

GAO Highlights

Highlights of [GAO-15-741](#), a report to congressional requesters

Why GAO Did This Study

Overreliance on costly leasing is one reason that federal real property has remained on GAO's High-Risk List. More than half of the leases in GSA's portfolio will expire in the next 5 years. When leases expire before a long-term solution can be finalized, GSA may pursue short-term extensions, or if GSA and a private lessor cannot come to agreement prior to expiration, the lease may go into holdover status—where a federal tenant occupies space without a contractual agreement. Extensions and holdovers may limit GSA's ability to obtain favorable contract terms. GAO was asked to review GSA's lease expirations and holdovers.

This report examines (1) the extent to which GSA's lease holdovers and extensions occur and the potential effects and (2) why some expiring leases are extended or go into holdover and what actions GSA has taken to address this issue. GAO reviewed regulations, GSA's guidance, and plans; analyzed GSA's leasing data from fiscal years 2012 through 2014; and interviewed GSA officials, federal agency officials, and lessors responsible for these leases.

What GAO Recommends

GAO recommends that GSA identify performance goals and targets for measures related to the use of holdovers and extensions for expiring leases that take into account the frequency with which holdovers and extensions occur and GSA's expected outcomes for expiring leases. GSA agreed with the recommendation.

View [GAO-15-741](#). For more information, contact David J. Wise at (202) 512-2834 or wised@gao.gov.

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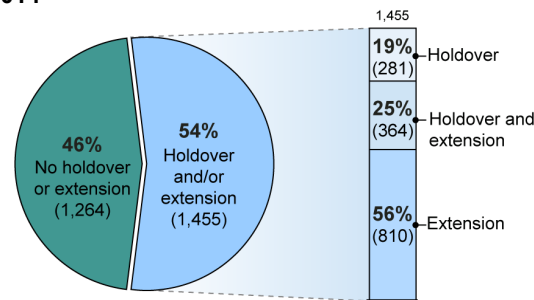
FEDERAL REAL PROPERTY

Performance Goals and Targets Needed to Help Stem GSA's Reliance on Lease Extensions and Holdovers

What GAO Found

Lease holdovers and extensions were common in the General Services Administration's (GSA) lease portfolio from fiscal years 2012 through 2014, with a variety of effects. While leases in holdover or extension represented 27 percent of the overall portfolio, of the long-term leases set to expire over this time period, approximately 54 percent experienced a holdover or extension, or both—totaling 1,455 leases. Of these 1,455 leases, over half experienced only an extension, about 20 percent experienced only a holdover, and the remaining leases experienced both a holdover and an extension (see fig.). In addition, 1,603 leases in GSA's portfolio were in holdover or extension at the beginning of fiscal year 2012. Holdovers and extensions occurred throughout all of GSA's 11 regions and across the government, resulting in a number of potential effects. For example, while the cost impact is difficult to estimate, the short-term nature of holdovers and extensions creates uncertainty for GSA, tenant agencies, and lessors, which can make it challenging for GSA and federal tenant agencies to plan and budget for space needs and difficult for lessors to secure financing.

General Services Administration's Long-term Lease Expirations, Fiscal Years 2012–2014



Source: GAO analysis of General Services Administration (GSA) data. | GAO-15-741

Holdovers and extensions occur for a variety of reasons, including challenges finalizing space requirements and the duration of the leasing process. GSA officials noted that extensions can also be used strategically, such as to align varying lease-expiration dates across multiple leases when consolidating space into a single lease. To reduce holdovers and extensions, GSA has undertaken initiatives to improve lease planning, to begin the leasing process earlier, and to improve communication with agencies. For example, GSA has provided new guidance to its regions to begin the leasing process earlier. In addition, GSA has established goals, targets, and measures—such as for lease planning and costs of extensions—it believes will reduce the need for holdovers and extensions and help track potential effects. However, GSA lacks specific, current goals and targets to assess its actual performance in avoiding holdovers and extensions. Leading practices in performance management show that a fundamental element in an organization's efforts to manage for results is its ability to set meaningful goals for performance and to measure progress toward those goals. Specific, relevant goals and targets related to what happens to GSA's leases when they expire and expected outcomes could provide GSA with valuable information to identify any actions needed to support its ongoing efforts, and allow for greater transparency and accountability to GSA's stakeholders.