

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20543

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

FOR QUARTER ENDED June 30, 1994 COMMISSION FILE NO. 1-6622

WASHINGTON REAL ESTATE INVESTMENT TRUST

(Exact name of registrant as specified in its charter)

| | | |
|----------|--|--------------------------------------|
| <TABLE> | | |
| <S> | DISTRICT OF COLUMBIA | <C> 53-0261100 |
| | ----- | ----- |
| | (State or other jurisdiction of incorporation or organization) | (IRS Employer Identification Number) |
| </TABLE> | | |

10400 CONNECTICUT AVENUE, KENSINGTON, MARYLAND 20895

(Address of principal executive office) (Zip code)

Registrant's telephone number, including area code (301) 929-5900

(Former name, former address and former fiscal year,
if changed since last report)

Indicate the number of shares outstanding of each of the registrant's classes
of common stock, as of the close of the period covered by this report.

SHARES OF BENEFICIAL INTEREST 28,238,735

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding twelve (12) months (or such shorter period that the
Registrant was required to file such report) and (2) has been subject to such
filing requirements for the past ninety (90) days.

| | | |
|-------|-------|-------|
| YES | X | NO |
| ----- | ----- | ----- |

1
WASHINGTON REAL ESTATE INVESTMENT TRUST

INDEX

| | | |
|-----------|--|-------|
| <TABLE> | | |
| <CAPTION> | | |
| | | Page |
| | | ----- |
| <S> | <C> | <C> |
| Part I: | Financial Information | |
| | ----- | |
| | Item 1. Financial Statements (Unaudited) | |
| | Balance Sheets | 3 |
| | Statements of Operations | 4 |
| | Statements of Cash Flows | 5 |
| | Statement of Changes in Shareholders' Equity | 6 |
| | Notes to Financial Statements | 7 |
| | Item 2. Management's Discussion and Analysis | 9 |
| Part II: | Other Information | |
| | ----- | |

| | |
|---|----|
| Item 1. Legal Proceedings | 10 |
| Item 2. Changes in Securities | 10 |
| Item 3. Defaults upon Senior Securities | 10 |
| Item 4. Submission of Matters to a Vote of Security Holders | 10 |
| Item 5. Other Information | 10 |
| Item 6. Exhibits and Reports on Form 8-K | 10 |
| Signatures | 11 |

</TABLE>

Part I

FINANCIAL INFORMATION

The information furnished in the accompanying Balance Sheets, Statements of Operations, Statements of Cash Flows and Changes in Shareholders' Equity reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the financial position, results of operations and of cash flows for the interim periods. The accompanying financial statements and notes thereto should be read in conjunction with the financial statements and notes for the three years ended December 31, 1993 included in the Trust's 1993 Form 10-K Report filed with the Securities and Exchange Commission.

2

PART I

ITEM I. FINANCIAL STATEMENTS

WASHINGTON REAL ESTATE INVESTMENT TRUST

BALANCE SHEETS

(Unaudited)

<TABLE>

<CAPTION>

| | June 30, 1994 | December 31, 1993 |
|---|------------------|----------------------|
| | ----- <C> | ----- <C> |
| Assets | | |
| Real estate at cost | \$204,567,095 | \$170,461,454 |
| Accumulated depreciation | (35,130,913) | (33,255,332) |
| | ----- | ----- |
| Mortgage note receivable | 169,436,182 | 137,206,122 |
| | 800,000 | 800,000 |
| | ----- | ----- |
| Total Investment in Real Estate | 170,236,182 | 138,006,122 |
| Cash and cash equivalents | 1,522,720 | 1,759,471 |
| Marketable investment securities | 2,534,129 | 16,284,832 |
| Rents and other receivables | 2,467,178 | 2,473,024 |
| Prepaid expenses and other assets | 2,728,017 | 3,487,203 |
| | ----- | ----- |
| | \$179,488,226 | \$162,010,652 |
| | ===== | ===== |
| Liabilities | | |
| Accounts payable and other liabilities | \$2,334,059 | \$1,696,986 |
| Tenant security deposits | 1,464,504 | 1,318,464 |
| Advance rents | 1,555,424 | 1,647,146 |
| Line of credit payable | 18,000,000 | - |
| | ----- | ----- |
| | 23,353,987 | 4,662,596 |
| | ----- | ----- |
| Shareholders' Equity | | |
| Shares of beneficial interest, unlimited authorization, without par value | 140,815,574 | 142,029,391 |
| Undistributed gains on real estate dispositions | 15,318,665 | 15,318,665 |
| | ----- | ----- |
| | 156,134,239 | 157,348,056 |
| | ----- | ----- |
| | \$179,488,226 | \$162,010,652 |
| | ===== | ===== |

</TABLE>

WASHINGTON REAL ESTATE INVESTMENT TRUST

STATEMENTS OF OPERATIONS
(Unaudited)

| | Three Months Ended June 30, 1994 | 1993 | Six Months Ended June 30, 1994 | |
|--|-------------------------------------|-------------|-----------------------------------|-----|
| 1993 | | | | |
| <S> | <C> | <C> | <C> | <C> |
| Real estate rental revenue \$19,471,979 | \$10,758,614 | \$9,713,873 | \$22,071,103 | |
| Real estate expenses (5,737,695) | (3,271,185) | (2,838,278) | (6,551,270) | |
| | 7,487,429 | 6,875,595 | 15,519,833 | |
| 13,734,284 Depreciation (1,806,409) | (964,896) | (907,466) | (1,897,335) | |
| | 6,522,533 | 5,968,129 | 13,622,498 | |
| Income from real estate 11,927,875 | | | | |
| Other income (expense) 864,791 | 164,407 | 343,959 | (489,802) | |
| Interest expense (61,462) | (41,506) | - | (41,506) | |
| General and administrative (1,379,444) | (817,697) | (731,196) | (1,458,447) | |
| | 5,827,737 | 5,580,892 | 11,632,743 | |
| Income before gain on sale of real estate 11,351,760 | | | | |
| Gain on sale of real estate 741,217 | - | 741,217 | - | |
| | 5,827,737 | 6,322,109 | 11,632,743 | |
| Net Income 12,092,977 | | | | |
| ===== Per share information based on the weighted average number of shares outstanding | | | | |
| Shares 28,219,923 | 28,238,735 | 28,225,485 | 28,237,802 | |
| Income before gain on sale of real estate \$0.40 | \$0.21 | \$0.20 | \$0.41 | |
| ===== Net income \$0.43 | \$0.21 | \$0.22 | \$0.41 | |
| ===== Dividends paid \$0.44 | \$0.23 | \$0.22 | \$0.46 | |
| ===== </TABLE> | | | | |

WASHINGTON REAL ESTATE INVESTMENT TRUST

STATEMENTS OF CASH FLOWS
(Unaudited)<TABLE>
<CAPTION>

| | Six Months Ended June 30, | |
|--|---------------------------|--------------|
| | 1994 | 1993 |
| <S> | <C> | <C> |
| Cash Flow From Operating Activities | | |
| Net income | \$11,632,743 | \$12,092,977 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Depreciation | 1,897,335 | 1,806,409 |
| Changes in other assets and liabilities | 1,434,671 | 166,972 |
| Gain on sale of property | - | (741,217) |
| Loss on sale of marketable investment securities | 799,571 | - |
| | ----- | ----- |
| Cash flow from operating activities | 15,764,320 | 13,325,141 |
| | ----- | ----- |
| Cash Flow From Investing Activities | | |
| Improvements to real estate | (3,376,457) | (2,581,604) |
| Proceeds from the sale of property | - | 176,000 |
| Real estate acquisitions | (30,729,184) | - |
| Decrease in marketable investment securities | 12,951,130 | 22,963,251 |
| | ----- | ----- |
| Net cash (used in) provided by investing activities | (21,154,511) | 20,557,647 |
| | ----- | ----- |
| Cash Flow From Financing Activities | | |
| Dividends paid | (12,989,818) | (12,419,286) |
| Mortgage principal retirements | - | (1,087,924) |
| Repayment of short-term bank loan | - | (21,000,000) |
| Mortgage principal payments | - | (27,269) |
| Borrowings - Line of credit | 18,000,000 | - |
| Net proceeds from stock options exercised | 143,258 | 178,892 |
| | ----- | ----- |
| Net cash flow provided by (used in) financing activities | 5,153,440 | (34,355,587) |
| | ----- | ----- |
| Net (decrease) in cash and cash equivalents | (236,751) | (472,799) |
| Cash and cash equivalents at beginning of period | 1,759,471 | 1,804,488 |
| | ----- | ----- |
| Cash and cash equivalents at end of period | \$1,522,720 | \$1,331,689 |
| | ===== | ===== |

</TABLE>

WASHINGTON REAL ESTATE INVESTMENT TRUST

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 1994
(Unaudited)<TABLE>
<CAPTION>Shares of Beneficial
Interest Outstanding
Shares

Amount

| | | |
|----------------------------|------------|---------------|
| <S> | <C> | <C> |
| Balance, December 31, 1993 | 28,227,605 | \$142,029,391 |
| Net income | | 11,632,743 |
| Dividends | | (12,989,818) |
| Share options exercised | 11,130 | 143,258 |
| | ----- | ----- |
| Balance, June 30, 1994 | 28,238,735 | \$140,815,574 |
| | ===== | ===== |

</TABLE>

6

WASHINGTON REAL ESTATE INVESTMENT TRUST
NOTES TO FINANCIAL STATEMENTS
June 30, 1994

NOTE A: ACCOUNTING POLICIES

Washington Real Estate Investment Trust (WRIT) has elected to qualify as a real estate investment trust under the Internal Revenue Code. WRIT intends to distribute at least 95% of its ordinary taxable income and, accordingly, no income tax provisions are made on ordinary income.

Cash equivalents consist of investments readily convertible to known amounts of cash generally with original maturities of 90 days or less.

Depreciation expense for Federal income tax purposes differs from that reported for financial statement purposes due to the use of different lives and depreciation methods and because certain properties were acquired by tax free exchanges.

Buildings and improvements are depreciated on a straight-line basis over estimated useful lives not exceeding 50 and 30 years, respectively.

NOTE B: MARKETABLE INVESTMENT SECURITIES

Marketable investment securities are considered available for sale and at June 30, 1994, the carrying value approximates market. Marketable investment securities, including accrued interest, consist of the following:

<TABLE>

<CAPTION>

| | |
|--|---------------|
| | June 30, 1994 |
| | ----- |
| <S> | <C> |
| U.S. Government and U.S. Government agency obligations | \$1,368,532 |
| Federally insured certificates of deposit | 50,000 |
| Corporate notes and other | 1,115,597 |
| | ----- |
| | \$2,534,129 |
| | ===== |

</TABLE>

Gross unrealized gains and losses at June 30, 1994 were not material. One hundred percent (100%) of the portfolio matures in less than one year.

NOTE C: REAL ESTATE INVESTMENTS

WRIT's real estate investment portfolio at June 30, 1994 at cost consists of properties located in Maryland, Washington, D.C., Virginia and Delaware as follows:

<TABLE>

| | |
|---------------------|---------------|
| <S> | <C> |
| Office buildings | \$ 88,187,134 |
| Apartment buildings | 26,226,606 |
| Shopping centers | 65,133,889 |
| Business centers | 25,019,466 |
| | ----- |
| | \$204,567,095 |
| | ===== |

</TABLE>

On June 1, 1994 WRIT acquired Tycon Plaza, two (2) office buildings with 293,000 square feet in Vienna, Virginia at a contract purchase price of \$21,250,000. On June 30, 1994 WRIT acquired The Shoppes of Foxchase, a shopping center located in Alexandria, Virginia at a contract purchase price of \$8,800,000. The center has 123,000 square feet of gross leasable

area. (See Note E).

NOTE D: SALE OF REAL ESTATE

In June 1993, WRIT sold its headquarters building for \$1,050,000 and recognized a gain of \$741,217. Proceeds received were \$176,000 in cash and \$874,000 in a mortgage note receivable. The mortgage bears interest at 9% payable monthly and matures in June 1996. Principal payments received in 1993 totalled \$74,000. Interest only from December 28, 1993 until final maturity in June 1996. The mortgage note is secured by a first deed of trust and security agreement.

7

NOTE E: LINE OF CREDIT PAYABLE

On June 1, 1994 WRIT obtained an unsecured credit commitment from a bank in the amount of \$20,000,000 for the express purpose of purchasing income producing property. On June 1, 1994, WRIT borrowed \$9,000,000 on this credit facility for the acquisition of Tycon Plaza and on June 30, 1994, WRIT borrowed an additional \$9,000,000 for the purchase of The Shoppes of Foxchase. Interest only is payable monthly on the unpaid principal balance at the rate of Libor plus 1.10%. At June 30, 1994 this rate was approximately 5.7%. All unpaid principal and interest are due on June 30, 1995.

8

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

WRIT's fundamental emphasis is on long-term growth of cash flow from operating activities. Dividends to shareholders are based upon these cash flows. WRIT's capital improvement program, strong leasing and management, and acquisitions of additional properties are the major contributors to the sustained growth of cash flows.

Occupancy rates have a major impact on rental revenue. Other factors such as new or renewal leases at higher rates, CPI based annual rent increases, increases in rentable space, tenant sales, new property acquisitions and certain other capital expenditures also influence rental revenue.

Income from real estate in the second quarter of 1994 of \$6,522,533 increased 9% compared with \$5,968,129 for the second quarter of 1993. This increase is primarily attributable to the Heritage Business Park acquired in November, 1993, the Tycon Plaza Office Buildings acquired June 1, 1994, and to continued improvement in occupancy levels within the WRIT portfolio.

Income before Gain on Sale of Real Estate for the three months ended June 30, 1994 in the amount of \$5,827,737 or \$.21 per share increased 4.4% from \$5,580,892 or \$.20 per share from the comparable quarter of 1993.

The average occupancy of 95% for the year 1993 increased to 96% for the first six months of 1994. This is compared to 94% for the first six months of 1993.

Real estate operating expenses as a percentage of revenue was 29.7% for the first six months of 1994 as compared to 29.5% for the first six months of 1993. Operating expenses as a percentage of revenue have remained relatively stable.

At March 31, 1994, a marketable investment security was written down to its estimated realizable value, resulting in a charge of \$799,571 to operations in the first quarter of 1994. This security was sold in May, 1994 for approximately its March 31, 1994 net realizable value.

Interest expense was \$41,506 for the second quarter of 1994 as a result of the line of credit borrowing on June 1, 1994 for the acquisition of Tycon Plaza. There was no interest expense in the second quarter of 1993 due to the prepayment of WRIT's only remaining mortgage in April, 1993.

CAPITAL RESOURCES AND LIQUIDITY

In recent years, WRIT has utilized equity stock offerings and cash flow from operations for its capital needs. The WRIT philosophy has been to acquire real estate with strong growth potential and to improve its real estate holdings through carefully planned additions or enhancements to generate higher rental income, to reduce operating expenses or both. Capital improvements of \$3,376,457 were completed in the first six months of 1994, including tenant improvements and continuing enhancements.

In February 1994, WRIT purchased land adjacent to its Wheaton Park shopping

center for a total cost of \$173,000. WRIT plans to add additional retail and parking space to the center. On June 1, 1994 WRIT acquired Tycon Plaza in Vienna, Virginia at a contract purchase price of \$21,250,000. Tycon Plaza consists of two (2) office buildings containing approximately 293,000 rentable square feet. WRIT borrowed \$9,000,000 and invested \$12,800,000 of its own funds for the purchase. On June 30, 1994 WRIT acquired The Shoppes of Foxchase in Alexandria, Virginia at a contract purchase price of \$8,800,000. The center has 123,000 rentable square feet. WRIT borrowed \$9,000,000 for this acquisition.

After the acquisition of Tycon Plaza in June, 1994 the remainder of cash and marketable investment securities was approximately \$4,056,849 at June 30, 1994.

Management believes that it has the liquidity and the capital resources necessary to meet all of its known obligations and to make additional property acquisitions when appropriate. WRIT continues to pursue acquisition opportunities and capital improvement projects to enhance long-term growth.

9

PART II

OTHER INFORMATION

| <TABLE> | <S> | <C> |
|---------|----------|--|
| | Item 1. | Legal Proceedings None |
| | Item 2. | Changes in Securities None |
| | Item 3. | Defaults Upon Senior Securities None |
| | Item 4. | Submission of Matters to a Vote of Security Holders None |
| | Item 5. | Other Information None |
| | Item 6. | Exhibits and Reports on Form 8-K (a) Exhibits The exhibits required have been filed in previous reports and are herein incorporated by reference. (b) Reports on Form 8-K None |
| | </TABLE> | |

10

SIGNATURES

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

WASHINGTON REAL ESTATE INVESTMENT TRUST

//Larry E. Finger//

Larry E. Finger, Vice President-Finance
and Chief Financial Officer

//Laura M. Franklin//

Laura M. Franklin
Assistant Vice President-Finance

Date: August 12, 1994