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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 8-K**

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**CURRENT REPORT**

**PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported) July 23, 2014

**WASHINGTON REAL ESTATE  
INVESTMENT TRUST**

(Exact name of registrant as specified in its charter)

**MARYLAND**  
(State of incorporation)

**1-6622**  
(Commission File Number)

**53-0261100**  
(IRS Employer Identification Number)

**6110 EXECUTIVE BOULEVARD, SUITE 800, ROCKVILLE, MARYLAND 20852**  
(Address of principal executive office) (Zip code)

**Registrant's telephone number, including area code: (301) 984-9400**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 2.02 Results of Operations and Financial Condition**

and

**Item 7.01 Regulation FD Disclosure**

A press release issued by the Registrant on July 24, 2014 regarding earnings for the three and six months ended June 30, 2014, is attached as Exhibit 99.1. Also, certain supplemental information not included in the press release is attached as Exhibit 99.2. This information is being furnished pursuant to Item 7.01 and Item 2.02 of Form 8-K. This information is not deemed to be "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934 and is not incorporated by reference into any Securities Act registration statements.

**Item 5.02 - Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers**

On July 23, 2014, the Compensation Committee and Board of Trustees approved a correction to the long-term incentive plan (LTIP) adopted on April 23, 2014 and described in a Form 8-K filed on April 29, 2014 (the "Form 8-K"). As corrected, the LTIP provides that each regular award opportunity (i.e., the regular award opportunity for the three-year period commencing in 2014 and each regular award opportunity thereafter) will vest 75% at the end of the three-year performance period and 25% on the one-year anniversary of the end of the performance period. As such, each such regular award opportunity will be payable 75% in unrestricted shares and 25% in restricted shares that vest after one year. The one-time transition award opportunity will continue to vest as set forth in the Form 8-K.

**Item 8.01 - Other Events**

The Board of Trustees adopted a new trustee share ownership policy for non-employee trustees. Under the new policy, each trustee is required to retain an aggregate number of common shares of the Trust at least equal to five times the annual cash retainer. In order to calculate the required number of shares, the annual cash retainer is multiplied by five, with the resulting product then being divided by the average closing price for the 60 days prior to the date compliance is calculated.

The policy takes effect on July 23, 2014, with each non-employee trustee being required to meet the threshold within five years after their initial election to the Board.

**Item 9.01 Financial Statements and Exhibits**

(c) Exhibits

| <u>Exhibit Number</u> | <u>Description</u>   |
|-----------------------|--|
| 99.1                  | Press release issued July 24, 2014 regarding earnings for the three and six months ended June 30, 2014 |
| 99.2                  | Certain supplemental information not included in the press release                                     |

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

WASHINGTON REAL ESTATE INVESTMENT TRUST

(Registrant)

By: /s/ Laura M. Franklin  
(Signature)

Laura M. Franklin  
Executive Vice President  
Accounting and Administration

July 24, 2014

(Date)

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**EXHIBIT INDEX**

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|-----------------------|--|
| 99.1                  | Press release issued July 24, 2014 regarding earnings for the three and six months ended June 30, 2014 |
| 99.2                  | Certain supplemental information not included in the press release                                     |

# WASHINGTON REAL ESTATE INVESTMENT TRUST

## CONTACT:

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Executive Vice President and  
Chief Financial Officer  
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## NEWS RELEASE

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July 24, 2014

## WASHINGTON REAL ESTATE INVESTMENT TRUST ANNOUNCES SECOND QUARTER FINANCIAL AND OPERATING RESULTS

### *Strategic Actions Gaining Traction; Company Achieves Significant Same-Store NOI Growth*

Washington Real Estate Investment Trust ("Washington REIT" or the "Company") (NYSE: WRE), a leading owner and operator of diversified properties in the Washington, DC region, reported financial and operating results today for the quarter ended June 30, 2014:

#### Second Quarter 2014 Highlights

- Generated Core Funds from Operations (FFO) of \$0.41 per fully diluted share for the quarter, a \$0.05 increase over first quarter 2014
- Achieved same-store Net Operating Income (NOI) growth of 6.1% over second quarter 2013
- Improved overall same-store physical occupancy to 92.6% from 90.2% in the first quarter 2014
- Executed 62 new and renewal commercial leases totaling 222,000 square feet at an average rental rate increase of 9.0% over in-place rents for new leases and average rental rate increase of 7.3% over in-place rents for renewal leases
- Acquired 1775 Eye Street, NW, a 185,000 square foot office building located in Washington, DC, for \$104.5 million
- Announced the election of Mr. Benjamin S. Butcher, an additional independent member, to the Board of Trustees

"The actions we have taken over the past several months are gaining traction and positively impacting our results as we continue to successfully execute on our strategy to improve the overall quality of Washington REIT's asset portfolio," said Paul T. McDermott, President and Chief Executive Officer. "In the second quarter, Washington REIT achieved significant same-store NOI growth as a result of substantial occupancy gains, and we are also beginning to see strong positive momentum in Core FFO from our acquisitions this year, including 1775 Eye Street which we acquired in May. Going forward, we will build on this momentum and drive shareholder value by continuing to improve our internal operations, aggressively filling vacancies, increasing tenant retention and selectively acquiring additional high-quality assets in the DC and Greater Washington region."

#### Financial Highlights

Core Funds from Operations<sup>(1)</sup>, defined as Funds from Operations<sup>(1)</sup> ("FFO") excluding acquisition expense, gains or losses on extinguishment of debt, severance expense and impairment, was \$27.7 million, or \$0.41 per diluted share for the quarter ended June 30, 2014, compared to \$31.2 million, or \$0.47 per diluted share for the prior year period. FFO for the quarter ended June 30, 2014 was \$25.2 million, or \$0.38 per diluted share, compared to \$30.8 million, or \$0.46 per diluted share, in the same period one year ago. This decrease in Core Funds from Operations is primarily due to the reinvestment timing of the Medical Office Building sale proceeds.

Net income attributable to the controlling interests for the quarter ended June 30, 2014 was \$1.1 million, or \$0.02 per diluted share, compared to \$5.3 million, or \$0.08 per diluted share, in the same period one year ago.

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## Operating Results

The Company's overall portfolio Net Operating Income ("NOI")<sup>(2)</sup> was \$46.7 million for the quarter ended June 30, 2014 compared to \$42.2 million in the same period one year ago and \$42.3 million in the first quarter of 2014. Overall portfolio physical occupancy for the second quarter was 90.1%, compared to 89.1% in the same period one year ago and 88.4% in the first quarter of 2014.

Same-store<sup>(3)</sup> portfolio physical occupancy for the second quarter was 92.6%, compared to 90.0% in the same period one year ago and 90.2% in the first quarter of 2014. Same-store portfolio NOI for the second quarter increased 6.1% compared to the same period one year ago and rental rate growth was 0.8%.

- **Office: 55.8% of Total NOI** - Same-store NOI for the second quarter increased 8.0% compared to the same period one year ago. Rental rate growth was 1.4% while same-store physical occupancy increased 420 bps to 90.6%. Sequentially, same-store physical occupancy increased 370 bps compared to the first quarter of 2014.
- **Retail: 24.6% of Total NOI** - Same-store NOI for the second quarter increased 8.0% compared to the same period one year ago. Rental rate growth was 0.4% while same-store physical occupancy increased 100 bps to 94.2%. Sequentially, same-store physical occupancy increased 60 bps compared to the first quarter of 2014.
- **Multifamily: 19.6% of Total NOI** - Same-store NOI for the second quarter decreased 1.5% compared to the same period one year ago. Rental rates decreased 0.3% while same-store physical occupancy increased 120 bps to 94.3%. Sequentially, same-store physical occupancy increased 160 bps compared to the first quarter of 2014.

## Leasing Activity

During the second quarter, Washington REIT signed commercial leases totaling 222,000 square feet, including 102,000 square feet of new leases and 120,000 square feet of renewal leases, as follows (all dollar amounts are on a per square foot basis):

|          | Square Feet | Weighted Average Term (in years) | Weighted Average Rental Rates | Weighted Average Rental Rate % Increase | Tenant Improvements | Leasing Commissions and Incentives |
|----------|-------------|----------------------------------|-------------------------------|---|---------------------|------------------------------------|
| New:     |             |                                  |                               |   |                     |                                    |
| Office   | 69,367      | 5.8                              | \$ 35.71                      | 14.7 %                                  | \$ 33.59            | \$ 21.80                           |
| Retail   | 32,191      | 10.2                             | 22.07                         | -2.3 %                                  | 50.20               | 9.33                               |
| Total    | 101,558     | 7.1                              | 30.79                         | 9.0 %                                   | 38.86               | 17.84                              |
| Renewal: |             |                                  |                               |   |                     |                                    |
| Office   | 109,686     | 4.8                              | \$ 36.12                      | 6.6 %                                   | \$ 17.29            | \$ 13.83                           |
| Retail   | 10,645      | 4.3                              | 50.91                         | 12.8 %                                  | —                   | 2.56                               |
| Total    | 120,331     | 4.8                              | 37.42                         | 7.3 %                                   | 15.76               | 12.84                              |

## Acquisition and Disposition Activity

In the second quarter, Washington REIT acquired 1775 Eye Street, NW, a 185,000 square foot office building located in Washington's Central Business District, for \$104.5 million. Originally built in 1964, 1775 Eye Street is an eleven-story building with a two-level parking garage located at the intersection of 18th and Eye Street, in Northwest DC. The property is currently undergoing its second renovation, which includes a new modernized lobby, common areas, and fitness facility. 1775 Eye Street was originally renovated in 1997 when the owner replaced the facade, storefronts and all of the building systems. 1775 Eye Street is directly across from Farragut West (Blue and Orange Lines) and two blocks from Farragut North (Red Line) Metro Stations.

### Other Developments

During the quarter, Washington REIT announced the election of Mr. Benjamin S. Butcher, an additional independent member, to the Board of Trustees. Mr. Butcher currently serves as the Chief Executive Officer, President and Chairman of the Board of Directors of STAG Industrial, Inc., a publicly traded real estate company focused on acquisition, ownership and management of single tenant industrial properties throughout the United States since its inception in 2011. Mr. Butcher joined the Washington REIT's Board of Trustees effective July 1, 2014.

### Earnings Guidance

Management reiterates 2014 Core FFO guidance of \$1.56-\$1.64 per fully diluted share.

### Dividends

On June 30, 2014, Washington REIT paid a quarterly dividend of \$0.30 per share.

### Conference Call Information

The Conference Call for 2nd Quarter Earnings is scheduled for Friday, July 25, 2014 at 11:00 A.M. Eastern time. Conference Call access information is as follows:

USA Toll Free Number: 1-877-407-9205  
International Toll Number: 1-201-689-8054

The instant replay of the Conference Call will be available until August 8, 2014 at 11:59 P.M. Eastern time. Instant replay access information is as follows:

USA Toll Free Number: 1-877-660-6853  
International Toll Number: 1-201-612-7415  
Conference ID: 13585552

The live on-demand webcast of the Conference Call will be available on the Investor section of Washington REIT's website at [www.washingtonreit.com](http://www.washingtonreit.com). On-line playback of the webcast will be available for two weeks following the Conference Call.

### About Washington REIT

Washington REIT is a self-administered, self-managed, equity real estate investment trust investing in income-producing properties in the greater Washington metro region. Washington REIT owns a diversified portfolio of 54 properties, totaling approximately 7 million square feet of commercial space and 2,890 multifamily units, and land held for development. These 54 properties consist of 25 office properties, 16 retail centers and 13 multifamily properties. Washington REIT shares are publicly traded on the New York Stock Exchange (NYSE:WRE).

Note: Washington REIT's press releases and supplemental financial information are available on the company website at [www.washingtonreit.com](http://www.washingtonreit.com) or by contacting Investor Relations at (301) 984-9400.

Certain statements in our earnings release and on our conference call are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements in this earnings release preceded by, followed by or that include the words "believe," "expect," "intend," "anticipate," "potential," "project," "will" and other similar expressions. Such statements involve known and unknown risks, uncertainties, and other factors that may cause actual results to differ materially. Such risks, uncertainties and other factors include, but are not limited to, the potential for federal government budget reductions, changes in general and local economic and real estate market conditions, the timing and pricing of lease transactions, the availability and cost of capital, fluctuations in interest rates, tenants' financial conditions, levels of competition, the effect of government regulation, the impact of newly adopted accounting principles, and other risks and uncertainties detailed from time to time in our filings with the SEC, including our 2013 Form 10-K and subsequent Quarterly Reports on Form 10-Q. We assume no obligation to update or supplement forward-looking statements that become untrue because of subsequent events.

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<sup>(1)</sup> Funds From Operations ("FFO") - The National Association of Real Estate Investment Trusts, Inc. ("NAREIT") defines FFO (April, 2002 White Paper) as net income (computed in accordance with generally accepted accounting principles ("GAAP")) excluding gains (or losses) associated with sales of property, impairment of depreciable real estate and real estate depreciation and amortization. FFO is a non-GAAP measure and does not replace net income as a measure of performance or net cash provided by operating activities as a measure of liquidity. We consider FFO to be a standard supplemental measure for equity real estate investment trusts ("REITs") because it facilitates an understanding of the operating performance of our properties without giving effect to real estate depreciation and amortization, which historically assumes that the value of real estate assets diminishes predictably over time. Since real estate values have instead historically risen or fallen with market conditions, we believe that FFO more accurately provides investors an indication of our ability to incur and service debt, make capital expenditures and fund other needs.

Core Funds From Operations ("Core FFO") is calculated by adjusting FFO for the following items (which we believe are not indicative of the performance of Washington REIT's operating portfolio and affect the comparative measurement of Washington REIT's operating performance over time): (1) gains or losses on extinguishment of debt, (2) costs related to the acquisition of properties, (3) severance expense related to corporate reorganization and related to the prior CEO's retirement and (4) property impairments not already excluded from FFO, as appropriate. These items can vary greatly from period to period, depending upon the volume of our acquisition activity and debt retirements, among other factors. We believe that by excluding these items, Core FFO serves as a useful, supplementary measure of Washington REIT's ability to incur and service debt and to distribute dividends to its shareholders. Core FFO is a non-GAAP and non-standardized measure and may be calculated differently by other REITs.

<sup>(2)</sup> Net Operating Income ("NOI"), defined as real estate rental revenue less real estate expenses, is a non-GAAP measure. NOI is calculated as net income, less non-real estate revenue and the results of discontinued operations (including the gain on sale, if any), plus interest expense, depreciation and amortization, general and administrative expenses, acquisition costs and real estate impairment. We provide NOI as a supplement to net income calculated in accordance with GAAP. As such, it should not be considered an alternative to net income as an indication of our operating performance. It is the primary performance measure we use to assess the results of our operations at the property level.

<sup>(3)</sup> For purposes of evaluating comparative operating performance, we categorize our properties as "same-store" or "non-same-store". A same-store property is one that was owned for the entirety of the periods being evaluated and excludes properties under redevelopment or development and properties purchased or sold at any time during the periods being compared. A non-same-store property is one that was acquired, under redevelopment or development, or placed into service during either of the periods being evaluated. We define redevelopment properties as those for which we expect to spend significant development and construction costs on existing or acquired buildings pursuant to a formal plan which has a current impact on operating results, occupancy and the ability to lease space with the intended result of a higher economic return on the property. Properties under redevelopment or development are included within the non-same-store properties beginning in the period during which redevelopment or development activities commence. Redevelopment and development properties are included in the same-store pool upon completion of the redevelopment or development, and the earlier of achieving 90% occupancy or two years after completion.

<sup>(4)</sup> Funds Available for Distribution ("FAD") is a non-GAAP measure. It is calculated by subtracting from FFO (1) recurring expenditures, tenant improvements and leasing costs, that are capitalized and amortized and are necessary to maintain our properties and revenue stream and (2) straight line rents, then adding (3) non-real estate depreciation and amortization, (4) non-cash fair value interest expense and (5) amortization of restricted share compensation, then adding or subtracting the (6) amortization of lease intangibles, (7) real estate impairment and (8) non-cash gain/loss on extinguishment of debt, as appropriate. FAD is included herein, because we consider it to be a measure of a REIT's ability to incur and service debt and to distribute dividends to its shareholders. FAD is a non-GAAP and non-standardized measure, and may be calculated differently by other REITs.

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**Physical Occupancy Levels by Same-Store Properties (i) and All Properties**

| Segment           | Physical Occupancy    |                 |                 |                 |
|-------------------|-----------------------|-----------------|-----------------|-----------------|
|                   | Same-Store Properties |                 | All Properties  |                 |
|                   | 2nd QTR<br>2014       | 2nd QTR<br>2013 | 2nd QTR<br>2014 | 2nd QTR<br>2013 |
| Multifamily       | 94.3%                 | 93.1%           | 93.7%           | 93.1%           |
| Office            | 90.6%                 | 86.4%           | 86.2%           | 86.3%           |
| Medical Office    | —%                    | —%              | —%              | 84.8%           |
| Retail            | 94.2%                 | 93.2%           | 94.2%           | 93.2%           |
| Overall Portfolio | 92.6%                 | 90.0%           | 90.1%           | 89.1%           |

(i) Same-Store properties include all stabilized properties that were owned for the entirety of the current and prior reporting periods, and exclude properties under redevelopment or development and properties purchased or sold at any time during the periods being compared. We define redevelopment properties as those for which we expect to spend significant development and construction costs on existing or acquired buildings pursuant to a formal plan which has a current impact on operating results, occupancy and the ability to lease space with the intended result of a higher economic return on the property. Redevelopment and development properties are included in the same-store pool upon completion of the redevelopment or development, and the earlier of achieving 90% occupancy or two years after completion. For Q2 2014 and Q2 2013, same-store properties exclude:

Multifamily Acquisitions: The Paramount and Yale West;

Office Acquisitions: The Army Navy Club Building and 1775 Eye Street;

Office Redevelopment: 7900 Westpark Drive;

Retail Acquisitions: none.

Also excluded from Same-Store Properties in Q2 2014 and Q2 2013 are:

Sold Properties: The Medical Office Portfolio (Woodholme Center, 6565 Arlington Boulevard, 2440 M Street, 15001 Shady Grove Road, 15005 Shady Grove Road, 19500 at Riverside Park (formerly Lansdowne Medical Office Building), 9707 Medical Center Drive, CentreMed I and II, 8301 Arlington Boulevard, Sterling Medical Office Building, Shady Grove Medical Village II, Alexandria Professional Center, Ashburn Farm Office Park I, II and III, Woodholme Medical Office Building, Woodburn Medical Park I and II, and Prosperity Medical Center I, II and III).

Retail sold property: 5740 Columbia Road (parcel of land at Gateway Overlook).

WASHINGTON REAL ESTATE INVESTMENT TRUST  
FINANCIAL HIGHLIGHTS  
(In thousands, except per share data)  
(Unaudited)

| OPERATING RESULTS  | Three Months Ended June 30, |                  | Six Months Ended June 30, |                  |
|--|-----------------------------|------------------|---------------------------|------------------|
|  | 2014                        | 2013             | 2014                      | 2013             |
| Revenue  |                             |                  |                           |                  |
| Real estate rental revenue   | \$ 72,254                   | \$ 65,915        | \$ 140,865                | \$ 130,475       |
| Expenses   |                             |                  |                           |                  |
| Real estate expenses   | 25,528                      | 23,670           | 51,870                    | 46,224           |
| Depreciation and amortization  | 24,401                      | 21,037           | 47,154                    | 42,160           |
| Acquisition costs  | 1,933                       | 87               | 4,978                     | 300              |
| General and administrative   | 4,828                       | 4,005            | 9,257                     | 7,867            |
|  | <u>56,690</u>               | <u>48,799</u>    | <u>113,259</u>            | <u>96,551</u>    |
| Other operating income   |                             |                  |                           |                  |
| Gain on sale of real estate  | 570                         | —                | 570                       | —                |
| Real estate operating income   | <u>16,134</u>               | <u>17,116</u>    | <u>28,176</u>             | <u>33,924</u>    |
| Other income (expense):  |                             |                  |                           |                  |
| Interest expense   | (14,985)                    | (15,824)         | (29,515)                  | (32,014)         |
| Other income   | 219                         | 246              | 442                       | 485              |
|  | <u>(14,766)</u>             | <u>(15,578)</u>  | <u>(29,073)</u>           | <u>(31,529)</u>  |
| Income (loss) from continuing operations   | <u>1,368</u>                | <u>1,538</u>     | <u>(897)</u>              | <u>2,395</u>     |
| Discontinued operations:   |                             |                  |                           |                  |
| Income from operations of properties sold or held for sale                         | —                           | 3,725            | 546                       | 7,008            |
| (Loss) gain on sale of real estate   | (288)                       | —                | 105,985                   | 3,195            |
| (Loss) income from discontinued operations   | <u>(288)</u>                | <u>3,725</u>     | <u>106,531</u>            | <u>10,203</u>    |
| Net income   | <u>1,080</u>                | <u>5,263</u>     | <u>105,634</u>            | <u>12,598</u>    |
| Less: Net loss attributable to noncontrolling interests in subsidiaries            | 7                           | —                | 7                         | —                |
| Net income attributable to the controlling interests                               | <u>\$ 1,087</u>             | <u>\$ 5,263</u>  | <u>\$ 105,641</u>         | <u>\$ 12,598</u> |
| Income (loss) from continuing operations attributable to the controlling interests | <u>1,375</u>                | <u>1,538</u>     | <u>(890)</u>              | <u>2,395</u>     |
| Continuing operations real estate depreciation and amortization                    | 24,401                      | 21,037           | 47,154                    | 42,160           |
| Gain on sale of real estate (classified as continuing operations)                  | (570)                       | —                | (570)                     | —                |
| Funds from continuing operations <sup>(1)</sup>                                    | <u>\$ 25,206</u>            | <u>\$ 22,575</u> | <u>\$ 45,694</u>          | <u>\$ 44,555</u> |
| Income from operations of properties sold or held for sale                         | —                           | 3,725            | 546                       | 7,008            |
| Discontinued operations real estate depreciation and amortization                  | —                           | 4,545            | —                         | 8,946            |
| Funds from discontinued operations   | <u>—</u>                    | <u>8,270</u>     | <u>546</u>                | <u>15,954</u>    |
| Funds from operations <sup>(1)</sup>   | <u>\$ 25,206</u>            | <u>\$ 30,845</u> | <u>\$ 46,240</u>          | <u>\$ 60,509</u> |
| Tenant improvements  | (7,970)                     | (5,918)          | (12,869)                  | (9,893)          |
| External and internal leasing commissions capitalized                              | (3,363)                     | (2,342)          | (5,003)                   | (4,948)          |
| Recurring capital improvements   | (1,610)                     | (2,311)          | (2,498)                   | (3,032)          |
| Straight-line rents, net   | (723)                       | (483)            | (1,076)                   | (826)            |
| Non-cash fair value interest expense   | 30                          | 255              | 225                       | 509              |
| Non real estate depreciation & amortization of debt costs                          | 904                         | 933              | 1,776                     | 1,891            |
| Amortization of lease intangibles, net   | 677                         | 86               | 916                       | 127              |
| Amortization and expensing of restricted share and unit compensation               | 1,429                       | 1,355            | 2,470                     | 2,373            |
| Funds available for distribution <sup>(4)</sup>                                    | <u>\$ 14,580</u>            | <u>\$ 22,420</u> | <u>\$ 30,181</u>          | <u>\$ 46,710</u> |

Note: Certain prior period amounts have been reclassified to conform to the current presentation for discontinued operations.

| Per share data:   |           | Three Months Ended June 30, |           | Six Months Ended June 30, |           |
|---|-----------|-----------------------------|-----------|---------------------------|-----------|
|   |           | 2014                        | 2013      | 2014                      | 2013      |
| Income (loss) from continuing operations                    | (Basic)   | \$ 0.02                     | \$ 0.02   | \$ (0.01)                 | \$ 0.04   |
|   | (Diluted) | \$ 0.02                     | \$ 0.02   | \$ (0.01)                 | \$ 0.04   |
| Net income  | (Basic)   | \$ 0.02                     | \$ 0.08   | \$ 1.58                   | \$ 0.19   |
|   | (Diluted) | \$ 0.02                     | \$ 0.08   | \$ 1.58                   | \$ 0.19   |
| Funds from continuing operations                            | (Basic)   | \$ 0.38                     | \$ 0.34   | \$ 0.68                   | \$ 0.67   |
|   | (Diluted) | \$ 0.38                     | \$ 0.34   | \$ 0.68                   | \$ 0.67   |
| Funds from operations                                       | (Basic)   | \$ 0.38                     | \$ 0.46   | \$ 0.69                   | \$ 0.91   |
|   | (Diluted) | \$ 0.38                     | \$ 0.46   | \$ 0.69                   | \$ 0.91   |
| Dividends paid  |           | \$ 0.3000                   | \$ 0.3000 | \$ 0.6000                 | \$ 0.6000 |
| Weighted average shares outstanding                         |           | 66,732                      | 66,405    | 66,718                    | 66,399    |
| Fully diluted weighted average shares outstanding           |           | 66,761                      | 66,556    | 66,718                    | 66,537    |
| Fully diluted weighted average shares outstanding (for FFO) |           | 66,761                      | 66,556    | 66,744                    | 66,537    |

WASHINGTON REAL ESTATE INVESTMENT TRUST  
CONSOLIDATED BALANCE SHEETS  
(In thousands, except per share data)

|   | June 30, 2014<br>(unaudited) | December 31, 2013   |
|---|------------------------------|---------------------|
| <b>Assets</b>   |                              |                     |
| Land  | \$ 519,859                   | \$ 426,575          |
| Income producing property   | 1,853,982                    | 1,675,652           |
|   | 2,373,841                    | 2,102,227           |
| Accumulated depreciation and amortization   | (600,171)                    | (565,342)           |
| Net income producing property   | 1,773,670                    | 1,536,885           |
| Development in progress   | 83,970                       | 61,315              |
| Total real estate held for investment, net  | 1,857,640                    | 1,598,200           |
| Investment in real estate held for sale, net  | —                            | 79,901              |
| Cash and cash equivalents   | 23,009                       | 130,343             |
| Restricted cash   | 11,369                       | 9,189               |
| Rents and other receivables, net of allowance for doubtful accounts of \$5,765 and \$6,783 respectively                                   | 55,583                       | 48,756              |
| Prepaid expenses and other assets   | 112,548                      | 105,004             |
| Other assets related to properties sold or held for sale  | —                            | 4,100               |
| Total assets  | <u>\$ 2,060,149</u>          | <u>\$ 1,975,493</u> |
| <b>Liabilities</b>  |                              |                     |
| Notes payable   | \$ 746,956                   | \$ 846,703          |
| Mortgage notes payable  | 406,975                      | 294,671             |
| Lines of credit   | —                            | —                   |
| Accounts payable and other liabilities  | 59,719                       | 51,742              |
| Advance rents   | 13,172                       | 13,529              |
| Tenant security deposits  | 8,686                        | 7,869               |
| Liabilities related to properties sold or held for sale   | —                            | 1,533               |
| Total liabilities   | <u>1,235,508</u>             | <u>1,216,047</u>    |
| <b>Equity</b>   |                              |                     |
| Shareholders' equity  |                              |                     |
| Preferred shares; \$0.01 par value; 10,000 shares authorized; no shares issued and outstanding  | —                            | —                   |
| Shares of beneficial interest, \$0.01 par value; 100,000 shares authorized; 66,636 and 66,531 shares issued and outstanding, respectively | 666                          | 665                 |
| Additional paid-in capital  | 1,152,647                    | 1,151,174           |
| Distributions in excess of net income   | (331,373)                    | (396,880)           |
| Total shareholders' equity  | <u>821,940</u>               | <u>754,959</u>      |
| Noncontrolling interests in subsidiaries  | 2,701                        | 4,487               |
| Total equity  | <u>824,641</u>               | <u>759,446</u>      |
| Total liabilities and equity  | <u>\$ 2,060,149</u>          | <u>\$ 1,975,493</u> |

The following tables contain reconciliations of net income to same-store net operating income for the periods presented (in thousands):

| Quarter Ended June 30, 2014   | Multifamily | Office    | Retail    | Total     |
|---|-------------|-----------|-----------|-----------|
| Same-store net operating income <sup>(3)</sup>                          | \$ 7,774    | \$ 23,212 | \$ 11,517 | \$ 42,503 |
| Add: Net operating income from non-same-store properties <sup>(3)</sup> | 1,371       | 2,847     | 5         | 4,223     |
| Total net operating income <sup>(2)</sup>                               | \$ 9,145    | \$ 26,059 | \$ 11,522 | \$ 46,726 |
| Add/(deduct):   |             |           |           |           |
| Other income  |             |           |           | 219       |
| Acquisition costs   |             |           |           | (1,933)   |
| Interest expense  |             |           |           | (14,985)  |
| Depreciation and amortization   |             |           |           | (24,401)  |
| General and administrative expenses                                     |             |           |           | (4,828)   |
| Gain on sale of real estate (classified as continuing operations)       |             |           |           | 570       |
| Discontinued operations:  |             |           |           |           |
| Gain on sale of real estate   |             |           |           | (288)     |
| Net income  |             |           |           | 1,080     |
| Less: Net loss attributable to noncontrolling interests in subsidiaries |             |           |           | 7         |
| Net income attributable to the controlling interests                    |             |           |           | \$ 1,087  |

| Quarter Ended June 30, 2013   | Multifamily | Office    | Retail    | Total     |
|---|-------------|-----------|-----------|-----------|
| Same-store net operating income <sup>(3)</sup>                            | \$ 7,893    | \$ 21,496 | \$ 10,668 | \$ 40,057 |
| Add: Net operating income from non-same-store properties <sup>(3)</sup>   | —           | 2,158     | 30        | 2,188     |
| Total net operating income <sup>(2)</sup>                                 | \$ 7,893    | \$ 23,654 | \$ 10,698 | \$ 42,245 |
| Add/(deduct):   |             |           |           |           |
| Other income  |             |           |           | 246       |
| Acquisition costs   |             |           |           | (87)      |
| Interest expense  |             |           |           | (15,824)  |
| Depreciation and amortization   |             |           |           | (21,037)  |
| General and administrative expenses                                       |             |           |           | (4,005)   |
| Discontinued operations:  |             |           |           |           |
| Income from operations of properties sold or held for sale                |             |           |           | 3,725     |
| Net income  |             |           |           | 5,263     |
| Less: Net income attributable to noncontrolling interests in subsidiaries |             |           |           | —         |
| Net income attributable to the controlling interests                      |             |           |           | \$ 5,263  |

The following tables contain reconciliations of net income to same-store net operating income for the periods presented (in thousands):

| Period Ended June 30, 2014  | Multifamily        | Office        | Retail        | Total        |
|---|--------------------|---------------|---------------|--------------|
| Same-store net operating income <sup>(3)</sup>                            | \$ 15,377          | \$ 45,049     | \$ 21,890     | \$ 82,316    |
| Add: Net operating income from non-same-store properties <sup>(3)</sup>   | 2,275              | 4,378         | 26            | 6,679        |
| Total net operating income <sup>(2)</sup>                                 | \$ 17,652          | \$ 49,427     | \$ 21,916     | \$ 88,995    |
| Add/(deduct):   |                    |               |               |              |
| Other income  |                    |               |               | 442          |
| Acquisition costs   |                    |               |               | (4,978)      |
| Interest expense  |                    |               |               | (29,515)     |
| Depreciation and amortization   |                    |               |               | (47,154)     |
| General and administrative expenses                                       |                    |               |               | (9,257)      |
| Gain on sale of real estate (classified as continuing operations)         |                    |               |               | 570          |
| Discontinued operations:  |                    |               |               |              |
| Income from operations of properties sold or held for sale                |                    |               |               | 546          |
| Gain on sale of real estate   |                    |               |               | 105,985      |
| Net income  |                    |               |               | 105,634      |
| Less: Net loss attributable to noncontrolling interests in subsidiaries   |                    |               |               | 7            |
| Net income attributable to the controlling interests                      |                    |               |               | \$ 105,641   |
| <b>Period Ended June 30, 2013</b>   | <b>Multifamily</b> | <b>Office</b> | <b>Retail</b> | <b>Total</b> |
| Same-store net operating income <sup>(3)</sup>                            | \$ 15,836          | \$ 43,277     | \$ 20,911     | \$ 80,024    |
| Add: Net operating income from non-same-store properties <sup>(3)</sup>   | —                  | 4,171         | 56            | 4,227        |
| Total net operating income <sup>(2)</sup>                                 | \$ 15,836          | \$ 47,448     | \$ 20,967     | \$ 84,251    |
| Add/(deduct):   |                    |               |               |              |
| Other income  |                    |               |               | 485          |
| Acquisition costs   |                    |               |               | (300)        |
| Interest expense  |                    |               |               | (32,014)     |
| Depreciation and amortization   |                    |               |               | (42,160)     |
| General and administrative expenses                                       |                    |               |               | (7,867)      |
| Discontinued operations:  |                    |               |               |              |
| Income from operations of properties sold or held for sale                |                    |               |               | 7,008        |
| Gain on sale of real estate   |                    |               |               | 3,195        |
| Net income  |                    |               |               | 12,598       |
| Less: Net income attributable to noncontrolling interests in subsidiaries |                    |               |               | —            |
| Net income attributable to the controlling interests                      |                    |               |               | \$ 12,598    |

The following table contains a reconciliation of net income attributable to the controlling interests to core funds from operations for the periods presented (in thousands, except per share data):

|   | Three Months Ended June 30, |           | Six Months Ended June 30, |           |
|---|-----------------------------|-----------|---------------------------|-----------|
|   | 2014                        | 2013      | 2014                      | 2013      |
| Net income attributable to the controlling interests              | \$ 1,087                    | \$ 5,263  | \$ 105,641                | \$ 12,598 |
| Add/(deduct):   |                             |           |                           |           |
| Real estate depreciation and amortization                         | 24,401                      | 21,037    | 47,154                    | 42,160    |
| Gain on sale of real estate (classified as continuing operations) | (570)                       | —         | (570)                     | —         |
| Discontinued operations:  |                             |           |                           |           |
| Loss (gain) on sale of real estate                                | 288                         | —         | (105,985)                 | (3,195)   |
| Real estate depreciation and amortization                         | —                           | 4,545     | —                         | 8,946     |
| Funds from operations <sup>(1)</sup>                              | 25,206                      | 30,845    | 46,240                    | 60,509    |
| Add/(deduct):   |                             |           |                           |           |
| Acquisition costs   | 1,933                       | 87        | 4,978                     | 300       |
| Severance expense   | 576                         | 266       | 624                       | 83        |
| Core funds from operations <sup>(1)</sup>                         | \$ 27,715                   | \$ 31,198 | \$ 51,842                 | \$ 60,892 |

| Per share data:   |           | Three Months Ended June 30, |         | Six Months Ended June 30, |         |
|---|-----------|-----------------------------|---------|---------------------------|---------|
|   |           | 2014                        | 2013    | 2014                      | 2013    |
| Funds from operations                                       | (Basic)   | \$ 0.38                     | \$ 0.46 | \$ 0.69                   | \$ 0.91 |
|   | (Diluted) | \$ 0.38                     | \$ 0.46 | \$ 0.69                   | \$ 0.91 |
| Core FFO  | (Basic)   | \$ 0.42                     | \$ 0.47 | \$ 0.77                   | \$ 0.91 |
|   | (Diluted) | \$ 0.41                     | \$ 0.47 | \$ 0.77                   | \$ 0.91 |
| Weighted average shares outstanding                         |           | 66,732                      | 66,405  | 66,718                    | 66,399  |
| Fully diluted weighted average shares outstanding (for FFO) |           | 66,761                      | 66,556  | 66,744                    | 66,537  |

**Washington Real Estate Investment Trust  
Second Quarter 2014**



**Supplemental Operating and Financial Data**

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## **Company Background and Highlights**

*Second Quarter 2014*

Washington Real Estate Investment Trust ("Washington REIT") is a self-administered, self-managed, equity real estate investment trust investing in income-producing properties in the greater Washington metro region. Washington REIT has a diversified portfolio with investments in office, retail, and multifamily properties and land for development.

In the second quarter, Washington REIT acquired 1775 Eye Street, NW, a 185,000 square foot office building located in Washington's Central Business District, for \$104.5 million. Originally built in 1964, 1775 Eye Street is an eleven-story building with a two-level parking garage located at the intersection of 18th and Eye Street, in Northwest DC. The property is currently undergoing its second renovation, which includes a new modernized lobby, common areas, and fitness facility. 1775 Eye Street was originally renovated in 1997 when the owner replaced the facade, storefronts and all of the building systems. 1775 Eye Street is directly across from Farragut West (Blue and Orange Lines) and two blocks from Farragut North (Red Line) Metro Stations.

During the quarter, Washington REIT announced the election of Mr. Benjamin S. Butcher, an additional independent member, to the Board of Trustees. Mr. Butcher currently serves as the Chief Executive Officer, President and Chairman of the Board of Directors of STAG Industrial, Inc. (NYSE: STAG), a publicly traded real estate company focused on acquisition, ownership and management of single tenant industrial properties throughout the United States since its inception in 2011. Mr. Butcher joined the Washington REIT's Board of Trustees effective July 1, 2014.

Washington REIT signed commercial leases totaling 221,889 square feet, including 101,558 square feet of new leases and 120,331 square feet of renewal leases. New leases had an average rental rate increase of 9.0% over expiring lease rates on a GAAP basis and an average lease term of 7.1 years. Commercial tenant improvement costs were \$38.86 per square foot and leasing commissions and incentives were \$17.84 per square foot for new leases. Renewal leases had an average rental rate increase of 7.3% over expiring lease rates on a GAAP basis and an average lease term of 4.8 years. Commercial tenant improvement costs were \$15.76 per square foot and leasing commissions and incentives were \$12.84 per square foot for renewal leases.

As of June 30, 2014, Washington REIT owned a diversified portfolio of 54 properties totaling approximately 7 million square feet of commercial space and 2,890 residential units, and land held for development. These 54 properties consist of 25 office properties, 16 retail centers and 13 multifamily properties. Washington REIT shares are publicly traded on the New York Stock Exchange (NYSE: WRE).

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### Net Operating Income Contribution by Sector - Second Quarter 2014



Certain statements in our earnings release and on our conference call are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements involve known and unknown risks, uncertainties, and other factors that may cause actual results to differ materially. Such risks, uncertainties and other factors include, but are not limited to, the potential for federal government budget reductions, changes in general and local economic and real estate market conditions, the timing and pricing of lease transactions, the availability and cost of capital, fluctuations in interest rates, tenants' financial conditions, levels of competition, the effect of government regulation, the impact of newly adopted accounting principles, and other risks and uncertainties detailed from time to time in our filings with the SEC, including our 2013 Form 10-K and subsequent Quarterly Reports on Form 10-Q. We assume no obligation to update or supplement forward-looking statements that become untrue because of subsequent events.

Supplemental Financial and Operating Data

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**Consolidated Statements of Operations**  
(In thousands, except per share data)  
(Unaudited)

|   | Three Months Ended |            |            |           |           |
|---|--------------------|------------|------------|-----------|-----------|
|   | 6/30/2014          | 3/31/2014  | 12/31/2013 | 9/30/2013 | 6/30/2013 |
| <b>OPERATING RESULTS</b>                                    |                    |            |            |           |           |
| Real estate rental revenue                                  | \$ 72,254          | \$ 68,611  | \$ 66,721  | \$ 65,828 | \$ 65,915 |
| Real estate expenses  | (25,528)           | (26,342)   | (23,826)   | (23,243)  | (23,670)  |
|   | 46,726             | 42,269     | 42,895     | 42,585    | 42,245    |
| Real estate depreciation and amortization                   | (24,401)           | (22,753)   | (22,412)   | (21,168)  | (21,037)  |
| Income from real estate                                     | 22,325             | 19,516     | 20,483     | 21,417    | 21,208    |
| Interest expense  | (14,985)           | (14,530)   | (15,629)   | (15,930)  | (15,824)  |
| Other income  | 219                | 223        | 221        | 220       | 246       |
| Acquisition costs   | (1,933)            | (3,045)    | (817)      | (148)     | (87)      |
| Gain on sale of real estate                                 | 570                | —          | —          | —         | —         |
| Loss on extinguishment of debt                              | —                  | —          | (2,737)    | —         | —         |
| General and administrative                                  | (4,828)            | (4,429)    | (5,818)    | (3,850)   | (4,005)   |
| Income (loss) from continuing operations                    | 1,368              | (2,265)    | (4,297)    | 1,709     | 1,538     |
| Discontinued operations:                                    |                    |            |            |           |           |
| Income from operations of properties sold or held for sale  | —                  | 546        | 4,256      | 4,131     | 3,725     |
| (Loss) gain on sale of real estate                          | (288)              | 106,273    | 18,949     | —         | —         |
| (Loss) income from discontinued operations                  | (288)              | 106,819    | 23,205     | 4,131     | 3,725     |
| Net income  | 1,080              | 104,554    | 18,908     | 5,840     | 5,263     |
| Less: Net loss from noncontrolling interests                | 7                  | —          | —          | —         | —         |
| Net income attributable to the controlling interests        | \$ 1,087           | \$ 104,554 | \$ 18,908  | \$ 5,840  | \$ 5,263  |
| <b>Per Share Data:</b>                                      |                    |            |            |           |           |
| Net income  | \$ 0.02            | \$ 1.56    | \$ 0.28    | \$ 0.09   | \$ 0.08   |
| Fully diluted weighted average shares outstanding           | 66,761             | 66,701     | 66,591     | 66,561    | 66,556    |
| <b>Percentage of Revenues:</b>                              |                    |            |            |           |           |
| Real estate expenses  | 35.3%              | 38.4 %     | 35.7 %     | 35.3%     | 35.9%     |
| General and administrative                                  | 6.7%               | 6.5 %      | 8.7 %      | 5.8%      | 6.1 %     |
| <b>Ratios:</b>  |                    |            |            |           |           |
| Adjusted EBITDA / Interest expense                          | 2.7x               | 2.5x       | 2.6 x      | 2.9x      | 2.9x      |
| Income from continuing operations/Total real estate revenue | 1.9%               | (3.3)%     | (6.4)%     | 2.6%      | 2.3%      |
| Net income /Total real estate revenue                       | 1.5%               | 152.4 %    | 28.3 %     | 8.9%      | 8.0%      |

Note: Certain prior quarter amounts have been reclassified to conform to the current quarter presentation.

**Medical Office Portfolio**  
(In thousands)  
(Unaudited)

|   | Three Months Ended |             |                  |                   |                   |
|---|--------------------|-------------|------------------|-------------------|-------------------|
|   | 6/30/2014          | 3/31/2014   | 12/31/2013       | 9/30/2013         | 6/30/2013         |
| <b>Income from Medical Office Portfolio <sup>(1)</sup>:</b>               |                    |             |                  |                   |                   |
| Real estate rental revenue  | \$ —               | \$ 892      | \$ 8,651         | \$ 12,073         | \$ 12,357         |
| Real estate expenses  | —                  | (346)       | (4,184)          | (4,398)           | (3,759)           |
|   | —                  | 546         | 4,467            | 7,675             | 8,598             |
| Real estate depreciation and amortization                                 | —                  | —           | —                | (3,215)           | (4,545)           |
| Interest expense  | —                  | —           | (211)            | (329)             | (328)             |
| <b>Income from operations of Medical Office Portfolio <sup>(1)</sup></b>  | <b>—</b>           | <b>546</b>  | <b>4,256</b>     | <b>4,131</b>      | <b>3,725</b>      |
| (Loss) gain on sale of real estate  | (288)              | 106,273     | 18,949           | —                 | —                 |
| Income from discontinued operations                                       | \$ (288)           | \$ 106,819  | \$ 23,205        | \$ 4,131          | \$ 3,725          |
|   |                    |             | <b>As of</b>     |                   |                   |
| <b>Investment in Medical Office Portfolio <sup>(1)</sup>:</b>             | 6/30/2014          | 3/31/2014   | 12/31/2013       | 9/30/2013         | 6/30/2013         |
| Office  | \$ —               | \$ —        | \$ —             | \$ 55,049         | \$ 54,902         |
| Medical Office  | —                  | —           | 125,967          | 409,486           | 409,040           |
| Total   | —                  | —           | 125,967          | 464,535           | 463,942           |
| Less accumulated depreciation   | —                  | —           | (46,066)         | (118,378)         | (115,796)         |
| Investment in real estate sold or held for sale, net                      | <b>\$ —</b>        | <b>\$ —</b> | <b>\$ 79,901</b> | <b>\$ 346,157</b> | <b>\$ 348,146</b> |
| Mortgage notes payable secured by Medical Office Portfolio <sup>(1)</sup> | \$ —               | \$ —        | \$ —             | \$ 23,467         | \$ 23,627         |

<sup>(1)</sup> Medical Office Portfolio:

Office - Woodholme Center and 6565 Arlington Boulevard

Medical Office - 2440 M Street, 15001 Shady Grove Road, 15505 Shady Grove Road, 19500 at Riverside Park (formerly Lansdowne Medical Office Building), 9707 Medical Center Drive, CentreMed I and II, 8301 Arlington Boulevard, Sterling Medical Office Building, Shady Grove Medical Village II, Alexandria Professional Center, Ashburn Farm Office Park I, II and III, Woodholme Medical Office Building, Woodburn Medical Park I and II, and Prosperity Medical Center I, II and III

Washington REIT entered into four separate contracts with a single buyer to sell all of the held for sale properties (collectively, the "Medical Office Portfolio") for a combined sales price of \$500.8 million. The first two separate sale transactions of its medical office portfolio closed on November 21 and November 22, 2013 for an aggregate sales price of \$307.2 million. The second two sales transactions closed on January 21, 2014 for an aggregate sales price of \$193.6 million.

**Consolidated Balance Sheets***(In thousands)**(Unaudited)*

|  | <u>6/30/2014</u>    | <u>3/31/2014</u>    | <u>12/31/2013</u>   | <u>9/30/2013</u>    | <u>6/30/2013</u>    |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Assets</b>  |                     |                     |                     |                     |                     |
| Land   | \$ 519,859          | \$ 472,056          | \$ 426,575          | \$ 418,008          | \$ 418,008          |
| Income producing property  | 1,853,982           | 1,784,850           | 1,675,652           | 1,624,617           | 1,608,939           |
|  | <u>2,373,841</u>    | <u>2,256,906</u>    | <u>2,102,227</u>    | <u>2,042,625</u>    | <u>2,026,947</u>    |
| Accumulated depreciation and amortization                                  | (600,171)           | (581,644)           | (565,342)           | (548,549)           | (531,197)           |
| Net income producing property  | 1,773,670           | 1,675,262           | 1,536,885           | 1,494,076           | 1,495,750           |
| Development in progress, including land held for development               | 83,970              | 68,963              | 61,315              | 55,580              | 51,397              |
| Total real estate held for investment, net                                 | 1,857,640           | 1,744,225           | 1,598,200           | 1,549,656           | 1,547,147           |
| Investment in real estate held for sale, net                               | —                   | —                   | 79,901              | 346,157             | 348,146             |
| Cash and cash equivalents  | 23,009              | 62,080              | 130,343             | 7,923               | 5,919               |
| Restricted cash  | 11,369              | 107,039             | 9,189               | 7,547               | 10,254              |
| Rents and other receivables, net of allowance for doubtful accounts        | 55,583              | 52,736              | 48,756              | 48,619              | 49,436              |
| Prepaid expenses and other assets  | 112,548             | 109,092             | 105,004             | 110,116             | 101,829             |
| Other assets related to properties sold or held for sale                   | —                   | —                   | 4,100               | 18,337              | 18,011              |
| Total assets   | <u>\$ 2,060,149</u> | <u>\$ 2,075,172</u> | <u>\$ 1,975,493</u> | <u>\$ 2,088,355</u> | <u>\$ 2,080,742</u> |
| <b>Liabilities</b>   |                     |                     |                     |                     |                     |
| Notes payable  | \$ 746,956          | \$ 746,830          | \$ 846,703          | \$ 846,576          | \$ 846,450          |
| Mortgage notes payable   | 406,975             | 404,359             | 294,671             | 290,838             | 288,584             |
| Lines of credit  | —                   | —                   | —                   | 85,000              | 75,000              |
| Accounts payable and other liabilities                                     | 59,719              | 56,804              | 51,742              | 57,116              | 48,836              |
| Advance rents  | 13,172              | 14,688              | 13,529              | 11,749              | 12,382              |
| Tenant security deposits   | 8,686               | 8,402               | 7,869               | 7,639               | 7,559               |
| Liabilities related to properties sold or held for sale                    | —                   | —                   | 1,533               | 31,275              | 30,703              |
| Total liabilities  | <u>1,235,508</u>    | <u>1,231,083</u>    | <u>1,216,047</u>    | <u>1,330,193</u>    | <u>1,309,514</u>    |
| <b>Equity</b>  |                     |                     |                     |                     |                     |
| Preferred shares; \$0.01 par value; 10,000 shares authorized               | —                   | —                   | —                   | —                   | —                   |
| Shares of beneficial interest, \$0.01 par value; 100,000 shares authorized | 666                 | 666                 | 665                 | 665                 | 665                 |
| Additional paid-in capital   | 1,152,647           | 1,151,353           | 1,151,174           | 1,148,837           | 1,147,710           |
| Distributions in excess of net income                                      | (331,373)           | (312,417)           | (396,880)           | (395,816)           | (381,623)           |
| Total shareholders' equity   | <u>821,940</u>      | <u>839,602</u>      | <u>754,959</u>      | <u>753,686</u>      | <u>766,752</u>      |
| Noncontrolling interests in subsidiaries                                   | 2,701               | 4,487               | 4,487               | 4,476               | 4,476               |
| Total equity   | <u>824,641</u>      | <u>844,089</u>      | <u>759,446</u>      | <u>758,162</u>      | <u>771,228</u>      |
| Total liabilities and equity   | <u>\$ 2,060,149</u> | <u>\$ 2,075,172</u> | <u>\$ 1,975,493</u> | <u>\$ 2,088,355</u> | <u>\$ 2,080,742</u> |
| Total Debt / Total Market Capitalization                                   | 0.40:1              | 0.42:1              | 0.42:1              | 0.43:1              | 0.41:1              |

**Funds from Operations***(In thousands, except per share data)**(Unaudited)*

|   | Three Months Ended |                  |                  |                  |                  |
|---|--------------------|------------------|------------------|------------------|------------------|
|   | 6/30/2014          | 3/31/2014        | 12/31/2013       | 9/30/2013        | 6/30/2013        |
| <b>Funds from operations<sup>(1)</sup></b>                        |                    |                  |                  |                  |                  |
| <b>Net income</b>   | \$ 1,087           | \$ 104,554       | \$ 18,908        | \$ 5,840         | \$ 5,263         |
| Real estate depreciation and amortization                         | 24,401             | 22,753           | 22,412           | 21,168           | 21,037           |
| Gain on sale of real estate (classified as continuing operations) | (570)              | —                | —                | —                | —                |
| Discontinued operations:  |                    |                  |                  |                  |                  |
| Loss (gain) on sale of real estate                                | 288                | (106,273)        | (18,949)         | —                | —                |
| Real estate depreciation and amortization                         | —                  | —                | —                | 3,215            | 4,545            |
| <b>Funds from operations (FFO)</b>                                | <u>25,206</u>      | <u>21,034</u>    | <u>22,371</u>    | <u>30,223</u>    | <u>30,845</u>    |
| Loss on extinguishment of debt                                    | —                  | —                | 2,737            | —                | —                |
| Real estate impairment  | —                  | —                | 92               | —                | —                |
| Severance expense   | 576                | 48               | 2,157            | 250              | 266              |
| Acquisition costs   | 1,933              | 3,045            | 817              | 148              | 87               |
| <b>Core FFO<sup>(1)</sup></b>                                     | <u>\$ 27,715</u>   | <u>\$ 24,127</u> | <u>\$ 28,174</u> | <u>\$ 30,621</u> | <u>\$ 31,198</u> |
| Allocation to participating securities <sup>(2)</sup>             | (17)               | (295)            | (44)             | (109)            | (142)            |
| FFO per share - basic   | \$ 0.38            | \$ 0.31          | \$ 0.34          | \$ 0.45          | \$ 0.46          |
| FFO per share - fully diluted                                     | \$ 0.38            | \$ 0.31          | \$ 0.34          | \$ 0.45          | \$ 0.46          |
| Core FFO per share - fully diluted                                | \$ 0.41            | \$ 0.36          | \$ 0.42          | \$ 0.46          | \$ 0.47          |
| Common dividend per share   | \$ 0.30            | \$ 0.30          | \$ 0.30          | \$ 0.30          | \$ 0.30          |
| Average shares - basic  | 66,732             | 66,701           | 66,591           | 66,410           | 66,405           |
| Average shares - fully diluted (for FFO and FAD)                  | 66,761             | 66,750           | 66,634           | 66,561           | 66,556           |

<sup>(1)</sup> See "Supplemental Definitions" on page 31 of this supplemental for the definitions of FFO and Core FFO.<sup>(2)</sup> Adjustment to the numerators for FFO and Core FFO per share calculations when applying the two-class method for calculating EPS.

**Funds Available for Distribution**  
(In thousands, except per share data)  
(Unaudited)

|  | Three Months Ended |                  |                  |                  |                  |
|--|--------------------|------------------|------------------|------------------|------------------|
|  | 6/30/2014          | 3/31/2014        | 12/31/2013       | 9/30/2013        | 6/30/2013        |
| <b>Funds available for distribution<sup>(1)</sup></b>                |                    |                  |                  |                  |                  |
| <b>FFO</b>   | \$ 25,206          | \$ 21,034        | \$ 22,371        | \$ 30,223        | \$ 30,845        |
| Non-cash loss on extinguishment of debt                              | —                  | —                | 88               | —                | —                |
| Tenant improvements  | (7,970)            | (4,899)          | (7,717)          | (3,957)          | (5,918)          |
| Leasing commissions and incentives                                   | (3,363)            | (1,640)          | (6,083)          | (3,746)          | (2,342)          |
| Recurring capital improvements                                       | (1,610)            | (888)            | (1,953)          | (1,917)          | (2,311)          |
| Straight-line rent, net  | (723)              | (353)            | (353)            | (578)            | (483)            |
| Non-cash fair value interest expense                                 | 30                 | 195              | 256              | 255              | 255              |
| Non-real estate depreciation and amortization                        | 904                | 872              | 906              | 939              | 933              |
| Amortization of lease intangibles, net                               | 677                | 239              | 219              | 129              | 86               |
| Amortization and expensing of restricted share and unit compensation | 1,429              | 1,041            | 2,623            | 1,215            | 1,355            |
| Real estate impairment   | —                  | —                | 92               | —                | —                |
| <b>Funds available for distribution (FAD)</b>                        | <u>14,580</u>      | <u>15,601</u>    | <u>10,449</u>    | <u>22,563</u>    | <u>22,420</u>    |
| Cash loss on extinguishment of debt                                  | —                  | —                | 2,649            | —                | —                |
| Non-share-based severance expense                                    | 517                | 48               | 1,537            | —                | —                |
| Acquisition costs  | 1,933              | 3,045            | 817              | 148              | 87               |
| <b>Core FAD<sup>(1)</sup></b>  | <u>\$ 17,030</u>   | <u>\$ 18,694</u> | <u>\$ 15,452</u> | <u>\$ 22,711</u> | <u>\$ 22,507</u> |
| Allocation to participating securities <sup>(2)</sup>                | (17)               | (295)            | (44)             | (109)            | (142)            |
| FAD per share - basic  | \$ 0.22            | \$ 0.23          | \$ 0.16          | \$ 0.34          | \$ 0.34          |
| FAD per share - fully diluted  | \$ 0.22            | \$ 0.23          | \$ 0.16          | \$ 0.34          | \$ 0.33          |
| Core FAD per share - fully diluted                                   | \$ 0.25            | \$ 0.28          | \$ 0.23          | \$ 0.34          | \$ 0.34          |
| Common dividend per share  | \$ 0.30            | \$ 0.30          | \$ 0.30          | \$ 0.30          | \$ 0.30          |
| Average shares - basic   | 66,732             | 66,701           | 66,591           | 66,410           | 66,405           |
| Average shares - fully diluted (for FFO and FAD)                     | 66,761             | 66,750           | 66,634           | 66,561           | 66,556           |

<sup>(1)</sup> See "Supplemental Definitions" on page 31 of this supplemental for the definitions of FAD and Core FAD.

<sup>(2)</sup> Adjustment to the numerators for FAD and Core FAD per share calculations when applying the two-class method for calculating EPS.



**Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)**  
(In thousands)  
(Unaudited)

|  | Three Months Ended |                  |                  |                  |                  |
|--|--------------------|------------------|------------------|------------------|------------------|
|  | 6/30/2014          | 3/31/2014        | 12/31/2013       | 9/30/2013        | 6/30/2013        |
| Adjusted EBITDA <sup>(1)</sup>   |                    |                  |                  |                  |                  |
| Net income   | \$ 1,087           | \$ 104,554       | \$ 18,908        | \$ 5,840         | \$ 5,263         |
| Add:   |                    |                  |                  |                  |                  |
| Interest expense, including discontinued operations                          | 14,985             | 14,530           | 15,840           | 16,259           | 16,152           |
| Real estate depreciation and amortization, including discontinued operations | 24,401             | 22,753           | 22,412           | 24,383           | 25,582           |
| Income tax expense   | 71                 | —                | (25)             | 6                | 24               |
| Real estate impairment   | —                  | —                | 92               | —                | —                |
| Non-real estate depreciation   | 180                | 193              | 196              | 203              | 215              |
| Less:  |                    |                  |                  |                  |                  |
| Net gain on sale of real estate  | (282)              | (106,273)        | (18,949)         | —                | —                |
| Loss on extinguishment of debt   | —                  | —                | 2,737            | —                | —                |
| Adjusted EBITDA  | <u>\$ 40,442</u>   | <u>\$ 35,757</u> | <u>\$ 41,211</u> | <u>\$ 46,691</u> | <u>\$ 47,236</u> |

(1) Adjusted EBITDA is earnings before interest expense, taxes, depreciation, amortization, gain on sale of real estate, real estate impairment, gain/loss on extinguishment of debt and gain from non-disposal activities. We consider Adjusted EBITDA to be an appropriate supplemental performance measure because it permits investors to view income from operations without the effect of depreciation, the cost of debt or non-operating gains and losses. Adjusted EBITDA is a non-GAAP measure.

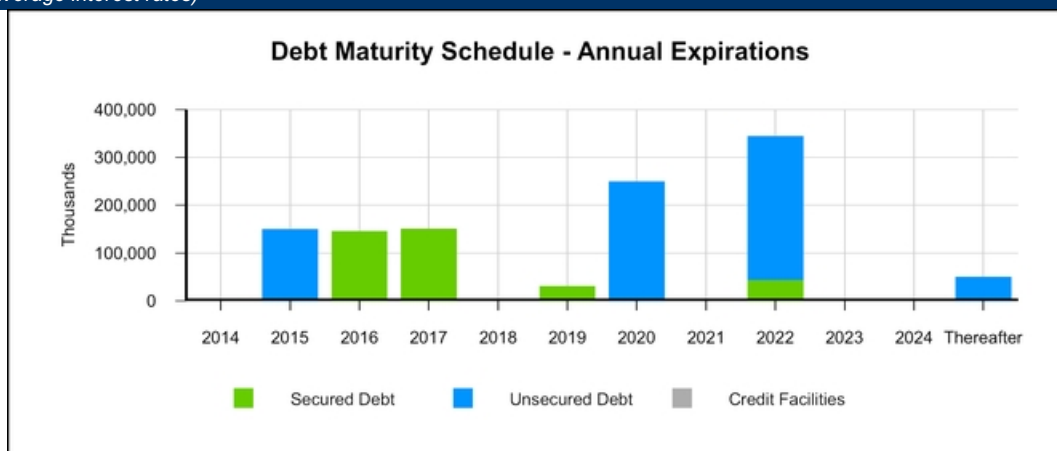
**Long Term Debt Analysis**  
(\$'s in thousands)

|                               | <u>6/30/2014</u>    | <u>3/31/2014</u>    | <u>12/31/2013</u>   | <u>9/30/2013</u>    | <u>6/30/2013</u>    |
|-------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Balances Outstanding</b>   |                     |                     |                     |                     |                     |
| <b>Secured <sup>(1)</sup></b> |                     |                     |                     |                     |                     |
| Conventional fixed rate       | \$ 406,975          | \$ 404,359          | \$ 294,671          | \$ 314,305          | \$ 312,211          |
| <b>Unsecured</b>              |                     |                     |                     |                     |                     |
| Fixed rate bonds and notes    | 746,956             | 746,830             | 846,703             | 846,576             | 846,450             |
| Credit facility               | —                   | —                   | —                   | 85,000              | 75,000              |
| Unsecured total               | <u>746,956</u>      | <u>746,830</u>      | <u>846,703</u>      | <u>931,576</u>      | <u>921,450</u>      |
| Total                         | <u>\$ 1,153,931</u> | <u>\$ 1,151,189</u> | <u>\$ 1,141,374</u> | <u>\$ 1,245,881</u> | <u>\$ 1,233,661</u> |
| <b>Average Interest Rates</b> |                     |                     |                     |                     |                     |
| <b>Secured</b>                |                     |                     |                     |                     |                     |
| Conventional fixed rate       | 5.3%                | 5.4%                | 6.1%                | 6.1%                | 6.1%                |
| <b>Unsecured</b>              |                     |                     |                     |                     |                     |
| Fixed rate bonds              | 4.9%                | 4.9%                | 4.9%                | 4.9%                | 4.9%                |
| Credit facilities             | —%                  | —%                  | —%                  | 1.4%                | 1.4%                |
| Unsecured total               | <u>4.9%</u>         | <u>4.9%</u>         | <u>4.9%</u>         | <u>4.6%</u>         | <u>4.6%</u>         |
| Average                       | <u>5.0%</u>         | <u>5.0%</u>         | <u>5.2%</u>         | <u>5.0%</u>         | <u>5.0%</u>         |

Note: The current balances outstanding of the secured and unsecured fixed rate bonds and notes are shown net of discounts/premiums in the amount of \$4.0 million and \$3.0 million, respectively.

<sup>(1)</sup> For periods prior to December 31, 2013, the secured balances outstanding include mortgage notes payable which have been reclassified to 'Liabilities related to properties sold or held for sale' on the consolidated balance sheets. These mortgage notes payable, secured by Woodholme Medical Center, Ashburn Farm Office Park I, Ashburn Farm Office Park III, were repaid in November 2013. See Medical Office Portfolio Supplemental page 5 for detail by quarter.

**Long Term Debt Maturities**  
(in thousands, except average interest rates)



**Future Maturities of Debt**

| Year                            | Secured Debt      | Unsecured Debt    | Credit Facilities | Total Debt          | Avg Interest Rate |
|---------------------------------|-------------------|-------------------|-------------------|---------------------|-------------------|
| 2014                            | \$ —              | \$ —              | \$ —              | \$ —                |                   |
| 2015                            | —                 | 150,000           | —                 | 150,000             | 5.4%              |
| 2016                            | 145,810           | —                 | —                 | 145,810             | 5.4%              |
| 2017                            | 150,903           | —                 | —                 | 150,903             | 5.9%              |
| 2018                            | —                 | —                 | —                 | —                   |                   |
| 2019                            | 31,280            | —                 | —                 | 31,280              | 5.4%              |
| 2020                            | —                 | 250,000           | —                 | 250,000             | 5.1%              |
| 2021                            | —                 | —                 | —                 | —                   |                   |
| 2022                            | 44,517            | 300,000           | —                 | 344,517             | 4.0%              |
| 2023                            | —                 | —                 | —                 | —                   |                   |
| 2024                            | —                 | —                 | —                 | —                   |                   |
| Thereafter                      | —                 | 50,000            | —                 | 50,000              | 7.4%              |
| Scheduled principal payments    | \$ 372,510        | \$ 750,000        | \$ —              | \$ 1,122,510        | 5.1%              |
| Scheduled amortization payments | 30,505            | —                 | —                 | 30,505              | 4.7%              |
| Net discounts/premiums          | 3,960             | (3,044)           | —                 | 916                 |                   |
| <b>Total maturities</b>         | <b>\$ 406,975</b> | <b>\$ 746,956</b> | <b>\$ —</b>       | <b>\$ 1,153,931</b> | <b>5.0%</b>       |

Weighted average maturity =5.5 years

## Debt Covenant Compliance

|   | Unsecured Notes Payable        |          | Unsecured Line of Credit #1<br>(\$100.0 million) |                   | Unsecured Line of Credit #2<br>(\$400.0 million) |                   |
|---|--------------------------------|----------|--|-------------------|--|-------------------|
|   | Quarter Ended<br>June 30, 2014 | Covenant | Quarter Ended<br>June 30, 2014                   | Covenant          | Quarter Ended<br>June 30, 2014                   | Covenant          |
| % of Total Indebtedness to Total Assets <sup>(1)</sup>                            | 42.6%                          | ≤ 65.0%  | N/A  | N/A               | N/A  | N/A               |
| Ratio of Income Available for Debt Service to Annual Debt Service                 | 2.9                            | ≥ 1.5    | N/A  | N/A               | N/A  | N/A               |
| % of Secured Indebtedness to Total Assets <sup>(1)</sup>                          | 15.0%                          | ≤ 40.0%  | N/A  | N/A               | N/A  | N/A               |
| Ratio of Total Unencumbered Assets <sup>(2)</sup> to Total Unsecured Indebtedness | 2.8                            | ≥ 1.5    | N/A  | N/A               | N/A  | N/A               |
| Tangible Net Worth <sup>(3)</sup>   | N/A                            | N/A      | \$868.0 million                                  | ≥ \$673.4 million | \$869.2 million                                  | ≥ \$671.9 million |
| % of Total Liabilities to Gross Asset Value <sup>(5)</sup>                        | N/A                            | N/A      | 50.2%  | ≤ 60.0%           | 50.2%  | ≤ 60.0%           |
| % of Secured Indebtedness to Gross Asset Value <sup>(5)</sup>                     | N/A                            | N/A      | 16.5%  | ≤ 35.0%           | 16.5%  | ≤ 35.0%           |
| Ratio of EBITDA <sup>(4)</sup> to Fixed Charges <sup>(6)</sup>                    | N/A                            | N/A      | 2.56   | ≥ 1.50            | 2.56   | ≥ 1.50            |
| Ratio of Unencumbered Pool Value <sup>(7)</sup> to Unsecured Indebtedness         | N/A                            | N/A      | 2.58   | ≥ 1.67            | 2.58   | ≥ 1.67            |
| Ratio of Unencumbered Net Operating Income to Unsecured Interest Expense          | N/A                            | N/A      | 3.51   | ≥ 2.00            | 3.51   | ≥ 2.00            |
| Ratio of Investments <sup>(8)</sup> to Gross Asset Value <sup>(5)</sup>           | N/A                            | N/A      | 5.1%   | ≤ 15.0%           | 5.1%   | ≤ 15.0%           |

(1) Total Assets is calculated by applying a capitalization rate of 7.50% to the EBITDA <sup>(4)</sup> from the last four consecutive quarters, excluding EBITDA from acquired, disposed, and non-stabilized development properties.

(2) Total Unencumbered Assets is calculated by applying a capitalization rate of 7.50% to the EBITDA <sup>(4)</sup> from unencumbered properties from the last four consecutive quarters, excluding EBITDA from acquired, disposed, and non-stabilized development properties.

(3) Tangible Net Worth is defined as shareholders equity less accumulated depreciation at the commitment start date plus current accumulated depreciation.

(4) EBITDA is defined in our debt covenants as earnings before minority interests, depreciation, amortization, interest expense, income tax expense, and extraordinary and nonrecurring gains and losses.

(5) Gross Asset Value is calculated by applying a capitalization rate to the annualized EBITDA <sup>(4)</sup> from the most recently ended quarter, excluding EBITDA from disposed properties and current quarter acquisitions. To this amount, the purchase price of current quarter acquisitions, cash and cash equivalents and development in progress is added.

(6) Fixed Charges consist of interest expense, principal payments, ground lease payments and replacement reserve payments.

(7) Unencumbered Pool Value is calculated by applying a capitalization rate of 7.50% to the net operating income from unencumbered properties owned for the entire quarter. To this we add the purchase price of unencumbered acquisitions during the current quarter.

(8) Investments is defined as development in progress, including land held for development, plus budgeted development costs upon commencement of construction, if any.

**Capital Analysis***(In thousands, except per share amounts)*

|  | <u>6/30/2014</u> | <u>3/31/2014</u> | <u>12/31/2013</u> | <u>9/30/2013</u> | <u>6/30/2013</u> |
|--|------------------|------------------|-------------------|------------------|------------------|
| <b>Market Data</b>                         |                  |                  |                   |                  |                  |
| Shares Outstanding                         | 66,636           | 66,630           | 66,531            | 66,500           | 66,500           |
| Market Price per Share                     | \$ 25.98         | \$ 23.88         | \$ 23.36          | \$ 25.27         | \$ 26.91         |
| Equity Market Capitalization               | \$ 1,731,203     | \$ 1,591,124     | \$ 1,554,164      | \$ 1,680,455     | \$ 1,789,515     |
| Total Debt                                 | \$ 1,153,931     | \$ 1,151,189     | \$ 1,141,374      | \$ 1,245,881     | \$ 1,233,661     |
| Total Market Capitalization                | \$ 2,885,134     | \$ 2,742,313     | \$ 2,695,538      | \$ 2,926,336     | \$ 3,023,176     |
| Total Debt to Market Capitalization        | 0.40:1           | 0.42:1           | 0.42:1            | 0.43:1           | 0.41:1           |
| Earnings to Fixed Charges <sup>(1)</sup>   | 1.1x             | 0.8x             | 0.7x              | 1.1x             | 1.1x             |
| Debt Service Coverage Ratio <sup>(2)</sup> | 2.5x             | 2.3x             | 2.5x              | 2.7x             | 2.8x             |

**Dividend Data**

|   |           |           |           |           |           |
|---|-----------|-----------|-----------|-----------|-----------|
| Total Dividends Paid                    | \$ 20,042 | \$ 20,092 | \$ 19,972 | \$ 20,033 | \$ 20,065 |
| Common Dividend per Share               | \$ 0.30   | \$ 0.30   | \$ 0.30   | \$ 0.30   | \$ 0.30   |
| Payout Ratio (Core FFO per share basis) | 73.2%     | 83.3%     | 71.4%     | 65.2%     | 63.8%     |
| Payout Ratio (Core FAD per share basis) | 120.0%    | 107.1%    | 130.4%    | 88.2%     | 88.2%     |
| Payout Ratio (FAD per share basis)      | 136.4%    | 130.4%    | 187.5%    | 88.2%     | 90.9%     |

<sup>(1)</sup> The ratio of earnings to fixed charges is computed by dividing earnings by fixed charges. For this purpose, earnings consist of income from continuing operations attributable to the controlling interests plus fixed charges, less capitalized interest. Fixed charges consist of interest expense, including amortized costs of debt issuance, plus interest costs capitalized.

<sup>(2)</sup> Debt service coverage ratio is computed by dividing Adjusted EBITDA (see page 9) by interest expense and principal amortization.

**Same-Store Portfolio Net Operating Income (NOI) Growth & Rental Growth**  
2014 vs. 2013

|  | Three Months Ended June 30, |                  | % Change     | Rental Rate Growth |
|--|-----------------------------|------------------|--------------|--------------------|
|  | 2014                        | 2013             |              |                    |
| <b>Cash Basis:</b>                                 |                             |                  |              |                    |
| Multifamily  | \$ 7,765                    | \$ 7,755         | 0.1 %        | (0.3)%             |
| Office   | 23,080                      | 21,318           | 8.3 %        | 1.0 %              |
| Retail   | 11,430                      | 10,785           | 6.0 %        | 0.1 %              |
| <b>Overall Same-Store Portfolio <sup>(1)</sup></b> | <b>\$ 42,275</b>            | <b>\$ 39,858</b> | <b>6.1 %</b> | <b>0.5 %</b>       |
| <b>GAAP Basis:</b>                                 |                             |                  |              |                    |
| Multifamily  | \$ 7,774                    | \$ 7,893         | (1.5)%       | (0.3)%             |
| Office   | 23,212                      | 21,496           | 8.0 %        | 1.4 %              |
| Retail   | 11,517                      | 10,668           | 8.0 %        | 0.4 %              |
| <b>Overall Same-Store Portfolio <sup>(1)</sup></b> | <b>\$ 42,503</b>            | <b>\$ 40,057</b> | <b>6.1 %</b> | <b>0.8 %</b>       |

<sup>(1)</sup> Non same-store properties were:

Acquisitions:

    Multifamily - The Paramount and Yale West  
    Office - The Army Navy Club Building and 1775 Eye Street

Redevelopment:

    Office - 7900 Westpark Drive

Sold properties classified as continuing operations:

    Retail - 5740 Columbia Road (parcel of land at Gateway Overlook)

Sold properties classified as discontinued operations:

    Medical Office/Office - The Medical Office Portfolio (see Supplemental Definitions on page 31 for list of properties included in the Medical Office Portfolio)

**Same-Store Portfolio Net Operating Income (NOI) Detail**  
(In thousands)

Three Months Ended June 30, 2014

|   | Multifamily     | Office           | Retail           | Corporate and<br>Other | Total            |
|---|-----------------|------------------|------------------|------------------------|------------------|
| Real estate rental revenue                                  |                 |                  |                  |                        |                  |
| Same-store portfolio  | \$ 13,226       | \$ 36,374        | \$ 14,748        | \$ —                   | \$ 64,348        |
| Non same-store - acquired and in development <sup>(1)</sup> | 2,393           | 5,502            | 11               | —                      | 7,906            |
| Total   | 15,619          | 41,876           | 14,759           | —                      | 72,254           |
| Real estate expenses  |                 |                  |                  |                        |                  |
| Same-store portfolio  | 5,452           | 13,162           | 3,231            | —                      | 21,845           |
| Non same-store - acquired and in development <sup>(1)</sup> | 1,022           | 2,655            | 6                | —                      | 3,683            |
| Total   | 6,474           | 15,817           | 3,237            | —                      | 25,528           |
| Net Operating Income (NOI)                                  |                 |                  |                  |                        |                  |
| Same-store portfolio  | 7,774           | 23,212           | 11,517           | —                      | 42,503           |
| Non same-store - acquired and in development <sup>(1)</sup> | 1,371           | 2,847            | 5                | —                      | 4,223            |
| Total   | <u>\$ 9,145</u> | <u>\$ 26,059</u> | <u>\$ 11,522</u> | <u>\$ —</u>            | <u>\$ 46,726</u> |
| Same-store portfolio NOI GAAP basis (from above)            | \$ 7,774        | \$ 23,212        | \$ 11,517        | \$ —                   | \$ 42,503        |
| Straight-line revenue, net for same-store properties        | —               | (475)            | (99)             | —                      | (574)            |
| FAS 141 Min Rent  | (9)             | 101              | (52)             | —                      | 40               |
| Amortization of lease intangibles for same-store properties | —               | 242              | 64               | —                      | 306              |
| Same-store portfolio NOI, cash basis                        | <u>\$ 7,765</u> | <u>\$ 23,080</u> | <u>\$ 11,430</u> | <u>\$ —</u>            | <u>\$ 42,275</u> |
| Reconciliation of NOI to net income                         |                 |                  |                  |                        |                  |
| Total NOI   | \$ 9,145        | \$ 26,059        | \$ 11,522        | \$ —                   | \$ 46,726        |
| Depreciation and amortization                               | (5,123)         | (15,938)         | (3,124)          | (216)                  | (24,401)         |
| General and administrative                                  | —               | —                | —                | (4,828)                | (4,828)          |
| Interest expense  | (2,297)         | (3,005)          | (252)            | (9,431)                | (14,985)         |
| Other income  | —               | —                | —                | 219                    | 219              |
| Acquisition costs   | —               | —                | —                | (1,933)                | (1,933)          |
| Gain on sale of real estate                                 | —               | —                | —                | 570                    | 570              |
| Discontinued operations:                                    |                 |                  |                  |                        |                  |
| Loss on sale of real estate <sup>(1)</sup>                  | —               | —                | —                | (288)                  | (288)            |
| Net income (loss)   | 1,725           | 7,116            | 8,146            | (15,907)               | 1,080            |
| Net loss attributable to noncontrolling interests           | —               | —                | —                | 7                      | 7                |
| Net income (loss) attributable to the controlling interests | <u>\$ 1,725</u> | <u>\$ 7,116</u>  | <u>\$ 8,146</u>  | <u>\$ (15,900)</u>     | <u>\$ 1,087</u>  |

<sup>(1)</sup> For a list of non-same-store properties and held for sale and sold properties, see page 14 of this Supplemental.

**Same-Store Net Operating Income (NOI) Detail**  
(In thousands)

|   | Three Months Ended June 30, 2013 |           |                |           |                     |           |
|---|----------------------------------|-----------|----------------|-----------|---------------------|-----------|
|   | Multifamily                      | Office    | Medical Office | Retail    | Corporate and Other | Total     |
| Real estate rental revenue  |                                  |           |                |           |                     |           |
| Same-store portfolio  | \$ 13,399                        | \$ 34,838 | \$ —           | \$ 14,248 | \$ —                | \$ 62,485 |
| Non same-store - acquired and in development <sup>(1)</sup>               | —                                | 3,397     | —              | 33        | —                   | 3,430     |
| Total   | 13,399                           | 38,235    | —              | 14,281    | —                   | 65,915    |
| Real estate expenses  |                                  |           |                |           |                     |           |
| Same-store portfolio  | 5,506                            | 13,342    | —              | 3,580     | —                   | 22,428    |
| Non same-store - acquired and in development <sup>(1)</sup>               | —                                | 1,239     | —              | 3         | —                   | 1,242     |
| Total   | 5,506                            | 14,581    | —              | 3,583     | —                   | 23,670    |
| Net Operating Income (NOI)  |                                  |           |                |           |                     |           |
| Same-store portfolio  | 7,893                            | 21,496    | —              | 10,668    | —                   | 40,057    |
| Non same-store - acquired and in development <sup>(1)</sup>               | —                                | 2,158     | —              | 30        | —                   | 2,188     |
| Total   | \$ 7,893                         | \$ 23,654 | \$ —           | \$ 10,698 | \$ —                | \$ 42,245 |
| Same-store portfolio NOI GAAP basis (from above)                          | \$ 7,893                         | \$ 21,496 | \$ —           | \$ 10,668 | \$ —                | \$ 40,057 |
| Straight-line revenue, net for same-store properties                      |                                  | (361)     | —              | 139       | —                   | (222)     |
| FAS 141 Min Rent  | (138)                            | 54        | —              | (80)      | —                   | (164)     |
| Amortization of lease intangibles for same-store properties               | —                                | 129       | —              | 58        | —                   | 187       |
| Same-store portfolio NOI, cash basis                                      | \$ 7,755                         | \$ 21,318 | \$ —           | \$ 10,785 | \$ —                | \$ 39,858 |
| Reconciliation of NOI to net income                                       |                                  |           |                |           |                     |           |
| Total NOI   | \$ 7,893                         | \$ 23,654 | \$ —           | \$ 10,698 | \$ —                | \$ 42,245 |
| Depreciation and amortization   | (2,967)                          | (14,377)  | —              | (3,407)   | (286)               | (21,037)  |
| General and administrative  | —                                | —         | —              | —         | (4,005)             | (4,005)   |
| Interest expense  | (1,687)                          | (2,569)   | —              | (270)     | (11,298)            | (15,824)  |
| Other income  | —                                | —         | —              | —         | 246                 | 246       |
| Acquisition costs   | —                                | —         | —              | —         | (87)                | (87)      |
| Discontinued operations:  |                                  |           |                |           |                     |           |
| Income from operations of properties sold or held for sale <sup>(1)</sup> | —                                | 286       | 3,439          | —         | —                   | 3,725     |
| Net income (loss)   | 3,239                            | 6,994     | 3,439          | 7,021     | (15,430)            | 5,263     |
| Net income attributable to noncontrolling interests                       | —                                | —         | —              | —         | —                   | —         |
| Net income (loss) attributable to the controlling interests               | \$ 3,239                         | \$ 6,994  | \$ 3,439       | \$ 7,021  | \$ (15,430)         | \$ 5,263  |

<sup>(1)</sup> For a list of non-same-store properties and held for sale and sold properties, see page 14 of this Supplemental.



**Net Operating Income (NOI) by Region**

**Washington REIT Portfolio  
Maryland/Virginia/DC**

|                        | Percentage of GAAP NOI |               |
|------------------------|------------------------|---------------|
|                        | Q2 2014                | YTD 2014      |
| <b>DC</b>              |                        |               |
| Multifamily            | 5.4%                   | 5.0%          |
| Office                 | 25.6%                  | 24.1%         |
| Retail                 | 0.8%                   | 0.8%          |
|                        | <b>31.8%</b>           | <b>29.9%</b>  |
| <b>Maryland</b>        |                        |               |
| Multifamily            | 2.6%                   | 2.7%          |
| Office                 | 10.5%                  | 10.5%         |
| Retail                 | 17.1%                  | 17.0%         |
|                        | <b>30.2%</b>           | <b>30.2%</b>  |
| <b>Virginia</b>        |                        |               |
| Multifamily            | 11.5%                  | 12.1%         |
| Office                 | 19.8%                  | 21.0%         |
| Retail                 | 6.7%                   | 6.8%          |
|                        | <b>38.0%</b>           | <b>39.9%</b>  |
| <b>Total Portfolio</b> | <b>100.0%</b>          | <b>100.0%</b> |

**Washington REIT Portfolio  
Inside & Outside the Beltway**

|                            | Percentage of GAAP NOI |               |
|----------------------------|------------------------|---------------|
|                            | Q2 2014                | YTD 2014      |
| <b>Inside the Beltway</b>  |                        |               |
| Multifamily                | 18.7%                  | 18.9%         |
| Office                     | 36.5%                  | 35.2%         |
| Retail                     | 7.7%                   | 7.7%          |
|                            | <b>62.9%</b>           | <b>61.8%</b>  |
| <b>Outside the Beltway</b> |                        |               |
| Multifamily                | 0.9%                   | 1.0%          |
| Office                     | 19.2%                  | 20.3%         |
| Retail                     | 17.0%                  | 16.9%         |
|                            | <b>37.1%</b>           | <b>38.2%</b>  |
| <b>Total Portfolio</b>     | <b>100.0%</b>          | <b>100.0%</b> |

## Same-Store and Overall Physical Occupancy Levels by Sector

| Sector                   | Physical Occupancy - Same-Store Properties <sup>(1)</sup> |              |              |              |              |
|--------------------------|---|--------------|--------------|--------------|--------------|
|                          | 6/30/2014   | 3/31/2014    | 12/31/2013   | 9/30/2013    | 6/30/2013    |
| Multifamily              | 94.3%   | 92.7%        | 92.6%        | 94.1%        | 93.1%        |
| Office                   | 90.6%   | 86.9%        | 86.6%        | 86.6%        | 86.4%        |
| Retail                   | 94.2%   | 93.6%        | 91.3%        | 91.4%        | 93.2%        |
| <b>Overall Portfolio</b> | <b>92.6%</b>  | <b>90.2%</b> | <b>89.4%</b> | <b>89.8%</b> | <b>90.0%</b> |

| Sector                   | Physical Occupancy - All Properties |              |              |              |              |
|--------------------------|-------------------------------------|--------------|--------------|--------------|--------------|
|                          | 6/30/2014                           | 3/31/2014    | 12/31/2013   | 9/30/2013    | 6/30/2013    |
| Multifamily              | 93.7%                               | 92.2%        | 92.1%        | 94.1%        | 93.1%        |
| Office                   | 86.2%                               | 83.7%        | 85.7%        | 86.1%        | 86.3%        |
| Medical Office           | —%                                  | —%           | 89.0%        | 84.6%        | 84.8%        |
| Retail                   | 94.2%                               | 93.6%        | 91.3%        | 91.4%        | 93.2%        |
| <b>Overall Portfolio</b> | <b>90.1%</b>                        | <b>88.4%</b> | <b>88.8%</b> | <b>88.7%</b> | <b>89.1%</b> |

<sup>(1)</sup> Non same-store properties were:

Acquisitions:

Multifamily - The Paramount and Yale West

Office - The Army Navy Club Building and 1775 Eye Street

Redevelopment:

Office - 7900 Westpark Drive

Sold properties classified as continuing operations:

Retail - 5740 Columbia Road (parcel of land at Gateway Overlook)

Sold properties classified as discontinued operations:

Medical Office/Office - The Medical Office Portfolio (see Supplemental Definitions on page 31 for list of properties included in the Medical Office Portfolio)

## Same-Store Portfolio and Overall Economic Occupancy Levels by Sector

| Sector                   | Economic Occupancy - Same-Store Properties <sup>(1)</sup> |              |              |              |              |
|--------------------------|---|--------------|--------------|--------------|--------------|
|                          | 6/30/2014   | 3/31/2014    | 12/31/2013   | 9/30/2013    | 6/30/2013    |
| Multifamily              | 93.4%   | 91.9%        | 92.4%        | 93.5%        | 92.7%        |
| Office                   | 90.4%   | 88.2%        | 87.3%        | 87.5%        | 86.7%        |
| Retail                   | 93.9%   | 92.9%        | 91.9%        | 91.5%        | 92.7%        |
| <b>Overall Portfolio</b> | <b>91.8%</b>  | <b>90.0%</b> | <b>89.4%</b> | <b>89.6%</b> | <b>89.3%</b> |

| Sector                   | Economic Occupancy - All Properties |              |              |              |              |
|--------------------------|-------------------------------------|--------------|--------------|--------------|--------------|
|                          | 6/30/2014                           | 3/31/2014    | 12/31/2013   | 9/30/2013    | 6/30/2013    |
| Multifamily              | 92.6%                               | 91.6%        | 92.2%        | 93.5%        | 92.7%        |
| Office                   | 86.0%                               | 85.4%        | 86.0%        | 86.7%        | 86.5%        |
| Medical Office           | —%                                  | 87.4%        | 89.4%        | 87.1%        | 87.2%        |
| Retail                   | 93.9%                               | 92.9%        | 92.0%        | 91.5%        | 92.8%        |
| <b>Overall Portfolio</b> | <b>88.9%</b>                        | <b>88.2%</b> | <b>88.6%</b> | <b>88.7%</b> | <b>88.7%</b> |

<sup>(1)</sup> Non same-store properties were:

Acquisitions:

Multifamily - The Paramount and Yale West

Office - The Army Navy Club Building and 1775 Eye Street

Redevelopment:

Office - 7900 Westpark Drive

Sold properties classified as continuing operations:

Retail - 5740 Columbia Road (parcel of land at Gateway Overlook)

Sold properties classified as discontinued operations:

Medical Office/Office - The Medical Office Portfolio (see Supplemental Definitions on page 31 for list of properties included in the Medical Office Portfolio)

**Acquisition and Disposition Summary**

June 30, 2014

(\$ in thousands)

**Acquisition Summary**

|                             |                | Acquisition Date  | # of Units | Square Feet    | 6/30/2014 Leased Percentage | Investment        | Mortgage Assumed  |
|-----------------------------|----------------|-------------------|------------|----------------|-----------------------------|-------------------|-------------------|
| Yale West                   | Washington, DC | February 21, 2014 | 216        |                | 89%                         | \$ 73,000         | \$ 48,221         |
| The Army Navy Club Building | Washington, DC | March 26, 2014    |            | 108,000        | 100%                        | 79,000            | 52,640            |
| 1775 Eye Street, NW         | Washington, DC | May 1, 2014       |            | 185,000        | 62%                         | 104,500           | N/A               |
|                             |                |                   |            | <u>293,000</u> |                             | <u>\$ 256,500</u> | <u>\$ 100,861</u> |

**Disposition Summary**

|  | Disposition Date | Property Type  | Square Feet    | Contract Sales Price | GAAP Gain         |
|--|------------------|----------------|----------------|----------------------|-------------------|
| Medical Office Portfolio Transactions III & IV | January 21, 2014 | Medical Office | 427,011        | \$ 193,561           | \$ 105,985        |
| 5740 Columbia Road *                           | May 2, 2014      | Retail         | 3,000          | 1,600                | 570               |
|  |                  |                | <u>430,011</u> | <u>\$ 195,161</u>    | <u>\$ 106,555</u> |

\* 5740 Columbia Road is a parcel of land with a 7-11 store that had been part of our Gateway Overlook retail property in Columbia, Maryland.

**Development/Re-Development Summary**

June 30, 2014

(in thousands)

| <b>Property and Location</b>  | <b>Total Rentable Square Feet<br/>or # of Units</b> | <b>Anticipated<br/>Total Cost</b> | <b>Cost to Date</b> | <b>Draws on<br/>Construction<br/>Loan to Date</b> | <b>Anticipated<br/>Construction<br/>Completion Date</b> | <b>Leased %</b> |
|---|---|-----------------------------------|---------------------|---|---|-----------------|
| <b>Development Summary</b>  |   |                                   |                     |   |   |                 |
| The Maxwell Apartments, Arlington,<br>VA (formerly 650 N. Glebe Road) | 163 units & 2,200 square feet<br>retail             | \$ 49,904                         | \$ 33,235           | \$ 14,045   | fourth quarter 2014                                     | N/A             |
| <b>Re-Development Summary</b>   |   |                                   |                     |   |   |                 |
| 7900 Westpark Drive, McLean, VA                                       | 529,000 square feet                                 | \$ 35,000                         | \$ 9,333            | N/A   | first quarter 2015                                      | 57.8%           |

## Commercial Leasing Summary - New Leases

|   | 2nd Quarter 2014     |                     | 1st Quarter 2014     |                     | 4th Quarter 2013     |                     | 3rd Quarter 2013     |                     | 2nd Quarter 2013     |                     |
|---|----------------------|---------------------|----------------------|---------------------|----------------------|---------------------|----------------------|---------------------|----------------------|---------------------|
| <b>Gross Leasing Square Footage</b>                               |                      |                     |                      |                     |                      |                     |                      |                     |                      |                     |
| Office Buildings  | 69,367               |                     | 43,243               |                     | 144,675              |                     | 147,194              |                     | 94,191               |                     |
| Medical Office Buildings  | —                    |                     | —                    |                     | 3,826                |                     | 5,804                |                     | 3,082                |                     |
| Retail Centers  | 32,191               |                     | 29,527               |                     | 22,631               |                     | 49,396               |                     | 6,240                |                     |
| <b>Total</b>  | <b>101,558</b>       |                     | <b>72,770</b>        |                     | <b>171,132</b>       |                     | <b>202,394</b>       |                     | <b>103,513</b>       |                     |
| <b>Weighted Average Term (yrs)</b>                                |                      |                     |                      |                     |                      |                     |                      |                     |                      |                     |
| Office Buildings  | 5.8                  |                     | 7.3                  |                     | 7.2                  |                     | 11.1                 |                     | 7.8                  |                     |
| Medical Office Buildings  | 0.0                  |                     | 0.0                  |                     | 10.3                 |                     | 5.2                  |                     | 5.4                  |                     |
| Retail Centers  | 10.2                 |                     | 9.6                  |                     | 7.8                  |                     | 9.8                  |                     | 7.1                  |                     |
| <b>Total</b>  | <b>7.1</b>           |                     | <b>8.2</b>           |                     | <b>7.3</b>           |                     | <b>10.6</b>          |                     | <b>7.6</b>           |                     |
| <b>Rental Rate Increases:</b>                                     | <b>GAAP</b>          | <b>CASH</b>         | <b>GAAP</b>          | <b>CASH</b>         | <b>GAAP</b>          | <b>CASH</b>         | <b>GAAP</b>          | <b>CASH</b>         | <b>GAAP</b>          | <b>CASH</b>         |
| <b>Rate on expiring leases</b>                                    |                      |                     |                      |                     |                      |                     |                      |                     |                      |                     |
| Office Buildings  | \$ 31.40             | \$ 32.00            | \$ 28.65             | \$ 30.53            | \$ 31.31             | \$ 32.29            | \$ 32.66             | \$ 33.28            | \$ 28.28             | \$ 29.07            |
| Medical Office Buildings  | —                    | —                   | —                    | —                   | 29.56                | 31.13               | 39.59                | 41.07               | 31.53                | 34.17               |
| Retail Centers  | 22.59                | 23.39               | 25.27                | 25.96               | 26.23                | 26.91               | 19.86                | 20.06               | 31.31                | 31.71               |
| <b>Total</b>  | <b>\$ 28.24</b>      | <b>\$ 29.08</b>     | <b>\$ 27.28</b>      | <b>\$ 28.68</b>     | <b>\$ 30.42</b>      | <b>\$ 31.35</b>     | <b>\$ 29.73</b>      | <b>\$ 30.28</b>     | <b>\$ 28.56</b>      | <b>\$ 29.38</b>     |
| <b>Rate on new leases</b>   |                      |                     |                      |                     |                      |                     |                      |                     |                      |                     |
| Office Buildings  | \$ 35.71             | \$ 33.40            | \$ 32.53             | \$ 29.86            | \$ 33.78             | \$ 31.31            | \$ 33.06             | \$ 28.74            | \$ 30.34             | \$ 27.53            |
| Medical Office Buildings  | —                    | —                   | —                    | —                   | 34.78                | 30.43               | 40.01                | 37.73               | 30.97                | 29.12               |
| Retail Centers  | 22.07                | 21.36               | 30.77                | 27.66               | 27.74                | 26.04               | 23.45                | 22.02               | 33.54                | 31.98               |
| <b>Total</b>  | <b>\$ 30.79</b>      | <b>\$ 29.04</b>     | <b>\$ 31.81</b>      | <b>\$ 28.97</b>     | <b>\$ 32.78</b>      | <b>\$ 30.39</b>     | <b>\$ 30.91</b>      | <b>\$ 27.36</b>     | <b>\$ 30.55</b>      | <b>\$ 27.84</b>     |
| <b>Percentage Increase</b>  |                      |                     |                      |                     |                      |                     |                      |                     |                      |                     |
| Office Buildings  | 14.7 %               | 4.4 %               | 13.6 %               | (2.2)%              | 7.9 %                | (3.0)%              | 1.2 %                | (13.7)%             | 7.3 %                | (5.3)%              |
| Medical Office Buildings  | — %                  | — %                 | — %                  | — %                 | 17.7 %               | (2.3)%              | 1.1 %                | (8.1)%              | (1.8)%               | (14.8)%             |
| Retail Centers  | (2.3)%               | (8.7)%              | 21.7 %               | 6.5 %               | 5.8 %                | (3.2)%              | 18.1 %               | 9.8 %               | 7.1 %                | 0.8 %               |
| <b>Total</b>  | <b>9.0 %</b>         | <b>(0.1)%</b>       | <b>16.6 %</b>        | <b>1.0 %</b>        | <b>7.8 %</b>         | <b>(3.1)%</b>       | <b>4.0 %</b>         | <b>(9.7)%</b>       | <b>7.0 %</b>         | <b>(5.3)%</b>       |
|   | <b>Total Dollars</b> | <b>\$ per Sq Ft</b> | <b>Total Dollars</b> | <b>\$ per Sq Ft</b> | <b>Total Dollars</b> | <b>\$ per Sq Ft</b> | <b>Total Dollars</b> | <b>\$ per Sq Ft</b> | <b>Total Dollars</b> | <b>\$ per Sq Ft</b> |
| <b>Tenant Improvements</b>  |                      |                     |                      |                     |                      |                     |                      |                     |                      |                     |
| Office Buildings  | \$ 2,330,006         | \$ 33.59            | \$ 1,955,769         | \$ 45.23            | \$ 6,189,544         | \$ 42.78            | \$ 8,230,229         | \$ 55.91            | \$ 3,285,080         | \$ 34.88            |
| Medical Office Buildings  | —                    | —                   | —                    | —                   | 63,587               | 16.62               | 101,630              | 17.51               | 67,248               | 21.82               |
| Retail Centers  | 1,616,068            | 50.20               | 38,923               | 1.32                | 215,340              | 9.52                | 751,184              | 15.21               | 119,800              | 19.20               |
| <b>Subtotal</b>   | <b>\$ 3,946,074</b>  | <b>\$ 38.86</b>     | <b>\$ 1,994,692</b>  | <b>\$ 27.41</b>     | <b>\$ 6,468,471</b>  | <b>\$ 37.80</b>     | <b>\$ 9,083,043</b>  | <b>\$ 44.88</b>     | <b>\$ 3,472,128</b>  | <b>\$ 33.55</b>     |
| <b>Leasing Commissions and Incentives</b>                         |                      |                     |                      |                     |                      |                     |                      |                     |                      |                     |
| Office Buildings  | \$ 1,512,211         | \$ 21.80            | \$ 1,207,798         | \$ 27.93            | \$ 4,353,688         | \$ 30.09            | \$ 6,781,162         | \$ 46.07            | \$ 2,173,271         | \$ 23.08            |
| Medical Office Buildings  | —                    | —                   | —                    | —                   | 91,665               | 23.96               | 99,930               | 17.22               | 42,827               | 13.90               |
| Retail Centers  | 300,287              | 9.33                | 388,220              | 13.15               | 180,197              | 7.96                | 517,974              | 10.49               | 71,769               | 11.50               |
| <b>Subtotal</b>   | <b>\$ 1,812,498</b>  | <b>\$ 17.84</b>     | <b>\$ 1,596,018</b>  | <b>\$ 21.93</b>     | <b>\$ 4,625,550</b>  | <b>\$ 27.03</b>     | <b>\$ 7,399,066</b>  | <b>\$ 36.56</b>     | <b>\$ 2,287,867</b>  | <b>\$ 22.10</b>     |
| <b>Tenant Improvements and Leasing Commissions and Incentives</b> |                      |                     |                      |                     |                      |                     |                      |                     |                      |                     |
| Office Buildings  | \$ 3,842,217         | \$ 55.39            | \$ 3,163,567         | \$ 73.16            | \$ 10,543,232        | \$ 72.87            | \$ 15,011,391        | \$ 101.98           | \$ 5,458,351         | \$ 57.96            |
| Medical Office Buildings  | —                    | —                   | —                    | —                   | 155,252              | 40.58               | 201,560              | 34.73               | 110,075              | 35.72               |
| Retail Centers  | 1,916,355            | 59.53               | 427,143              | 14.47               | 395,537              | 17.48               | 1,269,158            | 25.70               | 191,569              | 30.70               |
| <b>Total</b>  | <b>\$ 5,758,572</b>  | <b>\$ 56.70</b>     | <b>\$ 3,590,710</b>  | <b>\$ 49.34</b>     | <b>\$ 11,094,021</b> | <b>\$ 64.83</b>     | <b>\$ 16,482,109</b> | <b>\$ 81.44</b>     | <b>\$ 5,759,995</b>  | <b>\$ 55.65</b>     |

## Commercial Leasing Summary - Renewal Leases

|   | 2nd Quarter 2014     |                     | 1st Quarter 2014     |                     | 4th Quarter 2013     |                     | 3rd Quarter 2013     |                     | 2nd Quarter 2013     |                     |
|---|----------------------|---------------------|----------------------|---------------------|----------------------|---------------------|----------------------|---------------------|----------------------|---------------------|
| <b>Gross Leasing Square Footage</b>                               |                      |                     |                      |                     |                      |                     |                      |                     |                      |                     |
| Office Buildings  | 109,686              |                     | 60,108               |                     | 201,109              |                     | 140,894              |                     | 92,245               |                     |
| Medical Office Buildings  | —                    |                     | —                    |                     | 12,232               |                     | 24,471               |                     | 49,383               |                     |
| Retail Centers  | 10,645               |                     | 27,100               |                     | 38,995               |                     | 112,736              |                     | 172,474              |                     |
| <b>Total</b>  | <b>120,331</b>       |                     | <b>87,208</b>        |                     | <b>252,336</b>       |                     | <b>278,101</b>       |                     | <b>314,102</b>       |                     |
| <b>Weighted Average Term (yrs)</b>                                |                      |                     |                      |                     |                      |                     |                      |                     |                      |                     |
| Office Buildings  | 4.8                  |                     | 7.0                  |                     | 5.8                  |                     | 6.6                  |                     | 3.5                  |                     |
| Medical Office Buildings  | 0.0                  |                     | 0.0                  |                     | 7.8                  |                     | 3.0                  |                     | 10.4                 |                     |
| Retail Centers  | 4.3                  |                     | 3.3                  |                     | 4.0                  |                     | 7.3                  |                     | 5.3                  |                     |
| <b>Total</b>  | <b>4.8</b>           |                     | <b>5.8</b>           |                     | <b>5.7</b>           |                     | <b>6.5</b>           |                     | <b>5.6</b>           |                     |
| <b>Rental Rate Increases:</b>                                     | <b>GAAP</b>          | <b>CASH</b>         | <b>GAAP</b>          | <b>CASH</b>         | <b>GAAP</b>          | <b>CASH</b>         | <b>GAAP</b>          | <b>CASH</b>         | <b>GAAP</b>          | <b>CASH</b>         |
| <b>Rate on expiring leases</b>                                    |                      |                     |                      |                     |                      |                     |                      |                     |                      |                     |
| Office Buildings  | \$ 33.89             | \$ 35.42            | \$ 32.71             | \$ 35.31            | \$ 30.12             | \$ 33.00            | \$ 38.86             | \$ 40.53            | \$ 30.72             | \$ 32.10            |
| Medical Office Buildings  | —                    | —                   | —                    | —                   | 32.36                | 34.47               | 27.49                | 29.14               | 31.60                | 34.20               |
| Retail Centers  | 45.12                | 47.17               | 27.54                | 30.66               | 17.51                | 18.22               | 20.07                | 20.74               | 7.78                 | 7.89                |
| <b>Total</b>  | <b>\$ 34.89</b>      | <b>\$ 36.46</b>     | <b>\$ 31.26</b>      | <b>\$ 34.05</b>     | <b>\$ 28.28</b>      | <b>\$ 30.79</b>     | <b>\$ 30.25</b>      | <b>\$ 31.50</b>     | <b>\$ 18.27</b>      | <b>\$ 19.14</b>     |
| <b>Rate on new leases</b>   |                      |                     |                      |                     |                      |                     |                      |                     |                      |                     |
| Office Buildings  | \$ 36.12             | \$ 34.39            | \$ 37.02             | \$ 34.06            | \$ 35.30             | \$ 32.88            | \$ 42.04             | \$ 39.42            | \$ 32.51             | \$ 31.62            |
| Medical Office Buildings  | —                    | —                   | —                    | —                   | 36.28                | 33.16               | 29.48                | 28.82               | 35.23                | 32.72               |
| Retail Centers  | 50.91                | 48.51               | 30.92                | 30.08               | 17.91                | 17.62               | 24.43                | 22.89               | 8.74                 | 8.53                |
| <b>Total</b>  | <b>\$ 37.42</b>      | <b>\$ 35.64</b>     | <b>\$ 35.36</b>      | <b>\$ 33.03</b>     | <b>\$ 32.66</b>      | <b>\$ 30.53</b>     | <b>\$ 33.80</b>      | <b>\$ 31.79</b>     | <b>\$ 19.88</b>      | <b>\$ 19.11</b>     |
| <b>Percentage Increase</b>  |                      |                     |                      |                     |                      |                     |                      |                     |                      |                     |
| Office Buildings  | 6.6%                 | (2.9)%              | 13.2%                | (3.6)%              | 17.2%                | (0.4)%              | 8.2%                 | (2.7)%              | 5.8%                 | (1.5)%              |
| Medical Office Buildings  | —%                   | —%                  | —%                   | —%                  | 12.1%                | (3.8)%              | 7.2%                 | (1.1)%              | 11.5%                | (4.3)%              |
| Retail Centers  | 12.8%                | 2.8%                | 12.3%                | (1.9)%              | 2.3%                 | (3.3)%              | 21.7%                | 10.4%               | 12.3%                | 8.1%                |
| <b>Total</b>  | <b>7.3%</b>          | <b>(2.3)%</b>       | <b>13.1%</b>         | <b>(3.0)%</b>       | <b>15.5%</b>         | <b>(0.8)%</b>       | <b>11.7%</b>         | <b>0.9%</b>         | <b>8.9%</b>          | <b>(0.1)%</b>       |
|   | <b>Total Dollars</b> | <b>\$ per Sq Ft</b> | <b>Total Dollars</b> | <b>\$ per Sq Ft</b> | <b>Total Dollars</b> | <b>\$ per Sq Ft</b> | <b>Total Dollars</b> | <b>\$ per Sq Ft</b> | <b>Total Dollars</b> | <b>\$ per Sq Ft</b> |
| <b>Tenant Improvements</b>  |                      |                     |                      |                     |                      |                     |                      |                     |                      |                     |
| Office Buildings  | \$ 1,897,016         | \$ 17.29            | \$ 896,712           | \$ 14.92            | \$ 7,573,493         | \$ 37.66            | \$ 2,788,460         | \$ 19.79            | \$ 565,393           | \$ 6.12             |
| Medical Office Buildings  | —                    | —                   | —                    | —                   | 183,219              | 14.98               | 114,252              | 4.67                | 639,396              | 12.94               |
| Retail Centers  | —                    | —                   | —                    | —                   | —                    | —                   | 28,600               | 0.25                | 65,261               | 0.38                |
| <b>Subtotal</b>   | <b>\$ 1,897,016</b>  | <b>\$ 15.76</b>     | <b>\$ 896,712</b>    | <b>\$ 10.28</b>     | <b>\$ 7,756,712</b>  | <b>\$ 30.74</b>     | <b>\$ 2,931,312</b>  | <b>\$ 10.54</b>     | <b>\$ 1,270,050</b>  | <b>\$ 4.04</b>      |
| <b>Leasing Commissions and Incentives</b>                         |                      |                     |                      |                     |                      |                     |                      |                     |                      |                     |
| Office Buildings  | \$ 1,517,271         | \$ 13.83            | \$ 1,318,800         | \$ 21.94            | \$ 4,065,164         | \$ 20.21            | \$ 2,747,403         | \$ 19.50            | \$ 220,889           | \$ 2.40             |
| Medical Office Buildings  | —                    | —                   | —                    | —                   | 143,190              | 11.71               | 68,973               | 2.82                | 125,662              | 2.55                |
| Retail Centers  | 27,278               | 2.56                | 32,300               | 1.19                | 32,725               | 0.84                | 176,809              | 1.57                | 82,993               | 0.48                |
| <b>Subtotal</b>   | <b>\$ 1,544,549</b>  | <b>\$ 12.84</b>     | <b>\$ 1,351,100</b>  | <b>\$ 15.49</b>     | <b>\$ 4,241,079</b>  | <b>\$ 16.80</b>     | <b>\$ 2,993,185</b>  | <b>\$ 10.77</b>     | <b>\$ 429,544</b>    | <b>\$ 1.37</b>      |
| <b>Tenant Improvements and Leasing Commissions and Incentives</b> |                      |                     |                      |                     |                      |                     |                      |                     |                      |                     |
| Office Buildings  | \$ 3,414,287         | \$ 31.12            | \$ 2,215,512         | \$ 36.86            | \$ 11,638,657        | \$ 57.87            | \$ 5,535,863         | \$ 39.29            | \$ 786,282           | \$ 8.52             |
| Medical Office Buildings  | —                    | —                   | —                    | —                   | 326,409              | 26.69               | 183,225              | 7.49                | 765,058              | 15.49               |
| Retail Centers  | 27,278               | 2.56                | 32,300               | 1.19                | 32,725               | 0.84                | 205,409              | 1.82                | 148,254              | 0.86                |
| <b>Total</b>  | <b>\$ 3,441,565</b>  | <b>\$ 28.60</b>     | <b>\$ 2,247,812</b>  | <b>\$ 25.77</b>     | <b>\$ 11,997,791</b> | <b>\$ 47.54</b>     | <b>\$ 5,924,497</b>  | <b>\$ 21.31</b>     | <b>\$ 1,699,594</b>  | <b>\$ 5.41</b>      |

**10 Largest Tenants - Based on Annualized Rent**

June 30, 2014

| Tenant                            | Number of Buildings | Weighted Average Remaining Lease Term in Months | Percentage of Aggregate Portfolio Annualized Rent | Aggregate Rentable Square Feet | Percentage of Aggregate Occupied Square Feet |
|-----------------------------------|---------------------|---|---|--------------------------------|--|
| World Bank                        | 1                   | 30  | 5.91%   | 210,354                        | 3.36%  |
| Advisory Board Company            | 1                   | 59  | 3.41%   | 181,101                        | 2.89%  |
| Booz Allen Hamilton, Inc.         | 1                   | 19  | 2.77%   | 222,989                        | 3.56%  |
| Engility Corporation              | 1                   | 39  | 2.53%   | 134,126                        | 2.14%  |
| Squire Patton Boggs (USA) LLP     | 1                   | 34  | 2.47%   | 110,566                        | 1.77%  |
| Epstein, Becker & Green, P.C.     | 1                   | 30  | 1.34%   | 53,427                         | 0.85%  |
| General Services Administration   | 3                   | 53  | 1.30%   | 52,282                         | 0.84%  |
| ManTech International Corporation | 2                   | 7   | 1.30%   | 68,846                         | 1.10%  |
| George Washington University      | 2                   | 26  | 1.28%   | 69,775                         | 1.11%  |
| Alexandria City School Board      | 1                   | 179   | 1.20%   | 87,883                         | 1.40%  |
| <b>Total/Weighted Average</b>     |                     | 44  | <u>23.51%</u>                                     | <u>1,191,349</u>               | <u>19.02%</u>                                |



**Industry Diversification**

June 30, 2014

| <b>Industry Classification (NAICS)</b>  | <b>Annualized<br/>Base Rental<br/>Revenue</b> | <b>Percentage of<br/>Aggregate<br/>Annualized Rent</b> | <b>Aggregate<br/>Rentable<br/>Square Feet</b> | <b>Percentage of<br/>Aggregate<br/>Square Feet</b> |
|---|---|--|---|--|
| Professional, Scientific, and Technical Services  | \$ 72,044,888                                 | 37.96%   | 2,133,274                                     | 34.04%   |
| Credit Intermediation and Related Activities  | 17,859,457                                    | 9.41%  | 334,745                                       | 5.34%  |
| Religious, Grantmaking, Civic, Professional, and Similar Organizations                  | 11,520,724                                    | 6.07%  | 317,232                                       | 5.06%  |
| Food Services and Drinking Places   | 8,712,267                                     | 4.59%  | 283,064                                       | 4.52%  |
| Educational Services  | 8,216,808                                     | 4.33%  | 274,371                                       | 4.38%  |
| Food and Beverage Stores  | 6,665,284                                     | 3.51%  | 339,197                                       | 5.41%  |
| Executive, Legislative, and Other General Government Support                            | 5,120,019                                     | 2.70%  | 140,038                                       | 2.23%  |
| Ambulatory Health Care Services   | 4,636,120                                     | 2.44%  | 149,094                                       | 2.38%  |
| Health and Personal Care Stores   | 3,812,176                                     | 2.01%  | 106,232                                       | 1.70%  |
| Personal and Laundry Services   | 3,651,093                                     | 1.92%  | 115,707                                       | 1.85%  |
| Broadcasting (except Internet)  | 3,512,874                                     | 1.85%  | 90,810  | 1.45%  |
| Sporting Goods, Hobby, Book, and Music Stores   | 3,306,339                                     | 1.74%  | 201,827                                       | 3.22%  |
| Furniture and Home Furnishings Stores   | 3,150,172                                     | 1.66%  | 160,120                                       | 2.56%  |
| Securities, Commodity Contracts, and Other Financial Investments and Related Activities | 3,088,353                                     | 1.63%  | 87,959  | 1.40%  |
| Electronics and Appliance Stores  | 3,064,042                                     | 1.61%  | 169,094                                       | 2.70%  |
| Miscellaneous Store Retailers   | 3,051,316                                     | 1.61%  | 166,012                                       | 2.65%  |
| Clothing and Clothing Accessories Stores  | 2,803,378                                     | 1.48%  | 139,623                                       | 2.23%  |
| Administrative and Support Services   | 2,747,486                                     | 1.45%  | 73,725  | 1.18%  |
| Publishing Industries (except Internet)   | 2,730,449                                     | 1.44%  | 79,659  | 1.27%  |
| Amusement, Gambling, and Recreation Industries  | 2,315,096                                     | 1.22%  | 123,160                                       | 1.97%  |
| General Merchandise Stores  | 1,875,727                                     | 0.99%  | 221,502                                       | 3.53%  |
| Nursing and Residential Care Facilities   | 1,855,198                                     | 0.98%  | 68,245  | 1.09%  |
| Telecommunications  | 1,571,231                                     | 0.83%  | 41,334  | 0.66%  |
| Real Estate   | 1,534,654                                     | 0.81%  | 47,869  | 0.76%  |
| Merchant Wholesalers, Durable Goods   | 1,096,439                                     | 0.58%  | 35,100  | 0.56%  |
| Social Assistance   | 1,000,105                                     | 0.53%  | 44,086  | 0.70%  |

**Industry Diversification (continued)**

June 30, 2014

| <b>Industry Classification (NAICS)</b>                      | <b>Annualized<br/>Base Rental<br/>Revenue</b> | <b>Percentage of<br/>Aggregate<br/>Annualized Rent</b> | <b>Aggregate<br/>Rentable<br/>Square Feet</b> | <b>Percentage of<br/>Aggregate<br/>Square Feet</b> |
|---|---|--|---|--|
| Chemical Manufacturing                                      | 918,560                                       | 0.48%  | 20,036  | 0.32%  |
| Building Material and Garden Equipment and Supplies Dealers | 906,624                                       | 0.48%  | 29,470  | 0.47%  |
| Construction of Buildings                                   | 634,840                                       | 0.33%  | 21,127  | 0.34%  |
| Motor Vehicle and Parts Dealers                             | 601,815                                       | 0.32%  | 36,832  | 0.59%  |
| Insurance Carriers and Related Activities                   | 587,215                                       | 0.31%  | 20,263  | 0.32%  |
| Transportation Equipment Manufacturing                      | 542,685                                       | 0.29%  | 19,864  | 0.32%  |
| Repair and Maintenance                                      | 509,438                                       | 0.27%  | 22,449  | 0.36%  |
| Other   | 4,146,071                                     | 2.17%  | 153,037                                       | 2.44%  |
| <b>Total</b>  | <b>\$ 189,788,943</b>                         | <b>100.00%</b>   | <b>\$ 6,266,157</b>                           | <b>100.00%</b>                                     |

## Lease Expirations

June 30, 2014

| Year                | Number of Leases | Rentable Square Feet | Percent of Rentable Square Feet | Annualized Rent *     | Average Rental Rate | Percent of Annualized Rent * |
|---------------------|------------------|----------------------|---------------------------------|-----------------------|---------------------|------------------------------|
| <b>Office:</b>      |                  |                      |                                 |                       |                     |                              |
| 2014                | 40               | 213,428              | 5.08%                           | \$ 7,733,610          | \$ 36.24            | 4.67%                        |
| 2015                | 98               | 600,962              | 14.30%                          | 24,100,459            | 40.10               | 14.55%                       |
| 2016                | 103              | 639,105              | 15.21%                          | 21,558,160            | 33.73               | 13.01%                       |
| 2017                | 78               | 510,797              | 12.15%                          | 20,125,789            | 39.40               | 12.15%                       |
| 2018                | 73               | 360,343              | 8.58%                           | 13,912,017            | 38.61               | 8.40%                        |
| 2019 and thereafter | 230              | 1,877,743            | 44.68%                          | 78,211,192            | 41.65               | 47.22%                       |
|                     | <u>622</u>       | <u>4,202,378</u>     | <u>100.00%</u>                  | <u>\$ 165,641,227</u> | <u>39.42</u>        | <u>100.00%</u>               |
| <b>Retail:</b>      |                  |                      |                                 |                       |                     |                              |
| 2014                | 30               | 75,606               | 3.44%                           | \$ 1,669,496          | 22.08               | 3.34%                        |
| 2015                | 50               | 357,170              | 16.27%                          | 7,151,159             | 20.02               | 14.31%                       |
| 2016                | 29               | 203,332              | 9.26%                           | 4,312,390             | 21.21               | 8.63%                        |
| 2017                | 46               | 255,697              | 11.65%                          | 6,807,624             | 26.62               | 13.63%                       |
| 2018                | 40               | 363,373              | 16.55%                          | 5,379,128             | 14.80               | 10.77%                       |
| 2019 and thereafter | 115              | 940,230              | 42.83%                          | 24,643,839            | 26.21               | 49.32%                       |
|                     | <u>310</u>       | <u>2,195,408</u>     | <u>100.00%</u>                  | <u>\$ 49,963,636</u>  | <u>22.76</u>        | <u>100.00%</u>               |
| <b>Total:</b>       |                  |                      |                                 |                       |                     |                              |
| 2014                | 70               | 289,034              | 4.52%                           | 9,403,106             | 32.53               | 4.36%                        |
| 2015                | 148              | 958,132              | 14.98%                          | 31,251,618            | 32.62               | 14.49%                       |
| 2016                | 132              | 842,437              | 13.17%                          | 25,870,550            | 30.71               | 12.00%                       |
| 2017                | 124              | 766,494              | 11.98%                          | 26,933,413            | 35.14               | 12.49%                       |
| 2018                | 113              | 723,716              | 11.31%                          | 19,291,145            | 26.66               | 8.95%                        |
| 2019 and thereafter | 345              | 2,817,973            | 44.04%                          | 102,855,031           | 36.50               | 47.71%                       |
|                     | <u>932</u>       | <u>6,397,786</u>     | <u>100.00%</u>                  | <u>\$ 215,604,863</u> | <u>33.70</u>        | <u>100.00%</u>               |

\* Annualized Rent is equal to the rental rate effective at lease expiration (cash basis) multiplied by 12.

**Schedule of Properties**

June 30, 2014

| <b>PROPERTIES</b>           | <b>LOCATION</b>   | <b>YEAR ACQUIRED</b> | <b>YEAR CONSTRUCTED</b> | <b>NET RENTABLE SQUARE FEET</b> |
|-----------------------------|-------------------|----------------------|-------------------------|---------------------------------|
| <u>Office Buildings</u>     |                   |                      |                         |                                 |
| 1901 Pennsylvania Avenue    | Washington, DC    | 1977                 | 1960                    | 101,000                         |
| 51 Monroe Street            | Rockville, MD     | 1979                 | 1975                    | 221,000                         |
| 515 King Street             | Alexandria, VA    | 1992                 | 1966                    | 75,000                          |
| 6110 Executive Boulevard    | Rockville, MD     | 1995                 | 1971                    | 201,000                         |
| 1220 19th Street            | Washington, DC    | 1995                 | 1976                    | 103,000                         |
| 1600 Wilson Boulevard       | Arlington, VA     | 1997                 | 1973                    | 166,000                         |
| 7900 Westpark Drive         | McLean, VA        | 1997                 | 1972/1986/1999          | 529,000                         |
| 600 Jefferson Plaza         | Rockville, MD     | 1999                 | 1985                    | 113,000                         |
| Wayne Plaza                 | Silver Spring, MD | 2000                 | 1970                    | 97,000                          |
| Courthouse Square           | Alexandria, VA    | 2000                 | 1979                    | 115,000                         |
| One Central Plaza           | Rockville, MD     | 2001                 | 1974                    | 267,000                         |
| 1776 G Street               | Washington, DC    | 2003                 | 1979                    | 263,000                         |
| West Gude Drive             | Rockville, MD     | 2006                 | 1984/1986/1988          | 276,000                         |
| Monument II                 | Herndon, VA       | 2007                 | 2000                    | 208,000                         |
| 2000 M Street               | Washington, DC    | 2007                 | 1971                    | 230,000                         |
| 2445 M Street               | Washington, DC    | 2008                 | 1986                    | 290,000                         |
| 925 Corporate Drive         | Stafford, VA      | 2010                 | 2007                    | 133,000                         |
| 1000 Corporate Drive        | Stafford, VA      | 2010                 | 2009                    | 136,000                         |
| 1140 Connecticut Avenue     | Washington, DC    | 2011                 | 1966                    | 183,000                         |
| 1227 25th Street            | Washington, DC    | 2011                 | 1988                    | 135,000                         |
| Braddock Metro Center       | Alexandria, VA    | 2011                 | 1985                    | 347,000                         |
| John Marshall II            | Tysons Corner, VA | 2011                 | 1996/2010               | 223,000                         |
| Fairgate at Ballston        | Arlington, VA     | 2012                 | 1988                    | 142,000                         |
| The Army Navy Club Building | Washington, DC    | 2014                 | 1912/1987               | 108,000                         |
| 1775 Eye Street, NW         | Washington, DC    | 2014                 | 1964                    | 185,000                         |
| Subtotal                    |                   |                      |                         | <u>4,847,000</u>                |

**Schedule of Properties (continued)**

March 31, 2014

| <b>PROPERTIES</b>         | <b>LOCATION</b>  | <b>YEAR ACQUIRED</b> | <b>YEAR CONSTRUCTED</b> | <b>NET RENTABLE SQUARE FEET</b> |
|---------------------------|------------------|----------------------|-------------------------|---------------------------------|
| <u>Retail Centers</u>     |                  |                      |                         |                                 |
| Takoma Park               | Takoma Park, MD  | 1963                 | 1962                    | 51,000                          |
| Westminster               | Westminster, MD  | 1972                 | 1969                    | 150,000                         |
| Concord Centre            | Springfield, VA  | 1973                 | 1960                    | 76,000                          |
| Wheaton Park              | Wheaton, MD      | 1977                 | 1967                    | 74,000                          |
| Bradlee Shopping Center   | Alexandria, VA   | 1984                 | 1955                    | 171,000                         |
| Chevy Chase Metro Plaza   | Washington, DC   | 1985                 | 1975                    | 49,000                          |
| Montgomery Village Center | Gaithersburg, MD | 1992                 | 1969                    | 197,000                         |
| Shoppes of Foxchase       | Alexandria, VA   | 1994                 | 1960/2006               | 134,000                         |
| Frederick County Square   | Frederick, MD    | 1995                 | 1973                    | 227,000                         |
| 800 S. Washington Street  | Alexandria, VA   | 1998/2003            | 1955/1959               | 47,000                          |
| Centre at Hagerstown      | Hagerstown, MD   | 2002                 | 2000                    | 332,000                         |
| Frederick Crossing        | Frederick, MD    | 2005                 | 1999/2003               | 295,000                         |
| Randolph Shopping Center  | Rockville, MD    | 2006                 | 1972                    | 82,000                          |
| Montrose Shopping Center  | Rockville, MD    | 2006                 | 1970                    | 145,000                         |
| Gateway Overlook          | Columbia, MD     | 2010                 | 2007                    | 220,000                         |
| Olney Village Center      | Olney, MD        | 2011                 | 1979/2003               | 199,000                         |
| Subtotal                  |                  |                      |                         | <u>2,449,000</u>                |

**Schedule of Properties (continued)**

June 30, 2014

| <b>PROPERTIES</b>                      | <b>LOCATION</b>  | <b>YEAR ACQUIRED</b> | <b>YEAR CONSTRUCTED</b> | <b>NET RENTABLE SQUARE FEET <sup>(1)</sup></b> |
|--|------------------|----------------------|-------------------------|--|
| <u>Multifamily Buildings / # units</u> |                  |                      |                         |  |
| 3801 Connecticut Avenue / 307          | Washington, DC   | 1963                 | 1951                    | 179,000  |
| Roosevelt Towers / 191                 | Falls Church, VA | 1965                 | 1964                    | 170,000  |
| Country Club Towers / 227              | Arlington, VA    | 1969                 | 1965                    | 159,000  |
| Park Adams / 200                       | Arlington, VA    | 1969                 | 1959                    | 173,000  |
| Munson Hill Towers / 279               | Falls Church, VA | 1970                 | 1963                    | 258,000  |
| The Ashby at McLean / 256              | McLean, VA       | 1996                 | 1982                    | 274,000  |
| Walker House Apartments / 212          | Gaithersburg, MD | 1996                 | 1971/2003               | 157,000  |
| Bethesda Hill Apartments / 195         | Bethesda, MD     | 1997                 | 1986                    | 225,000  |
| Bennett Park / 224                     | Arlington, VA    | 2007                 | 2007                    | 214,000  |
| Clayborne / 74                         | Alexandria, VA   | 2008                 | 2008                    | 60,000   |
| Kenmore Apartments / 374               | Washington, DC   | 2008                 | 1948                    | 268,000  |
| The Paramount / 135                    | Arlington, VA    | 2013                 | 1984                    | 141,000  |
| Yale West / 216                        | Washington, DC   | 2014                 | 2011                    | 173,000  |
| Subtotal (2,890 units)                 |                  |                      |                         | <u>2,451,000</u>                               |
| <b>TOTAL</b>                           |                  |                      |                         | <b><u>9,747,000</u></b>                        |

<sup>(1)</sup> Multifamily buildings are presented in gross square feet.

## Supplemental Definitions

June 30, 2014

**Adjusted EBITDA** (a non-GAAP measure) is earnings attributable to the controlling interest before interest expense, taxes, depreciation, amortization, real estate impairment, gain on sale of real estate, gain/loss on extinguishment of debt and gain/loss from non-disposal activities.

**Annualized base rent ("ABR")** is calculated as monthly base rent (cash basis) per the lease, as of the reporting period, multiplied by 12.

**Debt service coverage ratio** is computed by dividing earnings attributable to the controlling interest before interest expense, taxes, depreciation, amortization, real estate impairment, gain on sale of real estate, gain/loss on extinguishment of debt and gain/loss from non-disposal activities by interest expense (including interest expense from discontinued operations) and principal amortization.

**Debt to total market capitalization** is total debt divided by the sum of total debt plus the market value of shares outstanding at the end of the period.

**Earnings to fixed charges ratio** is computed by dividing earnings attributable to the controlling interest by fixed charges. For this purpose, earnings consist of income from continuing operations (or net income if there are no discontinued operations) plus fixed charges, less capitalized interest. Fixed charges consist of interest expense (excluding interest expense from discontinued operations), including amortized costs of debt issuance, plus interest costs capitalized.

**Economic occupancy** is calculated as actual real estate rental revenue recognized for the period indicated as a percentage of gross potential real estate rental revenue for that period. We determine gross potential real estate rental revenue by valuing occupied units or square footage at contract rates and vacant units or square footage at market rates for comparable properties. We do not consider percentage rents and expense reimbursements in computing economic occupancy percentages.

**Funds from operations ("FFO")** is defined by The National Association of Real Estate Investment Trusts, Inc. ("NAREIT") in an April, 2002 White Paper as net income (computed in accordance with generally accepted accounting principles ("GAAP")) excluding gains (or losses) associated with sales of property and impairment of depreciable real estate, plus real estate depreciation and amortization. We consider FFO to be a standard supplemental measure for equity real estate investment trusts ("REITs") because it facilitates an understanding of the operating performance of our properties without giving effect to real estate depreciation and amortization, which historically assumes that the value of real estate assets diminishes predictably over time. Since real estate values have instead historically risen or fallen with market conditions, we believe that FFO more accurately provides investors an indication of our ability to incur and service debt, make capital expenditures and fund other needs. FFO is a non-GAAP measure.

**Core Funds From Operations ("Core FFO")** is calculated by adjusting FFO for the following items (which we believe are not indicative of the performance of Washington REIT's operating portfolio and affect the comparative measurement of Washington REIT's operating performance over time): (1) gains or losses on extinguishment of debt, (2) costs related to the acquisition of properties, (3) severance expense related to corporate reorganization and related to the CEO's retirement and (4) property impairments not already excluded from FFO, as appropriate. These items can vary greatly from period to period, depending upon the volume of our acquisition activity and debt retirements, among other factors. We believe that by excluding these items, Core FFO serves as a useful, supplementary measure of Washington REIT's ability to incur and service debt, and distribute dividends to its shareholders. Core FFO is a non-GAAP and non-standardized measure, and may be calculated differently by other REITs.

**Funds Available for Distribution ("FAD")** is calculated by subtracting from FFO (1) recurring expenditures, tenant improvements and leasing costs, that are capitalized and amortized and are necessary to maintain our properties and revenue stream and (2) straight line rents, then adding (3) non-real estate depreciation and amortization, (4) non-cash fair value interest expense and (5) amortization of restricted share compensation, then adding or subtracting the (6) amortization of lease intangibles, (7) real estate impairment and (8) non-cash gain/loss on extinguishment of debt, as appropriate. FAD is included herein, because we consider it to be a measure of a REIT's ability to incur and service debt and to distribute dividends to its shareholders. FAD is a non-GAAP and non-standardized measure, and may be calculated differently by other REITs.

**Core Funds Available for Distribution ("Core FAD")** is calculated by adjusting FAD for the following items (which we believe are not indicative of the performance of Washington REIT's operating portfolio and affect the comparative measurement of Washington REIT's operating performance over time): (1) gains or losses on extinguishment of debt, (2) costs related to the acquisition of properties, (3) non-share-based severance expense related to corporate reorganization and related to the CEO's retirement and (4) property impairments not already excluded from FAD, as appropriate. These items can vary greatly from period to period, depending upon the volume of our acquisition activity and debt retirements, among other factors. We believe that by excluding these items, Core FAD serves as a useful, supplementary measure of Washington REIT's ability to incur and service debt, and distribute dividends to its shareholders. Core FAD is a non-GAAP and non-standardized measure, and may be calculated differently by other REITs.

**The Medical Office Portfolio** consists of every medical property, as well as undeveloped land, 4661 Kenmore Ave, and two office properties, Woodholme Center and 6565 Arlington Boulevard. We entered into four separate purchase and sale agreements. **Transaction I of the Medical Office Portfolio** sale and purchase agreement consists of medical office properties (2440 M Street, 15001 Shady Grove Road, 15505 Shady Grove Road, 19500 at Riverside Park formerly Lansdowne Medical Office Building, 9707 Medical Center Drive, CentreMed I and II, 8301 Arlington Boulevard, Sterling Medical Office Building, Shady Grove Medical Village II, Alexandria Professional Center, Ashburn Farm Office Park I, Ashburn Farm Office Park II, Ashburn Farm Office Park III and Woodholme Medical Office Building) and two office properties (6565 Arlington Boulevard and Woodholme Center). **Transaction II of the Medical Office Portfolio** purchase and sale agreement consist of undeveloped land (4661 Kenmore Ave). **Transaction III of the Medical Office Portfolio** purchase and sale agreement consists of medical office properties (Woodburn Medical Park I and Woodburn Medical Park II). **Transaction IV of the Medical Office Portfolio** purchase and sale agreement consists of a medical office properties (Prosperity Medical Center I and II, and Prosperity Medical Center III).

**Physical occupancy** is calculated as occupied square footage as a percentage of total square footage as of the last day of that period.

**Recurring capital expenditures** represent non-accretive building improvements and leasing costs required to maintain current revenues. Recurring capital expenditures do not include acquisition capital that was taken into consideration when underwriting the purchase of a building or which are incurred to bring a building up to "operating standard."

**Rent increases on renewals and rollovers** are calculated as the difference, weighted by square feet, of the net ABR due the first month after a term commencement date and the net ABR due the last month prior to the termination date of the former tenant's term.

**Same-store portfolio properties** include all stabilized properties that were owned for the entirety of the current and prior reporting periods, and exclude properties under redevelopment or development and properties purchased or sold at any time during the periods being compared. We define redevelopment properties as those for which we expect to spend significant development and construction costs on existing or acquired buildings pursuant to a formal plan which has a current impact on operating results, occupancy and the ability to lease space with the intended result of a higher economic return on the property. Redevelopment and development properties are included in the same-store pool upon completion of the redevelopment or development, and the earlier of achieving 90% occupancy or two years after completion.

**Same-store portfolio net operating income (NOI) growth** is the change in the NOI of the same-store portfolio properties from the prior reporting period to the current reporting period.