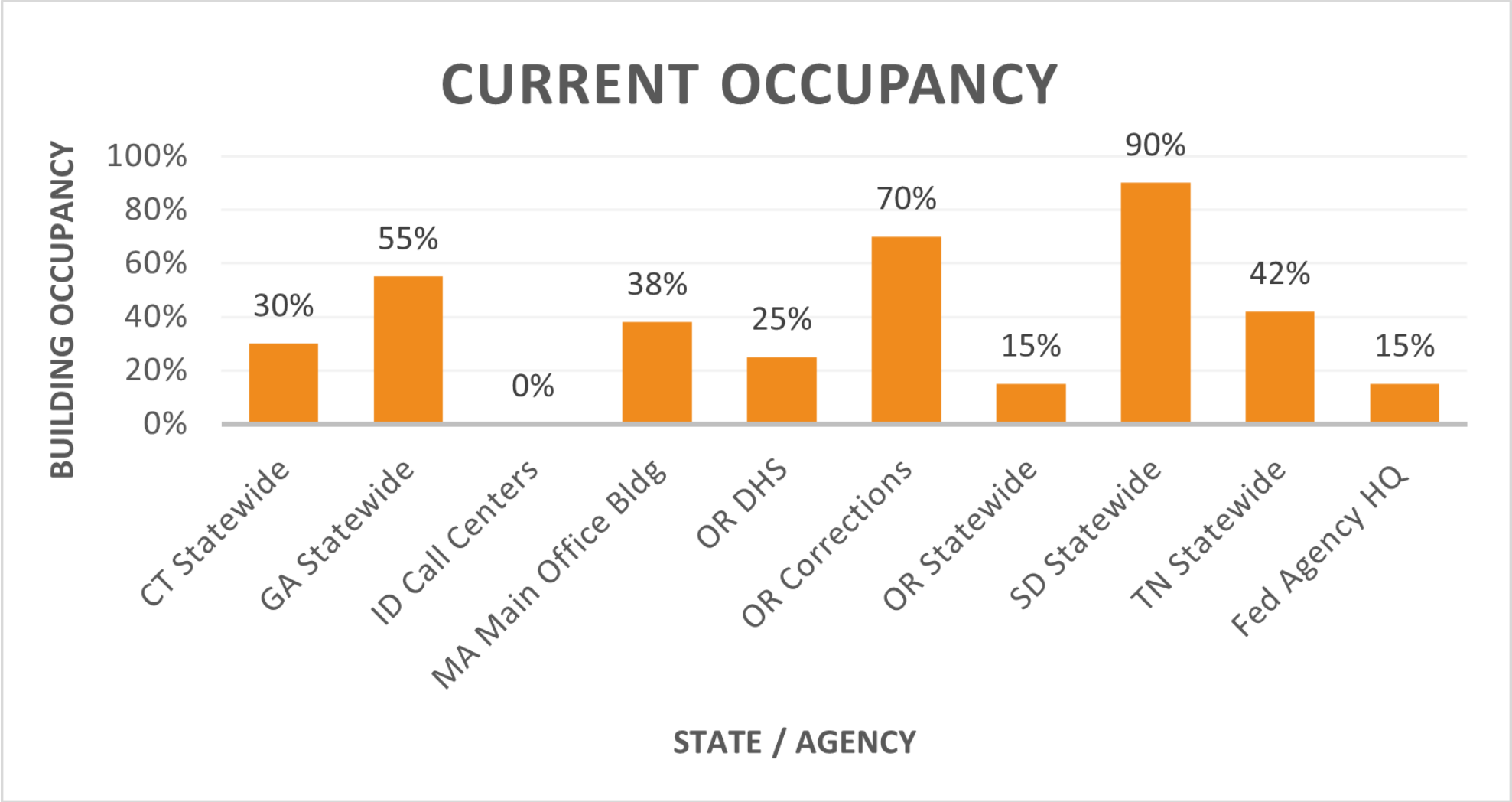
- Many states working under a hybrid model
  - # days in the office each week
  - # employees able to telework based on function
- A few states never left (e.g., SD) or quickly returned (e.g., MO, SC) back to the office
- Governors and Agency Leadership set the tone and direction for telework policy

# WORKPLACE FLEXIBILITY: FEDERAL GOVERNMENT

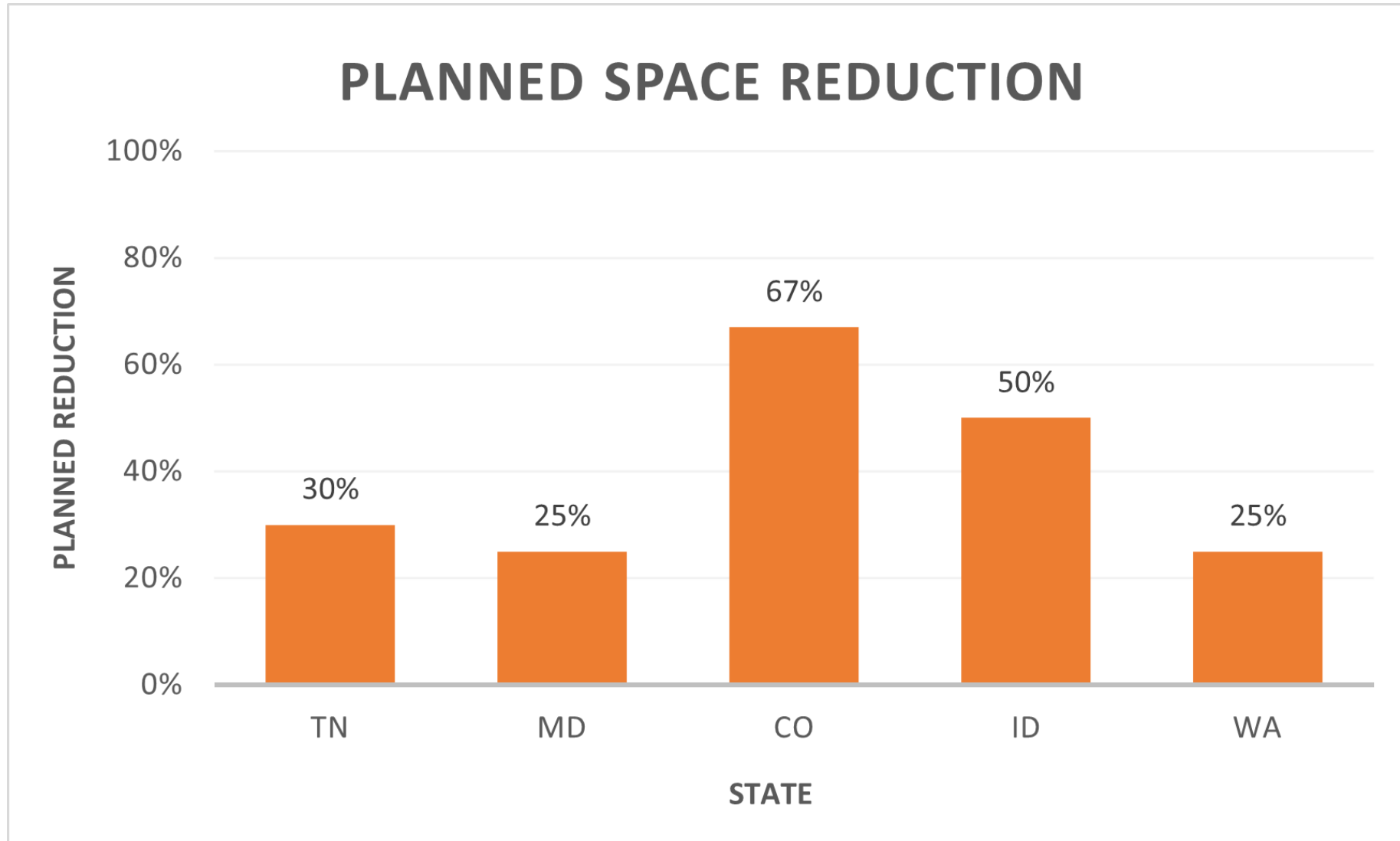
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- OMB Memo M-21-25 provides agencies with significant flexibility to establish remote work policy based on mission and function
- Competition for talent among agencies = Maximum telework
- Locality pay requirement: 2 days/pay period (employee discretion)
- Much less of a deliberative, thoughtful approach compared to State governments and the private sector

# PUBLIC SECTOR OCCUPANCY ESTIMATES



# SPACE REDUCTION EXAMPLES: STATE GOVERNMENT

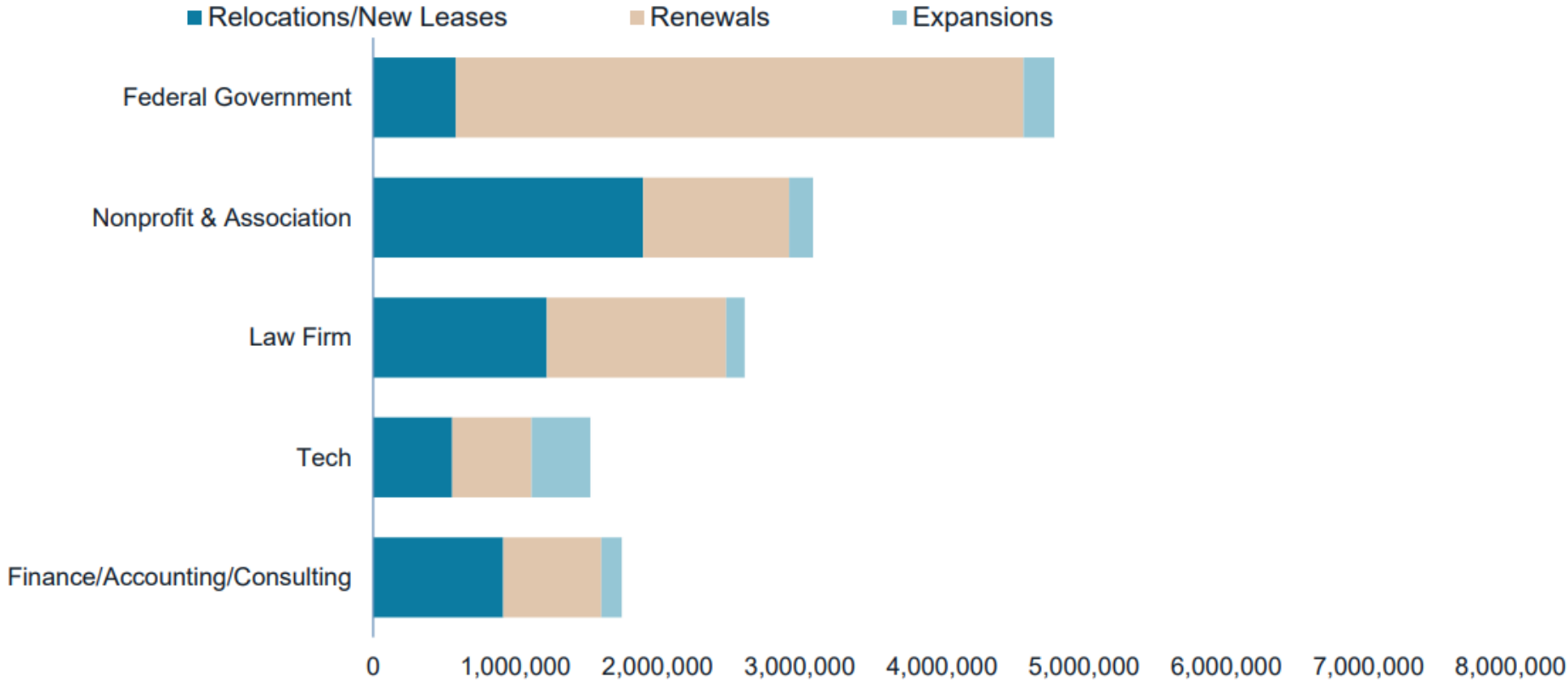


*\* Colorado and Washington space reduction represents leased space only*









# The federal govt continues to delay rightsizing, renewing 83% of its leases since Q2 2020

Leasing volume by industry: Q2 2020-Q4 2022



Source: JLL Research, 2022

# FEDERAL SPACE REDUCTION ON THE HORIZON...

	AGENCY	ADDRESS	OWNED/LEASED	CURRENT SF	SPACE RELEASED SF	% DIFFERENCE	LEASE TERM REMAINING
	GIVEBACKS						
	Transportation and Security Administration	6595 Springfield Center Dr Springfield, VA	Leased	622,812	120,000	19%	13 years
	Federal Trade Commission	400 7 <sup>th</sup> St, SW Washington, DC	Leased	375,260	251,805	67%	4 years
	General Services Administration	301 7 <sup>th</sup> St, SW Washington, DC	Owned	845,169	400,000	47%	Federally Owned
	Securities and Exchange Commission	60 New York Ave, NE Washington, DC	Leased	1,200,000	490,000	41%	15 years
	REDUCTIONS						
	Patent and Trademark Office	600 Dulany St Alexandria, VA	Leased	2,387,000	763,500	32%	2 years
	DHS, Immigration and Customs Enforcement	1201 Maryland Ave, SW Washington, DC	Leased	61,231	61,231	100%	2 years

# CASE STUDY: US PATENT AND TRADEMARK OFFICE



- HQ campus, 5 buildings, 2.4M RSF, located in Alexandria VA
- 20-year lease expires in August 2024
- 12,000 employees, 85% have elected full-time telework
- USPTO will release two buildings (700K RSF) upon lease renewal
- Annual savings of almost \$30M

# PORTFOLIO MANAGEMENT PRINCIPLES

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- Importance of “Guardrails”
  - Remote work policy
  - Space utilization
- Lease term strategy
  - Case Study: GSA
  - Case Study: State of CA
- States are taking action to reduce, as leases expire
- Maintaining flexibility in an era of uncertainty