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Government Lease Terminations Under DOGE—Impacts, Rights, and Remedies

Go-To Guide
• The Trump administration and DOGE have terminated nearly 100 leases including 1.4 million square feet in Washington, D.C. • If it exercises its rights to terminate during "Soft Terms," the GSA could save up to $1.87 billion annually by 2028.

Government Lease Reductions and Market Impact

The Department of Government Efficiency (DOGE) and the Trump administration have been working to reduce federal office space and are seeking to terminate a large percentage of the approximately 7,500 General Services Administration (GSA) leases throughout the United States to reduce excess office space and associated costs. As of March 5, 2025, DOGE's website lists 748 lease terminations among all federal agencies.

GSA manages a significant portion of existing federal leases and currently oversees 149 million square feet of office space throughout the United States, paying approximately $5.2 billion annually in rent to private landlords. DOGE's primary focus thus far is on leases falling under GSA's responsibility, but other federal agencies such as the Department of Veterans Affairs (VA) also hold a considerable number of leases that may be subject to future scrutiny.

The National Capital Region (Washington, D.C., and the close-in Maryland and Northern Virginia suburbs) has been particularly impacted by these efforts, with 11 leases that total 1.4 million square feet already terminated. Despite improvements in the office leasing market, declines may be in store for other localities with a federal government presence.

Government Lease Termination Provisions

Government leases typically limit the government's ability to terminate before the natural expiration of the lease term. Unlike most government contracts, government leases usually lack a Termination for Convenience clause and are frequently divided into two distinct terms, a beginning "Firm Term" and a subsequent "Soft Term" (*e.g.*, 15 years "Firm" followed by five years "Soft"). During the Firm Term, the government is prohibited from unilaterally terminating a lease unless the lessor is in material default and will not or cannot cure. If the government unilaterally terminates a lease during the Firm Term, the boards of contract appeals and courts, under well-settled case law, routinely require the government to pay all the remaining rent due to the lessor for the balance of the Firm Term as damages for such termination.

During the subsequent Soft Term, however, the government has broader termination rights, provided proper notice is given. These rights are set forth in GSA's standard lease provision (with similar provisions in other government agency leases like the VA's):

> The Government may terminate this Lease, in whole or in parts, at any time effective after the Firm Term of this Lease, by providing not less than XX days' prior written notice to the Lessor. The effective date of the termination shall be the day following the expiration of the required notice period or the termination date set forth in the notice, whichever is later. No rental shall accrue after the effective date of termination.

As a result of this structure, Soft Term leases face a greater risk of imminent termination. This year, GSA has the right to terminate 21.2 million square feet of leased space across more than 1,000 properties. By 2028, this termination right will expand to encompass 53.1 million square feet, or 35.5% of its leased space, spanning 2,532 properties.

Termination generally means that all remaining rent obligations of the government are ended. However, if the lessor still has incurred but unpaid or not fully amortized costs such as for tenant improvement work, the lessor should be able to submit a termination settlement proposal to the government seeking those costs plus a reasonable profit. Moreover, a relatively rare form of GSA lease permits the government to terminate only the services portion or operating cost rent; even if the termination is for default, the lessor will continue to receive the "base rent" for the balance of the lease term. This is known as a "credit" lease and the terms will readily identify it as such.

How Lessors and Lessees Are Adjusting

In light of potential lease terminations under the DOGE mandate, lessors should closely examine their GSA and other government agency lease portfolios, particularly focusing on leases nearing expiration, those about to enter into a Soft Term, or those with early termination options under particular lease amendments or supplemental lease agreements. Lessors should work to avoid possible defaults in lease performance and other instances of non-compliance with lease terms and conditions that may enable GSA to pursue a termination for cause. Some lessors are exploring early termination agreements and ensuring government assets are removed on time to avoid issues related to holdovers or rent claims. Furthermore, lessors should be aware of provisions in their loan agreements that require notice to lenders or other actions required upon receipt of any notice of non-renewal or termination of a lease.

Improper terminations may lead to litigation under the Contract Disputes Act (CDA), which creates a remedial scheme for resolving contract-based claims against the government. The CDA also provides an avenue for lessors to protect their rights if the government relinquishes and exits leased property without a specific termination right.

Meanwhile, government leasing agencies are evaluating their current and future office space needs in light of the changing requirements. Relocation planning and exploring alternative office spaces could play a key role in minimizing operational disruptions. Given the DOGE mandate, the agencies may also explore adjustments to lease terms or buyouts as options to maintain flexibility and manage potential costs.

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