

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

- (X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
- OR
- ( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934.

FOR QUARTER ENDED September 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 28,242,544  
 -----

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  
 -----

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 WASHINGTON REAL ESTATE INVESTMENT TRUST

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Part I

FINANCIAL INFORMATION

The information furnished in the accompanying Balance Sheets, Statements of Operations, Statements of Cash Flows and Statement of Changes in Shareholders' Equity reflect all adjustments, consisting of normal recurring items, 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.

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PART I

ITEM I. FINANCIAL STATEMENTS

WASHINGTON REAL ESTATE INVESTMENT TRUST

BALANCE SHEETS

<TABLE>  
<CAPTION>

	(Unaudited) September 30, 1994	December 31, 1993
	-----	-----
<S>	<C>	<C>
Assets		
Real estate at cost	\$205,379,681	\$170,461,454
Accumulated depreciation	(36,172,144)	(33,255,332)
	-----	-----
Mortgage note receivable	169,207,537	137,206,122
	800,000	800,000
	-----	-----
Total investment in real estate	170,007,537	138,006,122
Cash and cash equivalents	992,817	1,759,471
Marketable investment securities	1,976,477	16,284,832
Rents and other receivables	2,031,914	2,473,024
Prepaid expenses and other assets	3,606,970	3,487,203

	-----	-----
	\$178,615,715	\$162,010,652
	=====	=====
Liabilities		
Accounts payable and other liabilities	\$2,157,626	\$1,696,986
Tenant security deposits	1,470,409	1,318,464
Advance rents	1,475,347	1,647,146
Line of credit payable	18,000,000	-
	-----	-----
	23,103,382	4,662,596
	-----	-----
Shareholders' Equity		
Shares of beneficial interest, unlimited authorization, without par value	140,193,668	142,029,391
Undistributed gains on real estate dispositions	15,318,665	15,318,665
	-----	-----
	155,512,333	157,348,056
	-----	-----
	\$178,615,715	\$162,010,652
	=====	=====

</TABLE>

See accompanying notes to financial statements

WASHINGTON REAL ESTATE INVESTMENT TRUST

STATEMENTS OF OPERATIONS  
(Unaudited)

<TABLE>			
<CAPTION>			
	Three Months Ended Sept. 30,		Nine Months
Ended Sept. 30,			
1993	1994	1993	1994
	-----	-----	-----
<S>	<C>	<C>	<C>
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Real estate rental revenue	\$11,759,339	\$9,904,958	\$33,830,442
\$29,376,936			
Real estate expenses	(3,829,643)	(3,058,448)	(10,380,913)
(8,796,141)			
	-----	-----	-----
	7,929,696	6,846,510	23,449,529
20,580,795			
Depreciation	(1,052,951)	(909,605)	(2,950,286)
(2,716,013)			
	-----	-----	-----
	6,876,745	5,936,905	20,499,243
Income from real estate			
17,864,782			
Other income (expense)	107,645	323,804	(382,157)
1,188,594			
Interest expense	(277,809)	-	(319,315)
(61,462)			
General and administrative	(859,632)	(725,344)	(2,318,079)
(2,104,789)			
	-----	-----	-----

Income before gain on sale of real estate 16,887,125	5,846,949	5,535,365	17,479,692
Gain on sale of real estate 741,217	-	-	-
-----	-----	-----	-----
Net Income 17,628,342	5,846,949	5,535,365	17,479,692
=====	=====	=====	=====
Per share information based on the weighted average number of shares outstanding			
Weighted average shares 28,222,010	28,239,480	28,226,116	28,238,368
Income before gain on sale of real estate \$0.60	\$0.21	\$0.20	\$0.62
=====	=====	=====	=====
Net income \$0.62	\$0.21	\$0.20	\$0.62
=====	=====	=====	=====
Dividends paid \$0.66	\$0.23	\$0.22	\$0.69
=====	=====	=====	=====

</TABLE>

See accompanying notes to financial statements

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WASHINGTON REAL ESTATE INVESTMENT TRUST

STATEMENTS OF CASH FLOWS  
(Unaudited)

<TABLE>  
<CAPTION>

	Nine Months Ended 1994	September 30, 1993
	-----	-----
	<C>	<C>
Cash Flow From Operating Activities		
Net income	\$17,479,692	\$17,628,342
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	2,950,286	2,716,013
Changes in other assets and liabilities	728,658	(1,394,586)
Gain on sale of property	-	(741,217)
Loss on sale of marketable investment securities	799,571	-
	-----	-----
Cash flow from operating activities	21,958,207	18,208,552
	-----	-----
Cash Flow From Investing Activities		
Improvements to real estate	(4,189,043)	(3,862,792)
Proceeds from the sale of property	-	176,000
Real estate acquisitions	(30,729,184)	-
Payment received on mortgage note receivable for sale of property	-	38,586
Decrease in marketable investment securities	13,508,781	24,915,789
	-----	-----

Net cash (used in) provided by investing activities	(21,409,446)	21,267,583
	-----	-----
Cash Flow From Financing Activities		
Dividends paid	(19,485,603)	(18,629,229)
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	170,188	186,669
	-----	-----
Net cash flow (used in) financing activities	(1,315,415)	(40,557,753)
	-----	-----
Net (decrease) in cash and cash equivalents	(766,654)	(1,081,618)
Cash and cash equivalents at beginning of period	1,759,471	1,804,488
	-----	-----
Cash and cash equivalents at end of period	\$992,817	\$722,870
	=====	=====

</TABLE>

See accompanying notes to financial statements

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WASHINGTON REAL ESTATE INVESTMENT TRUST  
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE NINE MONTHS ENDED SEPTEMBER 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		17,479,692
Dividends		(19,485,603)
Share options exercised	14,939	170,188
	-----	-----
Balance, September 30, 1994	28,242,544	\$140,193,668
	=====	=====

</TABLE>

See accompanying notes to financial statements

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WASHINGTON REAL ESTATE INVESTMENT TRUST  
NOTES TO FINANCIAL STATEMENTS  
September 30, 1994 (Unaudited)

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.

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 September 30, 1994, the carrying value approximates market. Marketable investment securities, including accrued interest, consist of the following:

<S>	<C>
U.S. Government and U.S. Government agency obligations	\$ 938,611
Federally insured certificates of deposit	50,000
Corporate notes and other	987,866
	-----
	\$1,976,477
	=====

</TABLE>

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 September 30, 1994 at cost consists of properties located in Maryland, Washington, D.C., Virginia and Delaware as follows:

<S>	<C>
Office buildings	\$ 88,598,505
Apartment buildings	26,410,680
Shopping centers	65,280,159
Business centers	25,090,337
	-----
	\$205,379,681
	=====

</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.

NOTE D: LINE OF CREDIT PAYABLE

On June 1, 1994 WRIT obtained an unsecured interim 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 was 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%. On August 26, 1994, the \$20,000,000 interim credit commitment was replaced with an unsecured credit commitment of \$25,000,000 and the outstanding advances of \$18,000,000 were transferred to this new commitment. Borrowings of \$18,000,000 as of September 30, 1994 bear interest at the rate of 6.3125% until May 25, 1995. Interest only is payable monthly, in arrears, on the unpaid principal balance. All unpaid interest and principal are due August 25, 1995 and can be prepaid prior to this date without a fee. Any new advances shall bear interest at libor plus a spread based on WRIT's interest coverage ratio.

This credit agreement provides the option to WRIT to convert any advances or portion thereof, into a term loan at any time after February 26, 1995 and prior to August 25, 1995. The principal amount of each term loan, if any, shall be repaid on August 26, 1998. Such term loan(s) may be prepaid subject to a prepayment fee.

The \$25,000,000 credit commitment requires WRIT to pay the lender an unused commitment fee at the rate of 0.25% per annum, on the amount that the \$25,000,000 exceeds the balance of outstanding advances and term loans. This fee is payable monthly beginning September, 1994 until August 25, 1995. This commitment also contains certain covenants which WRIT is required to meet periodically.

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 third quarter of 1994 of \$6,876,745 increased 16% compared with \$5,936,905 for the third quarter of 1993. Income from real estate for the nine months ended September 30, 1994 of \$20,499,243 increased 15% compared to \$17,864,782 for the same nine month period in 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 the Shoppes of Foxchase acquired June 30, 1994.

Income before gain on sale of real estate for the three months ended September 30, 1994 in the amount of \$5,846,949 or \$.21 per share increased 5.6% from \$5,535,365 or \$.20 per share from the comparable quarter of 1993. Income before gain on sale of real estate for the nine months ended September 30, 1994 of \$17,479,692 or \$.62 per share increased 3.5% as compared to \$16,887,125 or \$.60 per share for the same period in 1993.

Average occupancy levels declined slightly in the third quarter of 1994 to 94% as compared to 96% for the same quarter of 1993. This is due primarily to vacancies at one of WRIT's office buildings, 1901 Pennsylvania Avenue and one shopping center, Jenifer One Mall. Vacancies at 1901 Pennsylvania Avenue are expected to continue through the fourth quarter of 1994 and into 1995. Vacancies at Jenifer One Mall will continue until May, 1995. WRIT has signed a lease with a national retail discount chain for a majority of the Jenifer One vacancy. This lease commences May, 1995. The average occupancy of 95% for the year 1993 remained at 95% for the first nine months of 1994. This is compared to 94% for the first nine months of 1993.

Real estate operating expenses as a percentage of revenue was 33% for the three months ended September 30, 1994 and 31% for the nine months ended September 30, 1994 as compared to 31% and 30% respectively, for the comparable periods of 1993. This increase is primarily attributable to the fact that operating expenses as a percentage of revenues are higher for office building properties than shopping centers, business centers and the WRIT portfolio as a whole. WRIT's percentage of office buildings within its entire real estate portfolio has increased from 36% at September 30, 1993 to 43% of the portfolio as of September 30, 1994. This 7% increase is primarily attributable to the acquisition of Heritage Business Park (three office buildings) in November, 1993 and Tycon II and III office buildings in June, 1994.

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 its March 31, 1994 net realizable value.

Interest income decreased in the first nine months of 1994 due to fewer marketable investment securities as compared to the first nine months of 1993. Marketable investment securities have decreased as a result of sales and maturities used to acquire properties.

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

## RESULTS OF OPERATIONS (continued)

Interest expense was \$41,506 for the second quarter of 1994 as a result of the \$9,000,000 borrowing on the credit commitment on June 1, 1994 for the acquisition of Tycon Plaza. Interest expense of \$277,809 for the third quarter of 1994 was paid on the \$18,000,000 of outstanding advances on the credit commitment for the entire third quarter of 1994 (See note D). Interest expense for the first nine months of 1993 was \$61,462. This was a result of WRIT's

prepayment of its only remaining mortgage in April, 1993.

#### CAPITAL RESOURCES AND LIQUIDITY

In recent years, WRIT has utilized equity stock offerings, cash flow from operations and a line of credit 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 \$4,189,043 were completed in the first nine 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 and capital improvements in the third quarter of 1994, the remainder of cash and marketable investment securities was approximately \$2,969,294 at September 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.

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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

incorporated by

The exhibits required have been filed in previous reports and are herein reference.

(b) Reports on Form 8-K

Form 8-K was filed on June 30, 1994 with the Securities and Exchange Commission

</TABLE>



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: November 14, 1994

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EXHIBIT INDEX

Exhibit No.	Description
<S>	<C>
27	Financial Data Schedule

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