

# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## FORM 8-K

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### CURRENT REPORT

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

Date of Report (Date of earliest event reported) **October 22, 2009**

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## WASHINGTON REAL ESTATE INVESTMENT TRUST

(Exact name of registrant as specified in its charter)

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**Maryland**  
(State or other jurisdiction  
of incorporation)

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

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

**6110 Executive Boulevard,  
Suite 800, Rockville, Maryland**  
(Address of principal executive offices)

**20852**  
(Zip Code)

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

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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**Item 2.02 Results of Operations and Financial Condition**

and

**Item 7.01 Regulation FD Disclosure**

A press release issued by the Registrant on October 22, 2009, regarding earnings for the three and nine months ended September 30, 2009, is attached as Exhibit 99.1. Also, certain supplemental information not included in the press release is attached as Exhibit 99.2. This information is being furnished pursuant to Item 7.01 and Item 2.02 of Form 8-K. This information is not deemed to be "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934 and is not incorporated by reference into any Securities Act registration statements.

**Item 9.01 Financial Statements and Exhibits**

**(c) Exhibits**

Exhibit 99.1 Press release issued October 22, 2009 regarding earnings for the three and nine months ended September 30, 2009

Exhibit 99.2 Certain supplemental information not included in the press release



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Exhibit Index

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press Release issued October 22, 2009 regarding earnings for the three and nine months ended September 30, 2009.
99.2	Certain supplemental information not included in the press release

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**October 22, 2009****WASHINGTON REAL ESTATE INVESTMENT TRUST ANNOUNCES  
THIRD QUARTER FINANCIAL AND OPERATING RESULTS**

Washington Real Estate Investment Trust (WRIT) (NYSE: WRE) reported financial and operating results today for the quarter ended September 30, 2009:

- Net income was \$0.16 per diluted share compared to \$0.09 per diluted share in the same period one year ago. Included in the third quarter 2009 and third quarter 2008 net income are respective charges of \$0.02 and \$0.03 per diluted share from the adoption of an accounting pronouncement impacting the accounting of our 3.875% convertible notes<sup>(1)</sup>. Also included in the third quarter 2009 net income is a gain of \$0.09 per diluted share related to the sale of real estate.
- Funds From Operations (FFO)<sup>(2)</sup> was \$0.48 per diluted share compared to \$0.53 per diluted share in the same period one year ago. This difference is largely due to share dilution from our equity offerings.
- Guidance for 2009 FFO per diluted share is revised from a range of \$1.95 to \$2.15 to a range of \$1.97 to \$2.02, not including gains related to the repurchase of convertible debt which total \$0.12 per diluted share through the end of third quarter 2009.

**Capital Structure**

In the third quarter, WRIT issued 1,431,440 common shares through its Sales Agency Financing Agreement with BNY Mellon at an average offering price of \$27.70 for proceeds of approximately \$39.6 million. WRIT repurchased a total of \$12.2 million of its 3.875% convertible notes at an average discounted price of 95.6% of par for approximately \$11.7 million. Subsequent to the quarter end, WRIT repurchased an additional \$6.6 million of its convertible notes at an average discounted price of 96.8% of par for approximately \$6.4 million. Also this quarter, WRIT prepaid a \$50 million mortgage due in October 2009, unencumbering five of our multifamily assets in Virginia.

WRIT completed the sale of two properties, Tech 100 Industrial Park in Elkridge, Maryland for \$10.54 million and a net book gain of \$4.1 million, and Brandywine Center, a 35,000 square foot office property in Rockville, Maryland for \$3.3 million and a net book gain of \$1.0 million. WRIT acquired Lansdowne Medical Office Building, a newly-constructed 87,400 square foot property across the street from Inova Loudoun Hospital for \$19.9 million. The projected stabilized yield on the property is between 8.0% and 8.5%.

On September 30, 2009, WRIT paid a quarterly dividend of \$0.4325 per share for its 191st consecutive quarterly dividend at equal or increasing rates.

As of September 30, 2009, WRIT had a total market capitalization of \$2.9 billion.<sup>(6)</sup>

### Operating Results

Overall portfolio economic occupancy for the third quarter was 93.0%, compared to 91.1% in the same period one year ago and 92.9% in the second quarter of 2009. Overall portfolio Net Operating Income (NOI)<sup>(3)</sup> was \$50.0 million compared to \$47.0 million in the same period one year ago and \$51.4 million in the second quarter of 2009.

Core<sup>(4)</sup> portfolio economic occupancy for the third quarter was 92.8%, a decrease of 90 basis points (bps) from the same period one year ago and a decrease of 30 bps sequentially from the second quarter of 2009. Core portfolio NOI for the third quarter decreased 2.8% and rental rate growth was 1.3% compared to the same period one year ago.

- Multifamily properties' core NOI for the third quarter increased 2.5% compared to the same period one year ago. Rental rate growth was -0.4% while core economic occupancy decreased 10 bps to 94.6%. Sequentially, core economic occupancy increased 200 bps from the second quarter of 2009.
- Office properties' core NOI for the third quarter decreased 2.9% compared to the same period one year ago. Rental rate growth was 2.2% while core economic occupancy decreased 70 bps to 91.8%. Sequentially, core economic occupancy decreased 80 bps from the second quarter of 2009.
- Medical office properties' core NOI for the third quarter decreased 1.1% compared to the same period one year ago. Rental rate growth was 2.3% while core economic occupancy increased 20 bps to 96.0%. Sequentially, core economic occupancy increased 10 bps from the second quarter of 2009.
- Retail properties' core NOI for the third quarter decreased 5.0% compared to the same period one year ago. Rental rate growth was 0.8% while core economic occupancy decreased 40 bps to 94.0%. Sequentially, core economic occupancy decreased 100 bps from the second quarter of 2009.
- Industrial properties' core NOI for the third quarter decreased 5.5% compared to the same period one year ago. Rental rate growth was -0.1% while core economic occupancy decreased 370 bps to 89.6%. Sequentially, core economic occupancy decreased 100 bps from the second quarter of 2009.

### Leasing Activity

During the third quarter, WRIT signed commercial leases for 325,990 square feet with an average rental rate increase of 8.1% over expiring lease rates, an average lease term of 3.4 years, tenant improvement costs of \$7.65 per square foot and leasing costs of \$3.95 per square foot.

- Rental rates for new and renewed office leases increased 7.3% to \$29.06 per square foot, with \$9.62 per square foot in tenant improvement costs and \$4.93 per square foot in leasing costs.
- Rental rates for new and renewed medical office leases increased 18.8% to \$39.59 per square foot, with \$18.23 per square foot in tenant improvement costs and \$8.88 per square foot in leasing costs.
- Rental rates for new and renewed retail leases decreased 8.6% to \$21.37 per square foot, with no tenant improvement costs and \$1.64 per square foot in leasing costs.
- Rental rates for new and renewed industrial/flex leases increased 2.7% to \$8.66 per square foot, with \$0.73 per square foot in tenant improvement costs and \$0.45 per square foot in leasing costs.

Residential rental rates decreased 0.4% in the third quarter compared to the same period one year ago.

### Conference Call Information

The Conference Call for 3<sup>rd</sup> Quarter Earnings is scheduled for Friday, October 23, 2009 at 11:00 A.M. Eastern time. Conference Call access information is as follows:

USA Toll Free Number:	1-877-407-9205
International Toll Number:	1-201-689-8054
Leader:	William T. Camp

The instant replay of the Conference Call will be available until November 6, 2009 at 11:59 P.M. Eastern time. Instant replay access information is as follows:

USA Toll Free Number:	1-877-660-6853
International Toll Number:	1-201-612-7415
Account:	286
Conference ID:	333187

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

#### About WRIT

WRIT is a self-administered, self-managed, equity real estate investment trust investing in income-producing properties in the greater Washington metro region. WRIT owns a diversified portfolio of 91 properties totaling approximately 11 million square feet of commercial space and 2,536 residential units. These 91 properties consist of 27 office properties, 21 industrial/flex properties, 18 medical office properties, 14 retail centers, 11 multi-family properties and land for development. WRIT shares are publicly traded on the New York Stock Exchange (NYSE:WRE).

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

Certain statements in this press release are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements involve known and unknown risks, uncertainties, and other factors that may cause actual results to differ materially. Such risks, uncertainties and other factors include, but are not limited to, the effect of the current credit and financial market conditions, the availability and cost of capital, fluctuations in interest rates, tenants' financial conditions, the timing and pricing of lease transactions, levels of competition, the effect of government regulation, the impact of newly adopted accounting principles, changes in general and local economic and real estate market conditions, and other risks and uncertainties detailed from time to time in our filings with the SEC, including our 2008 Form 10-K, our second quarter 2009 10-Q and our Form 8-K filed July 10, 2009. We assume no obligation to update or supplement forward-looking statements that become untrue because of subsequent events.

- <sup>(1)</sup> Financial Accounting Standards Board Staff Position APB14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)* ("FSP 14-1"), requires the bifurcation of a component of our 3.875% convertible notes, classification of that component in shareholders' equity, and accretion of the resulting discount on the convertible notes to interest expense. As a result of the adoption of FSP 14-1, equity increased by \$21.0 million as of September 30, 2009 and December 31, 2008. The principal balance of our 3.875% convertible notes was reduced by \$5.2 million and \$12.0 million as of September 30, 2009 and December 31, 2008, respectively, and the unamortized balance of the related loan origination costs was reduced by \$2.1 million and \$2.7 million, respectively. The decline in principal reflects the unamortized discount balance related to the adoption of FSP 14-1. Interest expense increased \$0.8 million in the third quarter of 2009 and \$1.3 million in the third quarter of 2008 as a result of the adoption. The gain (loss) on extinguishment of debt decreased by \$0.4 million for the third quarter of 2009 as a result of the adoption.
- <sup>(2)</sup> Funds From Operations ("FFO") – The National Association of Real Estate Investment Trusts, Inc. ("NAREIT") defines FFO (April, 2002 White Paper) as net income (computed in accordance with generally accepted accounting principles ("GAAP")) excluding gains (or losses) from sales of property plus real estate depreciation and amortization. FFO is a non-GAAP measure and does not replace net income as a measure of performance or net cash provided by operating activities as a measure of liquidity. We consider FFO to be a standard supplemental measure for equity real estate investment trusts ("REITs") because it facilitates an understanding of the operating performance of our properties without giving effect to real estate depreciation and amortization, which historically assumes that the value of real estate assets diminishes predictably over time. Since real estate values have instead historically risen or fallen with market conditions, we believe that FFO more accurately provides investors an indication of our ability to incur and service debt, make capital expenditures and fund other needs.
- <sup>(3)</sup> Net Operating income ("NOI"), defined as real estate rental revenue less real estate expenses, is a non-GAAP measure. We provide NOI as a supplement to net income calculated in accordance with GAAP. As such, it should not be considered an alternative to net income as an indication of our operating performance. It is the primary performance measure we use to assess the results of our operations at the property level. NOI is calculated as net income, less non-real estate revenue and the results of discontinued operations (including the gain on sale, if any), plus interest expense, depreciation and amortization and general and administrative expenses.
- <sup>(4)</sup> For purposes of evaluating comparative operating performance, we categorize our properties as "core" or "non-core". 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 or placed into service during either of the periods being evaluated.

- (5) Funds Available for Distribution (“FAD”) is a non-GAAP measure. It is calculated by subtracting from FFO (1) recurring expenditures, tenant improvements and leasing costs that are capitalized and amortized and are necessary to maintain our properties and revenue stream and (2) straight-line rents, then adding (3) non-real estate depreciation and amortization, (4) amortization of restricted share and unit compensation, and adding or subtracting amortization of lease intangibles, as appropriate. We consider FAD to be a measure of a REIT’s ability to incur and service debt and to distribute dividends to its shareholders. FAD is a non-standardized measure and may be calculated differently by other REITs.
- (6) Total market capitalization is calculated by multiplying the total outstanding common shares at period end times the closing share price on the last trading day of the period, and then adding the book value of the total outstanding debt at period end.

**Economic Occupancy Levels by Core Properties<sup>(i)</sup> and All Properties**

Sector	Core Properties		All Properties	
	3rd QTR 2009	3rd QTR 2008	3rd QTR 2009	3rd QTR 2008
Residential	94.6%	94.7%	93.9% <sup>(ii)</sup>	85.6%
Office	91.8%	92.5%	92.3%	90.2%
Medical Office	96.0%	95.8%	96.0%	95.8%
Retail	94.0%	94.4%	94.0%	94.4%
Industrial	89.6%	93.3%	89.6%	92.9%
Overall Portfolio	92.8%	93.7%	93.0%	91.1%

- (i) Core properties include all properties that were owned for the entirety of the current and prior year reporting periods. For Q3 2009 and Q3 2008, core properties exclude:

Residential Acquisition: Kenmore Apartments;

Office Acquisition: 2445 M Street;

Medical Office Acquisition: Lansdowne Medical Office Building;

Retail Acquisitions: none;

Industrial Acquisitions: none.

Also excluded from Core Properties in Q3 2009 and Q3 2008 are Sold Properties: Avondale Apartments, Brandywine Center and Tech 100;

Held for Sale Properties: Charleston Business Center and Crossroads Distribution Center;

In Development Properties: Bennett Park, Clayborne Apartments, and Dulles Station.

- (ii) Residential occupancy for all properties reflects the completion of Bennett Park and Clayborne Apartments. At 9/30/09, 220 of 224 units were occupied at Bennett Park and 70 of 74 units were occupied at Clayborne Apartments.



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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
<b>OPERATING RESULTS</b>				
<b>Revenue</b>				
Real estate rental revenue	\$ 75,607	\$ 69,798	\$ 229,063	\$ 206,405
<b>Expenses</b>				
Real estate expenses	25,868	23,790	78,409	68,283
Depreciation and amortization	23,643	21,240	70,095	62,213
General and administrative	3,834	2,731	10,732	8,812
	<u>53,345</u>	<u>47,761</u>	<u>159,236</u>	<u>139,308</u>
Real estate operating income	22,262	22,037	69,827	67,097
<b>Other income/(expense):</b>				
Interest expense <sup>(1)</sup>	(18,224)	(18,447)	(57,221)	(56,187)
Investment income	262	338	921	796
Gain (loss) on extinguishment of debt <sup>(1)</sup>	(133)	—	6,931	(8,449)
Gain from non-disposal activities	62	17	62	17
	<u>(18,033)</u>	<u>(18,092)</u>	<u>(49,307)</u>	<u>(63,823)</u>
Income from continuing operations	4,229	3,945	20,520	3,274
<b>Discontinued operations:</b>				
Income from operations of properties held for sale	227	684	1,304	3,416
Gain on sale of real estate	5,147	—	11,821	15,275
Net income	9,603	4,629	33,645	21,965
Less: Net income attributable to noncontrolling interests in subsidiaries	(53)	(48)	(154)	(158)
Net income attributable to the controlling interests	<u>\$ 9,550</u>	<u>\$ 4,581</u>	<u>\$ 33,491</u>	<u>\$ 21,807</u>
Income from continuing operations attributable to the controlling interests	\$ 4,176	\$ 3,897	\$ 20,366	\$ 3,116
Gain from non-disposal activities	(62)	(17)	(62)	(17)
Continuing operations real estate depreciation and amortization	23,643	21,240	70,095	62,213
Funds from continuing operations	<u>\$ 27,757</u>	<u>\$ 25,120</u>	<u>\$ 90,399</u>	<u>\$ 65,312</u>
Income from discontinued operations before gain on sale	227	684	1,304	3,416
Discontinued operations real estate depreciation and amortization	46	305	404	1,054
Funds from discontinued operations	<u>273</u>	<u>989</u>	<u>1,708</u>	<u>4,470</u>
<b>Funds from operations<sup>(2)</sup></b>	<u>\$ 28,030</u>	<u>\$ 26,109</u>	<u>\$ 92,107</u>	<u>\$ 69,782</u>
Gain on extinguishment of debt	133	—	(6,931)	—
Tenant improvements	(2,272)	(1,452)	(8,065)	(8,591)
External and internal leasing commissions capitalized	(1,543)	(1,851)	(4,787)	(5,303)
Recurring capital improvements	(1,756)	(1,936)	(4,914)	(7,104)
Straight-line rents, net	(576)	(779)	(1,852)	(2,235)
Non-cash fair value interest expense	794	1,067	2,822	3,175
Non real estate depreciation & amortization of debt costs	1,122	1,262	3,518	3,778
Amortization of lease intangibles, net	(559)	(533)	(1,809)	(1,576)
Amortization and expensing of restricted share and unit compensation	1,136	706	2,640	2,121
<b>Funds available for distribution<sup>(3)</sup></b>	<u>\$ 24,509</u>	<u>\$ 22,593</u>	<u>\$ 72,729</u>	<u>\$ 54,047</u>

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

Per share data attributable to the controlling interests:	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Income from continuing operations	(Basic) \$ 0.07	\$ 0.08	\$ 0.36	\$ 0.06
	(Diluted) \$ 0.07	\$ 0.08	\$ 0.36	\$ 0.06
Net income	(Basic) \$ 0.16	\$ 0.09	\$ 0.60	\$ 0.45
	(Diluted) \$ 0.16	\$ 0.09	\$ 0.60	\$ 0.45
Funds from continuing operations	(Basic) \$ 0.47	\$ 0.51	\$ 1.61	\$ 1.36
	(Diluted) \$ 0.47	\$ 0.51	\$ 1.61	\$ 1.35
Funds from operations	(Basic) \$ 0.48	\$ 0.53	\$ 1.65	\$ 1.45
	(Diluted) \$ 0.48	\$ 0.53	\$ 1.65	\$ 1.45
Dividends paid	\$ 0.4325	\$ 0.4325	\$ 1.2975	\$ 1.2875
Weighted average shares outstanding	58,556	49,599	55,936	48,057
Fully diluted weighted average shares outstanding	58,571	49,725	55,940	48,202

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

	September 30, 2009	December 31, 2008 <sup>(7)</sup>
<b>Assets</b>		
Land	\$ 412,137	\$ 410,833
Income producing property	<u>1,890,505</u>	<u>1,854,008</u>
	2,302,642	2,264,841
Accumulated depreciation and amortization	<u>(454,407)</u>	<u>(394,902)</u>
Net income producing property	1,848,235	1,869,939
Development in progress	<u>24,611</u>	<u>23,732</u>
Total real estate held for investment, net	1,872,846	1,893,671
Investment in real estate sold or held for sale	6,277	26,734
Cash and cash equivalents	7,119	11,874
Restricted cash	18,072	18,823
Rents and other receivables, net of allowance for doubtful accounts of \$6,347 and \$6,122	49,109	44,675
Prepaid expenses and other assets <sup>(1)</sup>	104,421	112,284
Other assets related to property sold or held for sale	<u>553</u>	<u>1,346</u>
Total assets	<u>\$ 2,058,397</u>	<u>\$ 2,109,407</u>
<b>Liabilities</b>		
Notes payable <sup>(1)</sup>	\$ 796,064	\$ 890,679
Mortgage notes payable	406,377	421,286
Lines of credit	6,000	67,000
Accounts payable and other liabilities	64,462	70,538
Advance rents	9,792	8,926
Tenant security deposits	10,021	10,084
Other liabilities related to property sold or held for sale	<u>112</u>	<u>469</u>
Total liabilities	<u>\$ 1,292,828</u>	<u>\$ 1,468,982</u>
<b>Shareholders' equity</b>		
Shares of beneficial interest, \$0.01 par value; 100,000 shares authorized; 59,724 and 52,434 shares issued and outstanding, respectively	598	526
Additional paid-in capital <sup>(1)</sup>	942,884	777,375
Distributions in excess of net income	(179,639)	(138,936)
Accumulated other comprehensive income	<u>(2,080)</u>	<u>(2,335)</u>
Total shareholders' equity	761,763	636,630
Noncontrolling interests in subsidiaries	<u>3,806</u>	<u>3,795</u>
Total equity	765,569	640,425
Total liabilities and equity	<u>\$ 2,058,397</u>	<u>\$ 2,109,407</u>

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

<sup>(7)</sup> As adjusted (see Current Report on Form 8-K filed on July 10, 2009)

The following tables contain reconciliations of net income to core net operating income for the periods presented:

Three months ended September 30, 2009	Multifamily	Office	Medical Office	Retail	Industrial	Total
Core net operating income <sup>(4)</sup>	\$ 4,927	\$17,872	\$7,347	\$7,665	\$ 6,562	\$ 44,373
Add: Net operating income from non-core properties <sup>(4)</sup>	1,942	3,504	(80)	—	—	5,366
Total net operating income <sup>(3)</sup>	\$ 6,869	\$21,376	\$7,267	\$7,665	\$ 6,562	\$ 49,739
Add/(deduct):						
Other income						262
Other income - gain						62
Interest expense						(18,224)
Gain (loss) on extinguishment of debt						(133)
Depreciation and amortization expense						(23,643)
General and administrative expenses						(3,834)
Income from operations of properties held for sale						227
Gain on sale of real estate						5,147
Net income						\$ 9,603
Less: Net income attributable to noncontrolling interests in subsidiaries						(53)
Net income attributable to the controlling interests						\$ 9,550

Three months ended September 30, 2008	Multifamily	Office	Medical Office	Retail	Industrial	Total
Core net operating income <sup>(4)</sup>	\$ 4,809	\$18,409	\$7,425	\$8,071	\$ 6,941	\$ 45,655
Add: Net operating income from non-core properties <sup>(4)</sup>	510	(157)	—	—	—	353
Total net operating income <sup>(3)</sup>	\$ 5,319	\$18,252	\$7,425	\$8,071	\$ 6,941	\$ 46,008
Add/(deduct):						
Other income						338
Other income - gain						17
Interest expense						(18,447)
Depreciation and amortization expense						(21,240)
General and administrative expenses						(2,731)
Income from operations of properties held for sale						684
Net income						\$ 4,629
Less: Net income attributable to noncontrolling interests in subsidiaries						(48)
Net income attributable to the controlling interests						\$ 4,581

The following tables contain reconciliations of net income to core net operating income for the periods presented:

Nine months ended September 30, 2009	Multifamily	Office	Medical Office	Retail	Industrial	Total
Core net operating income <sup>(4)</sup>	\$ 14,595	\$54,130	\$22,163	\$23,040	\$ 19,660	\$ 133,588
Add: Net operating income from non-core properties <sup>(4)</sup>	5,462	10,660	123	—	821	17,066
Total net operating income <sup>(3)</sup>	\$ 20,057	\$64,790	\$22,286	\$23,040	\$ 20,481	\$ 150,654
Add/(deduct):						
Other income						921
Other income - gain						62
Interest expense						(57,221)
Gain (loss) on extinguishment of debt						6,931
Depreciation and amortization expense						(70,095)
General and administrative expenses						(10,732)
Income from operations of properties held for sale						1,304
Gain on sale of real estate						11,821
Net income						\$ 33,645
Less: Net income attributable to noncontrolling interests in subsidiaries						(154)
Net income attributable to the controlling interests						\$ 33,491
Nine months ended September 30, 2008	Multifamily	Office	Medical Office	Retail	Industrial	Total
Core net operating income <sup>(4)</sup>	\$ 14,118	\$56,582	\$21,979	\$24,375	\$ 20,724	\$ 137,778
Add: Net operating income from non-core properties <sup>(4)</sup>	152	(467)	99	—	560	344
Total net operating income <sup>(3)</sup>	\$ 14,270	\$56,115	\$22,078	\$24,375	\$ 21,284	\$ 138,122
Add/(deduct):						
Other income						796
Other income - gain						17
Interest expense						(56,187)
Gain (loss) on extinguishment of debt						(8,449)
Depreciation and amortization expense						(62,213)
General and administrative expenses						(8,812)
Income from operations of properties held for sale						3,416
Gain on sale of real estate						15,275
Net income						\$ 21,965
Less: Net income attributable to noncontrolling interests in subsidiaries						(158)
Net income attributable to the controlling interests						\$ 21,807

**WRIT** WASHINGTON  
REAL ESTATE  
INVESTMENT  
TRUST



**Third Quarter 2009  
Supplemental Operating and Financial Data**

*for the Quarter Ended September 30, 2009*

Contact:  
Bill Camp  
Executive Vice President and  
Chief Financial Officer  
E-mail: [bcamp@writ.com](mailto:bcamp@writ.com)

6110 Executive Boulevard  
Suite 800  
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(301) 984-9610 fax

**Company Background and Highlights  
Third Quarter 2009**

Washington Real Estate Investment Trust (the "Company") is a self-administered, self-managed, equity real estate investment trust investing in income-producing properties in the greater Washington metro region. WRIT is diversified, as it invests in office, industrial/flex, medical office, retail, and multifamily properties and land for development.

In the third quarter, WRIT focused on deleveraging its balance sheet and improving its property portfolio. WRIT raised nearly \$40 million of equity, repurchased convertible notes, prepaid a \$50 million five property mortgage, disposed of two Class B office and industrial properties and acquired a Class A medical office building. WRIT also announced its 191st consecutive quarterly dividend at equal or increasing rates. WRIT issued 1,431,440 common shares through its Sales Agency Financing Agreement with BNY Mellon at an average price of \$27.70 for proceeds of \$39.6 million. WRIT repurchased a total of \$12.2 million of its 3.875% convertible notes at an average discounted price of 95.6% of par for approximately \$11.7 million. Subsequent to quarter end, WRIT repurchased an additional \$6.6 million of its convertible notes at an average discounted price of 96.8% of par for approximately \$6.4 million.

On July 1, WRIT used cash on hand to prepay a \$50 million mortgage due in October 2009, unencumbering five multifamily properties in Northern Virginia. During the quarter, WRIT reduced the outstanding balance on its lines of credit by \$9 million. The outstanding line balance as of September 30 is \$6 million.

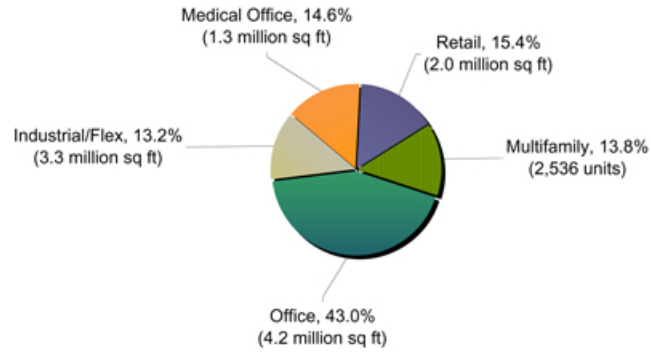
WRIT completed the sale of Tech 100 Industrial Park in Elkridge, Maryland for \$10.54 million, achieving a net book gain of \$4.1 million on the 166,000 square foot property. WRIT also completed the sale of Brandywine Center, a 35,000 square foot office property in Rockville, Maryland for \$3.3 million and a net book gain of \$1.0 million. In August, WRIT acquired Lansdowne Medical Office Building for \$19.9 million. The newly constructed medical office property measures 87,400 square feet and is well-located across the street from Inova Loudoun Hospital in Leesburg, Virginia. WRIT expects to achieve a stabilized yield between 8.0% and 8.5% on the acquisition.

In the third quarter, WRIT executed 325,990 square feet of commercial lease transactions with an average lease term of 3.4 years. The average rental rate increase on new and renewal leases in the commercial portfolio was 8.1% on a GAAP basis and -2.0% on a cash basis, and commercial tenant improvements averaged \$7.65 per square foot for the quarter. Residential rental rates decreased 0.4%.

As of September 30, 2009, WRIT owned a diversified portfolio of 91 properties totaling approximately 11 million square feet of commercial space and 2,536 residential units. These 91 properties consist of 27 office properties, 21 industrial/flex properties, 18 medical office properties, 14 retail centers, 11 multi-family properties and land for development. WRIT shares are publicly traded on the New York Stock Exchange (NYSE:WRE).

***Net Operating Income Contribution by Sector—Third Quarter 2009\****

With investments in the multifamily, retail, industrial/flex, office and medical office segments, WRIT is uniquely diversified. This balanced portfolio provides stability during market fluctuations in specific property types.



\*Excludes discontinued operations:

- Sold Properties: Brandywine Center, Tech 100 and Avondale Apartments
- Held for Sale Properties: Charleston Business Center and Crossroads Distribution Center

Certain statements in the supplemental disclosures which follow are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements involve known and unknown risks, uncertainties, and other factors that may cause actual results to differ materially. Such risks, uncertainties and other factors include, but are not limited to, the effect of the current credit and financial market conditions, the availability and cost of capital, fluctuations in interest rates, tenants’ financial conditions, the timing and pricing of lease transactions, levels of competition, the effect of government regulation, the impact of newly adopted accounting principles, changes in general and local economic and real estate market conditions, and other risks and uncertainties detailed from time to time in our filings with the SEC, including our 2008 Form 10-K, our second quarter 2009 10-Q and our Form 8-K filed July 10, 2009. We assume no obligation to update or supplement forward-looking statements that become untrue because of subsequent events.



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

OPERATING RESULTS	Three Months Ended				
	09/30/09	06/30/09	03/31/09	12/31/08	09/30/08
Real estate rental revenue	\$ 75,607	\$ 76,262	\$ 77,194	\$ 72,286	\$ 69,798
Real estate expenses	(25,868)	(25,357)	(27,184)	(25,216)	(23,790)
	49,739	50,905	50,010	47,070	46,008
Real estate depreciation and amortization	(23,643)	(23,339)	(23,113)	(23,446)	(21,240)
Income from real estate	26,096	27,566	26,897	23,624	24,768
Other income	262	339	320	277	338
Gain from non-disposal activities	62	—	—	—	17
Gain (loss) on extinguishment of debt	(133)	1,219	5,845	2,866	—
Interest expense	(18,224)	(19,316)	(19,681)	(18,854)	(18,447)
General and administrative	(3,834)	(3,716)	(3,182)	(3,297)	(2,731)
Income from continuing operations	4,229	6,092	10,199	4,616	3,945
Discontinued operations:					
Income from operations of properties held for sale	227	376	701	712	684
Gain on sale of real estate	5,147	6,674	—	—	—
Income from discontinued operations	5,374	7,050	701	712	684
Net income	9,603	13,142	10,900	5,328	4,629
Less: Net income from noncontrolling interests	(53)	(52)	(49)	(53)	(48)
Net income attributable to the controlling interests	<u>\$ 9,550</u>	<u>\$ 13,090</u>	<u>\$ 10,851</u>	<u>\$ 5,275</u>	<u>\$ 4,581</u>
<b>Per Share Data</b>					
Net income attributable to the controlling interests	\$ 0.16	\$ 0.23	\$ 0.20	\$ 0.10	\$ 0.09
Fully diluted weighted average shares outstanding	58,571	56,277	52,915	52,387	49,725
<b>Percentage of Revenues:</b>					
Real estate expenses	34.2%	33.2%	35.2%	34.9%	34.1%
General and administrative	5.1%	4.9%	4.1%	4.6%	3.9%
<b>Ratios:</b>					
EBITDA / Interest expense	2.5 x	2.5 x	2.7 x	2.5 x	2.4 x
Income from continuing operations attributable to the controlling interest/Total real estate revenue	5.5%	7.9%	13.1%	6.3%	5.6%
Net income attributable to the controlling interest/Total real estate revenue	12.6%	17.2%	14.1%	7.3%	6.6%

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

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

	September 30, 2009	June 30, 2009	March 31, 2009	December 31, 2008	September 30, 2008
<b>Assets</b>					
Land	\$ 412,137	\$ 410,829	\$ 410,833	\$ 410,833	\$ 362,627
Income producing property	1,890,505	1,866,520	1,858,293	1,854,008	1,736,761
	2,302,642	2,277,349	2,269,126	2,264,841	2,099,388
Accumulated depreciation and amortization	(454,407)	(434,395)	(414,543)	(394,902)	(375,793)
Net income producing property	1,848,235	1,842,954	1,854,583	1,869,939	1,723,595
Development in progress, including land held for development	24,611	24,140	23,678	23,732	23,545
Total real estate held for investment, net	1,872,846	1,867,094	1,878,261	1,893,671	1,747,140
Investment in real estate held for sale, net	6,277	13,879	26,563	26,734	26,728
Cash and cash equivalents	7,119	58,446	9,685	11,874	7,813
Restricted cash	18,072	21,038	19,343	18,823	47,074
Rents and other receivables, net of allowance for doubtful accounts	49,109	48,777	46,753	44,675	37,374
Prepaid expenses and other assets	104,421	100,629	105,364	112,284	101,180
Other assets related to properties sold or held for sale	553	949	1,204	1,346	1,467
Total assets	<u>\$ 2,058,397</u>	<u>\$2,110,812</u>	<u>\$2,087,173</u>	<u>\$2,109,407</u>	<u>\$ 1,968,776</u>
<b>Liabilities and Equity</b>					
Notes payable	\$ 796,064	\$ 807,128	\$ 845,364	\$ 890,679	\$ 904,753
Mortgage notes payable	406,377	457,238	458,084	421,286	330,569
Lines of credit/short-term note payable	6,000	15,000	48,000	67,000	47,000
Accounts payable and other liabilities	64,462	70,979	71,571	70,538	65,669
Advance rents	9,792	9,388	9,034	8,926	9,189
Tenant security deposits	10,021	10,014	10,043	10,084	9,996
Other liabilities related to properties sold or held for sale	112	310	445	469	507
Total Liabilities	<u>1,292,828</u>	<u>1,370,057</u>	<u>1,442,541</u>	<u>1,468,982</u>	<u>1,367,683</u>
<b>Equity</b>					
Shares of beneficial interest, \$0.01 par value; 100,000 shares authorized	598	584	531	526	508
Additional paid-in capital	942,884	901,603	793,441	777,375	717,919
Distributions in excess of net income	(179,639)	(163,425)	(151,172)	(138,936)	(121,400)
Accumulated other comprehensive income (loss)	(2,080)	(1,808)	(1,963)	(2,335)	276
Total shareholders' equity	761,763	736,954	640,837	636,630	597,303
Noncontrolling interests in subsidiaries	3,806	3,801	3,795	3,795	3,790
Total equity	<u>765,569</u>	<u>740,755</u>	<u>644,632</u>	<u>640,425</u>	<u>601,093</u>
Total liabilities and equity	<u>\$ 2,058,397</u>	<u>\$2,110,812</u>	<u>\$2,087,173</u>	<u>\$2,109,407</u>	<u>\$ 1,968,776</u>
Total Debt / Total Market Capitalization	<u>0.41:1</u>	<u>0.50:1</u>	<u>0.60:1</u>	<u>0.48:1</u>	<u>0.41:1</u>

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

**Funds From Operations and Funds Available for Distribution**  
(In thousands, except per share data)  
(unaudited)

	Three Months Ended				
	9/30/2009	6/30/2009	3/31/2009	12/31/2008	9/30/2008
<b>Funds from operations<sup>(1)</sup></b>					
Net income (loss) attributable to the controlling interests	\$ 9,550	\$13,090	\$10,851	\$ 5,275	\$ 4,581
Real estate depreciation and amortization	23,643	23,339	23,113	23,446	21,240
Gain from non-disposal activities	(62)	—	—	—	(17)
Discontinued operations:					
Gain on sale of real estate	(5,147)	(6,674)	—	—	—
Real estate depreciation and amortization	46	169	189	184	305
Funds From Operations (FFO)	<u>\$28,030</u>	<u>\$29,924</u>	<u>\$34,153</u>	<u>\$ 28,905</u>	<u>\$26,109</u>
FFO per share - basic	\$ 0.48	\$ 0.53	\$ 0.65	\$ 0.55	\$ 0.53
FFO per share - fully diluted	\$ 0.48	\$ 0.53	\$ 0.65	\$ 0.55	\$ 0.53
FFO per share - fully diluted, excluding gain (loss) on extinguishment of debt	\$ 0.48	\$ 0.51	\$ 0.53	\$ 0.50	\$ 0.53
<b>Funds available for distribution<sup>(2)</sup></b>					
Less: Gain on extinguishment of debt	133	(1,219)	(5,845)	(2,866)	—
Tenant improvements	(2,272)	(4,727)	(1,066)	(2,759)	(1,452)
External and internal leasing commissions capitalized	(1,543)	(2,186)	(1,058)	(1,184)	(1,851)
Recurring capital improvements	(1,756)	(1,984)	(1,174)	(2,688)	(1,936)
Straight-line rent, net	(576)	(612)	(664)	(517)	(779)
Non-cash fair value interest expense	794	900	1,128	266	1,067
Non-real estate depreciation and amortization	1,122	1,177	1,219	1,261	1,262
Amortization of lease intangibles, net	(559)	(654)	(597)	(47)	(533)
Amortization and expensing of restricted share and unit compensation	1,136	927	577	417	706
Funds Available for Distribution (FAD)	<u>\$24,509</u>	<u>\$21,546</u>	<u>\$26,673</u>	<u>\$ 20,788</u>	<u>\$22,593</u>
Total Dividends Paid	\$25,591	\$25,193	\$22,923	\$ 22,666	\$21,533
Average shares - basic	58,556	56,276	52,914	52,358	49,599
Average shares - fully diluted	58,571	56,277	52,915	52,387	49,725

<sup>(1)</sup> Funds From Operations (“FFO”) – The National Association of Real Estate Investment Trusts, Inc. (“NAREIT”) defines FFO (April, 2002 White Paper) as net income (computed in accordance with generally accepted accounting principles (“GAAP”)) excluding gains (or losses) from sales of property plus real estate depreciation and amortization. We consider FFO to be a standard supplemental measure for equity real estate investment trusts (“REITs”) because it facilitates an understanding of the operating performance of our properties without giving effect to real estate depreciation and amortization, which historically assumes that the value of real estate assets diminishes predictably over time. Since real estate values have instead historically risen or fallen with market conditions, we believe that FFO more accurately provides investors an indication of our ability to incur and service debt, make capital expenditures and fund other needs. FFO is a non-GAAP measure.

<sup>(2)</sup> Funds Available for Distribution (“FAD”) is calculated by subtracting from FFO (1) recurring expenditures, tenant improvements and leasing costs, that are capitalized and amortized and are necessary to maintain our properties and revenue stream and (2) straight line rents, then adding (3) non-real estate depreciation and amortization and adding or subtracting the amortization of lease intangibles as appropriate. FAD is included herein, because we consider it to be a measure of a REIT’s ability to incur and service debt and to distribute dividends to its shareholders. FAD is a non-GAAP and non-standardized measure, and may be calculated differently by other REITs.

**Earnings Before Interest Taxes Depreciation and Amortization (EBITDA)**  
(In thousands)  
(unaudited)

	Three Months Ended				
	09/30/09	06/30/09	03/31/09	12/31/08	09/30/08
<b>EBITDA<sup>(1)</sup></b>					
Net income attributable to the controlling interests	\$ 9,550	\$13,090	\$10,851	\$ 5,275	\$ 4,581
Add:					
Interest expense	18,224	19,316	19,681	18,854	18,447
Real estate depreciation and amortization	23,689	23,508	23,302	23,630	21,545
Non-real estate depreciation	293	306	305	315	299
Less:					
Gain on sale of real estate	(5,147)	(6,674)	—	—	—
Gain from non-disposal activities	(62)	—	—	—	(17)
Other income	(262)	(339)	(320)	(277)	(338)
<b>EBITDA</b>	<b>\$46,285</b>	<b>\$49,207</b>	<b>\$53,819</b>	<b>\$47,797</b>	<b>\$44,517</b>

<sup>(1)</sup> EBITDA is earnings before interest, taxes, depreciation and amortization. We consider EBITDA to be an appropriate supplemental performance measure because it eliminates depreciation, interest and the gain (loss) from property dispositions, which permits investors to view income from operations without the effect of non-cash depreciation or the cost of debt. EBITDA is a non-GAAP measure.

**Long-Term Debt Analysis**  
(In thousands, except per share amounts)

	September 30, 2009	June 30, 2009	March 31, 2009	December 31, 2008	September 30, 2008
<b>Balances Outstanding</b>					
<b>Secured</b>					
Conventional fixed rate	\$ 406,377 <sup>(1)</sup>	\$ 457,238 <sup>(1)</sup>	\$ 458,084 <sup>(1)</sup>	\$ 421,286 <sup>(1)</sup>	\$ 330,569
Secured total	<u>406,377</u>	<u>457,238</u>	<u>458,084</u>	<u>421,286</u>	<u>330,569</u>
<b>Unsecured</b>					
Fixed rate bonds and notes	796,064	807,128	845,364	890,679	904,753
Credit facility	6,000	15,000	48,000	67,000	47,000
Unsecured total	<u>802,064</u>	<u>822,128</u>	<u>893,364</u>	<u>957,679</u>	<u>951,753</u>
Total	<u>\$ 1,208,441</u>	<u>\$ 1,279,366</u>	<u>\$ 1,351,448</u>	<u>\$ 1,378,965</u>	<u>\$ 1,282,322</u>

**Average Interest Rates**

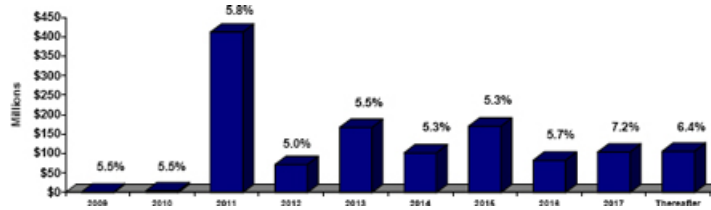
<b>Secured</b>					
Conventional fixed rate	5.9% <sup>(1)</sup>	6.0% <sup>(1)</sup>	6.0% <sup>(1)</sup>	6.1% <sup>(1)</sup>	5.8%
Secured total	<u>5.9%</u>	<u>6.0%</u>	<u>6.0%</u>	<u>6.1%</u>	<u>5.8%</u>
<b>Unsecured</b>					
Fixed rate bonds	5.7%	5.7%	5.6%	5.6%	5.6%
Credit facilities	0.7%	0.7%	0.9%	1.5%	2.9%
Unsecured total	<u>5.7%</u>	<u>5.6%</u>	<u>5.3%</u>	<u>5.3%</u>	<u>5.4%</u>
Average	<u>5.7%</u>	<u>5.8%</u>	<u>5.6%</u>	<u>5.5%</u>	<u>5.5%</u>

Note: The current balances outstanding of the secured and unsecured fixed rate bonds and notes are shown net of discounts/premiums in the amount of \$7,584,608 and \$6,344,398, respectively.

<sup>(1)</sup> Includes the impact of the \$101.9 million loan with an interest rate of 5.619% per annum assumed with the purchase of 2445 M Street during the fourth quarter of 2008. In purchase accounting, the loan was recorded at its fair value of \$91.7 million. The combined interest and discount amortization give the loan a fair value interest rate of 7.25%.

**Long-Term Debt Analysis**  
(In thousands, except per share amounts)  
*Continued from previous page*

**Debt Maturity Schedule**  
**Annual Expirations and Weighted Average Interest Rates**



Year	Future Maturities of Debt				Average Interest Rate
	Secured Debt	Unsecured Debt	Credit Facilities	Total Debt	
2009	\$ 1,153	\$ —	\$ —	\$ 1,153	5.5%
2010	4,458	—	—	4,458	5.5%
2011	13,788	392,408 <sup>(1)</sup>	6,000	412,196	5.8%
2012	21,823	50,000	—	71,823	5.0%
2013	107,123	60,000	—	167,123	5.5%
2014	2,038	100,000	—	102,038	5.3%
2015	20,595	150,000	—	170,595	5.3%
2016	82,866	—	—	82,866	5.7%
2017	103,816	—	—	103,816	7.2%
Thereafter	56,302 <sup>(2)</sup>	50,000	—	106,302	6.4%
<b>Total maturities</b>	<b>\$ 413,962</b>	<b>\$ 802,408</b>	<b>\$ 6,000</b>	<b>\$1,222,370</b>	<b>5.7%</b>

Weighted average maturity = 5.1 years

<sup>(1)</sup> The 3.875% convertible notes due 2026 in the aggregate principal amount of \$142.4 million are puttable at par in September, 2011. Due to the probability that the convertible notes will be paid off in September, 2011, that date is reflected in the future maturities schedule.

<sup>(2)</sup> The 5.82% mortgage note payable maturing in August, 2033 in the aggregate principal amount of \$22.0 million may be repaid without penalty on August 11, 2010. Due to the probability that the mortgage note will not be paid off on August 11, 2010, the date reflected in the future maturities schedule is August, 2033.

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

	September 30, 2009	June 30, 2009	March 31, 2009	December 31, 2008	September 30, 2008
<b>Market Data</b>					
Shares Outstanding	59,724	58,250	53,000	52,434	50,661
Market Price per Share	\$ 28.80	\$ 22.37	\$ 17.30	\$ 28.30	\$ 36.63
Equity Market Capitalization	\$ 1,720,051	\$ 1,303,053	\$ 916,900	\$ 1,483,882	\$ 1,855,712
Total Debt	\$ 1,208,441	\$ 1,279,366	\$ 1,351,448	\$ 1,378,965	\$ 1,282,322
Total Market Capitalization	\$ 2,928,492	\$ 2,582,419	\$ 2,268,348	\$ 2,862,847	\$ 3,138,034
Total Debt to Market Capitalization	<u>0.41:1</u>	<u>0.50:1</u>	<u>0.60:1</u>	<u>0.48:1</u>	<u>0.41:1</u>
Earnings to Fixed Charges <sup>(1)</sup>	1.2x	1.3x	1.5x	1.2x	1.2x
Debt Service Coverage Ratio <sup>(2)</sup>	2.4x	2.4x	2.6x	2.4x	2.3x
<b>Dividend Data</b>					
Total Dividends Paid	\$ 25,591	\$ 25,193	\$ 22,923	\$ 22,666	\$ 21,533
Common Dividend per Share	\$ 0.4325	\$ 0.4325	\$ 0.4325	\$ 0.4325	\$ 0.4325
Payout Ratio (FFO per share basis)	90.1%	81.6%	66.5%	78.6%	81.6%

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

<sup>(2)</sup> Debt service coverage ratio is computed by dividing earnings before interest income and expense, depreciation, amortization and gain on sale of real estate by interest expense and principal amortization.



**Core Portfolio Net Operating Income (NOI) Growth & Rental Rate Growth  
2009 vs. 2008**

**Cash Basis**

Sector	Third Quarter <sup>(1)</sup>	
	NOI Growth	Rental Rate Growth
Multifamily	2.4%	-0.4%
Office Buildings	-2.6%	2.5%
Medical Office Buildings	0.9%	2.8%
Retail Centers	-1.2%	1.7%
Industrial / Flex Properties	-4.4%	0.9%
<b>Overall Core Portfolio</b>	<b>-1.5%</b>	<b>1.8%</b>

**GAAP Basis**

Sector	Third Quarter <sup>(1)</sup>	
	NOI Growth	Rental Rate Growth
Multifamily	2.5%	-0.4%
Office Buildings	-2.9%	2.2%
Medical Office Buildings	-1.1%	2.3%
Retail Centers	-5.0%	0.8%
Industrial / Flex Properties	-5.5%	-0.1%
<b>Overall Core Portfolio</b>	<b>-2.8%</b>	<b>1.3%</b>

<sup>1</sup> Non-core properties were:  
 Acquisitions - Kenmore Apartments, 2445 M Street and Lansdowne Medical Office Building.  
 Sold properties - Avondale, Tech 100 and Brandywine Center.  
 Held for sale properties - Charleston Business Center and Crossroads Distribution Center.  
 In development - Bennett Park, Clayborne Apartments and Dulles Station.

**Core Portfolio Net Operating Income (NOI) Summary**  
(In thousands)

	Three Months Ended September 30,		
	2009	2008	% Change
<b>Cash Basis:</b>			
Multifamily	\$ 4,919	\$ 4,805	2.4%
Office Buildings	17,482	17,943	-2.6%
Medical Office Buildings	7,126	7,060	0.9%
Retail Centers	7,500	7,593	-1.2%
Industrial/Flex	6,563	6,865	-4.4%
	<u>\$ 43,590</u>	<u>\$ 44,266</u>	<u>-1.5%</u>
<b>GAAP Basis:</b>			
Multifamily	\$ 4,927	\$ 4,809	2.5%
Office Buildings	17,872	18,409	-2.9%
Medical Office Buildings	7,347	7,425	-1.1%
Retail Centers	7,665	8,071	-5.0%
Industrial/Flex	6,562	6,941	-5.5%
	<u>\$ 44,373</u>	<u>\$ 45,655</u>	<u>-2.8%</u>

**Core Portfolio Net Operating Income (NOI) Detail**  
(In thousands)

	Three Months Ended September 30, 2009						Total
	Multifamily	Office	Medical Office	Retail	Industrial	Corporate and Other	
<b>Real estate rental revenue</b>							
Core Portfolio	\$ 8,293	\$ 28,148	\$ 11,099	\$ 10,182	\$ 8,961	\$ —	\$ 66,683
Non-core - acquired and in development <sup>1</sup>	3,540	5,384	—	—	—	—	8,924
<b>Total</b>	<b>11,833</b>	<b>33,532</b>	<b>11,099</b>	<b>10,182</b>	<b>8,961</b>	<b>—</b>	<b>75,607</b>
<b>Real estate expenses</b>							
Core Portfolio	3,366	10,276	3,752	2,517	2,399	—	22,310
Non-core - acquired and in development <sup>1</sup>	1,598	1,880	80	—	—	—	3,558
<b>Total</b>	<b>4,964</b>	<b>12,156</b>	<b>3,832</b>	<b>2,517</b>	<b>2,399</b>	<b>—</b>	<b>25,868</b>
<b>Net Operating Income (NOI)</b>							
Core Portfolio	4,927	17,872	7,347	7,665	6,562	—	44,373
Non-core - acquired and in development <sup>1</sup>	1,942	3,504	(80)	—	—	—	5,366
<b>Total</b>	<b>\$ 6,869</b>	<b>\$ 21,376</b>	<b>\$ 7,267</b>	<b>\$ 7,665</b>	<b>\$ 6,562</b>	<b>\$ —</b>	<b>\$ 49,739</b>
<b>Core Portfolio NOI GAAP Basis (from above)</b>	<b>\$ 4,927</b>	<b>\$ 17,872</b>	<b>\$ 7,347</b>	<b>\$ 7,665</b>	<b>\$ 6,562</b>	<b>\$ —</b>	<b>\$ 44,373</b>
Straight-line revenue, net for core properties	(8)	(85)	(48)	(72)	16	—	(197)
FAS 141 Min Rent	—	(366)	(173)	(96)	(20)	—	(655)
Amortization of lease intangibles for core properties	—	61	—	3	5	—	69
<b>Core portfolio NOI, Cash Basis</b>	<b>\$ 4,919</b>	<b>\$ 17,482</b>	<b>\$ 7,126</b>	<b>\$ 7,500</b>	<b>\$ 6,563</b>	<b>\$ —</b>	<b>\$ 43,590</b>
<b>Reconciliation of NOI to Net Income</b>							
Total NOI	\$ 6,869	\$ 21,376	\$ 7,267	\$ 7,665	\$ 6,562	\$ —	\$ 49,739
Other income	—	—	—	—	—	262	262
Interest expense	(1,764)	(2,623)	(1,383)	(330)	(240)	(11,884)	(18,224)
Depreciation and amortization	(3,483)	(11,494)	(3,720)	(1,845)	(2,834)	(267)	(23,643)
General and administrative	—	—	—	—	—	(3,834)	(3,834)
Discontinued operations <sup>2</sup>	—	16	—	—	211	—	227
Gain from non-disposal activities	—	60	2	—	—	—	62
Gain on sale of real estate	—	—	—	—	—	5,147	5,147
Loss on extinguishment of debt	—	—	—	—	—	(133)	(133)
<b>Net Income</b>	<b>1,622</b>	<b>7,335</b>	<b>2,166</b>	<b>5,490</b>	<b>3,699</b>	<b>(10,709)</b>	<b>9,603</b>
Net income attributable to noncontrolling interests	—	—	—	—	—	(53)	(53)
<b>Net income attributable to the controlling interests</b>	<b>\$ 1,622</b>	<b>\$ 7,335</b>	<b>\$ 2,166</b>	<b>\$ 5,490</b>	<b>\$ 3,699</b>	<b>\$ (10,762)</b>	<b>\$ 9,550</b>

<sup>1</sup> Non-core acquired and in development properties:  
Acquisitions - Kenmore Apartments, 2445 M Street and Lansdowne Medical Office Building.  
In development - Bennett Park, Clayborne Apartments and Dulles Station.

<sup>2</sup> Discontinued operations include: Sold Properties - Brandywine Center, Tech 100, and Avondale.

Held for Sale Properties - Charleston Business Center and Crossroads Distribution Center.

**Core Portfolio Net Operating Income (NOI) Detail**  
(In thousands)

	Three Months Ended September 30, 2008						Total
	Multifamily	Office	Medical Office	Retail	Industrial	Corporate and Other	
<b>Real estate rental revenue</b>							
Core portfolio	\$ 8,168	\$29,090	\$ 11,041	\$10,260	\$ 9,523	\$ —	\$ 68,082
Non-core - acquired and in development <sup>1</sup>	1,555	161	—	—	—	—	1,716
Total	9,723	29,251	11,041	10,260	9,523	—	69,798
<b>Real estate expenses</b>							
Core portfolio	3,359	10,681	3,616	2,189	2,582	—	22,427
Non-core - acquired and in development <sup>1</sup>	1,045	318	—	—	—	—	1,363
Total	4,404	10,999	3,616	2,189	2,582	—	23,790
<b>Net operating income (NOI)</b>							
Core portfolio	4,809	18,409	7,425	8,071	6,941	—	45,655
Non-core - acquired and in development <sup>1</sup>	510	(157)	—	—	—	—	353
Total	\$ 5,319	\$18,252	\$ 7,425	\$ 8,071	\$ 6,941	\$ —	\$ 46,008
Core portfolio NOI GAAP basis (from above)	\$ 4,809	\$18,409	\$ 7,425	\$ 8,071	\$ 6,941	\$ —	\$ 45,655
Straight-line revenue, net for core properties	(4)	(81)	(184)	(393)	(88)	—	(750)
FAS 141 min rent	—	(379)	(181)	(88)	7	—	(641)
Amortization of lease intangibles for core properties	—	(6)	—	3	5	—	2
Core portfolio NOI, cash basis	\$ 4,805	\$17,943	\$ 7,060	\$ 7,593	\$ 6,865	\$ —	\$ 44,266
<b>Reconciliation of NOI to net income</b>							
Total NOI	\$ 5,319	\$18,252	\$ 7,425	\$ 8,071	\$ 6,941	\$ —	\$ 46,008
Other income	—	—	—	—	—	338	338
Interest expense	(2,146)	(854)	(1,409)	(336)	(245)	(13,457)	(18,447)
Depreciation and amortization	(2,996)	(9,509)	(3,644)	(1,902)	(3,002)	(187)	(21,240)
General and administrative	—	—	—	—	—	(2,731)	(2,731)
Discontinued operations <sup>2</sup>	266	17	—	—	401	—	684
Gain from non-disposal activities	—	—	—	—	—	17	17
Net income	443	7,906	2,372	5,833	4,095	(16,020)	4,629
Net income attributable to noncontrolling interests	—	—	—	—	—	(48)	(48)
Net income attributable to the controlling interests	\$ 443	\$ 7,906	\$ 2,372	\$ 5,833	\$ 4,095	\$ (16,068)	\$ 4,581

<sup>1</sup> Non-core acquired and in development properties were:  
Acquisitions - None.

In development - Bennett Park, Clayborne Apartments and Dulles Station.

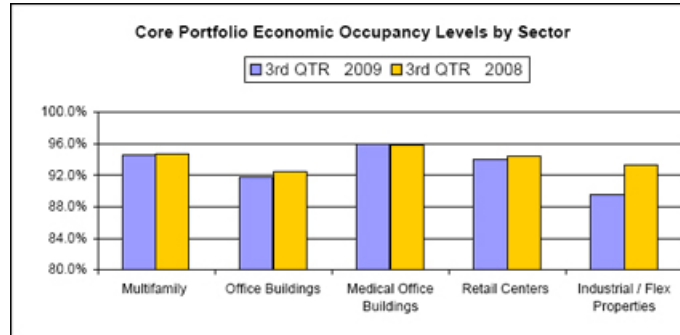
<sup>2</sup> Discontinued operations include: Sold Properties - Brandywine Center, Tech 100 and Avondale.

Held for Sale Properties - Charleston Business Center and Crossroads Distribution Center.

**Core Portfolio & Overall Economic Occupancy Levels by Sector  
Q3 2009 vs. Q3 2008**

**GAAP Basis**

Sector	Core Portfolio		All Properties	
	3rd QTR 2009	3rd QTR 2008	3rd QTR 2009	3rd QTR 2008
Multifamily	94.6%	94.7%	93.9%	85.6%
Office Buildings	91.8%	92.5%	92.3%	90.2%
Medical Office Buildings	96.0%	95.8%	96.0%	95.8%
Retail Centers	94.0%	94.4%	94.0%	94.4%
Industrial / Flex Properties	89.6%	93.3%	89.6%	92.9%
<b>Overall Portfolio</b>	<b>92.8%</b>	<b>93.7%</b>	<b>93.0%</b>	<b>91.1%</b>



**Commercial Leasing Summary**  
**Three and Nine months ended 9/30/09**

	<u>3rd Quarter 2009</u>		<u>Year to Date</u>	
<b>Gross Leasing Square Footage</b>				
Office Buildings	181,625		555,377	
Medical Office Buildings	37,202		104,671	
Retail Centers	12,358		50,846	
Industrial Centers	94,805		408,872	
<b>Total</b>	<u>325,990</u>		<u>1,119,766</u>	
<b>Weighted Average Term (yrs)</b>				
Office Buildings	3.4		4.4	
Medical Office Buildings	6.3		4.5	
Retail Centers	1.9		3.6	
Industrial Centers	2.3		3.1	
<b>Total</b>	<u>3.4</u>		<u>3.9</u>	
	<u>GAAP</u>	<u>CASH</u>	<u>GAAP</u>	<u>CASH</u>
<b>Rental Rate Increases:</b>				
<b>Rate on expiring leases</b>				
Office Buildings	\$27.08	\$ 28.83	\$31.43	\$ 32.47
Medical Office Buildings	33.33	34.84	32.23	33.43
Retail Centers	23.39	25.08	25.12	26.39
Industrial Centers	8.43	8.63	8.44	8.93
<b>Total</b>	<u>\$22.23</u>	<u>\$ 23.50</u>	<u>\$22.82</u>	<u>\$ 23.69</u>
<b>Rate on new and renewal leases</b>				
Office Buildings	\$29.06	\$ 27.98	\$35.89	\$ 34.21
Medical Office Buildings	39.59	36.63	36.11	34.17
Retail Centers	21.37	21.11	24.94	23.72
Industrial Centers	8.66	8.45	8.78	8.50
<b>Total</b>	<u>\$24.04</u>	<u>\$ 23.03</u>	<u>\$25.52</u>	<u>\$ 24.34</u>
<b>Percentage Increase</b>				
Office Buildings	7.31%	-2.94%	14.20%	5.36%
Medical Office Buildings	18.78%	5.13%	12.02%	2.20%
Retail Centers	-8.64%	-15.83%	-0.71%	-10.10%
Industrial Centers	2.70%	-2.03%	4.03%	-4.82%
<b>Total</b>	<u>8.13%</u>	<u>-2.00%</u>	<u>11.79%</u>	<u>2.76%</u>

**Commercial Leasing Summary**  
*Continued from previous page*  
**Three months and Nine months ended 9/30/09**

	3rd Quarter 2009		Year to Date	
	Total Dollars	Dollars per Square Foot	Total Dollars	Dollars per Square Foot
<b>Tenant Improvements</b>				
Office Buildings	\$1,747,491	\$ 9.62	\$ 6,787,751	\$ 12.22
Medical Office Buildings	678,100	18.23	1,250,083	11.94
Retail Centers	—	—	5,000	0.10
Industrial Centers	69,072	0.73	346,443	0.85
<b>Subtotal</b>	<b>\$2,494,663</b>	<b>\$ 7.65</b>	<b>\$ 8,389,277</b>	<b>\$ 7.49</b>
<b>Leasing Costs</b>				
Office Buildings	\$ 894,657	\$ 4.93	\$ 4,153,010	\$ 7.48
Medical Office Buildings	330,462	8.88	673,981	6.44
Retail Centers	20,213	1.64	192,305	3.78
Industrial Centers	43,071	0.45	833,588	2.04
<b>Subtotal</b>	<b>\$1,288,403</b>	<b>\$ 3.95</b>	<b>\$ 5,852,884</b>	<b>\$ 5.23</b>
<b>Tenant Improvements and Leasing Costs</b>				
Office Buildings	\$2,642,148	\$ 14.55	\$10,940,761	\$ 19.70
Medical Office Buildings	1,008,562	27.11	1,924,064	18.38
Retail Centers	20,213	1.64	197,305	3.88
Industrial Centers	112,143	1.18	1,180,031	2.89
<b>Total</b>	<b>\$3,783,066</b>	<b>\$ 11.60</b>	<b>\$14,242,161</b>	<b>\$ 12.72</b>

**10 Largest Tenants - Based on Annualized Rent**  
**September 30, 2009**

<u>Tenant</u>	<u>Number of Buildings</u>	<u>Weighted Average Remaining Lease Term in Months</u>	<u>Percentage of Aggregate Portfolio Annualized Rent</u>	<u>Aggregate Rentable Square Feet</u>	<u>Percentage of Aggregate Occupied Square Feet</u>
World Bank	1	69	4.32%	210,354	2.15%
Advisory Board Company	1	116	2.71%	180,925	1.85%
General Services Administration	9	16	1.99%	262,698	2.69%
IBM Corporation	2	113	1.90%	134,734	1.38%
Patton Boggs LLP	1	91	1.84%	110,566	1.13%
INOVA Health System	7	51	1.78%	108,151	1.11%
Sunrise Assisted Living, Inc.	1	48	1.77%	115,289	1.18%
Lafarge North America, Inc	1	10	1.29%	80,610	0.83%
URS Corporation	1	51	1.17%	84,970	0.87%
Children's Hospital	3	62	1.00%	69,230	0.71%
<b>Total/Weighted Average</b>		<u>63</u>	<u>19.77%</u>	<u>1,357,527</u>	<u>13.90%</u>



**Industry Diversification**  
**September 30, 2009**

<u>Industry Classification (NAICS)</u>	<u>Annualized Base Rental Revenue</u>	<u>Percentage of Aggregate Annualized Rent</u>	<u>Aggregate Rentable Square Feet</u>	<u>Percentage of Aggregate Square Feet</u>
Professional, Scientific and Technical Services	\$ 58,695,426	26.89%	2,225,564	22.76%
Ambulatory Health Care Services	40,036,381	18.34%	1,316,032	13.46%
Credit Intermediation and Related Activities	15,381,095	7.05%	390,043	3.99%
Executive, Legislative & Other General Government	9,148,164	4.19%	452,098	4.62%
Educational Services	6,799,183	3.12%	253,841	2.60%
Religious, Grantmaking, Civic, Professional	6,372,193	2.92%	197,416	2.02%
Food Services and Drinking Places	5,696,682	2.61%	221,192	2.26%
Administrative and Support Services	5,098,688	2.34%	329,394	3.37%
Food and Beverage Stores	4,147,070	1.90%	257,194	2.63%
Nursing and Residential Care Facilities	3,929,957	1.80%	145,010	1.48%
Furniture and Home Furnishing Stores	3,760,262	1.72%	233,707	2.39%
Broadcasting (except Internet)	3,607,440	1.65%	108,077	1.11%
Miscellaneous Store Retailers	3,538,725	1.62%	253,848	2.60%
Nonmetallic Mineral Product Manufacturing	3,200,247	1.47%	119,474	1.22%
Personal and Laundry Services	3,068,256	1.41%	129,644	1.33%
Merchant Wholesalers-Durable Goods	3,031,600	1.39%	302,443	3.09%
Specialty Trade Contractors	2,487,076	1.14%	269,988	2.76%
Health and Personal Care Services	2,379,444	1.09%	78,149	0.80%
Clothing and Clothing Accessories Stores	2,260,431	1.04%	140,834	1.44%
Merchant Wholesalers-Non Durable Goods	2,111,471	0.97%	219,538	2.25%
Printing and Related Support Activities	2,092,588	0.96%	96,148	0.98%
Sporting Goods/Books/Hobby/Music Stores	2,048,495	0.94%	146,446	1.50%
Real Estate	1,951,288	0.89%	74,393	0.76%
Hospitals	1,938,524	0.89%	62,034	0.64%
Miscellaneous Manufacturing	1,917,343	0.88%	181,959	1.86%
Construction of Buildings	1,796,635	0.82%	111,142	1.14%
General Merchandise Stores	1,673,509	0.77%	222,430	2.28%
Amusement, Gambling and Recreation Industries	1,662,792	0.76%	135,268	1.38%
Insurance Carriers and Related Activities	1,400,235	0.64%	57,236	0.59%
Telecommunications	1,205,568	0.55%	36,036	0.37%
Other	15,828,555	7.24%	1,009,918	10.32%
<b>Total</b>	<b>\$218,265,323</b>	<b>100.00%</b>	<b>9,776,496</b>	<b>100.00%</b>

**Lease Expirations  
September 30, 2009**

Year	Number of Leases	Rentable Square Feet	Percent of Rentable Square Feet	Annualized Rent *	Average Rental Rate	Percent of Annualized Rent *
<b>Office:</b>						
2009	26	80,536	2.11%	\$ 2,210,394	\$ 27.45	1.70%
2010	138	616,723	16.17%	17,863,108	28.96	13.71%
2011	122	581,370	15.24%	19,275,625	33.16	14.80%
2012	86	398,378	10.45%	12,428,507	31.20	9.54%
2013	60	448,644	11.76%	14,124,417	31.48	10.84%
2014 and thereafter	181	1,688,013	44.27%	64,363,708	38.13	49.41%
	<u>613</u>	<u>3,813,664</u>	<u>100.00%</u>	<u>\$ 130,265,759</u>	<u>\$34.16</u>	<u>100.00%</u>
<b>Medical Office:</b>						
2009	7	15,549	1.28%	\$ 497,934	\$ 32.02	1.11%
2010	62	188,249	15.45%	6,200,596	32.94	13.77%
2011	69	216,706	17.79%	7,445,963	34.36	16.54%
2012	43	135,811	11.15%	5,046,937	37.16	11.21%
2013	45	137,623	11.30%	4,801,875	34.89	10.67%
2014 and thereafter	128	524,402	43.03%	21,030,742	40.10	46.70%
	<u>354</u>	<u>1,218,340</u>	<u>100.00%</u>	<u>\$ 45,024,047</u>	<u>\$36.96</u>	<u>100.00%</u>
<b>Retail:</b>						
2009	18	82,039	4.49%	\$ 1,515,312	\$ 18.47	4.19%
2010	58	282,512	15.45%	5,179,587	18.33	14.32%
2011	39	161,660	8.84%	3,106,723	19.22	8.59%
2012	42	145,873	7.98%	3,353,827	22.99	9.27%
2013	37	286,002	15.64%	4,347,732	15.20	12.02%
2014 and thereafter	96	870,286	47.60%	18,660,263	21.44	51.61%
	<u>290</u>	<u>1,828,372</u>	<u>100.00%</u>	<u>\$ 36,163,444</u>	<u>\$19.78</u>	<u>100.00%</u>
<b>Industrial:</b>						
2009	15	189,600	6.39%	\$ 1,775,813	\$ 9.37	5.16%
2010	61	459,776	15.49%	5,287,281	11.50	15.37%
2011	66	597,718	20.14%	5,802,986	9.71	16.87%
2012	39	511,504	17.24%	5,793,087	11.33	16.84%
2013	25	404,670	13.64%	4,848,560	11.98	14.10%
2014 and thereafter	47	804,512	27.10%	10,888,976	13.53	31.66%
	<u>253</u>	<u>2,967,780</u>	<u>100.00%</u>	<u>\$ 34,396,703</u>	<u>\$11.59</u>	<u>100.00%</u>
<b>Total:</b>						
2009	66	367,724	3.74%	\$ 5,999,453	\$ 16.32	2.44%
2010	319	1,547,260	15.74%	34,530,572	22.32	14.05%
2011	296	1,557,454	15.85%	35,631,297	22.88	14.49%
2012	210	1,191,566	12.12%	26,622,358	22.34	10.83%
2013	167	1,276,939	12.99%	28,122,584	22.02	11.44%
2014 and thereafter	452	3,887,213	39.56%	114,943,689	29.57	46.75%
	<u>1,510</u>	<u>9,828,156</u>	<u>100.00%</u>	<u>\$ 245,849,953</u>	<u>\$25.01</u>	<u>100.00%</u>

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

**2009 Acquisition and Disposition Summary  
as of September 30, 2009  
(\$'s in thousands)**

**Acquisition Summary**

		<u>Acquisition Date</u>	<u>Square Feet</u>	<u>Leased Percentage at Acquisition</u>	<u>September 30, 2008 Leased Percentage</u>	<u>Investment</u>
Lansdowne Medical Office Building	Leesburg, VA	August 13, 2009	87,400	0%	0%	\$ 19,900

**Disposition Summary**

		<u>Disposition Date</u>	<u>Property Type</u>	<u>Square Feet</u>	<u>Sale Price</u>	<u>GAAP Gain</u>
Avondale Apartments (237 units)	Laurel, MD	May 13, 2009	Multifamily	170,000	\$ 19,750	\$ 6,700
Tech 100	Elkridge, MD	July 23, 2009	Industrial	166,000	\$ 10,540	\$ 4,100
Brandywine Center	Rockville, MD	July 31, 2009	Office	35,000	\$ 3,300	\$ 1,000
			Total	<u>371,000</u>	<u>\$ 33,590</u>	<u>\$ 11,800</u>

**Schedule of Properties  
September 30, 2009**

<u>PROPERTIES</u>	<u>LOCATION</u>	<u>YEAR ACQUIRED</u>	<u>YEAR CONSTRUCTED</u>	<u>NET RENTABLE SQUARE FEET*</u>
<b>Office Buildings</b>				
1901 Pennsylvania Avenue	Washington, DC	1977	1960	97,000
51 Monroe Street	Rockville, MD	1979	1975	210,000
515 King Street	Alexandria, VA	1992	1966	76,000
The Lexington Building	Rockville, MD	1993	1970	46,000
The Saratoga Building	Rockville, MD	1993	1977	58,000
6110 Executive Boulevard	Rockville, MD	1995	1971	198,000
1220 19th Street	Washington, DC	1995	1976	102,000
1600 Wilson Boulevard	Arlington, VA	1997	1973	166,000
7900 Westpark Drive	McLean, VA	1997	1972/1986/1999	523,000
600 Jefferson Plaza	Rockville, MD	1999	1985	112,000
1700 Research Boulevard	Rockville, MD	1999	1982	101,000
Parklawn Plaza	Rockville, MD	1999	1986	40,000
Wayne Plaza	Silver Spring, MD	2000	1970	91,000
Courthouse Square	Alexandria, VA	2000	1979	113,000
One Central Plaza	Rockville, MD	2001	1974	267,000
The Atrium Building	Rockville, MD	2002	1980	80,000
1776 G Street	Washington, DC	2003	1979	263,000
Albemarle Point	Chantilly, VA	2005	2001	89,000
6565 Arlington Boulevard	Falls Church, VA	2006	1967/1998	140,000
West Gude Drive	Rockville, MD	2006	1984/1986/1988	276,000
The Ridges	Gaithersburg, MD	2006	1990	104,000
The Crescent	Gaithersburg, MD	2006	1989	49,000
Monument II	Herndon, VA	2007	2000	205,000
Woodholme Center	Pikesville, MD	2007	1989	73,000
2000 M Street	Washington, DC	2007	1971	227,000
Dulles Station	Herndon, VA	2005	2007	180,000
2445 M Street	Washington, DC	2008	1986	290,000
Subtotal				4,176,000
<b>Medical Office Buildings</b>				
Woodburn Medical Park I	Annandale, VA	1998	1984	71,000
Woodburn Medical Park II	Annandale, VA	1998	1988	96,000
Prosperity Medical Center I	Merrifield, VA	2003	2000	92,000
Prosperity Medical Center II	Merrifield, VA	2003	2001	88,000
Prosperity Medical Center III	Merrifield, VA	2003	2002	75,000
Shady Grove Medical Village II	Rockville, MD	2004	1999	66,000
8301 Arlington Boulevard	Fairfax, VA	2004	1965	49,000
Alexandria Professional Center	Alexandria, VA	2006	1968	113,000
9707 Medical Center Drive	Rockville, MD	2006	1994	38,000
15001 Shady Grove Road	Rockville, MD	2006	1999	51,000
Plumtree Medical Center	Bel Air, MD	2006	1991	33,000
15005 Shady Grove Road	Rockville, MD	2006	2002	52,000
2440 M Street	Washington, DC	2007	1986/2006	110,000
Woodholme Medical Office Building	Pikesville, MD	2007	1996	125,000
Ashburn Office Park	Ashburn, VA	2007	1998/2000/2002	75,000
CentreMed I & II	Centreville, VA	2007	1998	52,000
Sterling Medical Office Building	Sterling, VA	2008	1986/2000	36,000
Lansdowne Medical Office Building	Leesburg, VA	2009	2009	87,000
Subtotal				1,309,000
<b>Retail Centers</b>				
Takoma Park	Takoma Park, MD	1963	1962	51,000
Westminster	Westminster, MD	1972	1969	151,000
Concord Centre	Springfield, VA	1973	1960	76,000
Wheaton Park	Wheaton, MD	1977	1967	72,000
Bradlee	Alexandria, VA	1984	1955	168,000
Chevy Chase Metro Plaza	Washington, DC	1985	1975	49,000
Montgomery Village Center	Gaithersburg, MD	1992	1969	198,000
Shoppes of Foxchase <sup>(1)</sup>	Alexandria, VA	1994	1960	134,000
Frederick County Square	Frederick, MD	1995	1973	227,000
800 S. Washington Street	Alexandria, VA	1998/2003	1955/1959	44,000
Centre at Hagerstown	Hagerstown, MD	2002	2000	332,000
Frederick Crossing	Frederick, MD	2005	1999/2003	295,000
Randolph Shopping Center	Rockville, MD	2006	1972	82,000
Montrose Shopping Center	Rockville, MD	2006	1970	143,000
Subtotal				2,022,000

<sup>(1)</sup> Development on approximately 60,000 square feet of the center was completed in December 2006.

**Schedule of Properties (Cont.)  
September 30, 2009**

<u>PROPERTIES</u>	<u>LOCATION</u>	<u>YEAR ACQUIRED</u>	<u>YEAR CONSTRUCTED</u>	<u>NET RENTABLE SQUARE FEET*</u>
<b>Multifamily Buildings * / # units</b>				
3801 Connecticut Avenue / 307	Washington, DC	1963	1951	179,000
Roosevelt Towers / 191	Falls Church, VA	1965	1964	170,000
Country Club Towers / 227	Arlington, VA	1969	1965	163,000
Park Adams / 200	Arlington, VA	1969	1959	173,000
Munson Hill Towers / 279	Falls Church, VA	1970	1963	259,000
The Ashby at McLean / 253	McLean, VA	1996	1982	252,000
Walker House Apartments / 212	Gaithersburg, MD	1996	1971/2003 <sup>(2)</sup>	159,000
Bethesda Hill Apartments / 195	Bethesda, MD	1997	1986	226,000
Bennett Park / 224	Arlington, VA	2007	2007	268,000
Clayborne / 74	Alexandria, VA	2008	2008	87,000
Kenmore Apartments / 374	Washington, DC	2008	1948	269,000
Subtotal (2,536 units)				<u>2,205,000</u>
<b>Industrial Distribution / Flex Properties</b>				
Fullerton Business Center	Springfield, VA	1985	1980	104,000
Charleston Business Center	Rockville, MD	1993	1973	85,000
Crossroads Distribution Center	Elkridge, MD	1995	1987	85,000
The Alban Business Center	Springfield, VA	1996	1981/1982	87,000
Ammendale Technology Park I	Beltsville, MD	1997	1985	167,000
Ammendale Technology Park II	Beltsville, MD	1997	1986	107,000
Pickett Industrial Park	Alexandria, VA	1997	1973	246,000
Northern Virginia Industrial Park	Lorton, VA	1998	1968/1991	787,000
8900 Telegraph Road	Lorton, VA	1998	1985	32,000
Dulles South IV	Chantilly, VA	1999	1988	83,000
Sully Square	Chantilly, VA	1999	1986	95,000
Amvax	Beltsville, MD	1999	1986	31,000
Fullerton Industrial Center	Springfield, VA	2003	1980	137,000
8880 Gorman Road	Laurel, MD	2004	2000	141,000
Dulles Business Park Portfolio	Chantilly, VA	2004/2005	1999-2005	324,000
Albemarle Point	Chantilly, VA	2005	2001/2003/2005	207,000
Hampton Overlook	Capital Heights, MD	2006	1989	134,000
Hampton South	Capital Heights, MD	2006	1989/2005	168,000
9950 Business Parkway	Lanham, MD	2006	2005	102,000
270 Technology Park	Frederick, MD	2007	1986-1987	157,000
6100 Columbia Park Road	Landover, MD	2008	1969	150,000
Subtotal				<u>3,429,000</u>
<b>TOTAL</b>				<u><b>13,141,000</b></u>

\* Multifamily buildings are presented in gross square feet.

<sup>(2)</sup> A 16 unit addition referred to as The Gardens at Walker House was completed in October 2003.

**Supplemental Definitions**  
**September 30, 2009**

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

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

**EBITDA** (a non-GAAP measure) is earnings attributable to the controlling interest before interest, taxes, depreciation and amortization.

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

**Debt service coverage ratio** is computed by dividing earnings attributable to the controlling interest before interest income and expense, depreciation, amortization and gain on sale of real estate by interest expense and principal amortization.

**Funds from operations (FFO)** - The National Association of Real Estate Investment Trusts, Inc. (NAREIT) defines FFO (April, 2002 White Paper) as net income attributable to the controlling interest (computed in accordance with generally accepted accounting principles (GAAP)) excluding gains (or losses) from sales of property plus real estate depreciation and amortization. FFO is a non-GAAP measure.

**Funds Available for Distribution (FAD)**, a non-GAAP measure, is calculated by subtracting from FFO recurring expenditures, tenant improvements, leasing incentives and leasing costs, that are capitalized and amortized and are necessary to maintain our properties and revenue stream, gain from extinguishment of debt and straight line rents, then adding non-real estate depreciation and amortization, non-cash fair value interest expense, adding or subtracting amortization of lease intangibles and amortization of restricted share compensation, as appropriate.

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

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

**Core portfolio properties** include all properties that were owned for the entirety of the current and prior year reporting periods.

**Core portfolio net operating income (NOI) growth** is the change in the NOI of the core portfolio properties from the prior reporting period to the current reporting period.