

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934Date of Report (Date of earliest event reported) MAY 17, 1996
-----WASHINGTON REAL ESTATE INVESTMENT TRUST

(Exact name of registrant as specified in its charter)

District of Columbia	1-6622	53-0261100

(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification Number)
10400 Connecticut Avenue, Kensington, Maryland		20895

(Address of principal executive offices)		(Zip Code)

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

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

On May 17, 1996 WRIT Limited Partnership, a majority owned subsidiary of WRIT, purchased Maryland Trade Center I and II, office buildings containing 349,813 rentable square feet located in Greenbelt, Maryland from the State of California Public Employees' Retirement System, for a purchase price of \$28,000,000. The purchase price was paid out of an advance from WRIT's unsecured line of credit with Crestar Bank and its' participant, Signet Bank/Virginia. On date of acquisition, the center was 98.5% leased. Major tenants include NationsBank, OAO, Orbital Sciences Corporation, Lockheed Martin Corporation, TRW and various law and accounting firms.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial Statements of Businesses Acquired

The acquisition, when aggregated with a previously reported acquisition completed on March 13, 1996, constitutes the acquisition of a "significant amount of assets" as defined in regulation S-X. It is impracticable for WRIT to provide the required financial statements for the substantial majority of the assets acquired at the time this report is being filed. The required financial statements will be filed promptly, and in any event within 60 days after the required filing date of this report.

(b) Pro Forma Financial Information

It is impracticable for WRIT to provide the required pro forma financial information at the time this report is being filed. The required pro forma financial information will be filed promptly, and in any event within 60 days after the required filing date of this report.

(c) Exhibits

Credit agreement dated July 27, 1995 among Washington Real Estate Investment Trust as borrower, Crestar Bank, as Lender, Signet Bank/Virginia, as Lender, and Crestar Bank as Agent.

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 thereunto duly authorized.

WASHINGTON REAL ESTATE INVESTMENT TRUST

(Registrant)

By: /s/ Laura M. Franklin

(Signature)

Laura M. Franklin
Vice President &
Chief Accounting Officer

May 31, 1996

(Date)

CREDIT AGREEMENT

THIS CREDIT AGREEMENT, dated as of July 27, 1995 (the "Agreement"), by and between WASHINGTON REAL ESTATE INVESTMENT TRUST, a District of Columbia common law trust (the "Borrower"), CRESTAR BANK, a Virginia banking corporation, and SIGNET BANK/VIRGINIA, a Virginia banking corporation, and any other banks that are parties to this Agreement at any time (the "Banks") and CRESTAR BANK, a Virginia banking corporation, in its capacity as agent for the Banks (the "Agent"), recites and provides:

RECITALS

The Borrower has requested that the Banks extend credit to the Borrower. The Banks are willing to do so upon the terms and subject to the conditions set forth below. Accordingly, the Borrower, the Banks and the Agent agree as follows:

ARTICLE 1 LOANS

SECTION 1.1 Advances. Subject to the terms and conditions and relying upon the representations and warranties set forth in this Agreement, each Bank severally agrees to make advances (the "Advances") to the Borrower, from time to time on any Business Day (as defined below) during the period from the date hereof until July 26, 1996 (the "Termination Date") in an aggregate amount not to exceed at any time outstanding the commitment of such Bank (as to each Bank, its "Commitment") as set forth on the Commitment schedule attached as Schedule 1.1 (as amended from time to time, the "Commitment Schedule"), provided that at no time shall the outstanding Advances and Term Loans (as defined below) exceed \$50,000,000. If no Event of Default (as defined below), has occurred and is continuing on July 26, 1996, the Banks agree to extend, at the Borrower's option, the Termination Date to July 25, 1997. The Advances made on any Business Day shall be in an amount not less than \$1,000,000 or an integral multiple thereof. The Advances shall be used only for the purpose of purchasing income producing real estate in the Market Area (as defined below) and to make capital improvements to real property owned by the Borrower and located in the Market Area. "Market Area" means Washington D.C., Virginia, Maryland, southern Delaware and southeastern Pennsylvania. Advances may not be used to prepay or refinance outstanding Advances. (The Banks agree that establishing a new Interest Period, as defined below, shall not constitute a refinancing of an Advance.) Advances may be used to purchase income producing real estate outside of the Market Area with the prior written consent of the Majority Banks (as defined below), which shall not be unreasonably withheld. "Majority Banks" means, as of any date, Banks whose aggregate Commitments total at least 66 2/3% of all Commitments.

SECTION 1.2 Making Advances

(a) Advances shall be made on written request, given not later than 11:00 A.M. (Eastern time) at least three Business Days prior to the date of the proposed Advances, from the Borrower to the Agent, identifying the real estate to be purchased or the capital improvements to be made, specifying the date and amount of the Advances and selecting the initial Interest Period (as defined below) for such Advances. The Agent shall give prompt written notice of each borrowing request to the Banks. Not later than 1:00 P.M. (Eastern time) on the date of such Advances and upon fulfillment of the applicable conditions set forth in Article 2, each Bank will make its ratable share of such Advances available to the Agent in same day funds in accordance with such Bank's Commitment Percentage (as defined below). After the Agent's receipt of such funds, it shall credit the proceeds to the Borrower's operating account with the Agent.

(b) Each written request from the Borrower to the Agent for Advances shall be irrevocable and binding on the Borrower. The Borrower shall indemnify each Bank against any loss, cost or expense incurred by such Bank as a result of any failure to fulfill on or before the date specified in such request for such Advances the applicable conditions set forth in Article 2, including, without limitation, any loss (including loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Bank to fund the Advance when the Advance, as a result of such failure, is not made on such date.

(c) The Advances shall be repaid on the Termination Date, unless converted into Term Loans as provided in Section 1.3 below.

(d) On the date of the closing of this Agreement (the "Closing Date"), all advances outstanding under the August 26, 1994 Credit Agreement between the Borrower and Crestar Bank (the "Existing Credit Agreement") shall be repaid with Advances under this Agreement and the Existing

Credit Agreement shall be terminated as of the Closing Date.

(e) Unless the Agent shall have received notice from a Bank prior to the date of any Advances that such Bank will not make available to the Agent such Bank's ratable portion of such Advances, the Agent may assume that such Bank has made such portion available to the Agent on the date of such Advances in accordance with Section 1.2(a) and the Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Bank shall not have so made such ratable portion available to the Agent, such Bank and the Borrower severally agree to repay to the Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Agent, at (1) in the case of the Borrower, the interest rate applicable at the time to such Advances, and (2) in the case of such Bank, the Federal Funds Rate (as defined below). If such Bank shall repay to the

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Agent such corresponding amount, such amount so repaid shall constitute such Bank's Advance for purposes of this Agreement.

(f) The failure of any Bank to make the Advances to be made by such Bank shall not relieve the other Banks of their obligations, if any, hereunder to make their Advances, but none of the Banks shall be responsible for the failure of the other Banks to make Advances.

SECTION 1.3 Term Loans.

(a) The Borrower may convert the Advances or portions thereof into a term loan (the "Term Loans") at any time after January 27, 1996 and prior to the Termination Date, provided, however, that any such conversion must be made on the last day of an Interest Period (as defined below). Each election to convert Advances or portions thereof into Term Loans shall be in an aggregate amount not less than \$1,000,000 or an integral multiple thereof and shall be made on written notice, given to the Agent not later than 11:00 A.M. (Eastern time) three Business Days prior to the date of the proposed conversion. The Agent shall give prompt written notice of each such conversion request to the Banks. Not later than 1:00 P.M. (Eastern time) on the date of such conversion and upon fulfillment of the applicable conditions set forth in Article 2, the Term Loans will be deemed to be applied to the prepayment of the Advances ratably in accordance with the Banks' respective Commitment Percentages made by such Bank.

(b) The principal amount of each Term Loan shall be repaid on July 27, 1999 (the "Maturity Date"), or on such earlier date as may be selected by the Borrower at its option.

SECTION 1.4 Interest.

(a) The Borrower shall pay interest on the unpaid principal amount of each Advance from the date of such Advance until such principal amount shall be paid in full, monthly in arrears, on the first day of each calendar month, at the sum of (1) in the case of an Interest Period of one month or more, LIBOR for the applicable Interest Period plus the applicable LIBOR Spread, and (2) in the case of an Interest Period of less than one month, the Prime Rate plus the Prime Rate Spread, adjusted daily when and as the Prime Rate is changed.

(b) The Borrower shall pay interest on the unpaid principal amount of each Term Loan from the date on which such Term Loan is made until such principal amount shall be paid in full, monthly in arrears, on the first day of each calendar month, at the sum of (1) in the case of an Interest Period of one month or more, the Treasury Rate for the applicable Interest Period plus the applicable Treasury Rate Spread, and (2) in the case of an Interest Period of less than one month, the Prime Rate plus the Prime Rate Spread, adjusted daily when and as the Prime Rate is changed.

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(c) Initially, the "LIBOR Spread" shall be 0.50%, the Treasury Rate Spread shall be 1.10% and the Prime Rate Spread shall be 0%. On March 15, May 15, August 15 and November 15 of each year, beginning on August 15, 1995 (the "Recalculation Dates"), the applicable LIBOR Spread, Treasury Rate Spread and Prime Rate Spread shall be subject to change based on the Interest Coverage Ratio for the 12-month period ended on the last day of the immediately preceding fiscal quarter (each, a "Test Period"). Any adjustments shall be effective as of the applicable Recalculation Date, and shall remain in effect until the next Recalculation Date. The applicable LIBOR Spreads and Treasury Rate Spreads are as follows:

<TABLE>
<CAPTION>

Interest Coverage Ratio	LIBOR Spread	Treasury Rate Spread
<S>	<C>	<C>
More than 5.99	0.50 %	1.10 %
5.50 to 5.99	1.15 %	1.75 %
4.50 to 5.49	2.15 %	2.75 %
Below 4.49	2.75 %	3.35 %

</TABLE>

The Prime Rate Spread shall be 0% if the Interest Coverage Ratio is greater than 5.00 and shall be .50% if the Interest Rate Coverage Ratio is less than or equal to 5.00.

(d) After maturity or upon the occurrence and during the continuance of an Event of Default hereunder, the Prime Rate Spread shall be 2.50%, the LIBOR Spread shall be 4.75% and the Treasury Rate Spread shall be 5.35%.

(e) Certain Definitions. As used in this Agreement, the following terms have the following meanings:

"Business Day" means a day of the year on which banks are not required or authorized to close in New York City, or Richmond, Virginia, and which dealings are carried on in the London interbank market.

"Commitment Percentages" means, with respect to any Bank, the percentage of the aggregate Commitments represented by such Bank's Commitment.

"EBITDA" means, for any Test Period, Net Income for such Test Period, plus to the extent deducted to determine Net Income for such Test Period, interest, tax, depreciation and amortization expense of the Borrower, all as determined in accordance with GAAP.

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of Richmond, or, if such rate is not so

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published for any day that is a Business Day, the average of the quotations for such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by it.

"GAAP" means generally accepted accounting principles consistent with those applied in the preparation of the Borrower's financial statements for the fiscal year ended on December 31, 1993.

"Interest Coverage Ratio" means, for any Test Period, the quotient obtained by dividing EBITDA for such Test Period by interest expense of the Borrower for such Test Period, as determined in accordance with GAAP.

"Interest Period" means, for each Advance or Term Loan, the period commencing on the date of such Advance or Term Loan and ending on the last day of the period selected by the Borrower pursuant to the provisions below and, thereafter, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by the Borrower pursuant to the provisions below. When interest is based on the Prime Rate, the duration of each such Interest Period may be any period of time of up to 30 days selected by the Borrower. In all other cases, the duration of each such Interest Period shall be one, two, three, six, nine or twelve months for the Advances, or any period of more than 90 days for the Term Loans, as the Borrower may select, upon notice given by the Agent not later than 11:00 A.M. (Eastern time) on the third Business Day prior to the first day of such Interest Period (prompt written notice of which shall be given by the Agent to the Banks); provided, however, that (1) whenever the last day of any Interest Period for an Advance would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, unless such extension would cause the last day of such Interest Period to occur in the next following calendar month, in which case the last day of such Interest Period shall occur on the next preceding Business Day, (2) if no Interest Period is selected by the Borrower, the Interest Period shall be one month for Advances and 90 days for Term Loans, (3) no Interest Period for Advances shall expire later than the Termination Date, and (4) no Interest Period for Term Loans shall expire later than the Maturity Date.

"LIBOR" means, with respect to each day during each Interest Period pertaining to an Advance, the rate of interest determined on the basis of the rate for deposits in dollars for a period equal to such Interest Period commencing on the first day of such Interest Period appearing on Page 3750 of the Telerate Service as of 11:00 A.M., London time, two Business Days prior to the beginning of such Interest Period. In the event that such rate does not appear on Page 3750 of the Telerate Service (or otherwise on such service), "LIBOR" shall be determined by reference to such other publicly available service for displaying eurodollar rates as may be agreed upon by the Agent and the Borrower or, in the absence of such agreement, "LIBOR" shall instead be the rate per annum equal to the rate at which Crestar Bank is offered dollar deposits at or about 10:00 A.M., New York City time, two (2) Business Days prior to the beginning of such Interest Period in the interbank eurodollar

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market where the eurodollar and foreign currency and exchange operations in respect of its Advance are then being conducted for delivery on the first day of such Interest Period for the number of days comprised therein and in an amount comparable to the amount of its Advance to be outstanding during such Interest Period.

"Net Income" means, for any Test Period, the net income of the Borrower determined in accordance with GAAP.

"Prime Rate" means the rate established from time to time by the Agent as its prime rate, which rate is recorded in the Agent's Central Credit Administration Division and used as a reference for fixing the lending rate on commercial loans. The Borrower acknowledges that the prime rate is not necessarily the lowest rate of interest charged by the Bank. For purposes of this Agreement, any change in the Prime Rate shall be effective on the date such change in the Prime Rate is announced.

"Treasury Rate" means, for any Interest Period, the rate per annum, rounded upwards, if necessary, to the next higher 1/100th of 1%, which is the average yield on United States Treasury Securities, adjusted to a constant maturity corresponding to the length of the applicable Interest Period, as reported for the most recent weekly reporting period covered in the weekly statistical release (currently entitled "Weekly Summary of Banking and Credit Measures") published by the Board of Governors of the Federal Reserve System for the Friday immediately preceding the first day of such Interest Period (or as reasonably established by the Agent for an Interest Period for which no such yield is published).

SECTION 1.5 Prepayments. The Borrower shall have the right to prepay any Advances or Term Loans at any time subject to the payment of the prepayment penalty described below with respect to any Term Loan; provided, however, that each partial prepayment shall be in an aggregate principal amount of not less than \$1,000,000 or an integral multiple thereof. No prepayment penalty will be imposed with respect to the Advances. The prepayment penalty for a Term Loan will be equal to the present value of the difference between the amount that would have been realized by the Banks for the remaining term of the applicable Interest Period, and any lesser amount that would have been realized by the Banks by reinvesting the prepaid amount at the Treasury Rate with a maturity most closely equal to, but not longer than, the remaining term of the applicable Interest Period. To determine such present value, the foregoing difference shall be discounted to its present value at a discount rate equal to the applicable Treasury Rate. The Borrower shall give the Agent at least three Business Days' prior written notice of prepayment (prompt written notice of which shall be given to the Banks by the Agent) and in such notice specify the prepayment date and the principal amount of each Advance or Term Loan to be prepaid. Such notice of prepayment shall be irrevocable and shall commit the Borrower to prepay in the amount stated therein. All prepayments under this Section shall be accompanied by accrued interest on the principal amount being prepaid to the date of prepayment. Amounts prepaid shall be available to be reborrowed from the Banks hereunder in accordance with the terms of this Agreement.

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SECTION 1.6 Funding Provisions.

(a) Increased Costs. If, due to either (1) the introduction of or any change (other than any change by way of imposition or increase of reserve requirements, referred to in subsection (b) below) in any law or regulation or (2) the compliance with any guideline or request from any central bank or other governmental authority (whether or not having the force of law), there shall be any increase in the cost to a Bank of agreeing to make or making, funding or maintaining the Advances or the Term Loans, then the

Borrower shall from time to time, within 20 Business Days after written demand by such Bank, pay to such Bank additional amounts sufficient to compensate such Bank for such increased cost. A certificate as to the amount of such increased cost shall be submitted to the Borrower by such Bank with such demand, and such certificate shall be presumed to be correct.

(b) Additional Interest. The Borrower shall pay to each Bank, so long as such Bank shall be required under regulations of the Board of Governors of the Federal Reserve System to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency liabilities (as such term is defined in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time), additional interest on the unpaid principal amount of each Advance made by such Bank, from the date of such Advance until such principal amount is paid in full, at an interest rate per annum equal at all times to the remainder obtained by subtracting (1) LIBOR for the Interest Period for such Advance from (2) the rate obtained by dividing such LIBOR by a percentage equal to 100% minus the reserve percentage applicable during such Interest Period (or if more than one such percentage shall be so applicable, the daily average of such percentages for those days in such Interest Period during which any such percentage shall be so applicable) under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) for such Bank with respect to liabilities or assets consisting of or including Eurocurrency liabilities having a term equal to such Interest Period, payable on each date on which interest is payable on such Advance. Such additional interest shall be determined by such Bank and notified to the Borrower. The Agent acknowledges that as of the date hereof, banks are not required to maintain reserves with respect to Eurocurrency liabilities.

(c) Increased Capital. If a Bank reasonably determines that compliance with any law or regulation or any guideline or request from any central bank or other governmental authority (whether or not having the force of law) reasonably affects or would affect the amount of capital required or expected to be maintained by such Bank or any corporation controlling such Bank and that the amount of such capital is increased by or based upon the existence of such Bank's commitment to lend hereunder and other commitments of this type, then, within 20 Business Days after written demand by such Bank, the Borrower shall pay to such Bank, from time to time as specified by such Bank, additional amounts sufficient to compensate such Bank or such corporation in the light of such circumstances, to the extent that such Bank reasonably determines such increase in capital to

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be allocable to the existence of such Bank's commitment to lend hereunder. A certificate as to such amounts shall be submitted to the Borrower by such Bank with such demand, and such certificate shall be presumed to be correct.

(d) Illegality. Notwithstanding any other provision of this Agreement, if a Bank shall notify the Borrower that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or any central bank or other governmental authority asserts that it is unlawful, for such Bank to perform its obligations hereunder to make, fund or maintain Advances hereunder based on LIBOR, or if such Bank notifies the Borrower that such Bank in good faith has determined that LIBOR will not adequately reflect the cost to the Bank of making or maintaining Advances, such Bank shall provide the Borrower with a comparable interest rate option for the Advances.

SECTION 1.7 Non-Usage Fee. The Borrower agrees to pay to the Banks a fee on the daily Unused Amount (as defined below) from the date hereof until the Termination Date, as extended from time to time, at the rate of 0.15% per annum, payable in arrears on the first Business Day of each January, April, July and October, during the term of the Commitments of the Banks, beginning on October 1, 1995, and on the Termination Date, as extended from time to time. The "Unused Amount" means, on a daily basis, the amount by which \$50,000,000 exceeds the aggregate outstanding balances of Advances and Term Loans. The Agent shall submit a quarterly statement for such fee to the Borrower.

SECTION 1.8 Note. The Borrower's obligation to repay the Advances and the Term Loans made by a Bank, together with accrued interest thereon, shall be evidenced by a single promissory note in the amount of such Bank's Commitment, in the form of Exhibit A attached hereto, duly executed on behalf of the Borrower and payable to such Bank (as amended from time to time, the "Notes").

SECTION 1.9 Payments and Computations.

(a) The Borrower shall make each payment hereunder and under the Notes not later than 12:00 noon (Eastern time) on the day when due in U.S. dollars to the Agent at its address at 8245 Boone Boulevard, 8th Floor, Vienna, Virginia 22182, Attention: Timothy A. Lascko, in same day funds. The

Agent will promptly thereafter cause to be distributed in like funds relating to the payment of principal, interest or fees ratably (other than amounts payable to a particular Bank pursuant to Section 1.6) to the Banks in accordance with wire transfer instructions provided to the Agent by the Banks from time to time.

(b) The Borrower shall establish an account with the Agent into which the proceeds of the Advances will be deposited. The Borrower hereby authorizes the Agent, if and to the extent payment is not made when due hereunder or under the Notes, to charge from time to time against such account with the Agent any amount so due.

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(c) All computations of interest and non-usage fees shall be made by the Agent on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or fee is payable. Each determination by the Agent of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

(d) Whenever any payment hereunder or under the Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest and fees, as the case may be; provided, however, if such extension would cause the payment of principal or interest of the Advances bearing interest based on LIBOR to be made in the next following calendar month, such payment should be made on the next preceding Business Day.

SECTION 1.10 Sharing of Payments, etc. Except to the extent otherwise expressly provided herein, (a) Advances and Term Loans shall be made by the Banks pro rata in accordance with their respective Commitment Percentages, and (b) each payment of the principal of or interest on the Advances and Term Loans or of fees shall be made for the account of the Banks pro rata in accordance with their respective amounts thereof then due and payable. If any Bank shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of the Advances made by it or on account of its share of the Term Loans (other than pursuant to Sections 1.6 or 7.5(b)) in excess of its ratable share of payments on account of the Advances or the Term Loans obtained by all the Banks, such Bank shall forthwith purchase from the other Banks such participations in the Advances made by them or in the Term Loans as shall be necessary to cause such purchasing Bank to share the excess payment ratably with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Bank, such purchase from each Bank shall be rescinded and such Bank shall repay to the purchasing Bank the purchase price to the extent of such recovery together with an amount equal to such Bank's ratable share (according to the proportion of (1) the amount of such Bank's required repayment to (2) the total amount so recovered from the purchasing Bank) of any interest or other amount paid or payable by the purchasing Bank in respect of the total amount so recovered. The Borrower agrees that any Bank so purchasing a participation from another Bank pursuant to this Section 1.10 may, to the fullest extent permitted by law, exercise all of its rights of payment (including the right of set-off) with respect to such participation as fully as if such Bank were the direct creditor of the Borrower in the amount of such participation. If a Bank shall default in its obligation to fund any Advance or Term Loan hereunder (a "Defaulting Bank"), then simultaneously with any funding by any of the remaining Banks (each, a "Funding Bank"), of their respective Commitment Percentages of such Advance or Term Loan (such an Advance or Term Loan is sometimes referred to as a "Partial Loan"), the respective pro rata payments to be received by each Funding Bank shall be adjusted to correspond to the aggregate percentage of all then outstanding Advances and Term Loans (including all Partial Loans) made by such Funding Bank. Following any adjustment of each Bank's pro rata share pursuant to the preceding

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sentence, such Bank's pro rata share shall be readjusted only upon the first to occur of (i) a Defaulting Bank subsequently funding its Commitment Percentage of any such Partial Loan, or (ii) the repayment in full (including all interest thereon) to each Bank of its Commitment Percentage of any such Partial Loan. Notwithstanding anything contained herein to the contrary, in no event shall any Defaulting Bank be entitled to receive any repayment of its Commitment Percentage of any Advances or Term Loans (or any interest earned thereon) until such time as the Funding Banks have received repayment in full of the amount of any Partial Loan, together with all interest thereon. The Borrower shall have the right to replace a Defaulting Bank in the manner set forth in Section 1.11 below, and upon the replacement of any Defaulting Bank, such Defaulting Bank shall refund to the Borrower the pro rata share of all commitment fees paid to such Defaulting Bank which have not been earned by such Defaulting Bank as of the date of such replacement, determined by multiplying the amount of all commitment fees paid by the Borrower to or for the benefit of such Defaulting

Bank by a fraction, the numerator of which is the number of months (it being understood and agreed that for purposes of this provision a portion of any month shall constitute a complete "month") which have elapsed in the term of the Commitment, and the denominator of which is 24.

SECTION 1.11 Replacement of Bank by Reason of Change in Circumstances. In the event that any Bank (a "Recovery Bank") requires the Borrower to make any payment to such Recovery Bank in accordance with the provisions of Section 1.6, then upon written notice from the Borrower to Agent, the Borrower and the Agent shall mutually use their respective best efforts to find another lender to replace the Recovery Bank. If a replacement lender is found then the Borrower shall pay to the Recovery Bank all amounts owed to such Recovery Bank under this Agreement and the Note (including, without limitation, any amounts owed under Section 1.6), such Recovery Bank shall no longer be a "Bank" hereunder, and concurrently therewith the remaining parties hereto shall execute such instruments as shall be necessary to have the replacement lender become a "Bank" hereunder having a Commitment equal to that of the Recovery Bank.

ARTICLE 2 CONDITIONS OF LENDING

SECTION 2.1 Condition Precedent to Initial Advance. The obligation of the Banks to make the initial Advance under this Agreement is subject to the condition precedent that the Agent shall have received on or before the day of such Advance the following, each dated such day, in form and substance satisfactory to the Agent:

(a) The Notes;

(b) Certified copies of the declaration of trust and bylaws of the Borrower, together with resolutions of the Board of Trustees of the Borrower approving this

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Agreement and the Note, and of all documents evidencing other necessary trust action and governmental approvals, if any, with respect to this Agreement or the Notes;

(c) A current good standing certificate as to the Borrower's existence in the District of Columbia as a trust;

(d) A certificate of a duly authorized officer of the Borrower certifying the names and true signatures of the officers of the Borrower authorized to sign this Agreement, the Notes, and the other documents to be delivered hereunder; and

(e) A favorable opinion of Arent Fox Kintner Plotkin & Kahn, counsel for the Borrower, as to such matters as the Banks may reasonably request.

SECTION 2.2 Conditions Precedent to All Advances and Term Loans. The obligation of the Banks to make each Advance (including the initial Advance) and each Term Loan (collectively, the "Loans") shall be subject to the further conditions precedent that on the date of such Advance or such Term Loan the following statements shall be true (and each of the giving of the applicable notice requesting such Advance or Term Loan and the acceptance by the Borrower of the proceeds of such Advance or Term Loan shall constitute a representation and warranty by the Borrower that on the date of such Advance or Term Loan such statements are true):

(a) The representations and warranties contained in Section 3.1 are correct on and as of the date of such Loan, before and after giving effect to such Loan and to the application of the proceeds therefrom, as though made on and as of such date; and

(b) No event has occurred and is continuing, or would result from such Loan or from the application of the proceeds therefrom, which constitutes an Event of Default or would constitute an Event of Default but for the requirement that notice be given or time elapse or both.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES

SECTION 3.1 Representations and Warranties of the Borrower. The Borrower represents and warrants as follows:

(a) The Borrower is a common law trust duly formed, validly existing and in good standing under the laws of the District of Columbia, and is qualified to do business in each jurisdiction where such qualification is required.

(b) The execution, delivery and performance by the

Borrower of this Agreement and the Notes are within the Borrower's trust powers, have been duly authorized

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by all necessary trust action, and do not contravene (1) the Borrower's declaration of trust or bylaws or (2) law or any contractual restriction binding on or affecting the Borrower.

(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Borrower of this Agreement or the Notes.

(d) This Agreement and the Notes when delivered hereunder will be legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their respective terms.

(e) The balance sheet of the Borrower reported on SEC Form 10-Q for the fiscal quarter ended on March 31, 1995, and the related statements of income, equity and cash flows of the Borrower for the fiscal quarter then ended, copies of which have been furnished to the Bank, fairly present the financial condition of the Borrower as of such date and the results of the operations of the Borrower for the period ended on such date, all in accordance with generally accepted accounting principles consistently applied, and since March 31, 1995, there has been no material adverse change in such condition or operations.

(f) To the best of the Borrower's knowledge, there is no pending or threatened action or proceeding affecting the Borrower before any court, governmental agency or arbitrator, which may materially adversely affect the financial condition or operations of the Borrower or which purports to affect the legality, validity or enforceability of this Agreement or the Notes.

(g) No proceeds of any Loan will be used to acquire any equity security of a class which is registered pursuant to Section 12 of the Securities Exchange Act of 1934.

(h) The Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U issued by the Board of Governors of the Federal Reserve System), and no proceeds of any Loan will be used to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock.

(i) The Borrower is not an "investment company" within the meaning of, or is exempt from, the provisions of the Investment Company Act of 1940, as amended.

(j) The Borrower is qualified as a real estate investment trust under Sections 856 to 860 of the Internal Revenue Code.

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ARTICLE 4
COVENANTS OF THE BORROWER

SECTION 4.1 Affirmative Covenants. So long as the Notes shall remain unpaid or any Bank shall have any Commitment hereunder, the Borrower will, unless the Majority Banks shall otherwise consent in writing:

(a) Compliance with Laws. Comply in all material respects with all applicable laws, rules, regulations and orders, such compliance to include, without limitation, (1) paying before the same become delinquent all taxes, assessments and governmental charges imposed upon it or upon its property except to the extent contested in good faith, (2) maintaining all employee benefit plans subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA") in conformity with the provisions thereof, including the minimum funding requirements of ERISA, and (3) the treatment, disposal, removal, storage and release of hazardous or toxic substances in accordance with applicable environmental laws and regulations.

(b) Reporting Requirements. Furnish to each Bank:

(1) as soon as available and in any event within 45 days after the end of each of the first three quarters of each fiscal year of the Borrower, the SEC Form 10-Q of the Borrower filed for such quarter;

(2) as soon as available and in any event within 90 days after the end of each fiscal year of the Borrower, a copy of the SEC Form 10-K of the Borrower for such year for the Borrower, containing audited financial statements for such year certified by independent public accountants reasonably acceptable to the Banks, accompanied by an operating statement for such year for each real estate project owned by the Borrower setting forth a

breakdown of revenues, expenses, net operating income and occupancy for each such project, and an itemization of any lease of space of 10,000 square feet or more that will expire within 12 months after the date of such operating statement. The operating statements and the information contained therein shall be confidential information and, unless required by applicable law, shall not be provided to any person except each Bank's regulators and accountants;

(3) Within 45 days after the end of each fiscal quarter, a certificate of the chief financial officer of the Borrower to the effect that no Event of Default, and no event which, with the giving of notice or lapse of time, or both, would constitute an Event of Default, occurred during the prior quarter and containing calculations of the financial covenants set forth in Section 4.2(d); and

(4) as soon as possible and in any event within five days after an officer of the Borrower has knowledge of the occurrence of each Event of Default and each event which, with the giving of notice or lapse of time, or both, would constitute an Event of

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Default, continuing on the date of such statement, a statement of the chief financial officer of the Borrower setting forth details of such Event of Default or event and the action which the Borrower has taken and proposes to take with respect thereto;

(5) promptly after the sending or filing thereof, copies of all other reports which the Borrower sends to any of its security holders or regulators, and copies of all reports and registration statements which the Borrower or any subsidiary files with the Securities and Exchange Commission or any national securities exchange; and

(6) such other information respecting the condition or operations, financial or otherwise, of the Borrower or any of its properties as the Banks may from time to time reasonably request.

SECTION 4.2 Negative Covenants. So long as the Notes shall remain unpaid or any Bank shall have any Commitment hereunder, the Borrower will not, without the written consent of the Majority Banks:

(a) Liens. Create or permit to exist, or permit any of its subsidiaries to create or permit to exist, any lien, security interest or other charge or encumbrance or any other type of preferential arrangement (collectively, a "lien"), upon or with respect to any of its properties, whether now owned or hereafter acquired, or assign, or permit any of its subsidiaries to assign, any right to receive income, in each case to secure or provide for the payment of any Debt (as defined in subsection (b) of this Section 4.2) of any person or entity, other than (1) the lien for real estate taxes and any similar assessments or charges which are not yet due and payable (2) mechanics' liens and/or judgments which the Borrower will have released or bonded off, or otherwise provide adequate security for, within 60 days, (3) liens or security interests existing on income producing property at the time of its acquisition by the Borrower, and any refinancings thereof that do not increase the amount of such liens, and (4) liens in an aggregate amount not to exceed \$500,000 at any time outstanding. In case any property is subjected to a lien in violation of this Section 4.2(a), the Borrower will make or cause to be made provision whereby the Notes will be secured equally and ratably with all other obligations secured thereby, and in any case the Banks shall have the benefit, to the full extent that and with such priority as the Banks may be entitled thereto under applicable law, of an equitable lien on such property securing the Notes. Such violation shall constitute an Event of Default hereunder, however, whether or not such provision for an equal and ratable lien is made.

(b) Debt. Create or permit to exist, or permit any of its subsidiaries to create or permit to exist, any Debt, other than Permitted Debt. "Debt" means (i) indebtedness for borrowed money, (ii) obligations evidenced by bonds, debentures, notes or other similar instruments, (iii) obligations to pay the deferred purchase price of property or services, (iv) obligations as lessee under leases which shall have been or should be, in accordance with generally accepted accounting principles, recorded as capital leases, and (v) obligations under direct or indirect guaranties in respect of, and obligations (contingent or

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otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of others of the kinds referred to in clause (i) through (v) above. "Debt" does not include trade accounts payable, security deposits or advance rent payments. "Permitted Debt" means any Debt included in the following three categories: (1) the Loans, (2)

Debt secured by liens permitted by Section 4.2(a) above, and (3) subject to the following sentence, other unsecured Debt for borrowed funds. Other unsecured Debt for borrowed funds will be considered Permitted Debt only if it meets the following requirements: (i) its aggregate amount must not, when added to the outstanding amount of the Loans, exceed \$75,000,000, and (ii) the Majority Banks must have determined, in their reasonable discretion, either (A) that the instruments and agreements evidencing, governing or otherwise relating to it do not contain covenants or events of default that are more restrictive or burdensome than those contained in this Agreement, or (B) that the instruments and agreements evidencing, governing or otherwise relating to it will not materially impair the Borrower's ability to repay the Loans. The Banks acknowledge that the Debt due under the Credit Agreement dated as of March 1, 1995, among the Borrower, The First National Bank of Chicago, as lender, and The First National Bank of Chicago, as agent, is Permitted Debt. If the Borrower wishes to incur other unsecured Debt for borrowed money, the Borrower shall furnish copies of the proposed instruments and agreements evidencing, governing or otherwise relating to the Banks. The Banks shall promptly review such instruments and agreements and inform the Borrower whether the Banks will regard the proposed Debt as Permitted Debt. If the Banks will not regard the proposed Debt as Permitted Debt, the Banks shall specify the reasons for that determination.

(c) Mergers. Merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to, or acquire all or substantially all of the assets of, any person or entity, except (1) for real estate assets acquired in the ordinary course of business, (2) the Borrower may form and acquire "qualified REIT subsidiaries" (as such term is defined in the Internal Revenue Code) and may transfer assets to such subsidiary, provided that each such subsidiary guarantees the payment of the Loans pursuant to a guaranty agreement in form and substance acceptable to the Majority Banks, which guaranty agreement shall contain representations, warranties, covenants, agreements, events of default and other terms substantially identical to those contained in this Agreement, and (3) that the Borrower may merge or consolidate with or into any other person or entity, provided that, immediately after giving effect to such proposed transaction, no Event of Default or event which, with the giving of notice or lapse of time, or both, would constitute an Event of Default would exist and the Borrower is the surviving entity.

(d) Interest Coverage. Permit the Interest Coverage Ratio to be less than 4.00 for any Test Period.

(e) Acquisition of Non-Income Producing Property. Acquire any undeveloped or unimproved real estate unless it is contiguous to income producing real estate

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(1) already owned by the Borrower, or (2) being acquired by the Borrower simultaneously with the acquisition of income producing real estate.

(f) Asset Sales. During any fiscal year sell assets that in the aggregate generated 10% or more of EBITDA for the immediately preceding fiscal year.

ARTICLE 5 EVENTS OF DEFAULT

SECTION 5.1 Events of Default. If any of the following events ("Events of Default") shall occur and be continuing, the Agent shall, at the request of the Majority Banks, be entitled to exercise the remedies provided for in Section 5.2:

(a) The Borrower shall fail to pay any principal of any Note when the same becomes due and payable and such failure continues for a period of five days after written notice to the Borrower from the Agent; or

(b) The Borrower shall fail to pay any interest on the Notes when the same shall become due and payable and such failure continues for a period of ten days after written notice from the Agent to the Borrower; or

(c) Any representation or warranty made by the Borrower herein or by the Borrower (or any of its officers) in connection with this Agreement shall prove to have been incorrect in any material respect when made; or

(d) The Borrower shall fail to perform or observe any term, covenant or agreement contained in this Agreement on its part to be performed or observed if such failure shall remain unremedied for 30 days after written notice thereof shall have been given to the Borrower by the Agent, provided that the Borrower shall be entitled such additional time, as may be reasonably approved by the Banks, but not more than 90 days, to cure a default under Section 4.1(a) which cannot reasonably be cured within 30 days so long as the Borrower commences such cure promptly and proceeds diligently with such

cure; or

(e) The Borrower shall fail to pay any principal of or interest on any Debt which is outstanding in a principal amount of at least \$100,000 in the aggregate (but excluding Debt evidenced by the Notes) of the Borrower (as the case may be), when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise, provided that a demand instrument issued by the Borrower shall not be deemed to be due and payable until demand is made by the holder thereof), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Debt and shall continue after the applicable grace period, if any, specified in such agreement or instrument,

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if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such Debt; or any such Debt shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), redeemed, purchased or defeased, or an offer to prepay, redeem, purchase or defease such Debt shall be required to be made, in each case prior to the stated maturity thereof; or

(f) The Borrower shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Borrower seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 60 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its property) shall occur; or the Borrower shall take any action to authorize any of the actions set forth above in this subsection (f); or

(g) The Borrower shall fail to qualify as a real estate investment trust under Sections 856 to 860 of the Internal Revenue Code; or

(h) Any judgment or order for the payment of money in excess of \$1,000,000 shall be rendered against the Borrower and either (1) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (2) there shall be any period of 10 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect.

SECTION 5.2 REMEDIES. Upon the occurrence of any Event of Default, the Agent shall, at the request of the Majority Banks:

(a) by notice to the Borrower, declare the obligation of each Bank to make Loans to be terminated, whereupon the same shall forthwith terminate; and

(b) by notice to the Borrower, declare the Notes, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Notes, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest, or further notice of any kind, all of which are hereby expressly waived by the Borrower; provided, however, that in the event of an actual or deemed entry of an order for relief with respect to the Borrower under the Federal Bankruptcy Code, (1) the obligation of each Bank to make Loans shall automatically be terminated and (2) the Loans, the Notes, all such interest and all such amounts shall

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automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower.

ARTICLE 6
THE AGENT

SECTION 6.1 Authorization and Action. Each Bank hereby appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Agent by the terms hereof, together with such powers as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement (including, without

limitation, enforcement or collection of the Notes), the Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Banks, and such instructions shall be binding upon all Banks and all holders of Notes; provided, however, that the Agent shall not be required to take any action that exposes the Agent to personal liability or that is contrary to this Agreement, any Note or applicable law. The Agent agrees to give to each Bank prompt notice of each notice given to it by the Borrower pursuant to the terms of this Agreement.

SECTION 6.2 Agent's Reliance, etc. Neither the Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Agent: (1) may treat the payee of any Note as the holder thereof, subject to the provisions of Section 7.13; (2) may consult with legal counsel (including counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (3) makes no warranty or representation to any Bank and shall not be responsible to any Bank for any statements, warranties or representations (whether written or oral) made by the Borrower or another Bank in or in connection with this Agreement; (4) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement on the part of the Borrower or to inspect the property (including the books and records) of the Borrower; (5) shall not be responsible to any Bank for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement, any Note or any other instrument or document furnished pursuant hereto; and (6) shall incur no liability under or in respect of this Agreement by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopier, telegram, cable or telex) reasonably believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 6.3 Agent and Affiliates. With respect to its Commitment, the Loans made by it, the Note issued to it and the Indebtedness due to it, the Agent shall have the same rights and powers under this Agreement as any other Bank and may exercise the same

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as though it were not the Agent, and the term "Bank" or "Banks" shall, unless otherwise expressly indicated, include Crestar Bank in its individual capacity. Crestar Bank and its affiliates may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with, the Borrower and any person or entity who may do business with or own common stock of the Borrower, all as if Crestar Bank were not the Agent and without any duty to account therefor to the Banks.

SECTION 6.4 Bank Credit Decision. Each Bank acknowledges that it has, independently and without reliance upon the Agent or any other Bank and based on the financial statements referred to in Section 3.1(e) and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Agent or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

SECTION 6.5 Indemnification. The Banks agree to indemnify the Agent (to the extent not reimbursed by the Borrower), ratably according to their respective Commitment Percentages, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against the Agent in any way relating to or arising out of this Agreement or any action taken or omitted by the Agent under this Agreement, provided that no Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Agent's gross negligence or willful misconduct. Without limitation of the foregoing, each Bank agrees to reimburse the Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including counsel fees) incurred by the Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, to the extent that the Agent is not reimbursed for such expenses by the Borrower.

SECTION 6.6 Successor Agent. The Agent may resign at any time by giving written notice thereof to the Banks and the Borrower. Upon any such resignation, the Banks shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Banks, and shall have accepted such appointment, within 30 days after the retiring Agent's giving of

notice of resignation, then the retiring Agent, on behalf of the Banks, may appoint a successor Agent, which shall be a commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$50,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement. After any retiring Agent's resignation hereunder as Agent, the provisions of this Article

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shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

SECTION 6.7 Borrower's Reliance. The Borrower shall be entitled to rely upon written confirmation from the Agent as to the consent of the Banks to any action by the Borrower for which such consent is required. Crestar Bank agrees with the Borrower that it shall use good faith efforts to remain the Agent under this Agreement.

ARTICLE 7 MISCELLANEOUS

SECTION 7.1 Amendments. No amendment or waiver of any provision of this Agreement or the Note, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Borrower, the Agent and the Majority Banks, or where unanimous consent is required, by all Banks, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. The unanimous consent of all Banks will be required for any amendment, waiver or consent, the effect of which is to (a) reduce any amount payable hereunder or under the Note, or (b) extend the time of payment of any amount payable hereunder or under the Note, (c) increase the amount of any Commitment, (d) release the Borrower from any liabilities hereunder or under the Note, (e) change the definition of Majority Banks, or (f) amend the provisions of this Section 7.1.

SECTION 7.2 Notices. All notices and other communications provided for hereunder shall be in writing and mailed, by certified mail, postage prepaid, or delivered by reputable overnight courier service, if to the Borrower, at its address at 10400 Connecticut Avenue, Kensington, Maryland 20895, Attention: Larry E. Finger, with a copy of any notice of an Event of Default to David M. Osnos, Esq., at Arent Fox Kintner Plotkin & Kahn at 1050 Connecticut Avenue, N.W., Washington, D.C. 20036, if to the Agent, at its address at 8245 Boone Boulevard, 8th Floor, Vienna, Virginia 22182, Attention: Timothy A. Lascko; and if to the Banks, at their respective addresses set forth on the Commitment Schedule attached hereto or any updates thereof; or, as to each party, at such other address as shall be designated by such party in a written notice to the other party. All such notices and communications shall be effective upon receipt.

SECTION 7.3 No Waiver; Remedies. No failure on the part of the Agent or the Banks to exercise, and no delay in exercising, any right hereunder or under the Notes shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 7.4 Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP.

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SECTION 7.5 Costs, Expenses and Taxes. The Borrower agrees (a) to pay or reimburse the Agent on demand for all its costs and expenses incurred in connection with the preparation, execution and delivery of, and any amendment, supplement or modification to, this Agreement, the Notes and any other documents prepared in connection herewith or therewith, and the consummation of the transactions contemplated hereby and thereby, including, without limitation, the reasonable fees and disbursements of counsel to the Agent; (b) to pay or reimburse the Agent and each Bank for all of their respective costs and expenses incurred in connection with the enforcement or preservation of any rights under this Agreement, the Notes and any such other documents, including, without limitation, reasonable fees and disbursements of counsel to the Agent and each Bank, except that the Borrower shall not be responsible for any costs or expenses attributable to disputes among the Banks or among the Agent and any

Bank; (c) to pay, indemnify and hold each Bank and the Agent harmless from any and all recording and filing fees and any and all liabilities with respect to, or resulting from any delay in paying, stamp, excise and other taxes, if any, that may be payable or determined to be payable in connection with the execution and delivery or consummation of any of the transactions contemplated by, or any amendment, supplement or modification to, or any waiver or consent under or in respect of, this Agreement, the Notes and any such other documents; and (d) to pay, indemnify and hold each Bank and the Agent harmless from and against any and all other liabilities, obligations, losses, damages, penalties, actions, judgements, suits, costs, expenses or disbursements of any kind or nature whatsoever arising out of or relating to the making or maintaining of the Loans, or the enforcement, performance and administration of this Agreement, the Notes and any such other documents, or expenses or other liabilities arising out of any bankruptcy or insolvency proceeding of the Borrower (all of the foregoing, collectively, the "indemnified liabilities"), provided, that the Borrower shall not have any obligations hereunder to the Agent or any Bank with respect to indemnified liabilities arising from the gross negligence or willful misconduct of the Agent or any such Bank. The agreements in this Section 7.5 shall survive repayment of the Notes. The Borrower shall not be responsible for the fees and expenses incurred by any Participant, any Transferee Bank (as such terms are defined below), the Agent or any Bank in connection with any acquisition of any interest in the Loans, other than the fees and expenses of counsel to the Agent in connection with the execution and delivery of this Agreement.

SECTION 7.6 Survival of Agreements, Representations and Warranties. All warranties, representations and covenants made by the Borrower herein or in any certificate or other instrument delivered by it or on its behalf in connection with this Agreement shall be considered to have been relied upon by the Agent and the Banks and shall survive the making of the Loans herein contemplated and the issuance and delivery to the Banks of the Notes regardless of any investigation made by the Banks or on their behalf and shall continue in full force and effect so long as any amount due or to become due hereunder is outstanding and unpaid. All statements in any such certificate or other instrument shall constitute representations and warranties by the Borrower hereunder.

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SECTION 7.7 Binding Effect. This Agreement and the Notes issued hereunder, shall be binding upon and inure to the benefit of the Borrower, the Agent and the Banks and their respective successors and assigns, except that the Borrower shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Banks.

SECTION 7.8 Entire Agreement. Except for the other loan documents expressly referred to in this Agreement, this Agreement represents the entire agreement between the Agent, the Banks and the Borrower and supersedes all prior commitments.

SECTION 7.9 Severability. In case any one or more of the provisions contained in this Agreement or the Notes shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby. The parties shall endeavor in good faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions, the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 7.10 Section Headings. The section headings used herein are for convenience of reference only, are not part of this Agreement and are not to affect the construction of or be taken into consideration in interpreting this Agreement.

SECTION 7.11 No Assignment. The Borrower may not assign its rights or obligations under this Agreement.

SECTION 7.12 Participations by Banks. Any Bank may at any time sell to one or more financial institutions (each of such financial institutions being herein called a "Participant") participating interests in any of the Loans held by such Bank and its Commitment, provided, however, that:

(a) No participation contemplated by this Section 7.12 shall relieve such Bank from its obligations hereunder;

(b) Such Bank shall remain solely responsible for the performance of such obligations; and

(c) The Borrower, the Agent, and the other Banks shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement.

SECTION 7.13 Assignments by Banks. Any Bank, with the prior written consent of the Agent, may at any time agree to assign a portion of such Bank's Commitment to another financial institution (a "Transferee Bank") provided that, after giving effect to such assignment, such Bank must continue

to hold a Commitment of not less than \$7,500,000 and

unless the Borrower's written consent is first obtained, there will not be more than five Banks at any time. Crestar Bank agrees that unless an Event of Default has occurred and is continuing, it shall not hold a Commitment of less than \$12,500,000. In such event the Bank and the Transferee Bank shall so notify the Agent and the Borrower of the date on which such assignment is to be effective. On such effective date:

(a) The Agent shall deliver to the Borrower and each of the Banks a Commitment Schedule as of such effective date, reflecting the Commitments of the Banks after giving effect to such assignment.

(b) The Agent, the assigning Bank and the Transferee Bank shall execute and deliver an assignment agreement, in form and substance acceptable to the Agent, which shall constitute an amendment to this Agreement to the extent necessary to reflect such transfer.

(c) Upon request by any Bank following an assignment made in accordance with this Section 7.13, the Borrower shall issue, in exchange for the existing Note held by such Bank, new Notes to the assignor and assignee reflecting the assignment.

SECTION 7.14 Governing Law. This Agreement and the Notes shall be governed by, and construed in accordance with, the laws of the Commonwealth of Virginia.

SECTION 7.15 No Officer, Etc., Liability. No trustee, officer or agent of the trust shall be held to any personal liability whatsoever, in tort, contract or otherwise, in connection with the transactions contemplated by this Agreement.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

BORROWER:

WASHINGTON REAL ESTATE
INVESTMENT TRUST

By: /s/ EDMUND B. CRONIN, JR.

Name: Edmund B. Cronin, Jr.

Title: President & Chief Executive Officer

AGENT:

CRESTAR BANK

By: /s/ TIMOTHY A. LASCKO

Timothy A. Lascko
Vice President

BANKS:

CRESTAR BANK

By: /s/ TIMOTHY A. LASCKO

Timothy A. Lascko
Vice President

SIGNET BANK/VIRGINIA

By: /s/ ERIC A. LAWRENCE

Eric A. Lawrence
Senior Vice President