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

FORM 10-Q

(Mark One)

☒ **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 the quarterly period ended June 30, 2006

Commission File Number: 1-6622

WASHINGTON REAL ESTATE INVESTMENT TRUST

(Exact name of registrant as specified in its charter)

MARYLAND	**53-0261100**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification Number)**
6110 EXECUTIVE BOULEVARD, SUITE 800, ROCKVILLE, MARYLAND	**20852**
(Address of principal executive office)	**(Zip code)**

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

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

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 ☒ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act). (Check One):

Large Accelerated Filer ☒ Accelerated Filer ☐ Non-Accelerated Filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES ☐ NO ☒

Number of shares outstanding of common stock, as of July 31, 2006: 44,997,021

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Part I

FINANCIAL INFORMATION

The information furnished in the accompanying unaudited Consolidated Balance Sheets, Statements of Income, Statements of Cash Flows and Statement of Changes in Shareholders' Equity reflects 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 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, 2005 included in the Trust's 2005 Annual Report on Form 10-K filed with the Securities and Exchange Commission.

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ITEM I. FINANCIAL STATEMENTS

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

	(Unaudited) June 30, 2006	December 31, 2005
Assets		
Land	$ 266,329	$ 225,038
Income producing property	1,155,280	1,022,160
	1,421,609	1,247,198
Accumulated depreciation and amortization	(262,150)	(239,051)
Net income producing property	1,159,459	1,008,147
Development in progress and land held for development	90,612	58,241
Total investment in real estate, net	1,250,071	1,066,388
Investment in real estate held for sale, net	3,244	2,620
Cash and cash equivalents	13,970	4,938
Restricted cash	2,540	1,764
Rents and other receivables, net of allowance for doubtful accounts of $3,301 and $2,910, respectively	29,047	25,240
Prepaid expenses and other assets	44,892	38,143
Other assets related to properties held for sale	31	66
Total assets	$ 1,343,795	$ 1,139,159
Liabilities		
Accounts payable and other liabilities	$ 54,082	$ 31,988
Advance rents	6,279	5,461
Tenant security deposits	8,445	7,325
Other liabilities related to properties held for sale	184	193
Mortgage notes payable	178,834	169,617
Lines of credit payable	19,000	24,000
Notes payable	618,662	518,600
Total liabilities	885,486	757,184
Minority Interest	1,699	1,670
Shareholders' Equity		
Shares of beneficial interest; $0.01 par value; 100,000 shares authorized: 44,998 and 42,139 shares issued and outstanding	450	421
Additional paid-in capital	498,577	405,112
Distributions in excess of net income	(42,417)	(25,228)
Total Shareholders' Equity	456,610	380,305
Total Liabilities and Shareholders' Equity	$ 1,343,795	$ 1,139,159

See accompanying notes to the financial statements.

WASHINGTON REAL ESTATE INVESTMENT TRUST

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Revenue				
Real estate rental revenue	$ 52,916	$46,410	$103,683	$ 91,503
Expenses				
Real estate expenses	15,574	13,870	30,998	27,965
Depreciation and amortization	12,955	12,903	24,893	23,399
General and administrative	5,276	2,092	7,931	4,324
	33,805	28,865	63,822	55,688
Real estate operating income	19,111	17,545	39,861	35,815
Other income (expense)				
Interest expense	(11,604)	(9,283)	(21,926)	(17,870)
Other income from property settlement	—	504	—	504
Other income	175	207	345	320
	(11,429)	(8,572)	(21,581)	(17,046)
Income from continuing operations	7,682	8,973	18,280	18,769
Discontinued operations:				
Income from operations of properties sold or held for sale	37	19	71	368
Gain on disposal	—	1,883	—	33,973
	37	1,902	71	34,341
Net income	$ 7,719	$10,875	$ 18,351	$ 53,110
Basic net income per share				
Continuing operations	$ 0.18	$ 0.21	$ 0.43	$ 0.45
Discontinued operations, including gain on disposal	—	.05	—	.82
Net income per share	$ 0.18	$ 0.26	$ 0.43	$ 1.27
Diluted net income per share				
Continuing operations	$ 0.18	$ 0.21	$ 0.43	$ 0.45
Discontinued operations, including gain on disposal	—	.05	—	0.81
Net income per share	$ 0.18	$ 0.26	$ 0.43	$ 1.26
Weighted average shares outstanding – basic	42,852	41,932	42,454	41,899
Weighted average shares outstanding – diluted	43,037	42,059	42,620	42,023
Dividends paid per share	$ 0.4125	$0.4025	$ 0.8150	$ 0.7950

See accompanying notes to the financial statements.

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WASHINGTON REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(In thousands)
(UNAUDITED)

	Shares	Par Value	Additional Paid in Capital	Distributions In Excess of Net Income	Shareholders' Equity
Balance, December 31, 2005	42,139	$421	$405,112	$ (25,228)	$ 380,305
Net income	—	—	—	18,351	18,351
Dividends	—	—	—	(35,540)	(35,540)
Equity offering	2,745	27	90,879	—	90,906
Share options exercised	39	1	849	—	850
Share grants and amortization, net of forfeitures	75	1	1,737	—	1,738
Balance, June 30, 2006	44,998	$450	$498,577	$ (42,417)	$ 456,610

See accompanying notes to the financial statements.

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WASHINGTON REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	(Unaudited) Six Months Ended June 30,	
	2006	2005
Cash flows from operating activities		
Net income	$ 18,351	$ 53,110
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of real estate	—	(33,973)
Depreciation and amortization	24,959	23,531
Provision for losses on accounts receivable	553	613
Amortization of share grants	1,738	467
Changes in other assets	(9,851)	57
Changes in other liabilities	11,867	5,156
Net cash provided by operating activities	47,617	48,961
Cash flows from investing activities		
Real estate acquisitions, net*	(146,956)	(29,814)
Net cash received from sale of real estate	—	68,080
Restricted cash held in escrow for tax-free exchanges	—	(3,470)
Capital improvements to real estate	(17,424)	(14,599)
Development costs	(23,009)	(5,632)
Non-real estate capital improvements	(511)	(392)
Cash (used in) provided by investing activities	(187,900)	14,173
Cash flows from financing activities		
Line of credit borrowings/(repayments), net	(5,000)	(117,000)
Dividends paid	(35,540)	(33,443)
Principal payments – mortgage notes payable	(1,315)	(1,479)
Net proceeds from debt offering	99,414	98,961
Net proceeds from equity offering	90,906	—
Net proceeds from the exercise of share options	850	2,675
Net cash provided by (used in) financing activities	149,315	(50,286)
Net increase in cash and cash equivalents	9,032	12,848
Cash and cash equivalents, beginning of period	4,938	3,607
Cash and cash equivalents, end of period	$ 13,970	$ 16,455
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 22,578	$ 16,988

* Supplemental discussion of non-cash investing and financing activities: In 2006 we purchased 9707 Medical Center Drive and Plumtree Medical Center for $23.5 million and in 2005 we purchased Frederick Crossing for $44.8 million and assumed mortgages on those properties. The $10.5 million in 2006 and $24.3 million in 2005 of assumed mortgages are not included in the amounts shown as real estate acquisitions for the six months ended June 30, 2006 and June 30, 2005, as the assumption of the mortgages was a non-cash acquisition cost.

See accompanying notes to the financial statements.

WASHINGTON REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2006
(UNAUDITED)

NOTE 1: NATURE OF BUSINESS

Washington Real Estate Investment Trust ("WRIT," the "Company" or the "Trust"), a Maryland Real Estate Investment Trust, is a self-administered, self-managed equity real estate investment trust, successor to a trust organized in 1960. Our business consists of the ownership and development of income-producing real estate properties in the greater Washington – Baltimore region. We own a diversified portfolio of general purpose office buildings, medical office buildings, industrial/flex properties, multifamily properties and retail centers.

Federal Income Taxes

We believe that we qualify as a Real Estate Investment Trust (REIT) under Sections 856-860 of the Internal Revenue Code and intend to continue to qualify as such. To maintain our status as a REIT, we are required to distribute at least 90% of our ordinary taxable income to our shareholders. When selling properties, we have the option of (i) reinvesting the sale price of properties sold, allowing for a deferral of income taxes on the sale, (ii) paying out capital gains to the shareholders with no tax to the company or (iii) treating the capital gains as having been distributed to the shareholders, paying the tax on the gain deemed distributed and allocating the tax paid as a credit to the shareholders. No properties were sold in the first six months of 2006 and all of the gains on the sale of properties in 2005 were reinvested in replacement properties.

NOTE 2: ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations, although we believe that the disclosures made are adequate to make the information presented not misleading. In addition, in the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. These unaudited financial statements should be read in conjunction with the financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2005.

Within these notes to the financial statements, we refer to the three and six months ended June 30, 2006 as the "2006 Quarter" and "2006 Period", respectively, and the three months and six months ended June 30, 2005 as the "2005 Quarter" and "2005 Period", respectively.

New Accounting Pronouncements

In December 2004, the FASB issued SFAS No. 123R, "Share-Based Payment." This statement is a revision of SFAS No. 123, "Accounting for Stock-Based Compensation," and supersedes APB opinion No. 25 (APB No. 25), "Accounting for Stock Issued to Employees" and amends SFAS No. 95, "Statement of Cash Flows." Statement No. 123R addresses the accounting for share-based payment transactions in which an enterprise receives employee services in exchange for (a) equity instruments of the enterprise or (b) liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. SFAS No. 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values and eliminates the intrinsic value method of accounting in APB No. 25, which was permitted under SFAS No. 123, as originally issued. The Company has applied the provisions of this statement as of January 1, 2006.

Since we used the fair-value-based method of accounting under the original provisions of SFAS No. 123, in pro forma disclosure, we were required to adopt the provisions of the new standard using either the modified-prospective-transition or the modified-retrospective-transition method. Under both methods, for awards granted, settled or modified subsequent to adopting the standard and for awards granted prior to the date of adoption for which the requisite service has not been completed as of the adoption date, compensation cost must be recognized in the financial statements. Under the modified-retrospective- method, financial statements for prior periods are restated for this change and under the modified prospective method only statements subsequent to adoption will include this compensation cost. The modified-prospective-method also requires a cumulative adjustment in the first period of adoption to conform to the new standard. The Company has adopted SFAS No. 123R using the modified-prospective-transition method and that adoption did not have a material impact on income from continuing operations, net income, cash flows from operations or financing activities , or basic and diluted EPS.

WASHINGTON REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2006
(UNAUDITED)

In July 2006, the FASB issued FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes” (“FIN No. 48”). FIN No. 48 is an interpretation of FASB Statement No. 109, “Accounting for Income Taxes,” and it seeks to reduce the diversity in practice associated with certain aspects of measurement and recognition in accounting for income taxes. In addition, FIN No. 48 requires expanded disclosure with respect to the uncertainty in income taxes and is effective as of the beginning of our 2007 fiscal year. The Company is currently evaluating the impact, if any, that FIN No. 48 will have on the Company’s financial statements.

Revenue Recognition

Residential properties (our multifamily segment) are leased under operating leases with terms of generally one year or less, and commercial properties (our office, medical office, retail and industrial segments) are leased under operating leases with average terms of three to seven years. We recognize rental income and rental abatements from our residential and commercial leases when earned on a straight-line basis in accordance with SFAS No. 13 “Accounting for Leases.” Recognition of rental income commences when control of the facility has been given to the tenant. We record a provision for losses on accounts receivable equal to the estimated uncollectible amounts. This estimate is based on our historical experience and a review of the current status of the company’s receivables. Percentage rents, which represent additional rents based on gross tenant sales, are recognized when tenants’ sales exceed specified thresholds.

In accordance with SFAS No. 66, “Accounting for Sales of Real Estate,” sales are recognized at closing only when sufficient down payments have been obtained, possession and other attributes of ownership have been transferred to the buyer and we have no significant continuing involvement.

We recognize cost reimbursement income from pass-through expenses on an accrual basis over the periods in which the expenses were incurred. Pass-through expenses are comprised of real estate taxes, operating expenses and common area maintenance costs which are reimbursed by tenants in accordance with specific allowable costs per tenant lease agreements.

Minority Interest

We entered into an operating agreement with a member of the entity that previously owned Northern Virginia Industrial Park in conjunction with the acquisition of this property in May 1998. This resulted in a minority ownership interest in this property based upon defined company ownership units at the date of purchase. The operating agreement was amended and restated in 2002 resulting in a reduced minority ownership percentage interest. We account for this activity by allocating the minority owner’s percentage ownership interest of the net income of the property to minority interest included in our general and administrative expenses, thereby reducing net income. Minority interest expense was $46,200 and $96,200 for the 2006 Quarter and 2006 Period, respectively and $36,700 and $82,500 for the 2005 Quarter and 2005 Period, respectively. Quarterly distributions are made to the minority owner equal to the quarterly dividend per share for each ownership unit.

Deferred Financing Costs

Costs associated with the issuance of mortgage and other notes and fees associated with the lines of credit are capitalized and amortized using the effective interest rate method or the straight-line method which approximates the effective interest rate method over the term of the related debt. As of June 30, 2006 and December 31, 2005, deferred financing costs of $12.1 million and $11.1 million, respectively, net of accumulated amortization of $5.3 million and $4.6 million were included in Prepaid Expenses and Other Assets on the balance sheets. The amortization is included in interest expense on the accompanying consolidated statements of income. The amortization of debt costs included in interest expense totaled $0.4 million and $0.7 million for the 2006 Quarter and 2006 Period, respectively and $0.3 million and $0.6 million for the 2005 Quarter and 2005 Period, respectively.

Deferred Leasing Costs

Costs associated with the successful negotiation of leases, both external commissions and internal direct costs, are capitalized and amortized on a straight-line basis over the terms of the respective leases. If an applicable lease terminates prior to the expiration of its initial lease term, the carrying amount of the costs are written-off to expense. As of June 30, 2006 and December 31, 2005 deferred leasing costs of $17.2 million and $15.1 million, respectively, net of accumulated amortization of $5.8 million and $4.9 million, were included in Prepaid and Other Assets on the balance sheets. The amortization of deferred

leasing costs included in expense for properties classified as continuing operations totaled $0.6 million and $1.2 million for the 2006 Quarter and 2006 Period, respectively, and $0.4 million and $0.8 million for the 2005 Quarter and 2005 Period, respectively.

Real Estate and Depreciation

Buildings are depreciated on a straight-line basis over estimated useful lives ranging from 28 to 50 years. All capital improvement expenditures associated with replacements, improvements, or major repairs to real property that extend its useful life are capitalized and depreciated using the straight-line method over their estimated useful lives ranging from 3 to 30 years. We also capitalize costs incurred in connection with our development projects, including capitalizing interest during periods in which development projects are in progress. In addition, we capitalize tenant leasehold improvements when certain criteria are met, including when we supervise construction and will own the improvements. All tenant improvements are amortized over the shorter of the useful life of the improvements or the term of the related tenant lease. Real estate depreciation expense for the 2006 Quarter and 2006 Period was $11.4 million and $22.1 million, respectively, and $11.5 million and $20.9 million for the 2005 Quarter and 2005 Period, respectively. Maintenance and repair costs are charged to expense as incurred.

We capitalize interest costs recognized on borrowing obligations while qualifying assets are being readied for their intended use in accordance with SFAS No. 34, “Capitalization of Interest Cost.” Total interest expense capitalized to real estate assets related to development and major renovation activities was $769,200 and $1,470,400 for the 2006 Quarter and 2006 Period, respectively, and $234,000 and $441,000 for the 2005 Quarter and 2005 Period, respectively. Interest capitalized is depreciated over the useful life of the related underlying assets when those assets are placed into service upon completion of development or construction.

We recognize impairment losses on long-lived assets used in operations if indicators of impairment are present and the net undiscounted cash flows estimated to be generated by those assets are less than the assets’ carrying amount. If such carrying amount is in excess of the estimated cash flows from the operation and disposal of the property, we would recognize an impairment loss equivalent to an amount required to adjust the carrying amount to the estimated fair market value. There were no property impairments recognized during the 2006 and 2005 Periods.

We allocate the purchase price of acquired properties to the related physical assets and in-place leases based on their fair values, in accordance with SFAS No. 141, “Business Combinations.” The fair values of acquired buildings are determined on an “as-if-vacant” basis considering a variety of factors, including the physical condition and quality of the buildings, estimated rental and absorption rates, estimated future cash flows and valuation assumptions consistent with current market conditions. The “as-if-vacant” fair value is allocated to land, building and tenant improvements based on property tax assessments and other relevant information obtained in connection with the acquisition of the property.

The fair value of in-place leases consists of the following components – (1) the estimated cost to us to replace the leases, including foregone rents during the period of finding a new tenant, foregone recovery of tenant pass-through expenses, tenant improvements, and other direct costs associated with obtaining a new tenant (referred to as “Tenant Origination Cost”); (2) estimated leasing commissions associated with obtaining a new tenant (referred to as “Leasing Commissions”); (3) the above/at/below market cash flow of the leases, determined by comparing the projected cash flows of the leases in place to projected cash flows of comparable market-rate leases (referred to as “Net Lease Intangible”); and (4) the value, if any, of customer relationships, determined based on our evaluation of the specific characteristics of each tenant’s lease and our overall relationship with the tenant (referred to as “Customer Relationship Value”).

The amounts used to calculate Tenant Origination Cost, Leasing Commissions, and Net Lease Intangible are discounted using an interest rate which reflects the risks associated with the leases acquired. Tenant Origination Costs are included in Real Estate Assets on our balance sheet and are amortized as depreciation expense on a straight-line basis over the remaining life of the underlying leases. Leasing Commissions are classified as Other Assets and are amortized as amortization expense on a straight-line basis over the remaining life of the underlying leases. Net Lease Intangible Assets are classified as Other Assets and are amortized on a straight-line basis as a decrease to Real Estate Rental Revenue over the remaining term of the underlying leases. Net Lease Intangible Liabilities are classified as Other Liabilities and are amortized on a straight-line basis as an increase to Real Estate Rental Revenue over the remaining term of the underlying leases. Should a tenant terminate its lease, the unamortized portions of the Tenant Origination Cost, Leasing Commissions, and Net Lease Intangible associated with that lease are written off to depreciation expense, amortization expense, and rental revenue, respectively.

WASHINGTON REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2006
(UNAUDITED)

Balances net of accumulated depreciation or amortization, as appropriate, of the components of the fair value of in-place leases at June 30, 2006 and December 31, 2005 are as follows (in millions):

	June 30, 2006			December 31, 2005		
	Gross Carrying Value	Accumulated Amortization	Net	Gross Carrying Value	Accumulated Amortization	Net
Tenant Origination Costs	$ 15.4	$ 4.9	$10.5	$ 12.3	$ 3.8	$8.5
Leasing Commissions	$ 8.4	$ 2.7	$ 5.7	$ 7.4	$ 2.2	$5.2
Net Lease Intangible Assets	$ 8.5	$ 2.4	$ 6.1	$ 6.8	$ 1.7	$5.1
Net Lease Intangible Liabilities	$ 10.8	$ 2.5	$ 8.3	$ 8.9	$ 1.8	$7.1

Amortization of these components combined was $0.8 million for the 2006 Quarter and $1.6 million for the 2006 Period and $0.7 million and $1.5 million for the 2005 Quarter and 2005 Period, respectively. No value had been assigned to Customer Relationship Value at June 30, 2006 or December 31, 2005.

Discontinued Operations

We classify properties as held for sale when they meet the necessary criteria specified by SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets”. These criteria include: senior management commits to and actively embarks upon a plan to sell the assets, the sale is expected to be completed within one year under terms usual and customary for such sales, and actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Depreciation on these properties is discontinued, but operating revenues, operating expenses and interest expense continue to be recognized until the date of sale.

Under SFAS No. 144, revenues and expenses of properties that are either sold or classified as held for sale are presented as discontinued operations for all periods presented in the Consolidated Statements of Income.

Cash and Cash Equivalents

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

Restricted Cash

Restricted cash at June 30, 2006 and December 31, 2005 consisted of $2.5 million and $1.8 million, respectively, in funds escrowed for tenant security deposits, real estate tax, insurance and mortgage escrows and escrow deposits required by lenders on certain of our properties to be used for future building renovations or tenant improvements.

Stock Based Compensation

We maintain Share Grant Plans and Incentive Stock Option Plans as described in Note 7, Share Options and Grants, which include qualified and non-qualified options and deferred shares for eligible employees. Shares are granted to officers, non-officer key employees and trustees under the Share Grant Plans. Officer and non-officer key employee share grants vest over three or five years in annual installments commencing one year after the date of grant. Trustee share grants are fully vested immediately upon date of share grant and are restricted from sale for the period of the Trustees’ service.

Compensation expense is recognized for share grants over the vesting period equal to the fair market value of the shares on the date of issuance. Compensation expense for the trustee grants is fully recognized upon issuance based upon the fair market value of the shares on the date of grant. The unvested portion of officer and non-officer key employee share grants is recognized in compensation cost ratably over the vesting period.

Unvested shares are forfeited upon an employee’s termination while unvested shares for employees eligible for retirement fully vest upon retirement. For shares granted to employees who are eligible for retirement or will become eligible for retirement during the vesting period, compensation cost is recognized over the explicit service period with acceleration of expense upon the date of actual retirement for these employees. The Company will continue this practice for awards granted prior to January 1, 2006, when FAS 123(R) was adopted, and for shares granted after the adoption of FAS 123(R) the Company will recognize

compensation expense through the date that the employee is no longer required to provide service to earn the award (e.g. the date the employee is eligible to retire).

Stock options were historically issued annually to officers, trustees and non-officer key employees under the Incentive Stock Option Plans. They were last issued to officers in 2002, to non-officer key employees in 2003 and to trustees in 2004. The options vested over a two year period in annual installments commencing one year after the date of grant, except for trustee options which vested immediately upon the date of grant. Stock options were accounted for in accordance with APB No. 25, whereby if options are priced at fair market value or above at the date of grant and if other requirements are met then the plans are considered fixed and no compensation expense is recognized. Accordingly, we recognized no compensation cost for stock options.

Had we determined compensation cost prior to January 1, 2006, for the Plans consistent with SFAS No. 123, "Accounting for Stock-Based Compensation," our net income and earnings per share would have been reduced to the following pro-forma amounts (in thousands, except per share data):

	Quarter Ended June 30, 2005	Period Ended June 30, 2005
Pro-forma Information		
Net income, as reported	$ 10,875	$ 53,110
Add: Stock-based employee compensation expense included in reported net income	271	557
Deduct: Total stock-based employee compensation expense determined under fair value method	(290)	(595)
Pro-forma net income	$ 10,856	$ 53,072
Earnings per share:		
Basic – as reported	$ 0.26	$ 1.27
Basic – pro-forma	$ 0.26	$ 1.27
Diluted – as reported	$ 0.26	$ 1.26
Diluted – pro-forma	$ 0.26	$ 1.26

Earnings per Common Share

We calculate basic and diluted earnings per share in accordance with SFAS No. 128, "Earnings per Share." "Basic earnings per share" is computed as net income divided by the weighted-average common shares outstanding. "Diluted earnings per share" is computed as net income divided by the total weighted-average common shares outstanding plus the effect of dilutive common equivalent shares outstanding for the period. Dilutive common equivalent shares reflect the assumed issuance of additional common shares pursuant to certain of our share based compensation plans that could potentially reduce or "dilute" earnings per share, based on the treasury stock method.

Use of Estimates in the Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

WASHINGTON REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2006
(UNAUDITED)

NOTE 3: REAL ESTATE INVESTMENTS

Our real estate investment portfolio, at cost, consists of properties located in Maryland, Washington, D.C. and Virginia as follows (in thousands):

	June 30, 2006	December 31, 2005
Office Buildings	$ 565,001	$ 544,388
Medical Office Buildings	212,553	142,067
Retail Centers	263,737	200,395
Multifamily Properties	168,378	153,550
Industrial/Flex Properties	302,552	265,039
	$1,512,221	$ 1,305,439

The amounts above reflect properties classified as continuing operations, which means they are to be held and used in rental operations (income producing property) or are currently in development. We dispose of assets (sometimes using tax-deferred exchanges) that are inconsistent with our long-term strategic or return objectives and when market conditions for sale are favorable. The proceeds from the sales may be redeployed into other properties, used to fund development operations or to support other corporate needs, or distributed to our shareholders. Properties are considered held for sale when they meet the criteria specified by SFAS No. 144 (see Note 2 – Discontinued Operations). Depreciation on these properties is discontinued at that time, but operating revenues, other operating expenses and interest continue to be recognized until the date of sale. We had one property classified as held for sale at June 30, 2006 and December 31, 2005 as follows (in thousands):

	June 30, 2006	December 31, 2005
Office Building	$ 4,405	$ 3,722
Less accumulated depreciation	(1,161)	(1,102)
	$ 3,244	$ 2,620

Our results of operations are dependent on the overall economic health of our markets, tenants and the specific segments in which we own properties. These segments include commercial office, medical office, retail, multifamily and industrial. All sectors are affected by external economic factors, such as inflation, consumer confidence, unemployment rates, etc., as well as by changing tenant and consumer requirements.

WRIT acquired the following properties during the 2006 Period:

Acquisition Date	Property Name	Property Type	Rentable Square Feet	Purchase Price (in thousands)
February 14, 2006	Hampton Overlook	Industrial	134,000	$ 10,040
February 14, 2006	Hampton South	Industrial	168,000	13,060
April 11, 2006	Alexandria Professional Center	Medical Office	113,000	26,900
April 13, 2006	9707 Medical Center Drive	Medical Office	38,000	15,800
April 19, 2006	15001 Shady Grove Road	Medical Office	51,000	21,000
May 16, 2006	Randolph Shopping Center	Retail	82,000	17,085
May 16, 2006	Montrose Shopping Center	Retail	145,000	33,165
May 26, 2006	9950 Business Parkway	Industrial	101,000	11,700
June 22, 2006	Plumtree Medical Center	Medical Office	33,000	7,700
		Total 2006 Period	865,000	$ 156,450

We accounted for these acquisitions using the purchase method of accounting. As discussed in Note 2, we allocate the purchase price to the related physical assets (land, building and tenant improvements) and in-place leases (tenant origination costs, leasing commissions, and net lease intangible assets/liabilities) based on their fair values, in accordance with SFAS No. 141, “Business Combinations.” Our acquisition of the above nine properties resulted in the recognition of $3.1 million in tenant origination costs, $1.0 million in leasing commissions, $1.7 million in net intangible lease assets, and $1.8 million in net intangible lease liabilities. The results of operations from these acquired properties are included in the income statement as of their respective acquisition date and forward.

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The following unaudited pro-forma combined condensed statements of operations present the consolidated results of operations for the 2006 Quarter and Period and the 2005 Quarter and Period, as if the above described acquisitions had occurred at the beginning of the period of acquisition and the same period in the year prior to the acquisition. The unaudited pro-forma information does not purport to be indicative of the results that actually would have occurred if the acquisition had been in effect for the Quarters and Periods presented. The unaudited data presented is in thousands, except per share data.

	Quarter Ended June 30,		Period Ended June 30,	
	2006	2005	2006	2005
Real estate revenues	$ 53.9	$ 50.0	$ 108.0	$ 98.6
Income from continuing operations	$ 7.5	$ 9.0	$ 17.6	$ 19.2
Net income	$ 7.6	$ 10.9	$ 17.6	$ 53.5
Diluted earnings per share	$ 0.18	$ 0.26	$ 0.41	$ 1.27

WRIT had one property held for sale, the Lexington office building with approximately 46,000 rentable square feet, and classified as discontinued operations in the 2006 Period. Discontinued operations for the 2005 Period consisted of the Lexington building and the following dispositions from 2005:

Disposition Date	Property	Type	Rentable Square Feet	Contract Sale Price (in thousands)
February 1, 2005	7700 Leesburg Pike	Office	147,000	$ 20,150
February 1, 2005	Tycon Plaza II	Office	127,000	19,400
February 1, 2005	Tycon Plaza III	Office	137,000	27,950
September 8, 2005	Pepsi Distribution Center	Industrial	69,000	6,000
		Total	480,000	$ 73,500

The office properties, classified as discontinued operations effective November 2004, were sold to a single buyer for a $67.5 million contract sales price on February 1, 2005. WRIT recognized a gain on disposal of $32.1 million, in accordance with SFAS No. 66, “Accounting for Sales of Real Estate.” We escrowed $31.3 million of the proceeds from the disposition in a tax-free property exchange account and subsequently used that to fund a portion of the purchase price of Frederick Crossing Shopping Center on March 23, 2005 and the Coleman Building on April 8, 2005. We used $31.0 million of the proceeds to pay down $31.0 million outstanding under Credit Facility No. 2. In September 2005 the industrial property was sold for $6.0 million for a gain of $3.0 million. Proceeds of $5.8 million were escrowed in a tax-free exchange account.

Operating results of the properties classified as discontinued operations are summarized as follows (in thousands):

	Quarter Ended June 30,		Period Ended June 30,	
	2006	2005	2006	2005
Revenues	$ 153	$ 200	$ 311	$ 1,036
Property expenses	(81)	(117)	(174)	(536)
Depreciation and amortization	(35)	(64)	(66)	(132)
	$ 37	$ 19	$ 71	$ 368

Operating income by property is summarized below (in thousands):

Property	Quarter Ended June 30, 2006	Quarter Ended June 30, 2005	Period Ended June 30, 2006	Period Ended June 30, 2005
7700 Leesburg Pike	$ —	$ —	$ —	$ 90
Tycon Plaza II	—	—	—	30
Tycon Plaza III	—	—	—	112
Pepsi Distribution Center	—	(12)	—	51
Lexington	37	31	71	85
Total	$ 37	$ 19	$ 71	$ 368

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NOTE 4: MORTGAGE NOTES PAYABLE

	June 30, 2006	December 31, 2005
On September 27, 1999, we executed a $50.0 million mortgage note payable secured by Munson Hill Towers, Country Club Towers, Roosevelt Towers, Park Adams Apartments and the Ashby of McLean. The mortgage bears interest at 7.14% per annum and interest only is payable monthly until October 1, 2009, at which time all unpaid principal and interest are payable in full.	$ 50,000	$ 50,000
On November 1, 2001, we assumed an $8.5 million mortgage note payable, with an estimated fair value* of $9.3 million, as partial consideration for our acquisition of Sullyfield Commerce Center. The mortgage bears interest at 9.00% per annum, and includes a significant prepayment penalty. Principal and interest are payable monthly until February 1, 2007, at which time all unpaid principal and interest are payable in full.	7,990	8,144
On January 24, 2003, we assumed a $6.6 million mortgage note payable, with an estimated fair value* of $6.8 million, as partial consideration for our acquisition of Fullerton Industrial Center. The mortgage bears interest at 6.77% per annum. Principal and interest were paid monthly until July 10, 2006, at which time all unpaid principal and interest were paid in full.	6,195	6,292
On October 9, 2003, we assumed a $36.1 million mortgage note payable and a $13.7 million mortgage note payable as partial consideration for our acquisition of the Prosperity Medical Centers. The mortgages bear interest at 5.36% per annum and 5.34% per annum, respectively. Principal and interest are payable monthly until May 1, 2013, at which time all unpaid principal and interest are payable in full.	47,813	48,196
On August 12, 2004, we assumed a $10.1 million mortgage note payable, with an estimated fair value* of $11.2 million, as partial consideration for our acquisition of Shady Grove Medical Village II. The mortgage bears interest at 6.98% per annum. Principal and interest are payable monthly until December 1, 2011, at which time all unpaid principal and interest are payable in full.	10,714	10,855
On December 22, 2004, we assumed a $15.6 million mortgage note payable, with an estimated fair value* of $17.8 million, and a $3.9 million mortgage note payable with an estimated fair value* of $4.2 million as partial consideration for our acquisition of Dulles Business Park. The mortgages bear interest at 7.09% per annum and 5.94% per annum, respectively. Principal and interest are payable monthly until August 10, 2012, at which time all unpaid principal and interest are payable in full.	21,146	21,443
On March 23, 2005, we assumed a $24.3 million mortgage note payable, with an estimated fair value* of $25.0 million, as partial consideration for the acquisition of Frederick Crossing. The mortgage bears interest at 5.95% per annum. Principal and interest are payable monthly until January 1, 2013 at which time all unpaid principal and interest are payable in full.	24,467	24,687
On April 13, 2006, we assumed a $5.7 million mortgage note payable as partial consideration for the acquisition of 9707 Medical Center Drive. The mortgage bears interest at 5.32% per annum. Principal and interest are payable monthly until July 1, 2028 at which time all unpaid principal and interest are payable in full.	5,637	—
On June 22, 2006, we assumed a $4.9 million mortgage note payable as partial consideration for the acquisition of Plumtree Medical Center. The mortgage bears interest at 5.68% per annum. Principal and interest are payable monthly until March 11, 2013 at which time all unpaid principal and interest are payable in full.	4,872	—
	$ 178,834	$ 169,617

* The fair value of the mortgage notes payable was estimated upon acquisition based upon dealer quotes for instruments with similar terms and maturities. There is no notation when the fair value is the same as the carrying value.

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Total carrying amount of the above mortgaged properties was $314.6 million and $289.4 million at June 30, 2006 and December 31, 2005, respectively. Scheduled principal payments for the remaining six months in 2006 and the remaining years subsequent to December 31, 2006 are as follows (in thousands):

Total Principal Payments	
2006	$ 7,489
2007	10,207
2008	2,460
2009	52,579
2010	2,692
Thereafter	103,407
Total	$178,834

NOTE 5: UNSECURED LINES OF CREDIT PAYABLE

As of June 30, 2006, we maintained an $85.0 million unsecured line of credit maturing in July 2007 ("Credit Facility No. 1") and a $70.0 million unsecured line of credit maturing in July 2008 ("Credit Facility No. 2").

Credit Facility No. 1

We had $0.0 million outstanding as of June 30, 2006 and at December 31, 2005 related to Credit Facility No. 1, with $0.9 million in a Letter of Credit issued and $84.1 million unused and available for subsequent acquisitions or capital improvements. Acquisition related borrowings during the 2006 Quarter totaled $84.0 million, including $28.0 million in May 2006 to partially fund the Randolph and Montrose Shopping Centers and in April, $25.0 million to partially fund Alexandria Professional Center, $21.0 million for 15001 Shady Grove Road and $10.0 million for 9707 Medical Center Drive. These borrowings were paid in full on June 6, 2006 using a portion of the proceeds from the June 2006 public offering of 2.745 million common shares of beneficial interest and the June 2006 issuance of $100.0 million five-year 5.95% unsecured notes (See Note 6 – Notes Payable). Advances under this agreement bear interest at LIBOR plus a spread based on the credit ratings of our publicly issued debt. All outstanding advances are due and payable upon maturity in July 2007. Interest only payments are due and payable generally on a monthly basis. We incurred $554,900 in interest expense (excluding facility fees) for the 2006 Quarter and 2006 Period, representing an average interest rate of 5.57%, per annum. For the 2005 Quarter and 2005 Period, we incurred $162,900 and $687,400 in interest expense (excluding facility fees), respectively, representing an average interest rate of 3.43% and 3.20%, respectively, per annum.

Credit Facility No. 1 requires us to pay the lender a facility fee on the total commitment ranging from 0.15% to 0.25% per annum according to a sliding scale based on the credit rating of our publicly issued debt. These fees are payable quarterly. We incurred facility fees of $32,200 and $63,800 for the 2006 Quarter and 2006 Period, respectively. For the 2005 Quarter and 2005 Period, we incurred facility fees of $33,800 and $66,000, respectively.

Credit Facility No. 2

We had $19.0 million outstanding as of June 30, 2006 related to Credit Facility No. 2, and $1.1 million in Letters of Credit issued, with $49.9 million unused and available for subsequent acquisitions or capital improvements. The maximum allowable borrowing on this facility was raised from $70.0 million to $102.0 million from May 15, 2006 through June 15, 2006 to accommodate acquisition related borrowings during the quarter, which included $22.5 million in May to partially fund Randolph and Montrose Shopping Centers, $12.0 million in May for 9950 Business Parkway and $2.0 million in April to partially fund Alexandria Professional Center. An additional $24.0 million was borrowed during the quarter to fund development costs, certain capital improvements to real estate and acquisition related due diligence costs, of which $19.0 million was outstanding at June 30, 2006. $100.5 million in borrowings from October of 2005 through May 2006 were paid in full on June 6, 2006 using a portion of the proceeds from the June 2006 public offering of 2.745 million common shares of beneficial interest and the June 2006 issuance of $100.0 million five-year 5.95% unsecured notes (See Note 6 – Notes Payable). At December 31, 2005, $24.0 million was outstanding under this facility. Advances under this agreement bear interest at LIBOR plus a spread based on the credit rating on our publicly issued debt. All outstanding advances are due and payable upon maturity in July 2008. Interest only payments are due and payable on a monthly basis. We incurred $748,800 and $1,241,700 in interest expense (excluding facility fees) for the 2006 Quarter and 2006 Period, respectively, representing an

average interest rate of 5.49% and 5.33%, respectively, per annum. For the 2005 Quarter and 2005 Period, we incurred $54,600 and $304,000 in interest expense (excluding facility fees), respectively, representing an average interest rate of 3.57% and 3.28%, respectively, per annum.

Before its renewal in July 2005, Credit Facility No. 2 required us to pay the lender unused line of credit fees ranging from 0.15% to 0.25% per annum according to a sliding scale based on the credit rating of our publicly issued debt. The fee was paid quarterly in arrears. We incurred unused commitment fees of $22,200 and $31,700 for the 2005 Quarter and 2005 Period, respectively.

On July 25, 2005 we renewed Credit Facility No. 2, extending its maturity date to July 25, 2008, and increasing the maximum available commitment to $70.0 million. This renewal and extension included a carve-out for letters of credit in the amount of $14.0 million. Credit Facility No. 2 requires us to pay the lender an annual facility fee on the total commitment ranging from 0.15% to 0.25% per annum according to a sliding scale based on the credit ratings of our publicly issued debt. These fees are payable quarterly. We incurred $30,000 and $56,300 in facility fees for the 2006 Quarter and 2006 Period, respectively.

Credit Facility No. 1 and No. 2 contain certain financial and non-financial covenants. In addition, Credit Facility No. 1 requires approval to be obtained from the lender for purchases by the Trust over an agreed upon amount. Effective as of June 30, 2006, we amended Credit Facility No. 1, to revise the financial covenant ratio of the value of unencumbered assets to consolidated unsecured indebtedness (as defined in the agreement) from 1.82 to 1.67 and the ratio of consolidated total indebtedness to total capitalization (as defined in the agreement) from 55% to 60%. Accordingly, all covenants under Credit Facility No. 1 and No. 2 have been met as of June 30, 2006.

NOTE 6: NOTES PAYABLE

On August 13, 1996 we sold $50.0 million of 7.25% unsecured 10-year notes due August 13, 2006 at 98.166% of par resulting in an effective interest rate of 7.49%. Net proceeds to the Trust after deducting underwriting expenses were $48.8 million.

On February 20, 1998 we sold $50.0 million of 7.25% unsecured notes due February 25, 2028 at 98.653% to yield approximately 7.36%. We also sold $60.0 million in unsecured Mandatory Par Put Remarketed Securities ("MOPPRS") at a price of 101.2% of par and an effective borrowing rate through the remarketing date (February 2008) of approximately 6.74%. Our costs of the borrowings and related closed hedge settlements of approximately $7.2 million are amortized over the lives of the notes using the effective interest method. These notes do not require any principal payment and are due in full at maturity.

On March 17, 2003, we sold $60.0 million of 5.125% unsecured notes due March 2013 at an issue price of 99.599% of par, resulting in an effective interest rate of 5.23%. Our total proceeds, net of underwriting fees, were $59.1 million. We used portions of the proceeds of these notes to repay advances on our lines of credit and to fund general corporate purposes.

On December 11, 2003, we sold $100.0 million of 5.25% unsecured notes due January 2014 at an issue price of 99.985% of par, resulting in an effective interest rate of 5.34%. Our total proceeds, net of underwriting fees, were $99.3 million. We used the proceeds of these notes to repay advances on our lines of credit.

On April 26, 2005, we sold $50.0 million of 5.05% senior unsecured notes due May 1, 2012 and $50.0 million of 5.35% senior unsecured notes due May 1, 2015, at effective yields of 5.064% and 5.359% respectively. The notes were sold at an issue price of 99.917% and 99.930% of par, respectively. The net proceeds from the sale of the notes of $99.1 million were used to repay borrowings under our lines of credit totaling $90.5 million and the remainder was used for general corporate purposes.

In October 2005 we issued an additional $100.0 million of notes of the series of 5.35% senior unsecured notes due May 1, 2015 at a price of 98.942% of par, resulting in an effective yield of 5.49%. We used $93.5 million of the $98.1 million net proceeds from the sale of these notes to repay borrowings under our lines of credit and to fund general corporate purposes.

On June 6, 2006, we sold $100.0 million of 5.95% unsecured notes due June 15, 2011 at an issue price of 99.951% of par, resulting in an effective interest rate of 5.96%. Our total proceeds, net of underwriting fees, were $99.4 million. We used the proceeds of these notes to repay advances on one of our lines of credit.

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The following is a summary of our unsecured note borrowings (in thousands):

	June 30, 2006	December 31, 2005
7.25% notes due 2006	$ 50,000	$ 50,000
6.74% notes due 2008	60,000	60,000
5.95% notes due 2011	100,000	—
5.05% notes due 2012	50,000	50,000
5.125% notes due 2013	60,000	60,000
5.25% notes due 2014	100,000	100,000
5.35% notes due 2015	150,000	150,000
7.25% notes due 2028	50,000	50,000
Discount on notes issued	(1,758)	(1,838)
Premium on notes issued	420	438
Total	$ 618,662	$ 518,600

The required principal payments excluding the effects of note discounts or premium for the remaining six months in 2006 and the remaining years subsequent to December 31, 2006 are as follows (in thousands):

2006	$ 50,000
2007	—
2008	60,000
2009	—
2010	—
Thereafter	510,000
	$620,000

Interest on these notes is payable semi-annually. They contain certain financial and non-financial covenants, all of which we have met as of June 30, 2006.

The covenants under one of the line of credit agreements require us to insure our properties against loss or damage in the amount of the replacement cost of the improvements at the properties. The covenants for the notes require us to keep all of our insurable properties insured against loss or damage at least equal to their then full insurable value. We have a separate insurance policy which provides terrorism coverage; however, our financial condition and results of operations are subject to the risks associated with acts of terrorism and the potential for uninsured losses as the result of any such acts. Effective November 26, 2002, under this existing coverage, any losses caused by certified acts of terrorism would be partially reimbursed by the United States under a formula established by Federal law. Under this formula the United States pays 90% of covered terrorism losses exceeding the statutorily established deductible paid by the insurance provider, and insurers pay 10% until aggregate insured losses from all insurers reach $100 billion in a calendar year. If the aggregate amount of insured losses under the Act exceeds $100 billion during the applicable period for all insured and insurers combined, then each insurance provider will not be liable for payment of any amount which exceeds the aggregate amount of $100 billion. This legislation, originally scheduled to expire on December 31, 2005, was extended through December 31, 2007, with the enactment of the Terrorism Risk Insurance Act of 2005. With the extension, the Federal share of compensation for insured losses decreases to 85% in 2007.

NOTE 7: BENEFIT PLANS

Share Options and Grants

We have historically maintained Incentive Stock Option Plans (the “Plans”), which included qualified and non-qualified options. In 2003 the Board approved a change in the composition of officer share options and share grant awards such that annual incentive compensation is awarded at the same percentage of cash compensation as in prior years except it is in the form of share grants only. The last option awards to Officers were in 2003 and to Trustees in 2004 and all such options were vested as of December 31, 2005. Effective 2005 officers and Trustees receive annual share grant awards only.

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We adopted the Washington Real Estate Investment Trust 2001 Stock Option Plan ("New Stock Option Plan") to replace the 1991 Stock Option Plan ("Stock Option Plan") that expired on June 25, 2001. Under the Plans, options, which were issued at market price on the date of grant, vested 50% after year one and 50% after year two and expire ten years following the date of grant. We adopted the Washington Real Estate Investment Trust Stock Option Plan for Trustees in March 1998. Options granted to trustees were fully vested on the grant date. Activity under the Plans is summarized below:

	Shares	Wtd Avg Ex Price
Outstanding at December 31, 2005	531,000	$ 24.15
Granted	—	—
Exercised	(39,000)	$ 21.74
Expired	—	—
Outstanding at June 30, 2006	492,000	$ 24.34
Exercisable at June 30, 2006	492,000	$ 24.34

The 492,000 options outstanding at June 30, 2006, all of which are exercisable, have exercise prices between $14.47 and $33.09, with a weighted-average exercise price of $24.34 and a weighted average remaining contractual life of 5.6 years. The aggregate intrinsic value of outstanding exercisable shares at June 30, 2006 was $6.1 million.

In November 2004, the Board of Trustees approved an amended short-term and long-term incentive plan for officers and non-officer key employees. The first benefits under the amended short-term and long term plan were paid in late 2005, and the first share grants under the amended long-term plan were made in February 2006. The short-term incentive compensation plan provides for the annual payment of cash bonuses based upon WRIT's achievement of its annual targets for Funds From Operations (FFO) per share (a non-GAAP financial measure) and EBITDA as defined by the revised plan (a non-GAAP measure calculated as earnings before interest income and expense, taxes, depreciation and amortization, and gains on sale of real estate). Each target will be determined in November of the preceding year by management and approved by the Board of Trustees. The long-term incentive plan provides for the annual grant of restricted WRIT shares based on WRIT's total shareholder return compared to a benchmark or index appropriate to the industry. Shares granted to officers and non-officer key employees under the Share Grant Plan vest 20% per year over five years and are restricted from transfer for five years from the date of grant. Prior to 2004, each Trustee received an annual grant of 400 unrestricted shares under the trustee compensation plan. In November 2004, the Board of Trustees approved revisions to the trustee compensation plan, under which the first cash and share grant benefits were paid in 2005. Under this plan, annual long-term incentive compensation for trustees is changed from options for 2,000 shares plus 400 restricted shares to $30,000 in restricted shares. These restricted shares will vest immediately and are restricted from sale for the period of the Trustees' service. Additionally, the amounts of certain director fees and retainers were amended.

During the quarter ended June 30, 2006 we issued 64,700 share grants under the long-term incentive plan to our officers. We did not issue share grants to our executives and non-officer key employees during the quarter ended June 30, 2005. Share grants awarded for the quarter ended June 30, 2006 were valued at $36.73 per share based on their market value on the date of grant. There were no forfeitures of share grants in the second quarter 2006.

The total share grants vested at June 30, 2006 and December 31, 2005 were 170,628 and 124,175, respectively. The total share grants unvested at June 30, 2006 and December 31, 2005 were 132,665 and 103,989, respectively, and the weighted average grant-date fair value of those unvested shares was $32.73 and $30.76, respectively. The total compensation expense recognized in income for stock-based compensation awards for the 2006 Quarter and 2006 Period was $1.5 million and $1.8 million, respectively and $0.3 million and $0.6 million for the 2005 Quarter and 2005 Period, respectively. As of June 30, 2006, the total compensation cost related to non-vested awards not yet recognized was $4.3 million, expected to be recognized over a weighted average period of 35 months.

Other Benefit Plans

We have a Retirement Savings Plan (the "401(k) Plan"), which permits all eligible employees to defer a portion of their compensation in accordance with the Internal Revenue Code. Under the 401(k) Plan, the company may make discretionary contributions on behalf of eligible employees. The company made contributions to the 401(k) plan of $80,000 and $154,000,

for the 2006 Quarter and 2006 Period, respectively and $74,000 and $141,000 for the 2005 Quarter and 2005 Period, respectively.

We adopted a split dollar life insurance plan for executive officers (the Chief Financial Officer, Executive Vice President of Real Estate and Senior Vice President Accounting and Administration) and other company officers, excluding the Chief Executive Officer ("CEO"), in 2000. The purpose of the plan was to provide these officers with financial security in exchange for a career commitment. It was intended that we would recover our costs from the life insurance policies at death prior to retirement, termination prior to retirement or retirement at age 65. Prior to April, 2006, the Trust had a security interest in the cash value and death benefit of each policy to the extent of the sum of premium payments made, while the officers had an interest in the excess cash value of each policy over the premiums WRIT paid. The company paid no premiums during the 2005 Quarter and premiums of $0.2 million for the 2005 Period under the split dollar plans. We terminated the split-dollar agreements in April 2006, thus regaining ownership of the policies. The company paid premiums of $0.5 million for both the 2006 Quarter and 2006 Period under the new corporate owned life insurance policies.

We have adopted a non-qualified deferred compensation plan for the officers and members of the Board of Trustees. The plan allows for a deferral of a percentage of annual cash compensation and trustee fees. The plan is unfunded and payments are to be made out of the general assets of the Trust. The deferred compensation liability was $1.7 million and $1.6 million at June 30, 2006 and December 31, 2005, respectively.

We established a Supplemental Executive Retirement Plan ("SERP") effective July 1, 2002 for the benefit of the CEO. Under this plan, upon the participant's termination of employment from the Trust for any reason other than death or discharge for cause the participant will be entitled to receive an annual benefit equal to the participant's accrued benefit times the participant's vested interest. We account for these plans in accordance with SFAS No. 87, "Employers' Accounting for Pensions," whereby we accrue benefit cost in an amount that will result in an accrued balance at the end of each participant's employment which is not less than the present value of the estimated benefit payments to be made. We recognized current service cost of $117,000 and $233,000 for the 2006 Quarter and 2006 Period, respectively, and $101,000 and $203,000 for the 2005 Quarter and 2005 Period, respectively.

In November 2005, the Board of Trustees approved the establishment of a SERP for the benefit of the executive officers and other company officers. This is a defined contribution plan under which, upon a participant's termination of employment from the Trust for any reason other than discharge for cause, the participant will be entitled to receive a benefit equal to the participant's accrued benefit times the participant's vested interest. We account for this plan in accordance with EITF 97-14, "Accounting for Deferred Compensation Arrangements Where Amounts Earned are Held in a Rabbi Trust and Invested" and FAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," whereby the investments are reported at fair value, and unrealized holding gains and losses are included in earnings. We recognized current service cost of $64,000 and $128,000 for the 2006 Quarter and 2006 Period, respectively.

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NOTE 8: EARNINGS PER SHARE

The following table sets forth the computation of net income per average share and diluted average shares (in thousands, except per share data):

	Quarter Ended June 30,		Period Ended June 30,	
	2006	2005	2006	2005
Numerator for basic and diluted per share calculations:				
Income from continuing operations	$ 7,682	$ 8,973	$ 18,280	$ 18,769
Discontinued operations including gain on sale of real estate	37	1,902	71	34,341
Net income	$ 7,719	$ 10,875	$ 18,351	$ 53,110
Denominator for basic and diluted per share calculations:				
Denominator for basic per share amounts – weighted average shares	42,852	41,932	42,454	41,899
Effect of dilutive securities:				
Employee stock option and share grant awards	185	127	166	124
Denominator for diluted per share amounts	43,037	42,059	42,620	42,023
Income from continuing operations per share				
Basic	$ 0.18	$ 0.21	$ 0.43	$ 0.45
Diluted	$ 0.18	$ 0.21	$ 0.43	$ 0.45
Discontinued operations, including gain on sale of real estate, per share				
Basic	$ 0.00	$ 0.05	$ 0.00	$ 0.82
Diluted	$ 0.00	$ 0.05	$ 0.00	$ 0.81
Net income per share				
Basic	$ 0.18	$ 0.26	$ 0.43	$ 1.27
Diluted	$ 0.18	$ 0.26	$ 0.43	$ 1.26

NOTE 9: SEGMENT INFORMATION

We have five reportable segments: office buildings, medical office buildings, retail centers, multifamily properties and industrial/flex centers. Office buildings provide office space for various types of businesses and professions. Medical office buildings provide offices and facilities for a variety of medical services. Retail centers are typically neighborhood grocery store or drug store anchored retail centers. Multifamily properties provide housing for families throughout the Washington Metropolitan area. Industrial/flex centers are used for flex-office, warehousing and distribution type facilities.

Segment reporting has been restated for prior periods to conform to the presentation of the medical office segment separate from the office segment.

Real estate revenue as a percentage of total revenue for each of the five reportable operating segments is as follows:

	Quarter Ended June 30,		Period Ended June 30,	
	2006	2005	2006	2005
Office Buildings	38%	40%	39%	40%
Medical Office Buildings	11%	10%	10%	10%
Retail Centers	18%	18%	18%	17%
Multifamily Properties	15%	16%	15%	16%
Industrial/Flex Centers	18%	16%	18%	17%

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The percentage of total real estate assets, at cost, for each of the five reportable operating segments is as follows:

	June 30, 2006	December 31, 2005
Office Buildings	38%	42%
Medical Office Buildings	14%	11%
Retail Centers	17%	15%
Multifamily Properties	11%	12%
Industrial/Flex Centers	20%	20%

The accounting policies of each of the segments are the same as those described in Note 2. We evaluate performance based upon operating income from the combined properties in each segment. Our reportable segments are consolidations of similar properties. They are managed separately because each segment requires different operating, pricing and leasing strategies. All of these properties have been acquired separately and are incorporated into the applicable segment.

Segment Information (in thousands):

	Quarter Ended June 30, 2006						
	Office Buildings	Medical Office Buildings	Retail Centers	Multifamily	Industrial/Flex Centers	Corporate And Other	Consolidated
Real estate rental revenue	$ 20,302	$ 5,961	$ 9,370	$ 7,900	$ 9,383	—	$ 52,916
Real estate expenses	6,740	1,679	1,972	2,957	2,226	—	15,574
Net operating income	$ 13,562	$ 4,282	$ 7,398	$ 4,943	$ 7,157	—	$ 37,342
Depreciation and amortization							12,955
Interest expense							11,604
General and administration							5,276
Other income							175
Income from discontinued operations							37
Net income							$ 7,719
Capital expenditures	$ 7,980	$ 342	$ 5,568	$ 8,259	$ 2,108	$ 425	$ 24,682
Total assets	$470,236	$ 203,098	$243,155	$ 120,067	$ 270,711	$ 36,528	$ 1,343,795

	Quarter Ended June 30, 2005						
	Office Buildings	Medical Office Buildings	Retail Centers	Multifamily	Industrial/Flex Centers	Corporate And Other	Consolidated
Real estate rental revenue	$ 18,677	$ 4,402	$ 8,132	$ 7,580	$ 7,619	$ —	$ 46,410
Real estate expenses	6,205	1,116	1,787	3,011	1,751	—	13,870
Net operating income	12,472	3,286	6,345	4,569	5,868	—	32,540
Depreciation and amortization							12,903
Interest expense							9,283
General and administration							2,092
Non-disposal gain							504
Other income							207
Income from discontinued operations							19
Gain on property disposal							1,883
Net income							$ 10,875
Capital expenditures	$ 3,798	$ 113	$ 1,319	$ 4,640	$ 469	$ 38	$ 10,377
Total assets	$409,794	$ 135,059	$175,854	$ 98,344	$ 194,102	$ 34,718	$ 1,047,871

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Period Ended June 30, 2006	Office Buildings	Medical Office Buildings	Retail Centers	Multifamily	Industrial/Flex Centers	Corporate And Other	Consolidated
Real estate rental revenue	$40,384	$ 10,495	$18,289	$ 15,746	$ 18,769	—	$ 103,683
Real estate expenses	13,438	2,889	3,835	6,307	4,529	—	30,998
Net operating income	$26,946	$ 7,606	$14,454	$ 9,439	$ 14,240	—	$ 72,685
Depreciation and amortization							24,893
Interest expense							21,926
General and administration							7,931
Other income							345
Income from discontinued operations							71
Net income							$ 18,351
Capital expenditures	$13,624	$ 441	$ 9,135	$ 14,311	$ 2,922	$ 511	$ 40,944

Period Ended June 30, 2005	Office Buildings	Medical Office Buildings	Retail Centers	Multifamily	Industrial/Flex Centers	Corporate And Other	Consolidated
Real estate rental revenue	$37,174	$ 8,941	$15,210	$ 15,038	$ 15,140	—	$ 91,503
Real estate expenses	12,649	2,314	3,405	6,130	3,467	—	27,965
Net operating income	$24,525	$ 6,627	$11,805	$ 8,908	$ 11,673	—	$ 63,538
Depreciation and amortization							23,399
Interest expense							17,870
General and administration							4,324
Other income							320
Non-disposal gain							504
Income from discontinued operations							368
Gain on property disposal							33,973
Net income							$ 53,110
Capital expenditures	$ 6,059	$ 219	$ 2,547	$ 10,083	$ 1,323	$ 392	$ 20,623

NOTE 10: SUBSEQUENT EVENTS

On July 10, 2006, we paid off the $6.2 million mortgage for the Fullerton Industrial Center. This loan payoff was funded with borrowing from our lines of credit.

On July 12, 2006 we acquired 15005 Shady Grove Road, the final property in a medical office portfolio acquisition announced on April 18, 2006. The purchase price was $22.5 million for the building in Rockville, Maryland with approximately 52,300 square feet of rentable space. The purchase was funded through a mortgage assumption and borrowings on our lines of credit.

On July 26, 2006, we raised $49.8 million through the reopening of our series of 5.95% senior unsecured notes due June 15, 2011 and the sale of an additional $50 million. The notes have an effective yield of 5.917%. We used the net proceeds to repay borrowings under our lines of credit and for general corporate purposes.

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ITEM 2: MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Consolidated Financial Statements of the Company and the notes thereto included elsewhere herein.

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an on-going basis, we evaluate these estimates, including those related to useful lives of real estate assets, cost reimbursement income, bad debts, impairment, contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. There can be no assurance that actual results will not differ from those estimates.

The discussion that follows is based on our consolidated results of operations for the three and six months ended June 30, 2006, the “2006 Quarter” and “2006 Period”, respectively, and the three months and six months ended June 30, 2005, the “2005 Quarter” and “2005 Period”, respectively.

Forward Looking Statements

We claim the protection of the safe harbor for forward looking statements contained in the Private Securities Litigation Reform Act of 1995 for the forward looking statements contained herein. Forward looking statements include statements in this report preceded by, followed by or that include the words “believe,” “expect,” “intend,” “anticipate,” “potential,” “project,” “will” and other similar expressions. The following important factors, in addition to those discussed in our 2005 Annual Report on Form 10-K under the caption “Risk Factors”, could affect our future results and could cause those results to differ materially from those expressed in the forward looking statements: (a) the economic health of our tenants; (b) the economic health of the Greater Washington-Baltimore region, or other markets we may enter, including the effects of changes in Federal government spending; (c) the supply of competing properties; (d) inflation; (e) consumer confidence; (f) unemployment rates; (g) consumer tastes and preferences; (h) stock price and interest rate fluctuations; (i) our future capital requirements; (j) compliance with applicable laws, including those concerning the environment and access by persons with disabilities; (k) governmental or regulatory actions and initiatives; (l) changes in general economic and business conditions; (m) terrorist attacks or actions; (n) acts of war; (o) weather conditions; and (p) the effects of changes in capital availability to the technology and biotechnology sectors of the economy. We undertake no obligation to update our forward looking statements or risk factors to reflect new information, future events, or otherwise.

Overview

Our revenues are derived primarily from the ownership and operation of income-producing real properties in the greater Washington/Baltimore region. As of June 30, 2006, we owned a diversified portfolio of 77 properties, consisting of 14 retail centers, 21 general purpose office buildings, 11 medical office buildings, 22 industrial/flex properties and 9 multifamily properties, totaling 11 million net rentable square feet. We also own land for development. We have a fundamental strategy of regional focus, diversification by property type and conservative capital management.

When evaluating our financial condition and operating performance, management focuses on the following financial and non-financial indicators, discussed in further detail herein:

- Net Operating Income (“NOI”) by segment (a Non-GAAP measure). NOI is calculated as real estate rental revenue less real estate operating expenses.
- Economic occupancy and rental rates.
- Leasing activity – new leases, renewals and expirations.
- Funds From Operations (“FFO”), a non –GAAP supplemental measure to Net Income.

Our results in the 2006 Quarter and Period as compared to the 2005 Quarter and Period, showed continued improvement in both occupancy and rental rate growth. The office sector experienced NOI and rental rate growth and occupancy has improved, particularly at Maryland Trade Centers I and II, 1600 Wilson Boulevard and 7900 Westpark. The medical office

sector remained steady with stable occupancy and small gains in rental rates. WRIT's retail centers have remained strong this Quarter and Period with high core NOI and rental rate growth, reflecting the retail market throughout the Metropolitan region. The multifamily market showed improved NOI and rental rates with occupancy impacted by what is expected to be the short-term impact of current refurbishment at several properties. The industrial sector posted rental rate growth and some NOI growth in spite of occupancy declines.

Progress continues on our ground-up development and major redevelopment projects at Rosslyn Towers, South Washington Street, Dulles Station and Foxchase Shopping Center. At Foxchase Shopping Center we have delivered a pad site to the Harris Teeter grocery store chain and revenue recognition has commenced. Opening is anticipated in late 2006. The development at Rosslyn Towers and South Washington Street is progressing well with completion expected in the third and second quarters of 2007, respectively. The office building development at Dulles Station I, which we acquired in December 2005, is in the early stages with an expected opening in the second half of 2007.

GENERAL

During the first six months of 2006 we completed the following significant transactions:

- The acquisition of four medical office properties for a purchase price of $71.4 million, adding approximately 235,000 square feet of rentable space which was 100.0% leased at the end of the 2006 Period, three industrial/flex properties for a purchase price of $34.8 million, adding approximately 404,000 square feet of rentable space which was 80.0% leased at the end of the 2006 Period and two retail centers, for a purchase price of $50.3 million, adding approximately 227,000 square feet of rentable space which was 70.7% leased as of the end of the 2006 Period.
- The completion of a public offering of 2,745,000 shares of beneficial interest priced at $34.40 per share raising $90.9 million, net.
- The issuance of $100.0 million of 5.95% senior unsecured notes due June 15, 2011 at an effective yield of 5.961% raising $99.4 million, net.
- The investment of $23.0 million in the major development and redevelopment of several properties.
- The execution of new leases for 777,000 square feet of commercial space.

During the first six months of 2005 we completed the following significant transactions:

- The acquisition of one retail property, for a purchase price of $44.8 million, adding approximately 295,000 square feet of rentable retail space which was 100% leased as of the end of the 2005 Period, and one industrial property for a purchase price of $8.8 million, adding approximately 60,000 square feet of rentable industrial space which was 100.0% leased as of the end of the 2005 Period.
- The disposition of three office buildings, totaling approximately 411,000 square feet, for a gain of approximately $32.1 million.
- The issuance of $50.0 million of 5.05% senior unsecured notes due May 1, 2012 and $50.0 million of 5.35% senior unsecured notes due May 1, 2015, at effective yields of 5.064% and 5.359% respectively raising $99.1 million, net.
- The investment of $5.6 million in the major development and redevelopment of several properties.
- The execution of new leases for 887,000 square feet of commercial space.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We believe the following critical accounting policies affect the more significant judgments and estimates used in the preparation of our consolidated financial statements. Our significant accounting policies are described in Note 2 in the Notes to the Consolidated Financial Statements.

New Accounting Pronouncements

In December, 2004, the FASB issued SFAS No. 123R, "Share-Based Payment." This statement is a revision of SFAS No. 123, "Accounting for Stock-Based Compensation," and supersedes APB opinion No. 25 (APB No. 25), "Accounting for Stock Issued to Employees" and amends SFAS No. 95, "Statement of Cash Flows." Statement No. 123R addresses the accounting for share-based payment transactions in which an enterprise receives employee services in exchange for (a) equity instruments of the enterprise or (b) liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. SFAS No. 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values and eliminates the intrinsic value method of accounting in APB No. 25, which was permitted under SFAS No. 123, as originally issued. The Company has applied the provisions of this statement as of January 1, 2006.

Since we used the fair-value-based method of accounting under the original provisions of SFAS No. 123, in pro forma disclosure, we were required to adopt the provisions of the new standard using either the modified-prospective-transition or the modified-retrospective-transition method. Under both methods, for awards granted, settled or modified subsequent to adopting the standard and for awards granted prior to the date of adoption for which the requisite service has not been completed as of the adoption date, compensation cost must be recognized in the financial statements. Under the modified-retrospective-method, financial statements for prior periods are restated for this change and under the modified prospective method only statements subsequent to adoption will include this compensation cost. The modified-prospective-method also requires a cumulative adjustment in the first period of adoption to conform to the new standard. The Company has adopted SFAS No. 123R using the modified-prospective-transition method and that adoption did not have a material impact on income from continuing operations, net income, cash flows from operations or financing activities, or basic and diluted EPS.

In July 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN No. 48"). FIN No. 48 is an interpretation of FASB Statement No. 109, "Accounting for Income Taxes," and it seeks to reduce the diversity in practice associated with certain aspects of measurement and recognition in accounting for income taxes. In addition, FIN No. 48 requires expanded disclosure with respect to the uncertainty in income taxes and is effective as of the beginning of our 2007 fiscal year. The Company is currently evaluating the impact, if any, that FIN No. 48 will have on the Company's financial statements.

Revenue Recognition

Residential properties are leased under operating leases with terms of generally one year or less, and commercial properties are leased under operating leases with average terms of three to seven years. We recognize rental income and rental abatements from our residential and commercial leases when earned on a straight-line basis in accordance with SFAS No. 13, "Accounting for Leases." Recognition of rental income commences when control of the facility has been given to the tenant. We record a provision for losses on accounts receivable equal to the estimated uncollectible amounts. This estimate is based on our historical experience and a review of the current status of the company's receivables. Percentage rents, which represent additional rents based on gross tenant sales, are recognized when tenants' sales exceed specified thresholds.

In accordance with SFAS No. 66, "Accounting for Sales of Real Estate," sales are recognized at closing only when sufficient down payments have been obtained, possession and other attributes of ownership have been transferred to the buyer and we have no significant continuing involvement.

We recognize cost reimbursement income from pass-through expenses on an accrual basis over the periods in which the expenses were incurred. Pass-through expenses are comprised of real estate taxes, operating expenses and common area maintenance costs which are reimbursed by tenants in accordance with specific allowable costs per tenant lease agreements.

Real Estate Assets

We capitalize those expenditures related to acquiring new assets, significantly increasing the value of an existing asset, or substantially extending the useful life of an existing asset. We also capitalize costs incurred in connection with our development projects, including capitalizing interest during periods in which development projects are in progress. Expenditures necessary to maintain an existing property in ordinary operating condition are expensed as incurred. In addition, we capitalize tenant leasehold improvements when certain criteria are met, including when we supervise construction and will own the improvements.

Real estate assets are depreciated on a straight-line basis over estimated useful lives ranging from 28 to 50 years. All capital improvement expenditures associated with replacements, improvements, or major repairs to real property are depreciated using the straight-line method over their estimated useful lives ranging from 3 to 30 years. All tenant improvements are amortized over the shorter of the useful life or the term of the lease.

We allocate the purchase price of acquired properties to the related physical assets and in-place leases based on their fair values, based on SFAS No. 141, "Business Combinations." The fair values of acquired buildings are determined on an "as-if-vacant" basis considering a variety of factors, including the physical condition and quality of the buildings, estimated rental and absorption rates, estimated future cash flows and valuation assumptions consistent with current market conditions. The "as-if-vacant" fair value is allocated to land, building and tenant improvements based on property tax assessments and other relevant information obtained in connection with the acquisition of the property.

The fair value of in-place leases consists of the following components – (1) the estimated cost to us to replace the leases, including foregone rents during the period of finding a new tenant, foregone recovery of tenant pass-through expenses, tenant improvements, and other direct costs associated with obtaining a new tenant (referred to as "Tenant Origination Cost"); (2) the estimated leasing commissions associated with obtaining a new tenant (referred to as "Leasing Commissions"); (3) the above/at/below market cash flow of the leases, determined by comparing the projected cash flows of the leases in place to projected cash flows of comparable market-rate leases (referred to as "Net Lease Intangible"); and (4) the value, if any, of customer relationships, determined based on our evaluation of the specific characteristics of each tenant's lease and our overall relationship with the tenant (referred to as "Customer Relationship Value").

The amounts used to calculate Tenant Origination Cost, Leasing Commissions, and Net Lease Intangible are discounted using an interest rate which reflects the risks associated with the leases acquired. Tenant Origination Costs are included in Real Estate Assets on our balance sheet and are amortized as depreciation expense on a straight-line basis over the remaining life of the underlying leases. Leasing Commissions are classified as Other Assets and are amortized as amortization expense on a straight-line basis over the remaining life of the underlying leases. Net Lease Intangible Assets are classified as Other Assets and are amortized on a straight-line basis as a decrease to Real Estate Rental Revenue over the remaining term of the underlying leases. Net Lease Intangible Liabilities are classified as Other Liabilities and are amortized on a straight-line basis as an increase to Real Estate Rental Revenue over the remaining term of the underlying leases. Should a tenant terminate its lease, the unamortized portions of the Tenant Origination Cost, Leasing Commissions, and Net Lease Intangible associated with that lease are written off to depreciation expense, amortization expense, and rental revenue, respectively. We have attributed no value to Customer Relationship Value as of June 30, 2006 or December 31, 2005.

Discontinued Operations

We dispose of assets (sometimes using tax-deferred exchanges) that are inconsistent with our long-term strategic or return objectives and when market conditions for sale are favorable. The proceeds from the sales are reinvested into other properties, used to fund development operations or to support other corporate needs, or are distributed to our shareholders.

We classify properties as held for sale when they meet the necessary criteria specified by SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." These include: senior management commits to and actively embarks upon a plan to sell the assets, the sale is expected to be completed within one year under terms usual and customary for such sales and actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Depreciation on these properties is discontinued, but operating revenues, operating expenses and interest expense continue to be recognized until the date of sale.

Under SFAS 144, revenues and expenses of properties that are either sold or classified as held for sale are treated as discontinued operations for all periods presented in the Statements of Income. As of June 30, 2006 there was one property classified as discontinued operations. As of December 31, 2005 there were five properties classified as discontinued operations, one property held for sale and the four properties sold in 2005.

Impairment Losses on Long-Lived Assets

We recognize impairment losses on long-lived assets used in operations when indicators of impairment are present and the net undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. If such carrying amount is in excess of the estimated cash flows from the operation and disposal of the property, we would recognize an

impairment loss equivalent to an amount required to adjust the carrying amount to the estimated fair market value. There were no property impairments recognized during the 2006 and 2005 Periods.

Federal Income Taxes

We believe that we qualify as a REIT under Sections 856-860 of the Internal Revenue Code and intend to continue to qualify as such. To maintain our status as a REIT, we are required to distribute at least 90% of our ordinary taxable income to our shareholders. When selling properties, we have the option of (i) reinvesting the sale price of properties sold, allowing for a deferral of income taxes on the sale, (ii) paying out capital gains to the shareholders with no tax to the company or (iii) treating the capital gains as having been distributed to the shareholders, paying the tax on the gain deemed distributed and allocating the tax paid as a credit to the shareholders. No properties were sold in the first six months of 2006 and all of the gains on the sale of properties in 2005 were reinvested in replacement properties.

RESULTS OF OPERATIONS

The discussion that follows is based on our consolidated results of operations for the Quarters and Periods ended June 30, 2006 and 2005. The ability to compare one period to another may be significantly affected by acquisitions completed and dispositions made during those periods.

For purposes of evaluating comparative operating performance, we categorize our properties as “core”, “non-core” or Discontinued Operations. A “core” property is one that was owned for the entirety of the periods being evaluated. A “non-core” property is one that was acquired during either of the periods being evaluated and is included in Continuing Operations. Results for properties sold or held for sale during any of the periods evaluated are classified as Discontinued Operations. Nine properties were acquired during the 2006 Period and two properties were acquired during the 2005 Period. One property was held for sale in the 2006 Period and classified as Discontinued Operations for the 2006 and 2005 Periods. Four properties were sold in 2005 and are also classified as Discontinued Operations for the 2005 Period.

To provide more insight into our operating results, our discussion is divided into two main sections: (1) Consolidated Results of Operations where we provide an overview analysis of results on a consolidated basis and (2) Net Operating Income (“NOI”) where we provide a detailed analysis of core versus non-core property-level NOI results by segment. NOI is calculated as real estate rental revenue less real estate operating expenses.

CONSOLIDATED RESULTS OF OPERATIONS

REAL ESTATE RENTAL REVENUE

Real Estate Rental Revenue is summarized as follows (all data in thousands, except percentage amounts):

	Quarter Ended June 30,				Period Ended June 30,			
			Change				Change	
	2006	2005	$	%	2006	2005	$	%
Minimum base rent	$47,561	$41,681	$5,880	14.1%	$ 92,833	$81,905	$10,928	13.3%
Recoveries from tenants	4,414	3,652	762	20.9%	8,905	7,431	1,474	19.8%
Parking/other tenant charges	941	1,077	(136)	(12.6%)	1,945	2,167	(222)	(10.2%)
	$52,916	$46,410	$6,506	14.0%	$103,683	$91,503	$12,180	13.3%

Real estate rental revenue is comprised of (1) minimum base rent, which includes rental revenues recognized on a straight-line basis, (2) revenue from the recovery of operating expenses from our tenants and (3) other revenue such as parking, termination fees and percentage rent.

Minimum base rent increased $5.9 million (14.1%) in the 2006 Quarter compared to the 2005 Quarter and $10.9 million (13.3%) in the 2006 Period compared to the 2005 Period primarily due to the one office, three retail, four medical office and four industrial properties acquired in 2005 and year-to-date in 2006. These acquisitions accounted for $3.7 million of the increase in minimum base rent in the 2006 Quarter over the 2005 Quarter and $6.5 million in the 2006 Period over the 2005 Period. Acquisitions contributed $0.6 million of the increase in recoveries from tenants in the 2006 Quarter and $1.2 million in

the 2006 Period. Minimum base rent from core properties in the 2006 Quarter and 2006 Period increased $2.2 million and $4.4 million, respectively, over the 2005 Quarter and Period driven by increased occupancy in the office and retail sectors and increases in rental rate growth in the multifamily, retail and office sectors offset somewhat by decreased occupancy in the multifamily and industrial sectors.

A summary of consolidated economic occupancy by sector for properties classified as continuing operations follows:

	Quarter Ended June 30,			Period Ended June 30,		
Sector	**2006**	**2005**	**Change**	**2006**	**2005**	**Change**
Office Buildings	92.7%	88.2%	4.5%	92.1%	87.6%	4.5%
Medical Office Buildings	98.7%	98.5%	0.2%	98.7%	98.6%	0.1%
Retail Centers	96.1%	97.2%	(1.1%)	97.7%	96.8%	0.9%
Multifamily Properties	90.4%	93.7%	(3.3%)	90.6%	93.0%	(2.4%)
Industrial/Flex Centers	92.5%	93.6%	(1.1%)	93.0%	94.2%	(1.2%)
Total	93.5%	92.3%	1.2%	93.5%	91.9%	1.6%

Economic occupancy represents actual rental revenues recognized for the period indicated as a percentage of gross potential rental revenues for that period. Percentage rents and expense reimbursements are not considered in computing either actual rental revenues or gross potential rental revenues.

For the 2006 Quarter our overall economic occupancy increased 120 basis points as a result of occupancy gains in the office and medical office sectors, partially offset by a decline in occupancy in the multifamily, retail and industrial sectors. Occupancy in the office sector improved 450 basis points due primarily to leasing activity at Maryland Trade Centers I and II, 1600 Wilson Boulevard and 7900 Westpark. Retail occupancy decreased 110 basis points in the 2006 Quarter over the 2005 Quarter but was relatively flat for the 2006 Period over the 2005 Period, due to the 58.0% occupancy at the recently acquired Montrose Shopping Center somewhat offset by the rent commencement for the completion of the Harris Teeter pad site at Foxchase Shopping Center and leasing activity throughout other properties in the sector. Occupancy for the 2006 Quarter and Period in the multifamily sector was impacted by the move-out of a large group of tenants vacating from the Ashby at McLean at the end of their diplomatic assignment and several units that have been taken off-line for refurbishment at Bethesda Hill and Munson Hill. The industrial sector occupancy decreased due to the loss of one large tenant at Sully Square in the third quarter 2005.

REAL ESTATE OPERATING EXPENSES

Real estate operating expenses are summarized as follows (all data in thousands, except percentage amounts):

	Quarter Ended June 30,				Period Ended June 30,			
			Change				Change	
	2006	**2005**	**$**	**%**	**2006**	**2005**	**$**	**%**
Property operating expenses	$11,241	$ 9,941	$1,300	13.1%	$22,352	$20,146	$2,206	11.0%
Real estate taxes	4,333	3,929	404	10.3%	8,646	7,819	827	10.6%
	$15,574	$13,870	$1,704	12.3%	$30,998	$27,965	$3,033	10.8%

Property operating expenses include utilities, repairs and maintenance, property administration and management, operating services, common area maintenance and other operating expenses.

Property operating expenses were 21.2% and 21.6% of revenue in the 2006 Quarter and 2006 Period, respectively and 21.4% and 22.0% of the revenue in the 2005 Quarter and 2005 Period, respectively. The properties acquired in 2005 and 2006 accounted for $0.9 million of the $1.3 million increase in property operating expenses and all of the $0.4 million increase in real estate taxes over the 2005 Quarter. Those acquired properties accounted for $1.5 million of the $2.2 million increase in property operating expenses and $0.7 million of the $0.8 million increase in real estate taxes over the 2005 Period. Core property operating expenses increased $0.4 million in the 2006 Quarter over the 2005 Quarter and $0.7 million in the 2006 Period over the 2005 Period as a result of higher utility costs and repair and maintenance expenses.

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OTHER OPERATING EXPENSES

Other operating expenses are summarized as follows (all data in thousands, except percentage amounts):

	Quarter Ended June 30,				Period Ended June 30,			
			Change				Change	
	2006	2005	$	%	2006	2005	$	%
Depreciation & amortization	$12,955	$12,903	$ 52	0.4%	$24,893	$23,399	$1,494	6.4%
Interest expense	11,604	9,283	2,321	25.0%	21,926	17,870	4,056	22.7%
General & administrative	5,276	2,092	3,184	152.2%	7,931	4,324	3,607	83.4%
	$29,835	$24,278	$5,557	22.9%	$54,750	$45,593	$9,157	20.1%

Depreciation and amortization expense increased $0.1 million (0.4%) in the 2006 Quarter and $1.5 million (6.4%) in the 2006 Period compared to 2005 due primarily to total operating property acquisitions of $301.6 million in 2006 and 2005 combined and capital and tenant improvement expenditures of $48.7 million in 2005 and in the first six months of 2006, combined. An offsetting factor in the Quarter was $1.9 million of accelerated depreciation in 2005 for demolition at our development sites at South Washington Street and Foxchase Shopping Center.

Interest expense increased $2.3 million in the 2006 Quarter from $9.3 million in the 2005 Quarter and $4.0 million in the 2006 Period due to an increase in interest on notes payable resulting from the debt issuance in October 2005 and increased borrowing in 2006 to fund acquisitions. This increase was offset somewhat by the reduction in mortgage interest for three loans paid off in 2005 and increases in capitalized interest on our development projects.

A summary of interest expense for the Quarter and Period ended June 30, 2006 and 2005, respectively, appears below (in millions):

	Quarter Ended June 30,			Period Ended June 30,		
Debt Type	2006	2005	$ Change	2006	2005	$ Change
Notes payable	$ 8.3	$ 6.1	$ 2.2	$16.2	$11.3	$ 4.9
Mortgages	2.6	3.1	(0.5)	5.1	5.9	(0.8)
Lines of credit	1.5	0.3	1.2	2.1	1.2	0.9
Capitalized interest	(0.8)	(0.2)	(0.6)	(1.5)	(0.5)	(1.0)
Total	$11.6	$ 9.3	$ 2.3	$21.9	$17.9	$ 4.0

General and administrative expenses increased to $5.3 million for the 2006 Quarter compared to $2.1 million for the 2005 Quarter, and $7.9 million for the 2006 Period compared to $4.3 million for the 2005 Period primarily due to the severance costs ($1.4 million) associated with the departure of the EVP, CIO, the full expensing of second quarter 2006 share grants ($0.8 million) related to the CEO and higher incentive compensation cost.

DISCONTINUED OPERATIONS

We dispose of assets that are inconsistent with our long term strategic or return objectives or where market conditions for sale are favorable. The proceeds from the sales are reinvested into other properties, used to fund development operations or support corporate needs, or distributed to our shareholders. WRIT has one property held for sale in the 2006 Period, and sold four properties during 2005 and these properties are classified as Discontinued Operation for the 2006 and 2005 Periods:

Disposition Date	Property Name	Property Type	Rentable Square Feet	Sale Price (in thousands)	Gain on Sale
February 1, 2005	7700 Leesburg Pike	Office	147,000	$ 20,150	$ 8,527
February 1, 2005	Tycon Plaza II	Office	127,000	19,400	8,867
February 1, 2005	Tycon Plaza III	Office	137,000	27,950	14,696
September 8, 2005	Pepsi Distribution Center	Industrial	69,000	6,000	3,038
n/a	Lexington	Office	46,000	—	—
	Total		526,000	$ 73,500	$ 35,128

The office properties were sold to a single buyer for a $67.5 million contract sales price on February 1, 2005. WRIT recognized a gain on disposal of $32.1 million, in accordance with SFAS No. 66, “Accounting for Sales of Real Estate.” We escrowed $31.3 million of the proceeds from the disposition in a tax-free property exchange account and subsequently funded a portion of the purchase price of Frederick Crossing Shopping Center on March 23, 2005 and the Coleman Building on April 8, 2005. A portion of the proceeds, $31.0 million, was used to pay down borrowings outstanding under Credit Facility No. 2. In September 2005 the industrial property was sold for $6.0 million for a gain of $3.0 million. Proceeds of $5.8 million were escrowed in a tax-free exchange account.

Discontinued operations for the 2006 and 2005 Quarters and 2006 and 2005 Periods consist of the property held for sale in 2006 and the properties sold in February 2005 and September 2005. Operating results of the properties classified as discontinued operations are summarized as follows (in thousands):

	Quarter Ended June 30,		Period Ended June 30,	
	2006	2005	2006	2005
Revenues	$ 153	$ 200	$ 311	$ 1,036
Property expenses	(81)	(117)	(174)	(536)
Depreciation and amortization	(35)	(64)	(66)	(132)
	$ 37	$ 19	$ 71	$ 368

NET OPERATING INCOME

Real estate NOI is one of the key performance measures we use to assess the results of our operations at the property level. We provide NOI as a supplement to net income calculated in accordance with accounting principles generally accepted in the United States of America (“GAAP”). NOI does not represent net income calculated in accordance with GAAP. As such, it should not be considered an alternative to net income as an indication of our operating performance. NOI is calculated as net income, less non-real estate (“other”) revenue, plus interest expense, depreciation and amortization and general and administrative expenses. A reconciliation of NOI to net income is provided below.

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2006 Quarter Compared to the 2005 Quarter

The following tables of selected consolidated operating data provide the basis for our discussion of NOI in the 2006 Quarter compared to the 2005 Quarter. All amounts are in thousands except percentage amounts.

	Quarter Ended June 30,			
	2006	2005	$ Change	% Change
Real Estate Rental Revenue				
Core	$ 48,430	$ 46,219	$ 2,211	4.8%
Non-core [(1)]	4,486	191	4,295	n/a
Total Real Estate Rental Revenue	$ 52,916	$ 46,410	$ 6,506	14.0%
Real Estate Expenses				
Core	$ 14,174	$ 13,843	$ 331	2.4%
Non-core [(1)]	1,400	27	1,373	n/a
Total Real Estate Expenses	$ 15,574	$ 13,870	$ 1,704	12.3%
Net Operating Income				
Core	$ 34,256	$ 32,376	$ 1,880	5.8%
Non-core [(1)]	3,086	164	2,922	n/a
Total Net Operating Income	$ 37,342	$ 32,540	$ 4,802	14.8%
Reconciliation to Net Income				
NOI	$ 37,342	$ 32,540		
Other revenue	175	207		
Interest expense	(11,604)	(9,283)		
Other income from property settlement	—	504		
Depreciation and amortization	(12,955)	(12,903)		
General and administrative expenses	(5,276)	(2,092)		
Discontinued operations [(2)]	37	1,902		
Net Income	$ 7,719	$ 10,875		

	Quarter Ended June 30,	
	2006	2005
Economic Occupancy		
Core	93.8%	92.4%
Non-core [(1)]	89.9%	82.9%
Total	93.5%	92.3%

(1) Non-core properties include:

2006 acquisitions – Hampton Overlook, Hampton South, Alexandria Professional Center, 9707 Medical Center Drive, 15001 Shady Grove Road, Randolph Shopping Center, Montrose Shopping Center, 9950 Business Parkway and Plumtree

2005 acquisitions – Coleman Building

(2) Discontinued operations include gain on disposals and income from operations for:

2006 held for sale – The Lexington Building

2005 disposals – Pepsi Distribution Center

We recognized NOI of $37.3 million in the 2006 Quarter, which was $4.8 million or 14.8% greater than in the 2005 Quarter due partly to our acquisitions in 2005 and in the first quarter 2006. These acquired properties contributed $3.1 million in NOI in the 2006 Quarter (8.3% of total NOI).

Core properties experienced a $1.9 million increase (5.8%) in NOI due to a $2.2 million increase in revenue offset somewhat by a $0.3 million increase in property expenses. Real estate revenue benefited from increased occupancy in the office and retail sectors, offset somewhat by increased vacancy in the multifamily and industrial sectors, as well as increased rental rates. The increase in core expenses was driven by the office and retail sectors, which contributed $0.4 million and $0.1 million, respectively, to the increase as a result of higher utilities and real estate taxes.

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Overall economic occupancy increased from 92.3% in the 2005 Quarter to 93.5% in the 2006 Quarter as core economic occupancy increased from 92.4% to 93.8%, due largely to a 460 basis point increase in the office sector, offset somewhat by decreases in core multifamily and industrial sector occupancy. Occupancy in the medical office and industrial sectors was flat. As of June 30, 2006, 11.7% of the total commercial square footage leased is scheduled to expire in the next twelve months. During the 2006 quarter, 88.6% of the square footage that expired was renewed and we executed leases for 333,000 square feet of commercial space with an average rental rate increase of 11.5%. An analysis of NOI by sector follows.

Office Sector

	Quarter Ended June 30,			
	2006	2005	$ Change	% Change
Real Estate Rental Revenue				
Core	$19,756	$18,677	$ 1,079	5.8%
Non-core [(1)]	546	—	546	100.0%
Total Real Estate Rental Revenue	$20,302	$18,677	$ 1,625	8.7%
Real Estate Expenses				
Core	$ 6,567	$ 6,205	$ 362	5.8%
Non-core [(1)]	173	—	173	100.0%
Total Real Estate Expenses	$ 6,740	$ 6,205	$ 535	8.6%
Net Operating Income				
Core	$13,189	$12,472	$ 717	5.7%
Non-core [(1)]	373	—	373	100.0%
Total Net Operating Income	$13,562	$12,472	$ 1,090	8.7%

	Quarter Ended June 30,	
	2006	2005
Economic Occupancy		
Core	92.8%	88.2%
Non-core [(1)]	89.9%	—
Total	92.7%	88.2%

(1) Non-core properties include:

2005 acquisitions – Albemarle Point office building

The office sector recognized NOI of $13.6 million in the 2006 Quarter, which was $1.1 million or 8.7%, higher than in the 2005 Quarter due in part to the NOI contribution of the property acquired in 2005. This property contributed $0.4 million to the increase in NOI. Core office sector NOI was $0.7 million (5.7%) higher than in the comparable quarter in 2005 due primarily to a 460 basis point increase in occupancy.

The core office rental revenue increased because rental rates were up 2.3% compared to the second quarter 2005 and occupancy was up substantially. This was driven by the leasing activity at 7900 Westpark, 1600 Wilson Boulevard and Maryland Trade Centers I and II. Core real estate expenses were up slightly due primarily to increased utility cost as a result of supplier rate increases.

Core economic occupancy increased from 88.2% to 92.8% as a result of the leasing activity at the properties described above. As of June 30, 2006, 13.2% of the total office square footage leased is scheduled to expire in the next twelve months. During the quarter, 87.5% of the square footage that expired was renewed and we executed new leases for 129,000 square feet of office space with an 8.0% increase in rental rates.

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Medical Office Sector

	Quarter Ended June 30,			
	2006	2005	$ Change	% Change
Real Estate Rental Revenue				
Core	$4,490	$4,402	$ 88	2.0%
Non-core [1]	1,471	—	1,471	100.0%
Total Real Estate Rental Revenue	$5,961	$4,402	$ 1,559	35.4%
Real Estate Expenses				
Core	$1,133	$1,116	$ 17	1.5%
Non-core [1]	546	—	546	100.0%
Total Real Estate Expenses	$1,679	$1,116	$ 563	50.4%
Net Operating Income				
Core	$3,357	$3,286	$ 71	2.2%
Non-core [1]	925	—	925	100.0%
Total Net Operating Income	$4,282	$3,286	$ 996	30.3%

	Quarter Ended June 30,	
	2006	2005
Economic Occupancy		
Core	98.5%	98.5%
Non-core [1]	99.4%	—
Total	98.7%	98.5%

[1] Non-core properties include:

2006 acquisitions – Alexandria Professional Center, 9707 Medical Center Drive, 15001 Shady Grove Road and Plumtree

The medical office sector recognized NOI of $4.3 million in the 2006 Quarter, an increase of $1.0 million over the 2005 Quarter. This increase was primarily due to the $0.9 million (21.6% of the total NOI) contributed by the properties acquired in 2006.

Core medical office properties occupancy and rental rates were substantially the same in both the 2006 and 2005 Quarters.

Economic occupancy increased from 98.5% to 98.7% as of June 30, 2006 due to the acquisitions. Of the total medical office square footage leased, 6.9% is scheduled to expire in the next twelve months. During the quarter, 100.0% of the square footage that expired was renewed and we executed new leases for 12,000 square feet of medical office space with a 13.6% increase in rental rates.

Retail Sector

	Quarter Ended June 30,			
	2006	2005	$ Change	% Change
Real Estate Rental Revenue				
Core	$8,939	$8,132	$ 807	9.9%
Non-core [(1)]	431	—	431	100.0%
Total Real Estate Rental Revenue	$9,370	$8,132	$ 1,238	15.2%
Real Estate Expenses				
Core	$1,881	$1,787	$ 94	5.3%
Non-core [(1)]	91	—	91	100.0%
Total Real Estate Expenses	$1,972	$1,787	$ 185	10.4%
Net Operating Income				
Core	$7,058	$6,345	$ 713	11.2%
Non-core [(1)]	340	—	340	100.0%
Total Net Operating Income	$7,398	$6,345	$ 1,053	16.6%

	Quarter Ended June 30,	
	2006	2005
Economic Occupancy		
Core	99.0%	97.2%
Non-core [(1)]	61.6%	—
Total	96.1%	97.2%

(1) Non-core properties include:

2006 acquisitions – Randolph and Montrose Shopping Centers

Retail sector NOI increased in the 2006 Quarter to $7.4 million from $6.3 million in the 2005 Quarter. The acquisitions in 2006 contributed $0.3 million (4.6%) to NOI for the current quarter. The increase in core NOI of $0.7 million was due to a $0.8 million increase in revenues arising from an 8.0% increase in rental rates driven by commencement of the Harris Teeter lease at Foxchase combined with a 180 basis point increase in occupancy due to leasing activity across the portfolio. Core real estate expenses increased slightly due to higher real estate taxes.

As of June 30, 2006, 8.2% of the total retail square footage leased is scheduled to expire in the next twelve months. During the quarter, 98.0% of the square footage that expired was renewed and we executed new leases for 49,700 square feet of retail space at an average rent increase of 22.8%.

Multifamily Sector

	Quarter Ended June 30,			
	2006	2005	$ Change	% Change
Real Estate Rental Revenue				
Core/Total	$7,900	$7,580	$ 320	4.2%
Real Estate Expenses				
Core/Total	$2,957	$3,011	$ (54)	(1.8%)
Net Operating Income				
Core/Total	$4,943	$4,569	$ 374	8.2%

	Quarter Ended June 30,	
	2006	2005
Economic Occupancy		
Core/Total	90.4%	93.7%

Multifamily NOI was $0.4 million higher in the 2006 Quarter as compared to the same time period in 2005 because of a $0.3 million increase in real estate revenue and a slight decrease in real estate expenses. Revenues were higher due to a 6.5% increase in rental rates that was generally portfolio-wide, offset somewhat by a 330 basis point decrease in occupancy resulting from a large group of tenants vacating from the Ashby at McLean at the end of their diplomatic assignment and several off-line units at Bethesda Hill for planned renovations. Occupancy without the impact of the off-line units was 91.2%

Industrial Sector

	Quarter Ended June 30,			
	2006	2005	$ Change	% Change
Real Estate Rental Revenue				
Core	$7,345	$7,428	$ (83)	(1.1%)
Non-core [1]	2,038	191	1,847	n/a
Total Real Estate Rental Revenue	$9,383	$7,619	$ 1,764	23.2%
Real Estate Expenses				
Core	$1,636	$1,724	$ (88)	(5.1%)
Non-core [1]	590	27	563	n/a
Total Real Estate Expenses	$2,226	$1,751	$ 475	27.1%
Net Operating Income				
Core	$5,709	$5,704	$ 5	0.1%
Non-core [1]	1,448	164	1,284	n/a
Total Net Operating Income	$7,157	$5,868	$ 1,289	22.0%

	Quarter Ended June 30,	
	2006	2005
Economic Occupancy		
Core	92.4%	93.6%
Non-core [1]	93.4%	82.9%
Total	92.5%	93.6%

(1) Non-core properties include:

2006 acquisitions – Hampton Overlook, Hampton South and 9950 Business Parkway

2005 acquisition – Coleman Building, Albemarle Point industrial buildings

The industrial sector recognized NOI of $7.2 million in the 2006 Quarter, which was $1.3 million (22.0 %) greater than in the 2005 Quarter due to the acquisitions of 9950 Business Parkway in May 2006, Hampton Overlook and Hampton South in February 2006, Albemarle Point in July 2005 and the Coleman Building in April 2005.

Core properties NOI was flat due to a slight decrease in revenue offset by a decrease in expenses. Core revenues decreased due to a 120 basis point decrease in occupancy offset somewhat by a 2.1% increase in rental rates. This decrease in occupancy was primarily the result of a single tenant that vacated at Sully Square. As of June 30, 2006, 13.3% of the total industrial square footage leased is scheduled to expire in the next twelve months. During the 2006 Quarter, 85.1% of the square footage that expired was renewed and we executed new leases for 142,500 square feet of industrial space at an average rent increase of 12.0%.

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2006 Period Compared to the 2005 Period

The following tables of selected consolidated operating data provide the basis for our discussion of NOI in the 2006 Quarter compared to the 2005 Quarter. All amounts are in thousands except percentage amounts.

	Period Ended June 30,			
	2006	2005	$ Change	% Change
Real Estate Rental Revenue				
Core	$ 94,611	$ 90,071	$ 4,540	5.0%
Non-core [1]	9,072	1,432	7,640	n/a
Total Real Estate Rental Revenue	$103,683	$ 91,503	$12,180	13.3%
Real Estate Expenses				
Core	$ 28,612	$ 27,748	$ 864	3.1%
Non-core [1]	2,386	217	2,169	n/a
Total Real Estate Expenses	$ 30,998	$ 27,965	$ 3,033	10.8%
Net Operating Income				
Core	$ 65,999	$ 62,323	$ 3,676	5.9%
Non-core [1]	6,686	1,215	5,471	n/a
Total Net Operating Income	$ 72,685	$ 63,538	$ 9,147	14.4%
Reconciliation to Net Income				
NOI	$ 72,685	$ 63,538		
Other income	345	320		
Interest expense	(21,926)	(17,870)		
Other income from property settlement	—	504		
Depreciation and amortization	(24,893)	(23,399)		
General and administrative expenses	(7,931)	(4,324)		
Discontinued operations [2]	71	34,341		
Net Income	$ 18,351	$ 53,110		

	Period Ended June 30,	
	2006	2005
Economic Occupancy		
Core	93.5%	91.9%
Non-core [1]	93.5%	97.2%
Total	93.5%	91.9%

(1) Non-core properties include:

2006 acquisitions – Hampton Overlook, Hampton South, Alexandria Professional Building, 9707 Medical Center Drive, 15001 Shady Grove Road, Randolph Shopping Center, Montrose Shopping Center, 9950 Business Parkway and Plumtree

2005 acquisitions – Frederick Crossing, Coleman Building, Albemarle Point

(2) Discontinued operations include gain on disposals and income from operations for:

2006 held for sale – The Lexington Building

2005 disposals – Tycon Plaza II, Tycon Plaza III, 7700 Leesburg Pike and the Pepsi Distribution Center

We recognized NOI of $72.7 million in the 2006 Period, which was $9.1 million or 14.4% greater than in the 2005 Period due partly to our acquisitions in 2006 and 2005. These acquired properties contributed $6.7 million in NOI in the 2006 Period (9.2% of total NOI).

Core properties experienced a $3.7 million increase (5.9%) in NOI due to a $4.5 million increase in revenue offset somewhat by a $0.9 million increase in property expenses. Real estate revenue benefited from increased occupancy in the office and retail sectors offset somewhat by increased vacancy in the multifamily and industrial sectors, as well as increased rental rates in the retail, multifamily, office and industrial sectors. The increase in core expenses was driven by the office, retail and multifamily sectors, which contributed $0.5 million, $0.1 million and $0.2 million, respectively, to the increase as a result of higher utilities, repairs and maintenance expense, administrative expenses and real estate taxes.

Overall and core economic occupancy increased from 91.9 % in the 2005 Period to 93.5% in the 2006 Period due largely to increases in the office and retail sectors, offset somewhat by decreases in core multifamily and industrial sector occupancy. As of June 30, 2006, 11.7% of the total commercial square footage leased is scheduled to expire in the next twelve months. During the 2006 Period, 73.8% of the square footage that expired was renewed and 777,000 square feet of leases have been executed. An analysis of NOI by sector follows.

Office Sector

	Period Ended June 30,			
	2006	2005	$ Change	% Change
Real Estate Rental Revenue				
Core	$39,293	$37,174	$ 2,119	5.7%
Non-core [1]	1,091	—	1,091	100.0%
Total Real Estate Rental Revenue	$40,384	$37,174	$ 3,210	8.6%
Real Estate Expenses				
Core	$13,126	$12,649	$ 477	3.8%
Non-core [1]	312	—	312	100.0%
Total Real Estate Expenses	$13,438	$12,649	$ 789	6.2%
Net Operating Income				
Core	$26,167	$24,525	$ 1,642	6.7%
Non-core [1]	779	—	779	100.0%
Total Net Operating Income	$26,946	$24,525	$ 2,421	9.9%

	Period Ended June 30,	
	2006	2005
Economic Occupancy		
Core	92.1%	87.6%
Non-core [1]	89.9%	—
Total	92.1%	87.6%

(1) Non-core properties include:

2005 acquisitions – Albemarle Point office building

The office sector recognized NOI of $26.9 million in the 2006 Period which was $2.4 million or 9.9% higher than in the 2006 Quarter due in part to the NOI contribution of the property acquired in 2005. This property contributed $0.8 million to the increase in NOI. Core office sector NOI was $1.6 (6.7%) higher than in the comparable period in 2005 due primarily to the 450 basis point increase in occupancy and an increase in rental rates.

The core rental revenue increase was due to the 2.0% increase in rental rates and the increase in occupancy due to leasing activity at Maryland Trade Centers I and II, 1600 Wilson Boulevard and 7900 Westpark. Core real estate expenses increased 3.8% due to higher utility costs for increased consumption and increased rates from suppliers as well as higher real estate taxes.

Core economic occupancy increased to 92.1% from 87.6% due to the leasing activity discussed above. As of June 30, 2006, 13.2% of the total office square footage leased is scheduled to expire in the next 12 months. During the 2006 Period, 71.3% of the square feet that expired was renewed and we executed leases for 348,600 square feet with a 4.8% increase in rental rates.

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Medical Office Sector

	Period Ended June 30,			
	2006	2005	$ Change	% Change
Real Estate Rental Revenue				
Core	$ 9,024	$8,941	$ 83	0.9%
Non-core [(1)]	1,471	—	1,471	100.0%
Total Real Estate Rental Revenue	$10,495	$8,941	$ 1,554	17.4%
Real Estate Expenses				
Core	$ 2,343	$2,314	$ 29	1.3%
Non-core [(1)]	546	—	546	100.0%
Total Real Estate Expenses	$ 2,889	$2,314	$ 575	24.8%
Net Operating Income				
Core	$ 6,681	$6,627	$ 54	0.8%
Non-core [(1)]	925	—	925	100.0%
Total Net Operating Income	$ 7,606	$6,627	$ 979	14.8%

	Period Ended June 30,	
	2006	2005
Economic Occupancy		
Core	98.6%	98.6%
Non-core [(1)]	99.4%	—
Total	98.7%	98.6%

(1) Non-core properties include:

2006 acquisitions – Alexandria Professional Center, 9707 Medical Center Drive, 15001 Shady Grove Road and Plumtree

The medical office sector recognized $7.6 million of NOI in the 2006 Period compared to $6.6 million in the 2005 Period, an increase of 14.8%. This increase was due primarily to the acquisitions in 2006 which contributed $0.9 million or 12.2% of the total NOI.

Core medical office NOI increased $0.1 million in the 2006 Period due to higher rental revenue resulting from a slight increase in rental rates, offset somewhat by a small increase in real estate expenses for repairs and maintenance.

Core economic occupancy was 98.6% as of June 30, 2006 with a 0.4% increase in rental rates. As of June 30, 2006, 6.9% of the total medical office square footage is scheduled to expire in the next 12 months. During the 2006 Period, 92.9% of the square feet that expired was renewed and we executed leases for 19,000 square feet with a 14.5% increase in rental rates.

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Retail Sector

	Period Ended June 30,			
	2006	2005	$ Change	% Change
Real Estate Rental Revenue				
Core	$15,532	$13,969	$ 1,563	11.2%
Non-core [1]	2,757	1,241	1,516	122.2%
Total Real Estate Rental Revenue	$18,289	$15,210	$ 3,079	20.2%
Real Estate Expenses				
Core	$ 3,361	$ 3,217	$ 144	4.5%
Non-core [1]	474	188	286	152.1%
Total Real Estate Expenses	$ 3,835	$ 3,405	$ 430	12.6%
Net Operating Income				
Core	$12,171	$10,752	$ 1,419	13.2%
Non-core [1]	2,283	1,053	1,230	116.8%
Total Net Operating Income	$14,454	$11,805	$ 2,649	22.4%

	Period Ended June 30,	
	2006	2005
Economic Occupancy		
Core	99.2%	96.5%
Non-core [1]	90.6%	100.0%
Total	97.7%	96.8%

[1] Non-core properties include:

2006 acquisitions – Randolph Shopping Center and Montrose Shopping Center

2005 acquisition – Frederick Crossing

Retail sector NOI increased in the 2006 Period to $14.5 million from $11.8 million in the 2005 Period. This $2.6 million (22.4%) increase was primarily due to the $1.4 million increase in core real estate NOI and the $1.2 million increase in NOI contributed by the acquisitions in 2005 and 2006. The increase in NOI from acquired properties reflects the ownership of Frederick Crossing for the entirety of the 2006 Period (property was acquired in late March 2005) and the May 2006 acquisitions of Randolph and Montrose Shopping Centers.

Core NOI increased due to a $1.6 million increase in real estate revenue arising from an increase in rental rates due to the commencement of the Harris Teeter lease at Foxchase combined with a 270 basis point increase in occupancy due to the leasing activity across the portfolio. Core real estate expenses increased slightly due to higher real estate taxes.

Core retail occupancy increased to 99.2%% in the 2006 Period from 96.5% in the 2005 Period with an 8.3% increase in rental rates. As of June 30, 2006, 8.2% of the total retail square footage is scheduled to expire in the next 12 months. During the 2006 Period, 91.2% of the square feet that expired was renewed and we executed leases for 74,000 square feet with a 23.4% increase in rental rates.

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Multifamily Sector

	Period Ended June 30,			
	2006	2005	$ Change	% Change
Real Estate Rental Revenue				
Core/Total	$15,746	$15,038	$ 708	4.7%
Real Estate Expenses				
Core/Total	$ 6,307	$ 6,130	$ 177	2.9%
Net Operating Income				
Core/Total	$ 9,439	$ 8,908	$ 531	6.0%

	Period Ended June 30,	
	2006	2005
Economic Occupancy		
Core/Total	90.6%	93.0%

Multifamily NOI was higher in the 2006 Period compared to the same period in 2005 due to a $0.7 million increase in rental revenue offset somewhat by a $0.2 million increase in real estate expenses. Revenue was higher due to a 6.4% increase in rental rates offset slightly by a 240 basis point decrease in occupancy resulting from a large group of tenants vacating from the Ashby at McLean at the end of their diplomatic assignment and several off-line units at both Bethesda Hill and Munson Hill for planned renovations. The increase in real estate expenses was for higher repairs and maintenance expenses and utility costs, as well as increased marketing and other administrative expenses.

Industrial Sector

	Period Ended June 30,			
	2006	2005	$ Change	% Change
Real Estate Rental Revenue				
Core	$15,016	$14,949	$ 67	0.4%
Non-core [1]	3,753	191	3,562	n/a
Total Real Estate Rental Revenue	$18,769	$15,140	$ 3,629	24.0%
Real Estate Expenses				
Core	$ 3,475	$ 3,438	$ 37	1.1%
Non-core [1]	1,054	29	1,025	n/a
Total Real Estate Expenses	$ 4,529	$ 3,467	$ 1,062	30.6%
Net Operating Income				
Core	$11,541	$11,511	$ 30	0.3%
Non-core [1]	2,699	162	2,537	n/a
Total Net Operating Income	$14,240	$11,673	$ 2,567	22.0%

	Period Ended June 30,	
	2006	2005
Economic Occupancy		
Core	92.5%	94.4%
Non-core [1]	94.7%	82.9%
Total	93.0%	94.2%

[1] Non-core properties include:

2006 acquisitions – Hampton Overlook, Hampton South and 9950 Business Parkway

2005 acquisition – Coleman Building, Albemarle Point industrial buildings

The industrial sector recognized NOI of $14.2 million in the 2006 Period which was $2.6 million (22.0%) greater than in the 2005 Period due to the acquisitions in 2006 and 2005. These acquisitions contributed $2.7 million or 19.0% of the total industrial sector NOI.

Core property NOI was flat due to a slight increase in rental revenue offset almost entirely by a slight increase in real estate expenses. Core rental revenue increased due to a 2.7% rise in rental rates offset by a 190 basis point decrease in occupancy primarily due to a single tenant that vacated at Sully Square.

As of June 30, 2006, 13.3% of the total industrial square feet was scheduled to expire in the next 12 months. During the 2006 Period, 67.5% of the square feet that expired was renewed and we executed leases for 335,400 square feet with a 13.1% increase in rental rates.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are cash from our real estate operations and our unsecured credit facilities. As of June 30, 2006, we had approximately $14.0 million in cash and cash equivalents and $134.0 million available for borrowing under our unsecured credit facilities. Acquisition related borrowings during the 2006 Quarter totaled $120.5 million, including $50.5 million in May for Randolph and Montrose Shopping Centers, $27.0 million in April for Alexandria Professional Center, $21.0 million in April for 15001 Shady Grove Road, $12.0 million in May for Business Parkway, and $10.0 million in April for 9707 Medical Center Drive. An additional $24.0 million was borrowed during the quarter to fund development costs, certain capital improvements to real estate and acquisition related due diligence costs, of which $19.0 million was outstanding at June 30, 2006.

On June 6, 2006, we repaid $184.5 million outstanding on these borrowings using a portion of the proceeds from the June 2006 public offering of 2.745 million common shares of beneficial interest and the June 2006 issuance of $100.0 million five-year unsecured notes at a coupon of 5.95%.

We derive substantially all of our revenue from tenants under leases at our properties. Our operating cash flow therefore depends materially on our ability to lease our properties to tenants, the rents that we are able to charge to our tenants, and the ability of these tenants to make their rental payments.

Our primary uses of cash are to fund distributions to shareholders, to fund capital investments in our existing portfolio of operating assets, to fund new acquisitions, redevelopment and ground-up development activities and to fund operating and administrative expenses. As a REIT, we are required to distribute at least 90% of our taxable income to our shareholders on an annual basis. We also regularly require capital to invest in our existing portfolio of operating assets in connection with large-scale renovations, routine capital improvements, deferred maintenance on properties we have recently acquired, and our leasing activities, including funding tenant improvement allowances and leasing commissions. The amounts of the leasing-related expenditures can vary significantly depending on negotiations with tenants and the current competitive leasing environment.

As we review the results of the first six months and anticipate the business activity for the remainder of 2006, we expect to complete the year with significant capital requirements revised from previous estimates. For the twelve months ended December 31, 2006, total anticipated costs are as follows:

- Funding dividends on our common shares and minority interest distributions to third party unit holders;
- Approximately $42.0 million to invest in our existing portfolio of operating assets, including approximately $10.0 million to fund tenant-related capital requirements;
- Approximately $82.0 million to invest in our development projects;
- Approximately $228.0 million to fund our expected property acquisitions;
- Repayment of $50.0 million in Notes due August, 2006.

We expect to meet our capital requirements using cash generated by our real estate operations and through borrowings on our unsecured credit facilities, additional debt or equity capital raised in the public market, possible asset dispositions or funding acquisitions of properties through property-specific mortgage debt.

We believe that we will generate sufficient cash flow from operations and have access to the capital resources necessary to fund our requirements. However, as a result of general, Greater Washington-Baltimore regional, or tenant economic downturns, unfavorable changes in the supply of competing properties, or our properties not performing as expected, we may not generate sufficient cash flow from operations or otherwise have access to capital on favorable terms, or at all. If we are unable to obtain capital from other sources, we may not be able to pay the dividend required to maintain our status as a REIT, make required principal and interest payments, make strategic acquisitions, or make necessary routine capital improvements or undertake redevelopment opportunities with respect to our existing portfolio of operating assets. In addition, if a property is mortgaged to secure payment of indebtedness and we are unable to meet mortgage payments, the holder of the mortgage could foreclose on the property, resulting in loss of income and asset value.

If principal amounts due at maturity cannot be refinanced, extended or paid with proceeds of other capital transactions, such as new debt or equity capital, our cash flow may be insufficient to repay all maturing debt. Prevailing interest rates or other factors at the time of a refinancing (such as possible reluctance of lenders to make commercial real estate loans) may result in higher interest rates and increased interest expense.

Capital Structure

We manage our capital structure to reflect a long-term investment approach, generally seeking to match the cash flow of our assets with a mix of equity and various debt instruments. We expect that our capital structure will allow us to obtain additional capital from diverse sources that could include additional equity offerings of common shares, public and private debt financings and possible asset dispositions. Our ability to raise funds through the sale of debt and equity securities is dependent on, among other things, general economic conditions, general market conditions for REITs, our operating performance, our debt rating and the current trading price of our shares. We will always analyze which source of capital is most advantageous to us at any particular point in time; however, the capital markets may not consistently be available on terms that are attractive.

Debt Financing

We generally use unsecured, corporate-level debt, including unsecured notes and our unsecured credit facilities, to meet our borrowing needs. Our total debt at June 30, 2006 is summarized as follows (in thousands):

Fixed rate mortgages	$178,834
Unsecured credit facilities	19,000
Unsecured notes payable	618,662
Total debt	$816,496

The $178.8 million in fixed rate mortgages, which includes $3.5 million in unamortized premiums due to fair value adjustments associated with assumption of certain mortgages in connection with acquisitions, bore an effective weighted average interest rate of 5.9% at June 30, 2006 and had a weighted average maturity of 5.6 years.

Our primary external source of liquidity is our two revolving credit facilities. At June 30, 2006 we could borrow up to $155.0 million under these lines which bear interest at an adjustable spread over LIBOR based on our public debt rating. Credit Facility No. 1 is a three-year, $85.0 million unsecured credit facility expiring in July 2007. Credit Facility No. 2 is a three-year $70.0 million unsecured credit facility that expires in July 2008.

On April 26, 2005, we issued $50.0 million of 5.05% senior unsecured notes due May 1, 2012 and $50.0 million of 5.35% senior unsecured noted due May 1, 2015, at effective yields of 5.064% and 5.359%, respectively. We used net proceeds from the sale of the notes of $99.1 million to repay borrowings under our lines of credit totaling $90.5 million and the remainder for the acquisition of real estate and general corporate purposes.

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On October 3, 2005, we reopened our series of 5.35% senior unsecured notes due May 1, 2015 and issued an additional $100.0 million of notes at an effective yield of 5.49%. We used $93.5 million of the $98.1 million proceeds from the sale of these notes to repay borrowings under our lines of credit and the remainder for general corporate purposes.

On June 6, 2006 we issued $100.0 of 5.95% senior unsecured notes due June 15, 2011 at an effective yield of 5.961%. We used the net proceeds from the sale of the notes of $99.4 million to repay borrowings on our lines of credit.

On July 26, 2006, we raised $49.8 million through the reopening of our series of 5.95% senior unsecured notes due June 15, 2011 and the sale of an additional $50 million. The notes have an effective yield of 5.917%. We used the net proceeds to repay borrowings under our lines of credit and for general corporate purposes.

We anticipate that over the near term, interest rate fluctuations will have minimal effect on earnings. Our unsecured fixed-rate notes payable have maturities ranging from August 2006 through February 2028 (see Note 6), as follows (in thousands):

	Note Principal
7.25% notes due 2006	$ 50,000
6.74% notes due 2008	60,000
5.95% notes due 2011	100,000
5.05% notes due 2012	50,000
5.125% notes due 2013	60,000
5.25% notes due 2014	100,000
5.35% notes due 2015	150,000
7.25% notes due 2028	50,000
	$ 620,000

Our unsecured revolving credit facilities and the unsecured notes payable contain certain financial and non-financial covenants, discussed in greater detail in our 2005 10-K. Effective as of June 30, 2006, we amended our credit agreement with JP Morgan Chase Bank, N.A., successor by merger to Bank One, N.A., (Credit Facility No. 1), to revise the financial covenant ratio of the value of unencumbered assets to consolidated unsecured indebtedness (as defined in the agreement) from 1.82 to 1.67 and the ratio of consolidated total indebtedness to total capitalization (as defined in the agreement) from 55% to 60%. All of the aforementioned covenants were met as of June 30, 2006.

Dividends

We pay dividends quarterly. The maintenance of these dividends is subject to various factors, including the discretion of the Board of Trustees, the ability to pay dividends under Maryland law, the availability of cash to make the necessary dividend payments and the effect of REIT distribution requirements, which require at least 90% of our taxable income to be distributed to shareholders. Dividend and distribution payments were as follows for the 2006 and 2005 Quarters and the 2006 and 2005 Periods (in thousands):

	Quarter Ended June 30,		Period Ended June 30,	
	2006	2005	2006	2005
Common dividends	$ 18,562	$ 16,957	$ 35,540	$ 33,443
Minority interest distributions	34	33	67	65
	$ 18,596	$ 16,990	$ 35,607	$ 33,508

Dividends paid for the 2006 Quarter and Period increased as a direct result of a dividend rate increase from $0.4025 per share in June 2005 to $0.4125 per share in June 2006 as well as an increase of 2.745 million shares outstanding as a result of our equity offering on June 6, 2006.

Acquisitions and Development

As of June 30, 2006 we had acquired four medical office properties, three industrial properties and two retail centers in 2006 and one retail, one industrial, one office/industrial and one parcel for development of an office property in 2005. The purchase price of these acquisitions was $71.4 million, $34.8 million and $50.3 million, respectively for the 2006 acquisitions, and $44.8 million, $8.8 million, $66.8 million and $24.7 million, respectively for the 2005 acquisitions. All of the 2006 acquisitions were financed through borrowings on our lines of credit which were later repaid with the net proceeds of the debt and equity offerings completed in June 2006 and discussed in Note 5 – Unsecured Lines of Credit Payable and Note 6 – Notes Payable.

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The retail acquisition in 2005 was financed through the assumption of a loan in the amount of $24.3 million bearing an interest rate of 5.95% per annum, escrowed proceeds from the disposition of Tycon Plaza II, Tycon Plaza III and 7700 Leesburg Pike in February, 2005 and borrowings under Credit Facility No. 1. The industrial acquisition in 2005 was funded with escrowed proceeds from the aforementioned dispositions and through borrowings under Credit Facility No. 1 and the office/industrial acquisition in 2005 was funded with borrowings under Credit Facility No. 2 and from general corporate funds. The acquisition of the parcel for development was funded through borrowings under Credit Facility No. 2 and escrowed proceeds from the disposition of Pepsi Distribution Center in September 2005. All outstanding amounts under our credit facilities, related to the 2005 acquisitions, prior to the acquisition of the development parcel, were then paid off with the proceeds of the debt issuance in April, 2005 discussed above and the debt issuance on October 3, 2005.

As of June 30, 2006, we had funded $79.7 million, in development and land costs, on three major development projects — Rosslyn Towers, South Washington Street and Dulles Station — and one major redevelopment project at Foxchase Shopping Center. Investment during the 2006 Period on these projects totaled $23.0 million compared to $5.6 million in the 2005 Period.

On July 12, 2006 we acquired 15005 Shady Grove Road, the final property in a medical office portfolio acquisition announced on April 18, 2006. The purchase price was $22.5 million for the building in Rockville, Maryland with approximately 52,300 square feet of rentable space. The purchase was funded through a mortgage assumption and borrowings on our lines of credit

Historical Cash Flows

Consolidated cash flow information is summarized as follows (in millions):

	Period Ended June 30,		
	2006	2005	Change
Cash provided by operating activities	$ 47.6	$ 49.0	$ (1.4)
Cash (used in) provided by investing activities	$(187.9)	$ 14.2	$(202.1)
Cash provided by (used in) financing activities	$ 149.3	$(50.3)	$ 199.6

Operations generated $47.6 million of net cash in the 2006 Period compared to $49.0 million of net cash generated during the comparable period in 2005. The slight decrease in cash flow was due primarily to the timing of payment of expenses.

Our investing activities used net cash of $187.9 million in the 2006 Period compared to the $14.2 million net cash provided in the 2005 Period. This was due primarily to $147.0 million for the purchase of four medical office properties, three industrial properties and two retail centers. With those acquisitions, we assumed mortgages totaling $10.5 million and $24.3 million in the 2006 and 2005 Periods, respectively, which were non-cash acquisition costs. We also had capital improvements to real estate of $17.4 million, $2.8 million more than the 2005 Period and development costs which were $23.0 million compared to $5.6 million in the 2005 Period, for our development and redevelopment projects at Rosslyn Towers, South Washington Street, Dulles Station and Foxchase Shopping Center.

Our financing activities provided net cash of $149.3 million in the 2006 Period compared to $50.3 million used in the 2005 Period. In June, 2006 we completed a public offering of 2.745 million common shares of beneficial interest which provided $90.9 million and we issued $100.0 million five-year 5.95% unsecured notes (See Note 6 – Notes Payable) which provided $99.4 million. Using those proceeds, we repaid all of the borrowings made throughout the 2006 Period for the acquisitions described above.

RATIOS OF EARNINGS TO FIXED CHARGES AND DEBT SERVICE COVERAGE

The following table sets forth the Trust's ratios of earnings to fixed charges and debt service coverage for the periods shown:

	Quarter Ended June 30,		Period Ended June 30,	
	2006	2005	2006	2005
Earnings to fixed charges	1.6x	1.9x	1.7x	2.0x
Debt service coverage	2.6x	3.0x	2.8x	3.1x

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We computed the ratio of earnings to fixed charges by dividing earnings by fixed charges. For this purpose, earnings consist of income from continuing operations plus fixed charges, less capitalized interest. Fixed charges consist of interest expense, including amortized costs of debt issuance, plus interest costs capitalized.

We computed the debt service coverage ratio by dividing earnings before interest income and expense, depreciation, amortization and gain on sale of real estate by interest expense and principal amortization.

FUNDS FROM OPERATIONS

Funds From Operations ("FFO") is a widely used measure of operating performance for real estate companies. We provide FFO as a supplemental measure to net income calculated in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Although FFO is a widely used measure of operating performance for equity real estate investment trusts ("REITs"), FFO does not represent net income calculated in accordance with GAAP. As such, it should not be considered an alternative to net income as an indication of our operating performance. In addition, FFO does not represent cash generated from operating activities in accordance with GAAP, nor does it represent cash available to pay distributions and should not be considered as an alternative to cash flow from operating activities, determined in accordance with GAAP as a measure of our liquidity. The National Association of Real Estate Investment Trusts, Inc. ("NAREIT") defines FFO (April, 2002 White Paper) as net income (computed in accordance with GAAP) excluding gains (or losses) from sales of property plus real estate depreciation and amortization. We consider FFO to be a standard supplemental measure for REITs because it facilitates an understanding of the operating performance of our properties without giving effect to real estate depreciation and amortization, which historically assumes that the value of real estate assets diminishes predictably over time. Since real estate values have instead historically risen or fallen with market conditions, we believe that FFO more accurately provides investors an indication of our ability to incur and service debt, make capital expenditures and fund other needs. Our FFO may not be comparable to FFO reported by other REITs. These other REITs may not define the term in accordance with the current NAREIT definition or may interpret the current NAREIT definition differently.

The following table provides the calculation of our FFO and a reconciliation of FFO to net income (in thousands):

	Quarter Ended June 30,		Period Ended June 30,	
	2006	2005	2006	2005
Net income	$ 7,719	$ 10,875	$18,351	$ 53,110
Adjustments:				
Gain on property disposition	—	(1,883)	—	(33,973)
Other income from property settlement	—	(504)	—	(504)
Depreciation and amortization	12,955	12,903	24,893	23,399
Discontinued operations depreciation & amortization	35	64	66	132
FFO as defined by NAREIT	$ 20,709	$ 21,455	$43,310	$ 42,164

ITEM 3: QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT FINANCIAL MARKET RISK

The principal material financial market risk to which we are exposed is interest-rate risk. Our exposure to market risk for changes in interest rates relates primarily to refinancing long-term fixed rate obligations, the opportunity cost of fixed rate obligations in a falling interest rate environment and our variable rate lines of credit. We primarily enter into debt obligations to support general corporate purposes including acquisition of real estate properties, capital improvements and working capital needs. In the past we have used interest rate hedge agreements to hedge against rising interest rates in anticipation of imminent refinancing or new debt issuance.

Our interest rate risk has not changed significantly from what was disclosed in our 2005 Form 10-K.

ITEM 4: CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Securities Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the

SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer, Chief Financial Officer and Senior Vice President of Accounting, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer, Chief Financial Officer and Senior Vice President of Accounting, of the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2006. Based on the foregoing, our Chief Executive Officer, Chief Financial Officer and Senior Vice President of Accounting concluded that the Trust's disclosure controls and procedures were effective.

There have been no changes in the Company's internal control over financial reporting (as defined by Rule 13a-15(f)) that occurred during the period covered by the report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II
OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 1A. Risk Factors

The risks that we believe are material to our shareholders are as described in the Trust's 2005 Annual Report on Form 10-K for the year ended December 31, 2005.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

At WRIT's annual meeting of Shareholders on May 26, 2006, the following members were elected to the Board of Trustees for a period of three years:

	Affirmative Votes	Negative Votes	Non-Votes
Mr. John M. Derrick, Jr.	36,143,984	1,008,454	5,030,363
Mr. Charles T. Nason	36,559,977	592,461	5,030,363

Mr. Derrick and Mr. Nason were elected as Trustees. Trustees whose term in office continued after the meeting were Mr. Edmund B. Cronin, Jr., Mr. John P. McDaniel, Mr. David M. Osnos, Mr. Robert W. Pivik and Ms. Susan J. Williams.

The Shareholders approved a recommendation to the trustees and officers regarding increasing the number of trustees that may be elected to the Board to eleven trustees. The proposal received the following votes:

Affirmative Votes	Negative Votes	Abstain Votes	Non-Votes
35,788,434	1,041,553	322,451	5,030,363

Item 5. Other Information

None

Item 6. Exhibits

(a) Exhibits

4. Instruments Defining Rights of Security Holders

(z) Form of 5.95% Senior Notes due June 15, 2011.[1]

(aa) Officers' Certificate establishing the terms of the Notes, dated June 6, 2006[1]

(bb) Amendment to Credit Facility No 1 dated as of June 30, 2006

10. Management Contract, Plans and Arrangements
    - (p) Separation Agreement dated July 10, 2006 with Christopher P. Mundy
12. Computation of Ratios
31. Sarbanes-Oxley Act of 2002 Section 302 Certifications
    - (a) Certification – Chief Executive Officer
    - (b) Certification – Senior Vice President
    - (c) Certification – Chief Financial Officer
32. Sarbanes-Oxley Act of 2002 section 906 Certification
    - (a) Written Statement of Chief Executive Officer, Senior Vice President and Chief Financial Officer

[1] Incorporated herein by reference to Exhibits 4 .1 and 4.2, respectively to the Trust’s Form 8-K filed June 6, 2006.

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

/s/ Edmund B. Cronin, Jr.
Edmund B. Cronin, Jr.
Chairman of the Board and
Chief Executive Officer

/s/ Laura M. Franklin
Laura M. Franklin
Senior Vice President
Accounting, Administration and
Corporate Secretary

/s/ Sara L. Grootwassink
Sara L. Grootwassink
Chief Financial Officer

Date: August 8, 2006

Exhibit 4(bb)

FOURTH AMENDMENT TO CREDIT AGREEMENT

This Fourth Amendment to Credit Agreement (the "Agreement") is made as of June 30, 2006, by and among Washington Real Estate Investment Trust (the "Borrower"), JPMorgan Chase Bank, N.A., successor by merger to Bank One, NA, individually and as "Agent," and one or more existing "Lenders" shown on the signature pages hereof.

R E C I T A L S

A. Borrower, Agent and Lenders have entered into an Amended & Restated Credit Agreement dated as of July 21,2004; as amended by First Amendment to Amended and Restated Credit Agreement dated as of September 23,2004, Second Amendment to Credit Agreement dated as of November 10, 2004, and Third Amendment to Credit Agreement dated as of March 27, 2006 (as further amended, the "Credit Agreement"). All capitalized terms used herein and not otherwise defined shall have the meanings given to them in the Credit Agreement.

B. Borrower, Agent and Lenders have agreed to change certain financial covenants as set forth herein.

NOW, THEREFORE, in consideration of the foregoing Recitals and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

AGREEMENTS

1. The foregoing Recitals to this Amendment hereby are incorporated into and made part of this Amendment.

2. Section 6.21 (i) of the Credit Agreement is hereby amended by deleting the reference therein to "fifty-five percent (55%)" and replacing it with "sixty percent (60%)".

3. Section 6.21 (iii) of the Credit Agreement is hereby amended by deleting the reference therein to "1.82" and replacing it with "1.67".

4. The Borrower hereby represents and warrants that, as of the Effective Date, there is no Default or Unmatured Default, the representations and warranties contained in Article V of the Credit Agreement are true and correct in all material respects as of such date and the Borrower has no offsets or claims against any of the Lenders.

5. Except as expressly modified as provided herein, the Credit Agreement shall continue in full force and effect.

6. This Amendment may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Amendment by signing any such counterpart.

IN WITNESS WHEREOF, the parties have executed and delivered this Amendment as of the date first written above.

WASHINGTON REAL ESTATE INVESTMENT TRUST

By: /s/ Sara Grootwassink

Print Name: Sara Grootwassink
Title: Chief Financial Officer
6110 Executive Blvd.
Suite 800
Rockville, MD 20858
Phone: 301-984-9400
Facsimile: 301-984-9610
Attention: Edmund B. Cronin, Jr.

JPMORGAN CHASE BANK, N.A., successor by merger to **BANK ONE, NA,** as Agent

By: /s/ Kimberly Turner
Print Name: Kimberly Turner
Title: Vice President
277 Park Avenue
Third Floor
New York, NY 10172
Phone: (212)622-8177
Facsimile: (646)534-0574
Attention: Kimberly Turner

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Erin Peart

Print Name: Erin Peart
Title: Senior Vice President
1750 H Street NW, Suite 400
Washington, D.C. 20006
Attn: Manager, Loan Administration
Phone: 202-303-3000
Fax: 202-429-2984

Exhibit 10(p)

SEPARATION AGREEMENT AND GENERAL RELEASE

This Separation Agreement and General Release (“Agreement”), effective as of the Effective Date described in Section 10 below, is made and entered into by and between Washington Real Estate Investment Trust (“WRIT”) and Christopher P. Mundy (“Executive”).

WHEREAS, Executive has been employed by WRIT as Executive Vice President and Chief Investment Officer pursuant to an Employment Agreement between the parties dated October 3, 2005 (the “Employment Agreement”) (Unless otherwise indicated or defined, capitalized terms in this Agreement shall have the same meaning as capitalized terms in the Employment Agreement); and

WHEREAS, Executive has elected to resign for Good Reason as defined in Section 10(c) of the Employment Agreement; and

WHEREAS, the parties desire to amicably resolve all matters between them on a full and final basis;

NOW, THEREFORE, in consideration of the promises contained herein, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

1. Resignation and Return of Property: Executive’s employment with WRIT will terminate effective June 30, 2006 (the “Resignation Date”). On or before the Resignation Date, Executive will return all property of WRIT and its affiliates, and all copies, excerpts or summaries thereof, in his possession, custody or control.

2. Final Paycheck and Severance Benefits: WRIT will pay Executive for all earned but unpaid salary and vacation as of the Resignation Date. In addition, WRIT will provide Executive with the following severance benefits pursuant to Section 10(c) of the Employment Agreement: (a) a lump sum payment equal to twelve (12) months of Base Salary in the amount of $370,000; (b) payment of the mutually agreed-upon cash value of Executive’s annual 2006 Short-Term Incentives (in the amount of $327,000) and Long-Term Incentives (in the amount of $543,000); and (c) immediate vesting as of the Resignation Date of the First Share Grants (and any other Share grants) given to Executive**.** The amounts described in Sections 2(a) and (b) **w**ill be paid within then (10) days of the Effective Date as defined below, and will be less required deductions and withholdings.

3. Benefits: Executive will be eligible to continue participation in WRIT’s group health plan in accordance with and to the extent required by the federal COBRA law, provided that WRIT will pay the full COBRA cost for Executive and his dependents, if applicable, to continue coverage under WRIT’s group health insurance plan for eighteen (18) months or until Executive obtains other coverage, whichever is sooner. Except as expressly provided otherwise in this Agreement, Executive’s entitlement to, participation in, and accrual of, all other salary or benefits

from WRIT shall cease as of the Resignation Date, provided that Executive shall have such rights in such benefits as are required by law and plan documents, including without limitation, distribution of Executive's vested benefits in WRIT's pension and 401(k) plan in accordance with plan documents.

4. Releases:

A. Executive's Release: In consideration for the benefits described herein, and for other good and valuable consideration, which are of greater value than Executive would normally be entitled upon termination, Executive, on behalf of himself, his heirs, executors, administrators, agents, representatives and assigns, hereby forever releases WRIT and its parents, subsidiaries and affiliated entities (collectively "Affiliates"), and its and their officers, trustees, owners, shareholders, employees, agents, attorneys and representatives, and each of their predecessors, successors and assigns, from any and all claims, demands, suits, actions, damages, losses, expenses, charges or causes of action of any nature whatsoever, whether known or unknown, relating in any way to any act, omission, event, relationship, conduct, policy or practice arising at any time up to and including the Effective Date, including without limitation his employment with WRIT and the termination thereof (collectively "Claims"). This release includes without limitation Claims for discrimination, harassment or retaliation under the Age Discrimination in Employment Act, as amended (the ADEA), Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act, the Maryland Human Rights Act, the Montgomery County Human Rights Act, and any other Claims under all other federal, state or local laws; Claims for breach of the Employment Agreement or any other contract; Claims for wrongful discharge; Claims for emotional distress, defamation, fraud, misrepresentation or any other personal injury; Claims for unpaid compensation; Claims for or relating to benefits under any benefit plans, programs or policies; Claims for attorneys' fees and costs, Claims for reinstatement or employment; and all other Claims under any federal, state or local law or cause of action. Executive represents that he has not filed any such Claims, and he further agrees not to assert or file any such Claims or to accept any monetary relief for any Claims asserted on his behalf by any third party in the future to the fullest extent permitted by law. It is understood and agreed that this Release does not apply to claims for breach of this Agreement.

B. WRIT's Release: In consideration for the benefits described herein, and for other good and valuable consideration, WRIT and its Affiliates, on behalf of its and their officers, trustees, owners, shareholders, employees, agents, attorneys and representatives, and each of their predecessors, successors and assigns, hereby forever releases Executive, his heirs, executors, administrators, agents, representatives and assigns, from any and all Claims, except for Claims based on fraud, embezzlement or other criminal conduct by Executive. This release includes without limitation Claims for breach of the Employment Agreement or any other contract; Claims for breach of duty; Claims for emotional distress, defamation, fraud, misrepresentation or any other personal injury; Claims for overpaid compensation; Claims relating to benefit plans, programs or policies; Claims for attorneys' fees and costs; and all other Claims under any federal, state or local law or cause of action. WRIT represents that it has not filed any such Claims, and it further agrees not to assert or file any such Claims or to accept any

monetary relief for any Claims asserted on his behalf by any third party in the future to the fullest extent permitted by law. It is understood and agreed that this Release does not apply to claims for breach of this Agreement or Claims for fraud, embezzlement or other criminal conduct by Executive.

5. Confidentiality: The parties agree to keep this Agreement, the existence of this Agreement, and the terms of this Agreement strictly confidential except as required by law or as necessary to enforce or effectuate this Agreement. Executive shall not disclose the same to any third party except as necessary to his attorneys, accountants and immediate family members (and only on the condition that they maintain such confidentiality and Executive guarantees such confidentiality). WRIT shall not disclose the same to any third party except its trustees, officers, attorneys, accountants and employees responsible for effectuating the Agreement (and only on the condition that they maintain such confidentiality and WRIT guarantees such confidentiality). Notwithstanding the foregoing, WRIT also may disclose the value of the severance benefits being provided pursuant to Section 2 in various public releases issued in the normal course of its business.

6. Nondisparagement and Nonassistance: Executive agrees not to provide any disparaging information relating to WRIT or its Affiliates or its or their management, officers, directors or employees to any person or entity who is not a party to this Agreement, and he agrees not to provide any form of assistance to, or to cooperate with, any person or entity asserting or intending to assert any claim or investigation against WRIT or its Affiliates except as may be required by law or legal process. WRIT shall instruct its board, its senior management and human resources department not to provide any disparaging information relating to Executive to any person or entity who is not a party to this Agreement, and it agrees not to provide any form of assistance to, or to cooperate with, any person or entity asserting or intending to assert any claim or investigation against Executive, except as may be required by law or legal process.

7. Cooperation: Executive agrees to reasonably cooperate with WRIT upon request by answering questions and providing information about matters of which he has personal knowledge. In the event that WRIT becomes involved in any civil or criminal litigation, administrative proceeding or governmental investigation, Executive shall, upon request, provide reasonable cooperation and assistance to WRIT, including without limitation, furnishing relevant information, attending meetings and providing statements and testimony. WRIT will reimburse Executive for all reasonable and necessary expenses he incurs in complying with this Section 7.

8. Survival of Certain Terms of the Employment Agreement: Executive hereby acknowledges and confirms his commitment to complying with Section 8 of the Employment Agreement, the relevant provisions of which (i.e., Sections 8 b, c, d and e)will survive the termination of Executive's employment pursuant to their terms.

9. Miscellaneous: This Agreement represents the entire agreement of the parties, and supersedes all other agreements, discussions and understandings of the parties, concerning the

subject matter hereof. All other express or implied agreements of the parties not expressly contained or incorporated by reference herein are terminated and of no further force or effect, except for the provisions of the Employment Agreement that by their terms survive (i.e., Sections 8 b, c, d and e and Section 12). This Agreement may not be modified in any manner except in a written document signed by both parties. Should any provision of this Agreement be held to be invalid or unenforceable by a court of competent jurisdiction, it shall be deemed severed from the Agreement, and the remaining provisions of the Agreement shall continue in full force and effect, provided that, should the court determine that any provision of Section 8 of the Employment Agreement is unenforceable, the court shall modify such provision to make it valid to the maximum extent permitted by law. In the event of any litigation to enforce this Agreement, the prevailing party shall be awarded his or its reasonable attorneys' fees and costs.

10. Consultation and Consideration: Executive is advised to consult with an attorney at his own expense prior to executing this Agreement. He may have a period of up to 21 days from July 7, 2006 to consider this Agreement, but he may knowingly and voluntarily take less time to consider it. If Executive signs this Agreement, he will have seven (7) days to revoke it (the "Revocation Period"). Any notice of revocation must be in writing and received by Laura Franklin of WRIT prior to the expiration of the Revocation Period. Thus, this Agreement will not become effective or enforceable until such date that both parties sign it and the Revocation Period expires without Executive exercising his right of revocation (the "Effective Date"). If Executive signs this Agreement, he represents that he enters into it knowingly and voluntarily with full understanding of its meaning and effect.

11. Governing Law: This Agreement shall be construed exclusively in accordance with the laws of the State of Maryland, without regard to the principles of conflicts of laws therein.

12. Assignment: This Agreement shall be binding upon and shall inure to the benefit of the parties and their respective successors and assigns. Executive may not assign any right or obligation hereunder without WRIT's prior written consent. WRIT may assign its rights and obligations here under to any successor in interest.

13. Counterparts: This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and together which shall constitute one and the same instrument.

Executive has had an opportunity to carefully review and consider this Agreement with an attorney, and he has had sufficient time to consider it. After such careful consideration, he knowingly and voluntarily enters into this Agreement with full understanding of its meaning and effect.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement.

CHRISTOPER P. MUNDY	**WASHINGTON REAL ESTATE INVESTMENT TRUST**
______________________________ Signature	By: ______________________________
	Title: ______________________________
Date: ______________________________	Date: ______________________________

Exhibit 12

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

	2Q 2006	2Q 2005	YTD 2006	YTD 2005
Income from continuing operations	7,682	8,973	18,280	18,769
Additions:				
Fixed charges				
Interest expense	11,604	9,283	21,926	17,870
Capitalized interest	769	234	1,470	441
	12,373	9,517	23,396	18,311
Deductions:				
Capitalized interest	(769)	(234)	(1,470)	(441)
Adjusted earnings	19,286	18,256	40,206	36,639
Fixed Charges (from above)	12,373	9,517	23,396	18,311
Ratio of Earnings to Fixed Charges	1.56	1.92	1.72	2.00

CERTIFICATION

I, Edmund B. Cronin, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Washington Real Estate Investment Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonable likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATE: August 8, 2006

/s/ Edmund B. Cronin, Jr.
Edmund B. Cronin, Jr.
Chief Executive Officer

Exhibit 31b

CERTIFICATION

I, Laura M. Franklin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Washington Real Estate Investment Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonable likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATE: August 8, 2006

/s/ Laura M. Franklin

Laura M. Franklin
Senior Vice President
Accounting, Administration and Corporate Secretary

Exhibit 31c

CERTIFICATION

I, Sara L. Grootwassink, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Washington Real Estate Investment Trust;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonable likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATE: August 8, 2006

/s/ Sara L. Grootwassink

Sara L. Grootwassink
Chief Financial Officer

Exhibit 32a

WRITTEN STATEMENT OF
CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, the Chairman of the Board and Chief Executive Officer, the Senior Vice President Accounting, Administration and Corporate Secretary, and the Chief Financial Officer of Washington Real Estate Investment Trust (“WRIT”), each hereby certifies on the date hereof, that:

(a) the Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 on the date hereof with the Securities and Exchange Commission (the “Report”) fully complies with the requirements of Section 13 (a) or 15(d) of the Securities Exchange Act of 1934; and

(b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of WRIT.

Dated: August 8, 2006

/s/ Edmund B. Cronin, Jr.
Edmund B. Cronin, Jr.
Chairman of the Board & CEO

Dated: August 8, 2006

/s/ Laura M. Franklin
Laura M. Franklin
Senior Vice President
Accounting, Administration and Corporate Secretary

Dated: August 8, 2006

/s/ Sara L. Grootwassink
Sara L. Grootwassink
Chief Financial Officer