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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For quarterly period ended September 30, 2013

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

COMMISSION FILE NO. 1-6622

WASHINGTON REAL ESTATE INVESTMENT TRUST
(Exact name of registrant as specified in its charter)

MARYLAND	**53-0261100**
(State of incorporation)	**(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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of exchange on which registered**
Shares of Beneficial Interest	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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 12 months (or such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past ninety (90) days. YES ☒ NO ☐

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☒ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐

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

As of October 29, 2013, 66,521,481 common shares were outstanding.

WASHINGTON REAL ESTATE INVESTMENT TRUST

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PART I
FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

The information furnished in the accompanying unaudited Consolidated Balance Sheets, Condensed Consolidated Statements of Income, Consolidated Statement of Shareholders' Equity and Consolidated Statements of Cash Flows 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, 2012 included in WRIT's 2012 Annual Report on Form 10-K.

WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	September 30, 2013	December 31, 2012
Assets		
Land	$ 418,008	$ 418,008
Income producing property	1,624,617	1,587,375
	2,042,625	2,005,383
Accumulated depreciation and amortization	(548,549)	(497,057)
Net income producing property	1,494,076	1,508,326
Properties under development or held for future development	55,580	45,270
Total real estate held for investment, net	1,549,656	1,553,596
Investment in real estate sold or held for sale, net	346,157	364,999
Cash and cash equivalents	7,923	19,105
Restricted cash	7,547	13,423
Rents and other receivables, net of allowance for doubtful accounts of $8,271 and $10,442, respectively	48,619	46,904
Prepaid expenses and other assets	110,116	107,303
Other assets related to properties sold or held for sale	18,337	19,046
Total assets	$ 2,088,355	$ 2,124,376
Liabilities		
Notes payable	$ 846,576	$ 906,190
Mortgage notes payable	290,838	319,025
Lines of credit	85,000	—
Accounts payable and other liabilities	57,116	50,094
Advance rents	11,749	12,925
Tenant security deposits	7,639	7,642
Liabilities related to properties sold or held for sale	31,275	32,357
Total liabilities	1,330,193	1,328,233
Equity		
Shareholders' equity		
Preferred shares; $0.01 par value; 10,000 shares authorized; no shares issued or outstanding	—	—
Shares of beneficial interest; $0.01 par value; 100,000 shares authorized: 66,500 and 66,437 shares issued and outstanding at September 30, 2013 and December 31, 2012, respectively	665	664
Additional paid in capital	1,148,837	1,145,515
Distributions in excess of net income	(395,816)	(354,122)
Total shareholders' equity	753,686	792,057
Noncontrolling interests in subsidiaries	4,476	4,086
Total equity	758,162	796,143
Total liabilities and equity	$ 2,088,355	$ 2,124,376

See accompanying notes to the consolidated financial statements.

WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Revenue				
Real estate rental revenue	$ 65,828	$ 64,471	$ 196,303	$ 190,134
Expenses				
Real estate expenses	23,243	22,527	69,467	64,820
Depreciation and amortization	21,168	21,682	63,328	63,593
Acquisition costs	148	(164)	448	144
General and administrative	3,850	3,173	11,717	10,943
	48,409	47,218	144,960	139,500
Real estate operating income	17,419	17,253	51,343	50,634
Other income (expense)				
Interest expense	(15,930)	(14,886)	(47,944)	(43,983)
Other income	220	237	705	733
	(15,710)	(14,649)	(47,239)	(43,250)
Income from continuing operations	1,709	2,604	4,104	7,384
Discontinued operations:				
Income from operations of properties sold or held for sale	4,131	3,233	11,139	9,642
Gain on sale of real estate	—	3,724	3,195	3,724
Net income	5,840	9,561	18,438	20,750
Less: Net income attributable to noncontrolling interests in subsidiaries	—	—	—	—
Net income attributable to the controlling interests	$ 5,840	$ 9,561	$ 18,438	$ 20,750
Basic net income per share:				
Continuing operations	$ 0.03	$ 0.04	$ 0.06	$ 0.11
Discontinued operations	0.06	0.10	0.21	0.20
Net income per share	$ 0.09	$ 0.14	$ 0.27	$ 0.31
Diluted net income per share:				
Continuing operations	$ 0.03	$ 0.04	$ 0.06	$ 0.11
Discontinued operations	0.06	0.10	0.21	0.20
Net income per share	$ 0.09	$ 0.14	$ 0.27	$ 0.31
Weighted average shares outstanding – basic	66,410	66,246	66,403	66,227
Weighted average shares outstanding – diluted	66,561	66,379	66,545	66,363
Dividends declared per share	$ 0.3000	$ 0.3000	$ 0.9000	$ 1.1675

See accompanying notes to the consolidated financial statements.

WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(IN THOUSANDS)
(UNAUDITED)

	Shares Outstanding	Shares of Beneficial Interest at Par Value	Additional Paid in Capital	Distributions in Excess of Net Income Attributable to the Controlling Interests	Total Shareholders' Equity	Noncontrolling Interests in Subsidiaries	Total Equity
Balance, December 31, 2012	66,437	$ 664	$ 1,145,515	$ (354,122)	$ 792,057	$ 4,086	$ 796,143
Net income attributable to the controlling interests	—	—	—	18,438	18,438	—	18,438
Contributions from noncontrolling interests	—	—	—	—	—	390	390
Dividends	—	—	—	(60,132)	(60,132)	—	(60,132)
Share grants, net of share grant amortization and forfeitures	63	1	3,322	—	3,323	—	3,323
Balance, September 30, 2013	66,500	$ 665	$ 1,148,837	$ (395,816)	$ 753,686	$ 4,476	$ 758,162

See accompanying notes to the consolidated financial statements.

WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	Nine Months Ended September 30,	
	2013	2012
Cash flows from operating activities		
Net income	$ 18,438	$ 20,750
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization, including amounts in discontinued operations	75,489	77,803
Provision for losses on accounts receivable	3,012	2,847
Gain on sale of real estate	(3,195)	(3,724)
Amortization of share grants, net	3,615	3,996
Amortization of debt premiums, discounts and related financing costs	2,980	2,836
Changes in operating other assets	(8,856)	(14,317)
Changes in operating other liabilities	2,002	2,574
Net cash provided by operating activities	93,485	92,765
Cash flows from investing activities		
Real estate acquisitions, net	—	(52,142)
Net cash received for sale of real estate	15,161	13,399
Capital improvements to real estate	(39,348)	(36,310)
Development in progress	(9,385)	(4,525)
Real estate deposits, net	(6,800)	—
Non-real estate capital improvements	(125)	(510)
Net cash used in investing activities	(40,497)	(80,088)
Cash flows from financing activities		
Line of credit borrowings, net	85,000	(99,000)
Dividends paid	(60,132)	(77,805)
Net contributions from noncontrolling interests	390	211
Financing costs	—	(4,647)
Proceeds from dividend reinvestment program	—	1,315
Net proceeds from debt offering	—	298,314
Principal payments – mortgage notes payable	(32,461)	(25,527)
Borrowings under construction loan	3,033	—
Notes payable repayments	(60,000)	(50,000)
Net proceeds from exercise of share options	—	100
Net cash (used in) provided by financing activities	(64,170)	42,961
Net (decrease) increase in cash and cash equivalents	(11,182)	55,638
Cash and cash equivalents at beginning of period	19,105	12,765
Cash and cash equivalents at end of period	$ 7,923	$ 68,403
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amounts capitalized	$ 42,075	$ 42,415
Decrease (increase) in accrued capital improvements and development costs	$ 2,978	$ 1,989

See accompanying notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013
(UNAUDITED)

NOTE 1: NATURE OF BUSINESS

Washington Real Estate Investment Trust ("WRIT"), 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 operation of income-producing real estate properties in the greater Washington metro region. We own a diversified portfolio of office buildings, medical office buildings, multifamily buildings and retail centers. We have entered into purchase and sale agreements to effectuate the sale of our medical office segment, and have classified this segment as discontinued operations (see note 3).

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 90% of our ordinary taxable income to our shareholders. When selling properties, we have the option of (a) reinvesting the sales proceeds of properties sold, allowing for a deferral of income taxes on the sale, (b) paying out capital gains to the shareholders with no tax to WRIT or (c) 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.

Generally, and subject to our ongoing qualification as a REIT, no provisions for income taxes are necessary except for taxes on undistributed REIT taxable income and taxes on the income generated by our taxable REIT subsidiaries ("TRSs"). Our TRSs are subject to corporate federal and state income tax on their taxable income at regular statutory rates. There were no material income tax provisions or material net deferred income tax items for our TRSs for the three and nine months ended September 30, 2013 and 2012.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Significant Accounting Policies

We have prepared our consolidated financial statements using the accounting policies described in our Annual Report on Form 10-K for the year ended December 31, 2012.

Principles of Consolidation and Basis of Presentation

The accompanying unaudited consolidated financial statements include the consolidated accounts of WRIT, our majority-owned subsidiaries and entities in which WRIT has a controlling interest, including where WRIT has been determined to be a primary beneficiary of a variable interest entity ("VIE"). See note 3 for additional information on the properties for which there is a noncontrolling interest. All intercompany balances and transactions have been eliminated in consolidation.

We have prepared the accompanying unaudited financial statements 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 U.S. generally accepted accounting principles ("GAAP") 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 of the results for the periods presented 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, 2012.

Within these notes to the financial statements, we refer to the three months ended September 30, 2013 and September 30, 2012 as the "2013 Quarter" and the "2012 Quarter," respectively, and the nine months ended September 30, 2013 and September 30, 2012 as the "2013 Period" and the "2012 Period," respectively.

Use of Estimates in the Financial Statements

The preparation of financial statements in conformity with GAAP 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 period amounts have been reclassified to conform to the current period presentation due to the reclassification of certain properties as discontinued operations (see note 3 to the consolidated financial statements).

NOTE 3: REAL ESTATE

Variable Interest Entities

In June 2011, we executed a joint venture operating agreement with a real estate development company to develop a mid-rise multifamily property at 650 North Glebe Road in Arlington, Virginia. We estimate the total cost of the project to be $49.9 million. During the first quarter of 2013, we secured third-party debt financing for approximately 70% of the project's cost. WRIT is the 90% owner of the joint venture, and will have management and leasing responsibilities when the project is completed and stabilized (defined as 90% of the residential units leased). The real estate development company owns 10% of the joint venture and is responsible for the development and construction of the property. The joint venture currently expects to complete this development project during the fourth quarter of 2014.

In November 2011, we executed a joint venture operating agreement with a real estate development company to develop a high-rise multifamily property at 1225 First Street (formerly 1219 First Street) in Alexandria, Virginia. We estimate the total cost of the project to be $95.3 million, with approximately 70% of the project to be financed with debt. WRIT is the 95% owner of the joint venture and will have management and leasing responsibilities when the project is completed and stabilized. The real estate development company owns 5% of the joint venture and is responsible for the development and construction of the property. During the first quarter of 2013, we decided to delay commencement of construction, due to market conditions and concerns of oversupply, and stopped capitalizing interest costs on this project. We will reassess this project on a periodic basis going forward.

We have determined that the 650 North Glebe Road and 1225 First Street joint ventures are variable interest entities ("VIE's") primarily based on the fact that the equity investment at risk is not sufficient to permit either entity to finance its activities without additional financial support. We expect that 70% of the total development costs will be financed through debt. We have also determined that WRIT is the primary beneficiary of each VIE due to the fact that WRIT is providing 90% to 95% of the equity contributions and will manage each property after stabilization.

We include the joint venture land acquisitions on our consolidated balance sheets in properties under development or held for future development. As of September 30, 2013 and December 31, 2012, the land and capitalized development costs are as follows (in thousands):

	September 30, 2013	December 31, 2012
650 North Glebe	$ 24,185	$ 15,646
1225 First Street	21,409	19,807

As of September 30, 2013 and December 31, 2012, the accounts payable and accrued liabilities related to the joint ventures are as follows (in thousands):

	September 30, 2013	December 31, 2012
650 North Glebe	$ 2,584	$ 115
1225 First Street	249	1,676

On February 21, 2013, WRIT, through its consolidated joint venture to develop a mid-rise multifamily property at 650 North Glebe Road, entered into a construction loan agreement with Citizens Bank for $33.0 million. The loan bears interest at LIBOR plus 2.15%, which decreases to LIBOR plus 2.0% upon completion of construction and the joint venture not being in default. The loan matures on February 21, 2016, with two one year extension options exercisable by the joint venture, subject to fees and compliance with certain provisions in the loan agreement. As of September 30, 2013, the consolidated joint venture had $3.0 million outstanding on this construction loan agreement.

Discontinued Operations

We dispose of assets that no longer meet our long-term strategy or return objectives and where market conditions for sale are favorable. The proceeds from the sales may be reinvested 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 (see "Discontinued Operations" in note 2 of the consolidated financial statements included in WRIT's Annual Report on Form 10-

K for the year ended December 31, 2012). 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.

In September 2013, we entered into four separate purchase and sale agreements to effectuate the sale of our entire medical office segment (including land held for development at 4661 Kenmore Avenue) and two office buildings (Woodholme Center and 6565 Arlington Boulevard) for an aggregate purchase price of $500.8 million. The sale will be structured as four transactions with projected closing dates in the fourth quarter 2013 and first quarter 2014.

The results of our medical office segment are summarized as follows (amounts in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Real estate revenues	$ 10,889	$ 11,282	$ 32,928	$ 33,580
Net income	$ 3,820	$ 2,463	$ 10,080	$ 7,456
Basic net income per share	$ 0.06	$ 0.04	$ 0.15	$ 0.11
Diluted net income per share	$ 0.06	$ 0.04	$ 0.15	$ 0.11

We classified as held for sale or sold the following properties in 2013 and 2012:

Disposition Date	Property Name	Segment	Rentable Square Feet	Contract Purchase Price (In thousands)
March 19, 2013	Atrium Building	Office	79,000	$ 15,750
N/A	Medical Office Portfolio [1]	Medical Office / Office	1,520,000	500,750
		Total 2013	1,599,000	$ 516,500
August 31, 2012	1700 Research Boulevard	Office	101,000	$ 14,250
December 20, 2012	Plumtree Medical Center	Medical Office	33,000	8,750
		Total 2012	134,000	$ 23,000

[1] The Medical Office Portfolio consists of every property in our medical office segment (including land held for development at 4661 Kenmore Avenue) and two office buildings (6565 Arlington Boulevard and Woodholme Center).

As of September 30, 2013 and December 31, 2012, investment in real estate for properties sold or held for sale were as follows (in thousands):

	September 30, 2013	December 31, 2012
Office	$ 55,049	$ 71,605
Medical office	409,486	406,873
Total	464,535	478,478
Less accumulated depreciation	(118,378)	(113,479)
Investment in real estate sold or held for sale, net	$ 346,157	$ 364,999

As of September 30, 2013 and December 31, 2012, liabilities related to properties sold or held for sale were as follows (in thousands):

	September 30, 2013	December 31, 2012
Mortgage notes	$ 23,467	$ 23,945
Other liabilities	7,808	8,412
Liabilities related to properties sold or held for sale	$ 31,275	$ 32,357

Income from operations of properties sold or held for sale for the three and nine months ended September 30, 2013 and 2012 were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Revenues	$ 12,073	$ 13,725	37,141	41,338
Property expenses	(4,398)	(4,793)	(12,856)	(13,992)
Depreciation and amortization	(3,215)	(4,536)	(12,161)	(14,210)
Interest expense	(329)	(1,163)	(985)	(3,494)
	$ 4,131	$ 3,233	$ 11,139	$ 9,642

Income from operations of properties sold or held for sale by property for the three and nine months ended September 30, 2013 and 2012 were as follows (in thousands):

		Three Months Ended September 30,		Nine Months Ended September 30,	
Property	**Segment**	2013	2012	2013	2012
1700 Research Boulevard	Office	$ —	$ 106	—	225
Atrium Building	Office	—	320	185	833
Plumtree Medical Center	Medical Office	—	88	—	117
Medical Office Portfolio	Medical Office / Office	4,131	2,719	10,954	8,467
		$ 4,131	$ 3,233	$ 11,139	$ 9,642

NOTE 4: MORTGAGE NOTES PAYABLE

On January 11, 2013, we repaid without penalty the remaining $30.0 million of principal on the mortgage note secured by West Gude Drive.

NOTE 5: UNSECURED LINES OF CREDIT PAYABLE

As of September 30, 2013, we maintained a $100.0 million unsecured line of credit maturing in June 2015 ("Credit Facility No. 1") and a $400.0 million unsecured line of credit maturing in July 2016 ("Credit Facility No. 2"). Credit Facilities No. 1 and No. 2 have accordion features that allow us to increase the facilities to $200.0 million and $600.0 million, respectively, subject to additional lender commitments. The amounts of these lines of credit unused and available at September 30, 2013 are as follows (in thousands):

	Credit Facility No. 1	Credit Facility No. 2
Committed capacity	$ 100,000	$ 400,000
Borrowings outstanding	(25,000)	(60,000)
Unused and available	$ 75,000	$ 340,000

We executed borrowings and repayments on the unsecured lines of credit during the 2013 Period as follows (in thousands):

	Credit Facility No. 1	Credit Facility No. 2
Balance at December 31, 2012	$ —	$ —
Borrowings	50,000	60,000
Repayments	(25,000)	—
Balance at September 30, 2013	$ 25,000	$ 60,000

We made borrowings during the 2013 Period to pay off the West Gude mortgage note, repay our 5.125% unsecured notes and for general corporate purposes. We made repayments during the 2013 Period using proceeds from the sale of The Atrium Building and cash from operations.

NOTE 6: NOTES PAYABLE

We repaid without penalty the remaining $60.0 million of our 5.125% unsecured notes on their due date of March 15, 2013, using borrowings on our unsecured line of credit.

NOTE 7: STOCK BASED COMPENSATION

WRIT maintains short-term ("STIP") and long-term ("LTIP") incentive plans that allow for stock-based awards to officers and non-officer employees. Stock based awards are provided to officers and non-officer employees, as well as trustees, under the Washington Real Estate Investment Trust 2007 Omnibus Long-Term Incentive Plan which allows for awards in the form of restricted shares, restricted share units, options and other awards up to an aggregate of 2,000,000 shares over the ten year period in which the plan will be in effect. Restricted share units are converted into shares of our stock upon full vesting through the issuance of new shares.

Total Compensation Expense

Total compensation expense recognized in the consolidated financial statements for all outstanding share based awards was $1.2 million and $1.3 million for the 2013 and 2012 Quarters, respectively, and $3.6 million and $4.0 million for the 2013 and 2012 Periods, respectively.

Restricted Share Awards

During the 2013 Period, 103,312 restricted share grants were awarded at a weighted average grant date fair value of $26.97.

The total fair values of restricted share grants vested was $0.7 million and $0.3 million for the 2013 and 2012 Periods, respectively.

The total unvested restricted share awards at September 30, 2013 was 224,484 shares, which had a weighted average grant date fair value of $27.24 per share.

As of September 30, 2013, the total compensation cost related to non-vested restricted share awards was $2.1 million, which we expect to recognize over a weighted average period of 15 months.

During the first quarter of 2013, Mr. George F. “Skip” McKenzie, our prior president and Chief Executive Officer, announced his intention to retire from WRIT at the end of 2013. As such, we have entered into a separation and general release agreement with the executive dated July 23, 2013, the terms of which were previously disclosed on a Current Report on Form 8-K dated January 28, 2013. On September 30, 2013, Mr. McKenzie resigned from WRIT's Board of Trustees and from his positions as WRIT's President and Chief Executive Officer. Mr. McKenzie will remain an employee of WRIT through December 31, 2013. The separation and release agreement includes a modification to certain of his stock awards. In addition, the agreement provides for the payment of consulting fees during 2014 and 2015 totaling $0.5 million, which will be expensed during the fourth quarter of 2013.

NOTE 8: FAIR VALUE DISCLOSURES

Assets and Liabilities Measured at Fair Value

For assets and liabilities measured at fair value on a recurring basis, quantitative disclosures about the fair value measurements are required to be disclosed separately for each major category of assets and liabilities, as follows:

Level 1: Quoted prices in active markets for identical assets
Level 2: Significant other observable inputs
Level 3: Significant unobservable inputs

The only assets or liabilities we had at September 30, 2013 and December 31, 2012 that are recorded at fair value on a recurring basis are the assets held in the Supplemental Executive Retirement Program (“SERP”). We base the valuations related to this asset on assumptions derived from significant other observable inputs and accordingly these valuations fall into Level 2 in the fair value hierarchy. The fair values of these assets at September 30, 2013 and December 31, 2012 were as follows (in thousands):

	September 30, 2013				December 31, 2012			
	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3
Assets:								
SERP	$ 3,004	$ —	$ 3,004	$ —	$ 2,421	$ —	$ 2,421	$ —

Financial Assets and Liabilities Not Measured at Fair Value

The following disclosures of estimated fair value were determined by management using available market information and established valuation methodologies, including discounted cash flow. Many of these estimates involve significant judgment. The estimated fair value disclosed may not necessarily be indicative of the amounts we could realize on disposition of the financial instruments. The use of different market assumptions or estimation methodologies could have an effect on the estimated fair value amounts. In addition, fair value estimates are made at a point in time and thus, estimates of fair value subsequent to September 30, 2013 may differ significantly from the amounts presented.

Following is a summary of significant methodologies used in estimating fair values and a schedule of fair values at September 30, 2013.

Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents and restricted cash include cash and commercial paper with original maturities of less than 90 days, which are valued at the carrying value, which approximates fair value due to the short maturity of these instruments (Level 1 inputs).

Notes Receivable

We acquired a note receivable ("2445 M Street note") in 2008 with the purchase of 2445 M Street. We estimate the fair value of the 2445 M Street note based on a discounted cash flow methodology using market discount rates (Level 3 inputs).

Debt

Mortgage notes payable consist of instruments in which certain of our real estate assets are used for collateral. We estimate the fair value of the mortgage notes payable by discounting the contractual cash flows at a rate equal to the relevant treasury rates (with respect to the timing of each cash flow) plus credit spreads estimated through independent comparisons to real estate assets or loans with similar characteristics. Lines of credit payable consist of bank facilities which we use for various purposes including working capital, acquisition funding or capital improvements. The lines of credit advances are priced at a specified rate plus a spread. We estimate the market value based on a comparison of the spreads of the advances to market given the adjustable base rate. We estimate the fair value of the notes payable by discounting the contractual cash flows at a rate equal to the relevant treasury rates (with respect to the timing of each cash flow) plus credit spreads derived using the relevant securities' market prices. We classify these fair value measurements as Level 3 as we use significant unobservable inputs and management judgment due to the absence of quoted market prices.

As of September 30, 2013 and December 31, 2012, the carrying values and estimated fair values of our financial instruments were as follows (in thousands):

	September 30, 2013		December 31, 2012	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Cash and cash equivalents [1]	$ 7,923	$ 7,923	$ 19,324	$ 19,324
Restricted cash [1]	7,674	7,674	14,582	14,582
2445 M Street note	6,166	6,990	6,617	6,654
Mortgage notes payable [1]	314,305	337,266	342,970	374,591
Lines of credit	85,000	85,000	—	—
Notes payable	846,576	873,702	906,190	968,040

[1] Includes amounts that have been reclassified to "Other assets related to properties sold or held for sale" or "Other liabilities related to properties sold or held for sale" on the consolidated balance sheets (see note 3).

NOTE 9: EARNINGS PER COMMON SHARE

We determine "Basic earnings per share" using the two-class method as our unvested restricted share awards have non-forfeitable rights to dividends, and are therefore considered participating securities. We compute basic earnings per share by dividing net income attributable to the controlling interest less the allocation of undistributed earnings to unvested restricted share awards by the weighted-average number of common shares outstanding for the period.

We also determine "Diluted earnings per share" under the two-class method with respect to the unvested restricted share awards. We further evaluate any other potentially dilutive securities at the end of the period and adjust the basic earnings per share calculation for the impact of those securities that are dilutive. Our diluted earnings per share calculation includes the dilutive impact of employee stock options based on the treasury stock method and our incentive share awards with performance or market conditions under the contingently issuable method. The diluted earnings per share calculation also considers our operating partnership units under the if-converted method.

The computations of basic and diluted earnings per share for thethree and nine months ended September 30, 2013 and 2012 were as follows (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Numerator:				
Income from continuing operations	$ 1,709	$ 2,604	$ 4,104	$ 7,384
Allocation of undistributed earnings to unvested restricted share awards	(32)	(34)	(83)	(173)
Adjusted income from continuing operations attributable to the controlling interests	1,677	2,570	4,021	7,211
Income from discontinued operations, including gain on sale of real estate, net of taxes	4,131	6,957	14,334	13,366
Allocation of undistributed earnings to unvested restricted share awards	(77)	(91)	(288)	(312)
Adjusted income from discontinuing operations attributable to the controlling interests	4,054	6,866	14,046	13,054
Adjusted net income attributable to the controlling interests	$ 5,731	$ 9,436	$ 18,067	$ 20,265
Denominator:				
Weighted average shares outstanding – basic	66,410	66,246	66,403	66,227
Effect of dilutive securities:				
Operating partnership units	117	117	117	117
Employee stock options and restricted share awards	34	16	25	19
Weighted average shares outstanding – diluted	66,561	66,379	66,545	66,363
Earnings per common share, basic:				
Continuing operations	$ 0.03	$ 0.04	$ 0.06	$ 0.11
Discontinued operations	0.06	0.10	0.21	0.20
	$ 0.09	$ 0.14	$ 0.27	$ 0.31
Earnings per common share, diluted:				
Continuing operations	$ 0.03	$ 0.04	$ 0.06	$ 0.11
Discontinued operations	0.06	0.10	0.21	0.20
	$ 0.09	$ 0.14	$ 0.27	$ 0.31

NOTE 10: SEGMENT INFORMATION

We have four reportable segments: office, retail, multifamily and medical office. Office buildings provide office space for various types of businesses and professions. Retail shopping centers are typically grocery store anchored neighborhood centers that include other small shop tenants or regional power centers with several junior box tenants. Multifamily properties provide rental housing for individuals and families throughout the Washington metropolitan area. Medical office buildings provide offices and facilities for a variety of medical services. We have entered into purchase and sale agreements to effectuate the sale of our medical office segment, and have classified this segment as discontinued operations (see note 3).

We evaluate performance based upon operating income from the combined properties in each segment. Our reportable operating segments are consolidations of similar properties. GAAP requires that segment disclosures present the measure(s) used by the chief operating decision maker for purposes of assessing segments' performance. Net operating income is a key measurement of our segment profit and loss. Net operating income is defined as segment real estate rental revenue less segment real estate expenses.

The following tables present revenues, net operating income, capital expenditures and total assets for the2013 and 2012 Quarters and Periods from these segments, and reconciles net operating income of reportable segments to net income attributable to the controlling interests as reported (in thousands):

	Three Months Ended September 30, 2013					
	Office	**Medical Office**	**Retail**	**Multifamily**	**Corporate and Other**	**Consolidated**
Real estate rental revenue	$ 38,221	$ —	$ 13,990	$ 13,617	$ —	$ 65,828
Real estate expenses	14,517	—	3,207	5,519	—	23,243
Net operating income	$ 23,704	$ —	$ 10,783	$ 8,098	$ —	$ 42,585
Depreciation and amortization						(21,168)
General and administrative						(3,850)
Acquisition costs						(148)
Interest expense						(15,930)
Other income						220
Discontinued operations:						
Income from operations of properties sold or held for sale						4,131
Net income						5,840
Less: Net income attributable to noncontrolling interests in subsidiaries						—
Net income attributable to the controlling interests						$ 5,840
Capital expenditures	$ 9,535	$ 505	$ 198	$ 4,041	$ 16	$ 14,295
Total assets	$ 1,116,087	$ 319,928	$ 348,490	$ 258,027	$ 45,823	$ 2,088,355

	Three Months Ended September 30, 2012					
	Office	Medical Office	Retail	Multifamily	Corporate and Other	Consolidated
Real estate rental revenue	$ 37,477	$ —	$ 13,604	$ 13,390	$ —	$ 64,471
Real estate expenses	14,114	—	3,015	5,398	—	22,527
Net operating income	$ 23,363	$ —	$ 10,589	$ 7,992	$ —	$ 41,944
Depreciation and amortization						(21,682)
Acquisition costs						164
General and administrative						(3,173)
Interest expense						(14,886)
Other income						237
Discontinued operations:						
Income from operations of properties sold or held for sale						3,233
Gain on sale of real estate						3,724
Net income						9,561
Less: Net income attributable to noncontrolling interests in subsidiaries						—
Net income attributable to the controlling interests						$ 9,561
Capital expenditures	$ 10,058	$ 2,399	$ 832	$ 1,496	$ 95	$ 14,880
Total assets	$ 1,144,975	$ 343,876	$ 361,383	$ 247,508	$ 101,053	$ 2,198,795

	Nine Months Ended September 30, 2013					
	Office	Medical Office	Retail	Multifamily	Corporate and Other	Consolidated
Real estate rental revenue	$ 113,849	$ —	$ 42,105	$ 40,349	$ —	$ 196,303
Real estate expenses	42,697	—	10,355	16,415	—	69,467
Net operating income	$ 71,152	$ —	$ 31,750	$ 23,934	$ —	$ 126,836
Depreciation and amortization						(63,328)
General and administrative						(11,717)
Acquisition costs						(448)
Interest expense						(47,944)
Other income						705
Discontinued operations:						
Income from operations of properties sold or held for sale						11,139
Gain on sale of real estate						3,195
Net income						18,438
Less: Net income attributable to noncontrolling interests in subsidiaries						—
Net income attributable to the controlling interests						$ 18,438
Capital expenditures	$ 26,773	$ 3,035	$ 2,732	$ 6,808	$ 125	$ 39,473

	Nine Months Ended September 30, 2012					
	Office	Medical Office	Retail	Multifamily	Corporate and Other	Consolidated
Real estate rental revenue	$ 109,632	$ —	$ 41,019	$ 39,483	$ —	$ 190,134
Real estate expenses	39,905	—	9,488	15,427	—	64,820
Net operating income	$ 69,727	$ —	$ 31,531	$ 24,056	$ —	$ 125,314
Depreciation and amortization						(63,593)
General and administrative						(10,943)
Acquisition costs						(144)
Interest expense						(43,983)
Other income						733
Discontinued operations:						
Income from operations of properties sold or held for sale						9,642
Gain on sale of real estate						3,724
Net income						20,750
Less: Net income attributable to noncontrolling interests in subsidiaries						—
Net income attributable to the controlling interests						$ 20,750
Capital expenditures	$ 25,076	$ 5,020	$ 2,246	$ 3,968	$ 510	$ 36,820

NOTE 11: SUBSEQUENT EVENT

On October 1, 2013, we closed on the purchase of The Paramount, a135-unit residential building in Arlington, Virginia, for $48.2 million. We funded the acquisition through borrowings of $50.0 million on our unsecured line of credit.

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

The following discussion should be read in conjunction with our consolidated financial statements and the notes thereto appearing in Item 1 of this report and the more detailed information contained in our Annual Report on Form 10-K for the year ended December 31, 2012 filed with the Securities and Exchange Commission on February 27, 2013.

We refer to the three months ended September 30, 2013 and September 30, 2012 as the "2013 Quarter" and the "2012 Quarter," respectively, and the the nine months ended September 30, 2013 and September 30, 2012 as the "2013 Period" and the "2012 Period," respectively.

Forward-Looking Statements

This Form 10-Q contains forward-looking statements which involve risks and uncertainties. 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. We claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for these statements. The following important factors, in addition to those discussed elsewhere in this Form 10-Q, could affect our future results and could cause those results to differ materially from those expressed in the forward-looking statements: (a) the effect of credit and financial market conditions; (b) the availability and cost of capital; (c) fluctuations in interest rates; (d) the economic health of our tenants; (e) the timing and pricing of lease transactions; (f) the timing of the closings on the sale of the medical office segment; (g) the economic health of the greater Washington metro region, or other markets we may enter; (h) the effects of changes in Federal government spending; (i) the supply of competing properties; (j) consumer confidence; (k) unemployment rates; (l) consumer tastes and preferences; (m) our future capital requirements; (n) inflation; (o) compliance with applicable laws, including those concerning the environment and access by persons with disabilities; (p) governmental or regulatory actions and initiatives; (q) changes in general economic and business conditions; (r) terrorist attacks or actions; (s) acts of war; (t) weather conditions; (u) the effects of changes in capital available to the technology and biotechnology sectors of the economy, and (v) other factors discussed under the caption "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2012 filed with the Securities and Exchange Commission on February 27, 2013 and our subsequent Quarterly Reports on Form 10-Q. We undertake no obligation to update our forward-looking statements or risk factors to reflect new information, future events, or otherwise.

General

Introductory Matters

We provide our Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") in addition to the accompanying consolidated financial statements and notes to assist readers in understanding our results of operations and financial condition. We organize the MD&A as follows:

- *Overview.* Discussion of our business, operating results, investment activity and capital requirements, and summary of our significant transactions to provide context for the remainder of MD&A.
- *Results of Operations.* Discussion of our financial results comparing the 2013 Quarter to the 2012 Quarter and the 2013 Period to the 2012 Period.
- *Liquidity and Capital Resources.* Discussion of our financial condition and analysis of changes in our capital structure and cash flows.
- *Critical Accounting Policies and Estimates.* Descriptions of accounting policies that reflect significant judgments and estimates used in the preparation of our consolidated financial statements.

When evaluating our financial condition and operating performance, we focus on the following financial and non-financial indicators:

- Net operating income ("NOI"), calculated as real estate rental revenue less real estate expenses excluding depreciation and amortization and general and administrative expenses. NOI is a non-GAAP supplemental measure to net income;
- Funds From Operations ("FFO"), calculated as set forth below under the caption "Funds from Operations." FFO is a non-GAAP supplemental measure to net income;
- Occupancy, calculated as occupied square footage as a percentage of total square footage as of the last day of that period;

- Leased percentage, calculated as the percentage of available physical net rentable area leased for our commercial segments and percentage of apartments leased for our multifamily segment;
- Rental rates;
- Leasing activity, including new leases, renewals and expirations.

For purposes of evaluating comparative operating performance, we categorize our properties as "same-store," "non-same-store" or discontinued operations. A "same-store" property is one that was owned for the entirety of the periods being evaluated, is stabilized from an occupancy standpoint and is included in continuing operations. We consider newly constructed properties to be stabilized when they achieve 90% occupancy. A "non-same-store" property is one that was acquired or placed into service during either of the periods being evaluated or is not stabilized from an occupancy standpoint, and is included in continuing operations. We classify results for properties sold or held for sale during any of the periods evaluated as discontinued operations.

Overview

Business

Our revenues are derived primarily from the ownership and operation of income-producing properties in the greater Washington metro region. As ofSeptember 30, 2013, we owned a diversified portfolio of 69 properties, totaling approximately 8.5 million square feet of commercial space and 2,540 multifamily units, and land held for development. These 69 properties consisted of 25 office properties, 17 medical office properties, 16 retail centers and 11 multifamily properties. We have entered into purchase and sale agreements to effectuate the sale of our medical office segment, and have classified this segment as discontinued operations (see note 3 to the consolidated financial statements).

As previously disclosed on a Current Report on Form 8-K filed October 2, 2013, Mr. George F. "Skip" McKenzie, our prior President and Chief Executive Officer, resigned from WRIT's Board of Trustees and from his positions as WRIT's President and Chief Executive Officer effective September 30, 2013. Mr. Paul T. McDermott joined WRIT as a member of its Board of Trustees and as its President and Chief Executive Officer on October 1, 2013. He is responsible for WRIT's financial performance after such date.

Operating Results

Real estate rental revenue, NOI, net income and FFO for the three months endedSeptember 30, 2013 and 2012 were as follows (in thousands):

	Three Months Ended September 30,			
	2013	2012	$ Change	% Change
Real estate rental revenue	$ 65,828	$ 64,471	$ 1,357	2.1 %
NOI [(1)]	$ 42,585	$ 41,944	$ 641	1.5 %
Net income	$ 5,840	$ 9,561	$ (3,721)	(38.9)%
FFO [(2)]	$ 30,223	$ 32,055	$ (1,832)	(5.7)%

(1) See page 25 of the MD&A for reconciliations of NOI to net income.

(2) See page 36 of the MD&A for reconciliations of FFO to net income.

The increase in NOI is primarily due to higher rental rates, partially offset by lower occupancy and higher real estate taxes. Occupancy decreased to89.6% from 90.0% one year ago, as decreases in the retail and multifamily segments were partially offset by a small increase occupancy in the office segment. Real estate rental revenue and NOI do not include the medical office segment, which is classified as discontinued operations.

Investment Activity

In September 2013, we entered into four separate purchase and sale agreements to effectuate the sale of the Medical Office Portfolio, which consists of our entire medical office segment (including land held for development at 4661 Kenmore Avenue) and two office buildings (Woodholme Center and 6565 Arlington Boulevard), for an aggregate purchase price of $500.8 million. The dispositions consist of four independent transactions, each of which will close pursuant to a separate purchase and sale agreement. The projected closing date under both Purchase and Sale Agreement #1 and Purchase and Sale Agreement #2 is on or about November 12, 2013 (although we currently anticipate such date could be extended by approximately one week) and the outside closing date under both Purchase and Sale Agreement #3 and Purchase and Sale Agreement #4 is January 31, 2014.

Although we have entered into these purchase and sale agreements, there could still be conditions to the closings of such transactions that may not be achieved, or we or the potential purchaser otherwise may not be successful in completing such transactions. We may also not be successful in reinvesting some or all of the proceeds of the Medical Office Portfolio sales on a substantially concurrent basis. If we do not successfully reinvest some or all of the sales proceeds, the resulting decrease in our net income attributable to the controlling interests will not be completely offset by income from the reinvestment of disposition proceeds. This decrease in net income attributable to the controlling interests would have a negative impact on our earnings to fixed charges and debt service coverage ratios and could have a negative impact on our ability to pay dividends at their current level. Even if we do successfully reinvest some or all of the sales proceeds, we still expect some decrease in net income attributable to the controlling interests in future quarters due to the timing and cost of future potential acquisitions.

Capital Requirements

There are no debt maturities for the remainder of 2013, though we will continue to make recurring principal amortization payments. As of September 30, 2013, our unsecured lines of credit had $85.0 million of borrowings outstanding, leaving a remaining borrowing capacity of $415.0 million.

Significant Transactions

Our significant transactions during the 2013 and 2012 Periods are summarized as follows:

2013 Period

- The execution of four separate contracts with a single buyer for the sale of the entire medical office segment, consisting of 17 medical office assets, and two office assets, 6565 Arlington Boulevard and Woodholme Center (both of which have significant medical office tenancy), encompassing in total approximately 1.5 million square feet. The assets to be sold also include land held for development at 4661 Kenmore Avenue. The sales prices under the four agreements aggregate to $500.8 million. The projected closing date under both Purchase and Sale Agreement #1 ($303.4 million of the aggregate sales price) and Purchase and Sale Agreement #2 ($3.8 million of the aggregate sales price) is on or about November 12, 2013 (although we currently anticipate such date could be extended by approximately one week) and the outside closing date under both Purchase and Sale Agreement #3 ($79.0 million of the aggregate sales price) and Purchase and Sale Agreement #4 ($114.6 million of the aggregate sales price) is January 31, 2014.
- The disposition of the Atrium Building, a 79,000 square foot office building, for a contract sales price of $15.8 million, resulting in a gain on sale of $3.2 million.
- The execution of new leases for 1.2 million square feet of commercial space, excluding leases at properties classified as held for sale, with an average rental rate increase of 9.3% over expiring leases.

2012 Period

- The issuance of $300.0 million of 3.95% unsecured notes due October 15, 2022, with net proceeds of $296.4 million. The notes bear an effective interest rate of 4.018%.
- The disposition of 1700 Research Boulevard, a 101,000 square foot office building, for a contract sales price of $14.3 million, resulting in a gain on sale of $3.7 million.
- The acquisition of Fairgate at Ballston, a 142,000 square foot office building, for $52.3 million.
- The execution of an amended and restated credit agreement for Credit Facility No. 1 to expand the facility from $75.0 million to $100.0 million, with an accordion feature that allows us to increase the facility to $200.0 million, subject to additional lender commitments. The amended and restated facility matures June 2015, with a one-year extension option, and bears interest at a rate of LIBOR plus a margin, based on our credit rating.
- The execution of an amended and restated credit agreement for Credit Facility No. 2, our $400.0 million unsecured line of credit, to extend the maturity date of the facility to July 2016, with a one-year extension option. The amended and restated facility bears interest at a rate of LIBOR plus a margin, based on our credit rating.
- The execution of new leases for 0.7 million square feet of commercial space, with an average rental rate increase of 12.1% over expiring leases.

Results of Operations

The discussion that follows is based on our consolidated results of operations for the2013 and 2012 Quarters and Periods. The ability to compare one period to another may be significantly affected by acquisitions completed and dispositions made during those periods. To provide more insight into our operating results, we divide our discussion into two main sections:

- *Consolidated Results of Operations*: Overview analysis of results on a consolidated basis.
- *Net Operating Income*: Detailed analysis of same-store and non-same-store NOI results by segment.

Consolidated Results of Operations

Real Estate Rental Revenue

Real estate rental revenue for properties classified as continuing operations for the three and nine months ended September 30, 2013 and 2012 were as follows (in thousands):

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2013	2012	$	%	2013	2012	$	%
Minimum base rent	$ 56,762	$ 56,355	$ 407	0.7 %	$ 169,373	$ 165,808	$ 3,565	2.2 %
Recoveries from tenants	6,576	6,217	359	5.8 %	20,159	18,902	1,257	6.7 %
Provisions for doubtful accounts	(813)	(1,262)	449	(35.6)%	(2,725)	(3,632)	907	(25.0)%
Parking and other tenant charges	3,303	3,161	142	4.5 %	9,496	9,056	440	4.9 %
	$ 65,828	$ 64,471	$ 1,357	2.1 %	$ 196,303	$ 190,134	$ 6,169	3.2 %

Minimum Base Rent: Minimum base rent increased by $0.4 million in the 2013 Quarter primarily due to higher rental rates ($1.4 million), partially offset by lower occupancy ($0.6 million) and higher rent abatements ($0.3 million).

Minimum base rent increased by $3.6 million in the 2013 Period primarily due to acquisitions ($2.1 million) and higher rental rates ($4.6 million) at same-store properties, partially offset by lower occupancy ($2.4 million) and higher rent abatements ($0.7 million) at same-store properties.

Recoveries from Tenants: Recoveries from tenants increased by $0.4 million in the 2013 Quarter primarily due to higher reimbursements for operating expenses ($0.3 million) and real estate taxes ($0.1 million).

Recoveries from tenants increased by $1.3 million in the 2013 Period primarily due to higher reimbursements for operating expenses ($0.9 million) and real estate taxes ($0.3 million) at same-store properties and reimbursements for real estate taxes ($0.1 million) at acquisitions.

Provisions for Doubtful Accounts: Provisions for doubtful accounts decreased by $0.4 million in the 2013 Quarter primarily due to lower net provisions in the retail segment.

Provisions for doubtful accounts decreased by $0.9 million in the 2013 Period primarily due to lower net provisions in the retail segment.

Parking and Other Tenant Charges: Parking and other tenant charges increased by $0.1 million in the 2013 Quarter primarily due to higher parking income.

Parking and other tenant charges increased by $0.4 million in the 2013 Period primarily due to acquisitions ($0.4 million) and higher parking income ($0.5 million) from same-store properties, partially offset by lower lease termination fees ($0.3 million) from same-store properties.

Occupancy for properties classified as continuing operations by segment as of September 30, 2013 and 2012 was as follows:

	As of September 30,		
	2013	2012	Change
Office	86.4 %	86.3 %	0.1 %
Retail	91.4 %	92.8 %	(1.4)%
Multifamily	94.1 %	94.8 %	(0.7)%
Total	89.6 %	90.0 %	(0.4)%

Occupancy represents occupied square footage indicated as a percentage of total square footage as of the last day of that period.

A detailed discussion of occupancy by segment can be found in the Net Operating Income section.

Real Estate Expenses

Real estate expenses for properties classified as continuing operations for the three and nine months ended September 30, 2013 and 2012 were as follows (in thousands):

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2013	2012	$	%	2013	2012	$	%
Property operating expenses	$ 15,990	$ 15,581	$ 409	2.6%	$ 48,007	$ 44,775	$ 3,232	7.2%
Real estate taxes	7,253	6,946	307	4.4%	21,460	20,045	1,415	7.1%
	$ 23,243	$ 22,527	$ 716	3.2%	$ 69,467	$ 64,820	$ 4,647	7.2%

Real estate expenses as a percentage of revenue were 35.3% and 34.9% for the 2013 and 2012 Quarters, respectively, and 35.4% and 34.1% for the 2013 and 2012 Periods, respectively.

Property Operating Expenses: Property operating expenses include utilities, repairs and maintenance, property administration and management, operating services, common area maintenance, property insurance, bad debt and other operating expenses.

Property operating expenses increased by $0.4 million in the 2013 Quarter primarily due to bad debt ($0.2 million) and repairs and maintenance ($0.1 million) expenses.

Property operating expenses increased by $3.2 million in the 2013 Period primarily due to higher bad debt ($1.0 million), administrative ($0.5 million), repairs and maintenance ($0.5 million) and snow removal ($0.3 million) expenses from same-store properties, and acquisitions ($0.7 million).

Real Estate Taxes: Real estate taxes increased by $0.3 million in the 2013 Quarter primarily due to higher assessments across the portfolio.

Real estate taxes increased by $1.4 million in the 2013 Period primarily due to higher assessments at same-store properties ($1.1 million) and acquisitions ($0.3 million).

Other Operating Expenses

Other operating expenses for the three and nine months ended September 30, 2013 and 2012 were as follows (in thousands):

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2013	2012	$	%	2013	2012	$	%
Depreciation and amortization	$ 21,168	$ 21,682	$ (514)	(2.4)%	$ 63,328	$ 63,593	$ (265)	(0.4)%
Interest expense	15,930	14,886	1,044	7.0 %	47,944	43,983	3,961	9.0 %
Acquisition costs	148	(164)	312	190.2 %	448	144	304	211.1 %
General and administrative	3,850	3,173	677	21.3 %	11,717	10,943	774	7.1 %
	$ 41,096	$ 39,577	$ 1,519	3.8 %	$ 123,437	$ 118,663	$ 4,774	4.0 %

Interest Expense: Interest expense by debt type for the three and nine months ended September 30, 2013 and 2012 was as follows (in thousands):

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2013	2012	$	%	2013	2012	$	%
Notes payable	$ 10,640	$ 8,896	$ 1,744	19.6 %	$ 32,531	$ 26,526	$ 6,005	22.6 %
Mortgages	4,551	5,145	(594)	(11.5)%	13,625	15,814	(2,189)	(13.8)%
Lines of credit	863	1,237	(374)	(30.2)%	2,395	2,893	(498)	(17.2)%
Capitalized interest	(124)	(392)	268	(68.4)%	(607)	(1,250)	643	(51.4)%
Total	$ 15,930	$ 14,886	$ 1,044	7.0 %	$ 47,944	$ 43,983	$ 3,961	9.0 %

Interest expense from notes payable increased in the 2013 Quarter and Period primarily due to the issuance of $300.0 million of 3.95% unsecured notes in September 2012, partially offset by the paydowns of $50.0 million of 5.05% notes and of $60.0 million of 5.125% notes. Interest expense from mortgage notes decreased primarily due to the repayments of various mortgage notes during 2012 and 2013. Interest expense from our unsecured lines of credit decreased due to lower borrowings. Capitalized interest decreased because we stopped capitalizing interest on expenditures on our joint venture to develop a multifamily property at 1225 First Street during the second quarter of 2013 because there was no qualified development activity. We decided to delay commencement of construction at this development due to market conditions and concerns of oversupply. We will reassess this project on a periodic basis going forward.

General and Administrative Expense: General and administrative expense increased by $0.7 million in the 2013 Quarter, primarily due to higher provisions for incentive compensation and recruitment fees associated with the search for a new chief executive officer.

General and administrative expense increased by $0.8 million in the 2013 Period, primarily due to recruitment fees associated with the search for a new chief executive officer.

Discontinued Operations

We classified as held for sale or sold the following properties in 2013 and 2012:

Disposition Date	Property	Type	Rentable Square Feet	Contract Sales Price (in thousands)
March 19, 2013	Atrium Building	Office	79,000	$ 15,750
N/A	Medical Office Portfolio[1]	Medical Office / Office	1,520,000	500,750
			1,599,000	$ 516,500
August 31, 2012	1700 Research Boulevard	Office	101,000	$ 14,250
December 20, 2012	Plumtree Medical Center	Medical Office	33,000	8,750
		Total 2012	134,000	$ 23,000

[1] The Medical Office Portfolio consists of every property in our medical office segment, two office buildings (6565 Arlington Boulevard and Woodholme Center) and land held for development at 4661 Kenmore Avenue.

Operating results of the properties classified as discontinued operations for thethree and nine months ended September 30, 2013 and 2012were as follows (in thousands):

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2013	2012	$	%	2013	2012	$	%
Revenues	$ 12,073	$ 13,725	$ (1,652)	(12.0)%	$ 37,141	$ 41,338	$ (4,197)	(10.2)%
Property expenses	(4,398)	(4,793)	395	(8.2)%	(12,856)	(13,992)	1,136	(8.1)%
Depreciation and amortization	(3,215)	(4,536)	1,321	(29.1)%	(12,161)	(14,210)	2,049	(14.4)%
Interest expense	(329)	(1,163)	834	(71.7)%	(985)	(3,494)	2,509	(71.8)%
Total	$ 4,131	$ 3,233	$ 898	27.8 %	$ 11,139	$ 9,642	$ 1,497	15.5 %

Net Operating Income

NOI is the primary performance measure we use to assess the results of our operations at the property level. We believe that NOI is useful as a performance measure because, when compared across periods, NOI reflects the impact on operations of trends in occupancy rates, rental rates and operating costs on an unleveraged basis, providing perspective not immediately apparent from net income. NOI excludes certain components from net income in order to provide results more closely related to a property's results of operations. For example, interest expense is not necessarily linked to the operating performance of a real estate asset. In addition, depreciation and amortization, because of historical cost accounting and useful life estimates, may distort operating performance at the property level. As a result of the foregoing, we provide NOI as a supplement to net income or income from continuing operations, calculated in accordance with GAAP. NOI does not represent net income or income from continuing operations, in either case calculated in accordance with GAAP. As such, it should not be considered an alternative to these measures as an indication of our operating performance. NOI is calculated as real estate rental revenue less real estate expenses excluding depreciation and amortization, interest expense and general and administrative expenses. A reconciliation of NOI to net income follows.

2013 Quarter Compared to 2012 Quarter

The following tables of selected operating data reconcile NOI to net income and provide the basis for our discussion of NOI in the 2013 Quarter compared to the 2012 Quarter (in thousands).

	Three Months Ended September 30,			
	2013	2012	$ Change	% Change
Real estate rental revenue	$ 65,828	$ 64,471	$ 1,357	2.1%
Real estate expenses	23,243	22,527	716	3.2%
NOI	$ 42,585	$ 41,944	$ 641	1.5%
Reconciliation to Net Income				
NOI	$ 42,585	$ 41,944		
Depreciation and amortization	(21,168)	(21,682)		
General and administrative expenses	(3,850)	(3,173)		
Interest expense	(15,930)	(14,886)		
Other income	220	237		
Acquisition costs	(148)	164		
Discontinued operations:				
Income from operations of properties sold or held for sale(1)	4,131	3,233		
Gain on sale of real estate	—	3,724		
Net income	5,840	9,561		
Less: Net income attributable to noncontrolling interests	—	—		
Net income attributable to the controlling interests	$ 5,840	$ 9,561		

(1) Discontinued operations include gains on disposals and income from operations for:

2013 held for sale – Medical Office Portfolio – medical office segment and two office buildings (6565 Arlington Boulevard and Woodholme Center)

2013 disposition – The Atrium Building

2012 dispositions – Plumtree Medical Center and 1700 Research Boulevard

Real estate rental revenue increased by $1.4 million in the 2013 Quarter primarily due to higher rental rates ($1.4 million) and lower provisions for uncollectible revenue ($0.5 million), partially offset by lower occupancy ($0.6 million).

Real estate expenses increased by $0.7 million in the 2013 Quarter primarily due to higher real estate taxes ($0.3 million), bad debt expense ($0.2 million), and repairs and maintenance expenses ($0.1 million).

Occupancy reflects decreased to 89.6% at the end of the 2013 Quarter from 90.0% at the end of the 2012 Quarter due to declines in all segments except office, which had a small increase. During the 2013 Quarter, 75.0% of the commercial square footage expiring was renewed as compared to 66.7% in the 2012 Quarter, excluding properties sold or classified as held for sale. During the 2013 Quarter, we executed new leases (excluding leases at properties classified as held for sale) for 447,746 commercial square feet at an average rental rate of $32.68 per square foot, an increase of 8.7%, with average tenant improvements and leasing commissions and incentives (including free rent) of $49.18 per square foot.

An analysis of NOI by segment follows.

Office Segment:

	Three Months Ended September 30,							
	2013		2012		$ Change		% Change
Real estate rental revenue	$	38,221	$	37,477	$	744	2.0%
Real estate expenses	$	14,517	$	14,114	$	403	2.9%
NOI	$	23,704	$	23,363	$	341	1.5%

Real estate rental revenue increased by $0.7 million in the 2013 Quarter primarily due to higher rental rates.

Real estate expenses increased by $0.4 million primarily due to higher bad debt expense ($0.2 million) and real estate taxes ($0.1 million).

Occupancy increased to 86.4% at the end of the 2013 Quarter from 86.3% at the end of the 2012 Quarter. The increase was primarily due to higher occupancy at 2000 M Street and 1140 Connecticut Avenue, partially offset by lower occupancy at Braddock Metro Center. During the 2013 Quarter, 68.8% of the square footage that expired was renewed compared to 53.0% in the 2012 Quarter, excluding properties sold or classified as held for sale. During the 2013 Quarter, we executed new leases (excluding leases at properties classified as held for sale) for 285,614 square feet of office space at an average rental rate of $37.54 per square foot, an increase of 5.0%, with average tenant improvements and leasing commissions and incentives (including free rent) of $71.94 per square foot.

Retail Segment:

	Three Months Ended September 30,			
	2013	2012	$ Change	% Change
Real estate rental revenue	$ 13,990	$ 13,604	$ 386	2.8%
Real estate expenses	$ 3,207	$ 3,015	$ 192	6.4%
NOI	$ 10,783	$ 10,589	$ 194	1.8%

Real estate rental revenue increased by $0.4 million in the 2013 Quarter primarily due to higher rental rates ($0.4 million) and lower provisions for uncollectible revenue ($0.4 million), partially offset by lower occupancy ($0.4 million).

Real estate expenses increased by $0.2 million in the 2013 Quarter primarily due to real estate taxes.

Occupancy decreased to 91.4% at the end of the 2013 Quarter from 92.8% at the end of the 2012 Quarter. The decrease was primarily due to lower occupancy at Concord Center and Randolph Shopping Center, partially offset by higher occupancy at the Centre at Hagerstown and Gateway Overlook. During the 2013 Quarter, 89.8% of the square footage that expired was renewed compared to 83.4% in the 2012 Quarter. During the 2013 Quarter, we executed new leases for 162,132 square feet of retail space at an average rental rate of $24.13, an increase of 20.6%, with average tenant improvements and leasing commissions and incentives (including free rent) of $9.10 per square foot.

Multifamily Segment:

	Three Months Ended September 30,			
	2013	2012	$ Change	% Change
Real estate rental revenue	$ 13,617	$ 13,390	$ 227	1.7%
Real estate expenses	$ 5,519	$ 5,398	$ 121	2.2%
NOI	$ 8,098	$ 7,992	$ 106	1.3%

Real estate rental revenue increased by $0.2 million in the 2013 Quarter due to higher rental rates ($0.3 million), partially offset by lower occupancy ($0.1 million).

Real estate expenses increased by $0.1 million in the 2013 Quarter primarily due to higher administrative expenses.

Occupancy decreased to 94.1% at the end of the 2013 Quarter from 94.8% at the end of the 2012 Quarter, primarily due to lower occupancy at 3801 Connecticut Avenue and Bethesda Hill Apartments.

2013 Period Compared to 2012 Period

The following tables of selected operating data reconcile NOI to net income and provide the basis for our discussion of NOI in the 2013 Period compared to the 2012 Period (in thousands).

	Nine Months Ended September 30,			
	2013	2012	$ Change	% Change
Real Estate Rental Revenue				
Same-store	$ 192,215	$ 188,643	$ 3,572	1.9 %
Non-same-store [(1)]	4,088	1,491	2,597	174.2 %
Total real estate rental revenue	$ 196,303	$ 190,134	$ 6,169	3.2 %
Real Estate Expenses				
Same-store	$ 67,904	$ 64,206	$ 3,698	5.8 %
Non-same-store [(1)]	1,563	614	949	154.6 %
Total real estate expenses	$ 69,467	$ 64,820	$ 4,647	7.2 %
NOI				
Same-store	$ 124,311	$ 124,437	$ (126)	(0.1)%
Non-same-store [(1)]	2,525	877	1,648	187.9 %
Total NOI	$ 126,836	$ 125,314	$ 1,522	1.2 %
Reconciliation to Net Income				
NOI	$ 126,836	$ 125,314		
Depreciation and amortization	(63,328)	(63,593)		
General and administrative expenses	(11,717)	(10,943)		
Interest expense	(47,944)	(43,983)		
Other income	705	733		
Acquisition costs	(448)	(144)		
Discontinued operations:				
Income from operations of properties sold or held for sale[(2)]	11,139	9,642		
Gain on sale of real estate	3,195	3,724		
Net income	18,438	20,750		
Less: Net income attributable to noncontrolling interests	—	—		
Net income attributable to the controlling interests	$ 18,438	$ 20,750		

(1) Non-same-store properties include:

2012 Office acquisition – Fairgate at Ballston

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

2013 held for sale – Medical Office Portfolio – medical office segment and two office buildings (6565 Arlington Boulevard and Woodholme Center)

2013 disposition – The Atrium Building

2012 dispositions – Plumtree Medical Center and 1700 Research Boulevard

Real estate rental revenue from same-store properties increased by $3.6 million in the 2013 Period primarily due to higher rental rates ($4.6 million), lower provisions for uncollectible revenue ($0.9 million), higher reimbursements for operating expenses ($0.9 million) and higher parking income ($0.5 million), partially offset by lower occupancy ($2.4 million) and higher rent abatements ($0.9 million).

Real estate expenses from same-store properties increased by $3.7 million in the 2013 Period due to higher real estate taxes ($1.1 million), bad debt expense ($1.0 million), administrative expenses ($0.5 million), repairs and maintenances expenses ($0.5 million)and snow removal costs ($0.3 million).

During the 2013 Period, 72.9% of the commercial square footage expiring was renewed as compared to62.3% in the 2012 Period, excluding properties sold or classified as held for sale. During the 2013 Period, we executed new leases (excluding properties classified as held for sale) for1,151,683 commercial square feet at an average rental rate of $28.13 per square foot, an increase of 9.3%, with average tenant improvements and leasing commissions and incentives (including free rent) of$32.20 per square foot.

An analysis of NOI by segment follows.

Office Segment:

	Nine Months Ended September 30,			
	2013	2012	$ Change	% Change
Real Estate Rental Revenue				
Same-store	$ 109,761	$ 108,141	$ 1,620	1.5 %
Non-same-store [(1)]	4,088	1,491	2,597	174.2 %
Total real estate rental revenue	$ 113,849	$ 109,632	$ 4,217	3.8 %
Real Estate Expenses				
Same-store	$ 41,134	$ 39,291	$ 1,843	4.7 %
Non-same-store [(1)]	1,563	614	949	154.6 %
Total real estate expenses	$ 42,697	$ 39,905	$ 2,792	7.0 %
NOI				
Same-store	$ 68,627	$ 68,850	$ (223)	(0.3)%
Non-same-store [(1)]	2,525	877	1,648	187.9 %
Total NOI	$ 71,152	$ 69,727	$ 1,425	2.0 %

(1) Non-same-store properties include:

2012 acquisition - Fairgate at Ballston

Real estate rental revenue from same-store properties increased by $1.6 million in the 2013 Period primarily due to higher rental rates ($2.0 million), higher reimbursements for operating expenses ($0.7 million) and higher parking income ($0.4 million), partially offset by lower occupancy ($1.0 million) and higher rent abatements ($0.7 million).

Real estate expenses from same-store properties increased by $1.8 million due to higher real estate taxes ($0.6 million), bad debt expense ($0.4 million), administrative expenses ($0.4 million) and operating services ($0.4 million).

During the 2013 Period, 63.7% of the square footage that expired was renewed compared to54.3% in the 2012 Period, excluding properties sold or classified as held for sale. During the 2013 Period, we executed new leases (excluding properties classified as held for sale) for718,613 square feet of office space at an average rental rate of$34.07 per square foot, an increase of 6.1%, with average tenant improvements and leasing commissions and incentives (including free rent) of$45.35 per square foot.

Retail Segment:

	Nine Months Ended September 30, 2013	2012	$ Change	% Change
Real Estate Rental Revenue	$ 42,105	$ 41,019	$ 1,086	2.6%
Real Estate Expenses	$ 10,355	$ 9,488	$ 867	9.1%
NOI	$ 31,750	$ 31,531	$ 219	0.7%

Real estate rental revenue increased by $1.1 million in the 2013 Period primarily due to higher rental rates ($1.3 million) and lower provisions for uncollectible revenue ($1.0 million), partially offset by lower occupancy ($0.9 million) and lower reimbursements for real estate taxes ($0.3 million).

Real estate expenses increased by $0.9 million in the 2013 Period primarily due to higher bad debt expense ($0.3 million), snow removal costs ($0.2 million) and real estate taxes ($0.2 million).

During the 2013 Period, 89.1% of the square footage that expired was renewed compared to74.8% in the 2012 Period. During the 2013 Period, we executed new leases for 433,070 square feet of retail space at an average rental rate of$18.27, an increase of 20.6%, with average tenant improvements and leasing commissions and incentives (including free rent) of $10.39 per square foot.

Multifamily Segment:

	Nine Months Ended September 30, 2013	2012	$ Change	% Change
Real Estate Rental Revenue	$ 40,349	$ 39,483	$ 866	2.2 %
Real Estate Expenses	$ 16,415	$ 15,427	$ 988	6.4 %
NOI	$ 23,934	$ 24,056	$ (122)	(0.5)%

Real estate rental revenue increased by $0.9 million in the 2013 Period primarily due to higher rental rates ($1.3 million), partially offset by lower occupancy ($0.5 million).

Real estate expenses increased by $1.0 million in the 2013 Period primarily due to higher real estate taxes ($0.4 million), higher bad debt expense ($0.3 million) and higher repairs and maintenance expenses ($0.2 million).

Liquidity and Capital Resources

Capital Requirements

We expect that we will have the capital requirements in 2013 listed below. There can be no assurance that our capital requirements will not be materially higher or lower than these expectations.

- Funding dividends on our common shares and noncontrolling interest distributions to third party unit holders;
- Approximately $65 million to invest in our existing portfolio of operating assets, including approximately $30 - $35 million to fund tenant-related capital requirements and leasing commissions;
- Approximately $20 - $25 million to invest in our development projects; and
- Funding for potential property acquisitions and related costs throughout the remainder of 2013, offset by proceeds from disposition of the Medical Office Portfolio, which consists of our entire medical office segment (including land held for development at 4661 Kenmore Avenue) and two office buildings (Woodholme Center and 6565 Arlington Boulevard), for an aggregate purchase price of $500.8 million.

We expect to close on the first two transactions of the Medical Office Portfolio sale, with an aggregate sales price of $307.2 million, on or about November 12, 2013 (although we currently anticipate such date could be extended by approximately one week). We expect to close on the remaining two transactions, with an aggregate sales price of $193.6 million, by January 31, 2014. We currently intend to use the sales proceeds to repay approximately $26.0 million to repay mortgage notes (including prepayment penalties) secured by properties included in the Medical Office Portfolio, repay balances on our unsecured lines of credit, repay the $100.0 million of 5.25% notes on their maturity date of January 15, 2014, fund reinvestments into acquisition properties and for general corporate purposes.

We may not be successful in reinvesting some or all of the proceeds of the Medical Office Portfolio sales on a substantially concurrent basis. If we do not successfully reinvest some or all of the sales proceeds, the resulting decrease in our net income attributable to the controlling interests will not be completely offset by income from the reinvestment of disposition proceeds. This decrease in net income attributable to the controlling interests would have a negative impact on our earnings to fixed charges and debt service coverage ratios and could have a negative impact on our ability to pay dividends at their current level. Even if we do successfully reinvest some or all of the sales proceeds, we still expect some decrease in net income attributable to the controlling interests in future quarters due to the timing and cost of future potential acquisitions.

Debt Financing

Our total debt at September 30, 2013 and December 31, 2012 is as follows (in thousands):

	September 30, 2013	December 31, 2012
Mortgage notes payable [(1)]	$ 314,305	$ 342,970
Unsecured credit facilities	85,000	—
Unsecured notes payable	846,576	906,190
	$ 1,245,881	$ 1,249,160

[(1)] Includes mortgage notes secured by medical office properties that have been reclassified to "Other liabilities related to properties sold or held for sale" on the consolidated balance sheets (see note 3 to the consolidated financial statements). These mortgages notes had balances of $23.5 million and $23.9 million as of September 30, 2013 and December 31, 2012, respectively.

Mortgage Debt

At September 30, 2013, our $314.3 million in mortgage notes payable, which include a net $2.8 million in unamortized discounts due to fair value adjustments, bore an effective weighted average fair value interest rate of 6.1% and had a weighted average maturity of 3.8 years. We may either initiate secured mortgage debt or assume mortgage debt from time-to-time in conjunction with property acquisitions.

Unsecured Credit Facilities

Our primary external sources of liquidity are our two revolving credit facilities.

Credit Facility No. 1 is a four-year, $100.0 million unsecured credit facility maturing in June 2015, and may be extended by one year at our option. We had $25.0 million in borrowings outstanding as of September 30, 2013, related to Credit Facility No. 1. Borrowings under the facility bear interest at LIBOR plus a spread based on the credit rating on our publicly issued debt. The interest rate spread is currently 120 basis points. All outstanding advances are due and payable upon maturity in June 2015, and may be extended by one year at our option. Interest only payments are due and payable generally on a monthly basis. In addition, we pay a facility fee based on the credit rating of our publicly issued debt which currently equals 0.25% per annum of the $100.0 million committed capacity, without regard to usage. Rates and fees may be increased or decreased based on changes in our senior unsecured credit ratings. These fees are payable quarterly.

Credit Facility No. 2 is a four-year, $400.0 million unsecured credit facility maturing in July 2016, and may be extended for one year at our option. We had $60.0 million in borrowings outstanding as of September 30, 2013 related to Credit Facility No. 2. Advances under this agreement bear interest at LIBOR plus a spread based on the credit rating of our publicly issued debt. The interest rate spread is currently 120 basis points. All outstanding advances are due and payable upon maturity in July 2016, and may be extended for one year at our option. Interest only payments are due and payable generally on a monthly basis. In addition, we pay a facility fee based on the credit rating of our publicly issued debt which currently equals 0.25% per annum of the $400.0 million committed capacity, without regard to usage. Rates and fees may be increased or decreased based on changes in our senior unsecured credit ratings. These fees are payable quarterly.

Our unsecured credit facilities contain financial and other covenants with which we must comply. Some of these covenants include:

- A minimum tangible net worth;
- A maximum ratio of total liabilities to gross asset value, calculated using an estimate of fair market value of our assets;
- A maximum ratio of secured indebtedness to gross asset value, calculated using an estimate of fair market value of our assets;
- A minimum ratio of quarterly EBITDA (earnings before interest, taxes, depreciation, amortization and extraordinary and nonrecurring gains and losses) to fixed charges, including interest expense;
- A minimum ratio of unencumbered asset value, calculated using a fair value of our assets, to unsecured indebtedness;
- A minimum ratio of net operating income from our unencumbered properties to unsecured interest expense; and
- A maximum ratio of permitted investments to gross asset value, calculated using an estimate of fair market value of our assets.

Failure to comply with any of the covenants under our unsecured credit facilities or other debt instruments could result in a default under one or more of our debt instruments. This could cause our lenders to accelerate the timing of payments and would therefore have a material adverse effect on our business, operations, financial condition and liquidity. In addition, our ability to draw on our unsecured credit facilities or incur other unsecured debt in the future could be restricted by the loan covenants. As of September 30, 2013, we were in compliance with our loan covenants.

We anticipate that in the near term we may rely to a greater extent upon our unsecured credit facilities. To the extent that we maintain larger balances on our unsecured credit facilities or maintain balances on our unsecured credit facilities for longer periods, adverse fluctuations in interest rates could have a material adverse effect on earnings.

Unsecured Notes

We generally issue unsecured notes to fund our real estate assets long term. In issuing future unsecured notes, we intend to ladder the maturities of our debt to mitigate exposure to interest rate risk in future years.

As of September 30, 2013, our unsecured notes have maturities ranging from January 2014 through February 2028, as follows (in thousands):

5.25% notes due 2014	$	100,000
5.35% notes due 2015		150,000
4.95% notes due 2020		250,000
3.95% notes due 2022		300,000
7.25% notes due 2028		50,000
	$	850,000

Our unsecured notes contain covenants with which we must comply, including:

- Limits on our total indebtedness;
- Limits on our secured indebtedness;
- Limits on our required debt service payments; and
- Maintenance of a minimum level of unencumbered assets.

Failure to comply with any of the covenants under our unsecured notes could result in a default under one or more of our debt instruments. This could cause our debt holders to accelerate the timing of payments and would therefore have a material adverse effect on our business, operations, financial condition and liquidity. As of September 30, 2013, we were in compliance with our unsecured notes covenants.

From time to time, we may seek to repurchase and cancel our outstanding notes through open market purchases, privately negotiated transactions or otherwise. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors.

Common Equity

We have authorized for issuance 100.0 million common shares, of which 66.5 million shares were outstanding at September 30, 2013.

We are party to a sales agency financing agreement with BNY Mellon Capital Markets, LLC relating to the issuance and sale of up to $250.0 million of our common shares from time to time over a period of no more than 36 months from June 2012. Sales of our common shares are made at market prices prevailing at the time of sale. We would use net proceeds from the sale of common shares under this program for general corporate purposes. As of September 30, 2013, we have not issued any common shares under this program.

We have a dividend reinvestment program, whereby shareholders may use their dividends and optional cash payments to purchase common shares. The common shares sold under this program may either be common shares issued by us or common shares purchased in the open market. We did not issue any shares under this program during the 2013 Period.

Preferred Equity

WRIT's Board of Trustees can, at its discretion, authorize the issuance of up to 10.0 million shares of preferred stock. The ability to issue preferred equity provides WRIT an additional financing tool that may be used to raise capital for future acquisitions or other business purposes. As of September 30, 2013, no shares of preferred stock had been issued.

Dividends

We currently pay dividends quarterly at a rate of $0.30 per share. The maintenance of our dividend level is subject to various factors reviewed by the Board of Trustees in its discretion. These factors include our results of operations, 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. When setting the dividend level, our Board looks in particular at trends in our level of funds from operations, together with associated recurring capital improvements, tenant improvements, leasing commissions and tenant incentives, and adjustments to straight-line rents to reflect cash rents received.

Our dividend and distribution payments for the three and nine months ended September 30, 2013 and 2012 are as follows (in thousands):

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2013	2012	$	%	2013	2012	$	%
Common dividends	$ 20,033	$ 19,998	$ 35	0.2%	$ 60,132	$ 77,805	$ (17,673)	(22.7)%
Distributions to noncontrolling interests	—	—	—		—	14	(14)	(100.0)%
	$ 20,033	$ 19,998	$ 35	0.2%	$ 60,132	$ 77,819	$ (17,687)	(22.7)%

Dividends paid for the 2013 Period decreased due to the reduction of our quarterly dividend rate from $0.43375 per share to $0.30 per share in September 2012.

Historical Cash Flows

Cash flows from operations are an important factor in our ability to sustain our dividend at its current rate. If our cash flows from operations were to decline significantly, we may have to reduce our dividend. Consolidated cash flow information is summarized as follows (in thousands):

	Nine Months Ended September 30,		Change	
	2013	2012	$	%
Net cash provided by operating activities	$ 93.5	$ 92.8	$ 0.7	0.8 %
Net cash used in investing activities	(40.5)	(80.1)	39.6	(49.4)%
Net cash (used in) provided by financing activities	(64.2)	43.0	(107.2)	(249.3)%

Cash used in investing activities decreased primarily due to the acquisition of Fairgate at Ballston during the 2012 Period, partially offset by higher spending on our development projects and deposits made on future potential real estate acquisitions during the 2013 Period.

Cash used in financing activities increased in the 2013 Period primarily due to the issuance of the 3.95% unsecured notes during 2012 Period, partially offset by net borrowings of $85.0 million on our unsecured lines of credit during the 2013 Period.

Ratios of Earnings to Fixed Charges and Debt Service Coverage

The following table sets forth our ratios of earnings to fixed charges and debt service coverage for the three and nine months ended September 30, 2013 and 2012:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Earnings to fixed charges	1.10 x	1.14 x	1.07 x	1.14 x
Debt service coverage	2.73 x	2.80 x	2.73 x	2.78 x

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 attributable to the controlling interests plus fixed charges, less capitalized interest. Fixed charges consist of interest expense, including amortized costs of debt issuance, and interest costs capitalized. Certain prior period amounts have been reclassified to conform to the current period presentation due to the reclassification of certain properties as discontinued operations (see note 3 to the consolidated financial statements).

We computed the debt service coverage ratio by dividing Adjusted EBITDA (which is earnings before interest expense, taxes, depreciation, amortization, real estate impairment, gain on sale of real estate, gain/loss from the extinguishment of debt and gain/loss on non-disposal activities) by interest expense and principal amortization. We believe that Adjusted EBITDA is appropriate for use in our debt service coverage ratio because it provides an estimate of the cash available to pay down long term debt. Adjusted EBITDA 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. A reconciliation of Adjusted EBITDA to net income attributable to the controlling interests is in Exhibit 12 – Computation of Ratios.

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 GAAP. Although FFO is a widely used measure of operating performance for 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 and impairments of depreciable real estate, if any, 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 for thethree and nine months ended September 30, 2013 and 2012 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net income attributable to the controlling interests	$ 5,840	$ 9,561	$ 18,438	$ 20,750
Adjustments:				
Depreciation and amortization	21,168	21,682	63,328	63,593
Gain on sale of real estate	—	(3,724)	(3,195)	(3,724)
Income from operations of properties sold or held for sale	(4,131)	(3,233)	(11,139)	(9,642)
Funds from continuing operations	22,877	24,286	67,432	70,977
Discontinued operations:				
Income from operations of properties sold or held for sale	4,131	3,233	11,139	9,642
Depreciation and amortization	3,215	4,536	12,161	14,210
Funds from discontinued operations	7,346	7,769	23,300	23,852
FFO as defined by NAREIT	$ 30,223	$ 32,055	$ 90,732	$ 94,829

Critical Accounting Policies and Estimates

We base the discussion and analysis of our financial condition and results of operations 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. We discuss the most critical estimates in our Annual Report on Form 10-K for the year ended December 31, 2012 filed with the Securities and Exchange Commission on February 27, 2013.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT 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.

As the majority of our outstanding debt is long-term, fixed rate debt, our interest rate risk has not changed significantly from what was disclosed in our Annual Report on Form 10-K for the year ended December 31, 2012 filed with the Securities and Exchange Commission on February 27, 2013. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Debt Financing.”

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 Executive 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 Executive Vice President of Accounting, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, our Chief Executive Officer, Chief Financial Officer and Executive Vice President of Accounting concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

There have been no changes in WRIT’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, WRIT’s internal control over financial reporting.

PART II
OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS

None.

ITEM 1A: RISK FACTORS

None.

ITEM 2: UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3: DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4: MINE SAFETY DISCLOSURES

None.

ITEM 5: OTHER INFORMATION

None.

ITEM 6: EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File Number	Exhibit	Filing Date	
10.49	Purchase and Sale Agreement, dated as of September 27, 2013, for 2440 M Street, Alexandria Professional Center, 8301 Arlington Boulevard, 6565 Arlington Boulevard, Ashburn Farm Office Park I, II and III, CentreMed I and II, Sterling Medical Office Building, 19500 at Riverside Office Park, Shady Grove Medical Village II, 9707 Medical Center Drive, 15001 and 15005 Shady Grove Road, Woodholme Center, and Woodholme Medical Office Building	8-K	001-06622	10.49	10/3/2013	
10.50	Purchase and Sale Agreement, dated as of September 27, 2013, for 4661 Kenmore Avenue	8-K	001-06622	10.49	10/3/2013	
10.51	Purchase and Sale Agreement, dated as of September 27, 2013, for Woodburn Medical Park I and II	8-K	001-06622	10.49	10/3/2013	
10.52	Purchase and Sale Agreement, dated as of September 27, 2013, for Prosperity Medical Center I, II and III	8-K	001-06622	10.49	10/3/2013	
10.53*	Amended and Restated Deferred Compensation Plan for Directors, effective October 22, 2013					X
10.54*	Employment Agreement dated August 19, 2013 with Paul T. McDermott					X
12	Computation of Ratios					X
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended ("the Exchange Act")					X
31.2	Certification of the Executive Vice President – Accounting and Administration pursuant to Rule 13a-14(a) of the Exchange Act					X
31.3	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act					X
32	Certification of the Chief Executive Officer, Executive Vice President – Accounting and Administration and Chief Financial Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101	The following materials from our Quarterly Report on Form 10–Q for the quarter ended September 30, 2013 formatted in eXtensible Business Reporting Language ("XBRL"): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Shareholders' Equity, (iv) the Consolidated Statements of Cash Flows, and (v) notes to these consolidated financial statements					X

* Management contracts or compensation plans or arrangements in which trustees or executive officers are eligible to participate.

SIGNATURES

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

WASHINGTON REAL ESTATE INVESTMENT TRUST

/s/ Paul T. McDermott

Paul T. McDermott

President and Chief Executive Officer

/s/ Laura M. Franklin

Laura M. Franklin

Executive Vice President
Accounting, Administration and Corporate Secretary
(Principal Accounting Officer)

/s/ William T. Camp

William T. Camp

Executive Vice President and Chief Financial Officer
(Principal Finance Officer)

DATE: November 1, 2013

Exhibit 10.53

WASHINGTON REAL ESTATE INVESTMENT TRUST

DEFERRED COMPENSATION PLAN FOR DIRECTORS

(As Amended and Restated, Effective October 22, 2013)

TABLE OF CONTENTS

WASHINGTON REAL ESTATE INVESTMENT TRUST

DEFERRED COMPENSATION PLAN FOR DIRECTORS

(AS AMENDED AND RESTATED, EFFECTIVE OCTOBER 22, 2013)

ARTICLE 1

PURPOSE; EFFECTIVE DATE

1.1 Purpose

The purpose of this restated Deferred Compensation Plan for Directors is to provide current tax planning opportunities to Board Members of the Company.

1.2 Effective Date

The Plan was originally effective as of December 1, 2000. The Plan, as amended and restated, is effective October 21, 2013.

ARTICLE 2

DEFINITIONS

For the purposes of this Plan, the following terms shall have the meanings indicated, unless the context clearly indicates otherwise:

2.1 Account

"Account" means the account maintained by the Company, including the subaccounts described in Section 4.1, to measure and determine the amounts to be paid to a Participant under the Plan. The maintenance of these Accounts is for recordkeeping purposes only and shall not require any segregation of assets.

2.2 Beneficiary

"Beneficiary" means the person, persons or entity as designated by the Participant, entitled under Article VI to receive any Plan Benefits payable after the Participant's death.

2.3 Board

"Board" means the Board of Directors of the Company.

2.4 Change in Control

"Change in Control" means an occasion upon which (i) any 'person' (as such term is used in Section 13(d) and 14(d) of the Securities Exchange Act of 1934, as now in effect or as hereafter amended ('Exchange Act')) other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation controlled by the Company, acquires (either directly and/or through becoming the 'beneficial owner' (as defined in Rule 13d-3 under the Exchange Act)), directly or indirectly, securities of the Company representing 40% or more of the combined voting power of the Company's then outstanding securities (or has acquired securities representing 40% or more of the combined voting power of the Company's then outstanding securities during the 12-month period ending on the date of the most recent acquisition of Company securities by such person); or (ii) during any period of twelve (12) consecutive months (not including any period prior to the adoption of this Plan), individuals who at the beginning of such period constitute the Board and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in clauses (i) or (iii) of this Paragraph) whose election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least a majority of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or (iii) any of (a) the Company consummates a merger, consolidation, reorganization, recapitalization or statutory share exchange (a 'Business Combination'), other than a Business Combination which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 50% of the combined voting power and at least 50% of the combined total fair market value of the securities of the Company or such surviving entity outstanding immediately after such Business Combination, (b) the Company's shareholders approve a plan of complete liquidation of the Company, or (c) the Company completes the sale or other disposition of all or substantially all of its assets in one or a series of transactions."

2.5 Committee

"Committee" means the committee appointed by the Board to administer the Plan pursuant to Article VII. The initial Committee so designated by the Board shall be the Administrative Committee.

2.6 Company

"Company" means Washington Real Estate Investment Trust, a Maryland corporation, and directly or indirectly affiliated subsidiary corporations, any other affiliate designated by the Board, or any successor to the business thereof.

2.7 Deferral Commitment

"Deferral Commitment" means a commitment made by a Participant to defer a percentage or flat dollar amount of any or each of the three types of Fees pursuant to Article III or to defer all but not less than all of an annual Stock Award pursuant to Article III. The Deferral Commitment may, but need not, specify a different percentage or flat dollar amount in respect of (i) the Annual Board Retainer, (ii) a Committee Chair Retainer, and (iii) Committee Meeting Fees. All but not less than all of the Annual Board Retainer and all but not less than all of an annual Stock Award may be converted into RSUs. A specified percentage or a flat dollar amount of the Annual Board Retainer, a Committee Chair Retainer and Committee Meeting Fees may be deferred into the appropriate subaccount of a Participant's Account. No portion of a Committee Chair Retainer or any Committee Meeting Fee can be converted into RSUs. The Deferral Commitment shall apply to each installment of Fees otherwise payable to a Participant and to each grant of an annual Stock Award otherwise payable to a Participant. A Deferral Commitment shall remain in effect until amended or revoked as provided under Section 3.2. Although the Annual Board Retainer is otherwise payable on a monthly basis, if the Participant elects to convert the Annual Board Retainer into RSUs, such RSUs will be issued as of the last business day of each quarter during the applicable calendar year.

2.8 Deferral Period

"Deferral Period" means each calendar year. The initial Deferral Period, however, shall be January 1, 2001 through and including December 31, 2001.

2.9 Determination Date

"Determination Date" means the last day of each calendar month.

2.10 Director

"Director" means a member of the Board of Washington Real Estate Investment Trust.

2.11 Earnings

"Earnings" means, with respect to the portion of a Director's Account associated with Fees deferred pursuant to Article III, a rate of interest. The rate shall equal the Company's weighted average interest rate on its fixed rate bonds as of December 31 of each calendar year. Such rate may be changed to any other rate approved by the Board as of any subsequent January 1. With respect to an annual Stock Award which has been deferred and converted into RSUs pursuant to Article III, the aggregate amount of dividends which would have been paid on a number of Shares equal to the number of RSUs outstanding on such dividend declaration date shall be computed and converted into a number of additional RSUs which shall be credited to such Participant as of the date such dividends are declared.

2.12 Fees

"Fees" means the Directors' fees otherwise payable to the Participant by the Company. The term Fees shall include (i) the Annual Board Retainer, (ii) a Committee Chair Retainer and (iii) Committee Meeting Fees.

2.13 Form of Payment Designation

"Form of Payment Designation" means the form prescribed by the Committee and completed by the Participant, indicating the chosen form of payment for benefits payable under this Plan, as elected by the Participant.

2.14 Participant

"Participant" means any Director who is eligible, pursuant to Section 3.1, to participate in this Plan, and who has elected to defer Fees or an annual Stock Award under this Plan.

2.15 Plan

"Plan" means this Deferred Compensation Plan for Directors as amended from time to time.

2.16 Plan Benefit

"Plan Benefit" means the benefit payable to the Participant as calculated in Article V.

2.17 Plan Year

"Plan Year" means the consecutive twelve (12) month period ending on each December 31.

2.18 RSU

"RSU" means a Restricted Share Unit, issued under the authority of the 2007 Omnibus Long Term Incentive Plan, or any successor of such plan, which has a value equal to the value of one Share.

2.19 Separation from Service

"Separation from Service" means the definition set forth in Treas. Reg. § 1.409A-1(h).

2.20 Share

"Share" means a share of beneficial interest in WRIT that is publicly traded on the New York Stock Exchange.

2.21 Stock Award

"Stock Award" means the annual award of Shares which is otherwise paid to a Director in December by the Company.

ARTICLE 3

PARTICIPATION AND DEFERRAL COMMITMENTS

3.1 Eligibility and Participation.

(a) **Eligibility**. Eligibility to participate in the Plan shall be limited to individuals who are Directors.

(b) **Participation**. A Director's participation in the Plan shall be effective upon election to the Board of Directors of the Company and completion and submission of a Deferral Commitment and a Form of Payment Designation to the Committee by the thirtieth (30^{th}) day of the second (2nd) month immediately preceding the beginning of the Deferral Period. Such Deferral Commitment and Form of Payment Designation shall remain in effect with respect to each succeeding Deferral Period, until such time as another Deferral Commitment is filed with the Committee as described in Section 3.2(b) below.

(c) **Part-Year Participation**. When an individual first becomes eligible to participate during a Deferral Period, a Deferral Commitment may be submitted to the Committee within thirty (30) days after the Committee notifies the individual of eligibility to participate. Such Deferral Commitment will be effective only with regard to Fees and Stock Dividends earned following submission of the Deferral Commitment to the Committee.

3.2 Form of Deferral

A Participant may elect a Deferral Commitment as follows:

(a) **Form of Deferral Commitment**. A Deferral Commitment may apply to each installment of Fees otherwise payable by the Company to a Participant during the Deferral Period. The Deferral Commitment may provide that all or any portion of such deferred Fees be credited to the Participant's Account. In addition, and if so elected by the Participant, a Deferral Commitment may also cause the full amount of the Annual Board Retainer and/or the full amount of the annual Stock Award, which would otherwise have been paid to the Participant in December by the Company, to be converted into RSUs (including fractional RSUs) having a fair market value equal to the fees and the value of the number of Shares (including fractional shares) attributable to such annual Stock Award.

(b) **Period of Commitment**. Once a Participant has made a Deferral Commitment, that Commitment shall remain in effect for that Deferral Period and shall remain in effect for all future Deferral Periods unless revoked or amended in writing by the Participant and delivered to the Committee no later than November 30 of the year preceding the Deferral Period for which it is in intended to be effective.

3.3 Commitment Limited by Termination

If a Participant terminates from the Board of the Company prior to the end of the Deferral

Period, the Deferral Period shall end as of the date of the termination since no additional services will be performed after such termination to which an ongoing election would relate and, in accordance with the provisions of Section 5.1, payment of the full balance of a Participant's Account and all outstanding RSU's must commence upon a Separation from Service unless, in the case of a Separation from Service other than due to death, a re-deferral election has been made in accordance with Section 5.6.

3.4 Modification of Deferral Commitment

A Deferral Commitment shall be irrevocable by the Participant during a Deferral Period.

ARTICLE 4

DEFERRED COMPENSATION ACCOUNT

4.1 Account

For recordkeeping purposes only, an Account shall be maintained for each Participant and shall be subject to periodic credits and adjustments as described herein. A separate subaccount shall be maintained within the Account to reflect deferrals attributable to (i) the Annual Board Retainer, (ii) a Committee Chair Retainer and (iii) Committee Meeting Fees, as the case may be. The Account shall be a book-keeping device utilized for the sole purpose of determining the benefits payable under the Plan and shall not constitute a separate fund of assets.

4.2 Determination of Accounts

Each Account as of each Determination Date shall consist of the balance of all subaccounts within the Account as of the immediately preceding Determination Date, adjusted as follows:

(a) **New Deferrals**. The appropriate subaccount of each Account shall be increased by any deferred Fees credited since such Determination Date and any amount treated as a divided equivalent amount under Section 2.11. RSUs issued to a Participant shall be recorded in the Plan's files but shall not be treated as an addition to a Participant's Account.

(b) **Distributions**. The Account shall be reduced by any benefits distributed to the Participant since such immediately preceding Determination Date.

(c) **Earnings.** The Account shall be increased by the Earnings on the average daily balance in the Account since such immediately preceding Determination Date.

4.3 Vesting of Accounts and RSUs

A Participant shall be one hundred percent (100%) vested at all times in the amount of Fees elected to be deferred under this Plan and Earnings thereon credited to the Participant's Account, in all RSUs issued to the Participant (whether through the deferral of the annual Stock Award, the deferral of the Annual Board Retainer or through the dividend equivalent mechanism described in Section 2.11).

4.4 Statement of Accounts and RSUs

The Committee shall give to each Participant a statement showing the balances in the Participant's Account (including all subaccounts maintained for such Account, to the extent applicable) and the outstanding number of RSUs both on an annual basis and at such times as may be determined by the Committee.

ARTICLE 5

PLAN BENEFITS

5.1 Benefits Upon Termination/Separation from Service

If a Deferral Commitment has specified that any portion of an Account shall be paid upon a specified date, payment shall be made on such date unless the Participant incurs a Separation from Service prior to such date in which case the remaining portion of this Section 5.1 shall apply. If a Participant terminates as a Director for the Board of the Company and (with respect to any portion of a Participant's Account which is subject to Section 409A) incurs a Separation from Service for any reason other than death, the Company shall pay the Participant benefits equal to the full balance in the Participant's Account and all outstanding RSUs.

5.2 Death Benefit

Upon the death of the Participant, the Company shall pay to the Participant's Beneficiary an amount determined as follows:

(a) If the Participant dies prior to termination as a Director for the Board of the Company (including Retirement), the amount payable under this paragraph shall be in lieu of any other benefit payment under this Plan and shall equal the Participant's Account and all outstanding RSUs.

(b) If the Participant dies after termination or Retirement as a Director for the Board of the Company, the amount payable shall be equal to the remaining unpaid balance of the Participant's Account and all outstanding RSUs.

5.3 Form of Payment

Retirement, termination and death benefits attributable to RSUs will be paid in a lump sum in the form of Shares upon the Participant's Separation from Service, unless in the case of a Separation from Service other than due to death, a re-deferral election has been made in accordance with Section 5.6. Retirement, termination and death benefits, attributable to a Participant's Account shall be paid in the form of benefit as provided below, specified by the Participant in the Form of Payment Designation unless the benefit is based on a "small account" as defined in Subsection (c) below. Payments shall commence no later than sixty (60) days after all information necessary to calculate the benefit amount has been received by the Company following the date of Retirement, termination, or death unless, in the case of a Retirement or termination other than due to death, a re-deferral election has been made in accordance under Section 5.6. The Form of Payment Designation selected in (a) or (b) below shall be for the entire Account. If upon termination or Retirement, the Participant's most recent re-deferral election under Section 5.6 as to the form of payment was made within one (1) year of such termination or Retirement, then the most recent re-deferral election shall be ignored and the rules applicable to the Participant immediately prior to such most recent re-deferral election shall be used to determine the form of payment. The forms of benefit payment associated with the Account are:

(a) A lump-sum amount which is equal to the balance of the Account; or

(b) Equal annual installments which are equal to the Account amortized over a period of up to five (5), ten (10), fifteen (15) or twenty (20) years.

Earnings on the unpaid balance of the Account in connection with payments made on an installment basis shall be equal to the average rate of Earnings which would have been applicable on the Account over the thirty-six (36) months immediately preceding commencement of benefit payments. In the event that a Participant dies prior to receipt of all installments payable in connection with an elected installment payment method, the Beneficiary of the remaining payments may request the Committee to accelerate the payment of some or all of the remaining installments in the event that the Beneficiary incurs an "unforeseeable emergency" within the meaning of Section 409A(a)(2)(B)(ii). The Committee may consider any such request in its sole discretion but shall not be bound to grant any such request.

(c) Small Account. If the aggregate value of the Participant's Account is under fifty thousand dollars ($50,000) on the Valuation Date as defined in Section 5.4, the benefit shall be paid in a lump sum.

Again, with respect to distributions involving RSUs, Shares shall be distributed in an amount equal to the number of RSUs associated with such distributions.

5.4 Valuation and Settlement

The last day of the month in which the Participant terminates, or dies shall be the Valuation Date. The amount of any lump sum payment and the initial amount of installments shall be based on the value of the Participant's Account balance on the Valuation Date. The date on which a lump sum is paid or the date on which installments commence shall be the settlement date. The settlement date shall be no more than sixty five (65) days after the Valuation Date and, in accordance with Section 5.3, no later than sixty (60) days after all information necessary to calculate the benefit amount has been received by the Company and in all events no more than ninety (90) days after the date on which the Participant terminates or dies. All payments shall be made as of the first (1st) day of the month.

5.5 Payment to Guardian

If a Plan Benefit is otherwise payable to a minor or a person declared incompetent or to a person incapable of handling the disposition of property, the Committee may direct payment to the guardian, legal representative or person having the care and custody of such minor, incompetent or person. The Committee may require proof of incompetency, minority, incapacity or guardianship as it may deem appropriate prior to distribution. Such distribution shall completely discharge the Committee and Company from all liability with respect to such benefit.

5.6 Re-Deferral Elections

A Participant may elect to defer the distribution date of the Participant's Account by electing, at least 12 months in advance of the date on which distributions would otherwise have commenced under the Plan, a new distribution date that is not less than five years after the date on which distributions would otherwise have commenced under the Plan; provided, however, that such election shall not take effect until at least 12 months after the date the re-deferral election is made. For example, a Participant who has elected to receive installment payments over a period of ten years and who wishes to receive a lump sum distribution must elect to receive the lump sum distribution paid no earlier than five years after the date upon which the Participant would otherwise have received the first installment payment under the ten year installment payment option. Alternatively, such Participant could elect to have a designated percentage of his Account paid to him in the form of a lump sum distribution at least five years after the date upon which the Participant would otherwise have received the first installment payment under the ten-year installment payment option and to have the remainder of his Account paid to him in annual installments thereafter.

ARTICLE 6

BENEFICIARY DESIGNATION

6.1 Beneficiary Designation

Each Participant shall have the right, at any time, to designate one (1) or more persons or entities as Beneficiary (both primary as well as secondary) to whom benefits under this Plan shall be paid in the event of Participant's death prior to complete distribution of the Participant's Account balance. Each Beneficiary designation shall be in a written form prescribed by the Committee and shall be effective only when filed with the Committee during the Participant's lifetime.

6.2 Changing Beneficiary

Any Beneficiary designation may be changed by an unmarried Participant without the consent of the previously named Beneficiary by the filing of a new Beneficiary designation with the Committee. The filing of a new designation shall cancel all designations previously filed.

6.3 No Beneficiary Designation

If any Participant fails to designate a Beneficiary in the manner provided above, if the designation is void, or if the Beneficiary designated by a deceased Participant dies before the Participant or before complete distribution of the Participant's benefits, the Participant's Beneficiary shall be the person in the first of the following classes in which there is a survivor:

(a) The Participant's surviving spouse;

(b) The Participant's children in equal shares, except that if any of the children predeceases the Participant but leaves issue surviving, then such issue shall take, by right of representation, the share the deceased child would have taken if living;

(c) The Participant's estate.

6.4 Effect of Payment

Payment to the Beneficiary shall completely discharge the Company's obligations under this Plan.

ARTICLE 7

ADMINISTRATION

7.1 Committee; Duties

This Plan shall be administered by the Committee, which shall consist of not less than three (3) persons appointed by the Board, except after a Change in Control as provided in Section 7.5 below. The Committee shall have the authority to make, amend, interpret and enforce all appropriate rules and regulations for the administration of the Plan and decide or resolve any and all questions, including interpretations of the Plan, as may arise in such administration. A majority vote of the Committee members shall control any decision. Members of the Committee may be Participants under this Plan.

7.2 Agents

The Committee may, from time to time, employ agents and delegate to them such administrative duties as it sees fit, and may from time to time consult with counsel who may be counsel to the Company.

7.3 Binding Effect of Decisions

The decision or action of the Committee with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final, conclusive and binding upon all persons having any interest in the Plan.

7.4 Indemnity of Committee

The Company shall indemnify and hold harmless the members of the Committee against any and all claims, loss, damage, expense or liability arising from any action or failure to act with respect to this Plan on account of such member's service on the Committee, except in the case of gross negligence or willful misconduct.

7.5 Election of Committee After Change in Control

After a Change in Control, vacancies on the Committee shall be filled by majority vote of the remaining Committee members and Committee members may be removed only by such a vote. If no Committee members remain, a new Committee shall be elected by majority vote of the Participants in the Plan immediately preceding such Change in Control. No amendment shall be made to Article VII or other Plan provisions regarding Committee authority with respect to the Plan without prior approval by the Committee.

ARTICLE 8

CLAIMS PROCEDURE

8.1 Claim

Any person or entity claiming a benefit, requesting an interpretation or ruling under the Plan (hereinafter referred to as "Claimant"), or requesting information under the Plan shall present the request in writing to the Committee, which shall respond in writing as soon as practicable.

8.2 Denial of Claim

If the claim or request is denied, the written notice of denial shall state:

(a) The reasons for denial, with specific reference to the Plan provisions on which the denial is based;

(b) A description of any additional material or information required and an explanation of why it is necessary; and

(c) An explanation of the Plan's claim review procedure.

8.3 Review of Claim

Any Claimant whose claim or request is denied or who has not received a response within sixty (60) days may request a review by notice given in writing to the Committee. Such request must be made within sixty (60) days after receipt by the Claimant of the written notice of denial, or in the event Claimant has not received a response sixty (60) days after receipt by the Committee of Claimant's claim or request. The claim or request shall be reviewed by the Committee which may, but shall not be required to, grant the Claimant a hearing. On review, the Claimant may have representation, examine pertinent documents, and submit issues and comments in writing.

8.4 Final Decision

The decision on review shall normally be made within sixty (60) days after the Committee's receipt of Claimant's claim or request. If an extension of time is required for a hearing or other special circumstances, the Claimant shall be notified and the time limit shall be one hundred twenty (120) days. The decision shall be in writing and shall state the reasons and the relevant Plan provisions. All decisions on review shall be final and bind all parties concerned.

ARTICLE 9

AMENDMENT AND TERMINATION OF PLAN

9.1 Amendment

The Board may at any time amend the Plan by written instrument, notice of which is given to all Participants and to Beneficiaries receiving installment payments, subject to the following:

(a) Preservation of Account Balance. No amendment shall reduce the amount accrued in any Account or the outstanding amount of any RSUs to the date such notice of the amendment is given.

(b) Changes in Earnings Rate. No amendment shall reduce, either prospectively or retroactively, the rate of Earnings to be credited to the amount already accrued in a Participant's Account and any Fees or other additions to be credited to the Account under Deferral Commitments already in effect on that date.

The Board may also effectuate an amendment to the Plan through a written Board resolution which shall be viewed as part of this Plan. If such resolution applies to fewer then all Participants and Beneficiaries, then only those Participants and Beneficiaries who are directly affected by such resolution need be given notice of such resolution.

9.2 Company's Right to Terminate

The Board may at any time partially or completely terminate the Plan if, in its judgment, the tax, accounting or other effects of the continuance of the Plan, or potential payments thereunder would not be in the best interests of Company.

(a) Partial Termination. The Board may partially terminate the Plan by instructing the Committee not to accept any additional Deferral Commitments. If such a partial termination occurs, the Plan shall continue to operate and be effective with regard to Deferral Commitments entered into prior to the effective date of such partial termination.

(b) Complete Termination. The Board may completely terminate the Plan by instructing the Committee not to accept any additional Deferral Commitments, and by terminating all ongoing Deferral Commitments. In the event of complete termination, the Plan shall cease to operate and Company shall pay out each Account and convert all RSUs into Shares. Payment of an Account shall be made as a lump sum or in equal monthly installments, based on the Account balance, provided, however, that in the event of a complete termination of the Plan subsequent to a Change in Control, payment of the entire Account in a lump sum will be made no more than thirty (30) days subsequent to the effective date of such complete termination. Notwithstanding the above, the payment of any portion of an Account which is subject to Section 409A and the conversion of RSUs into Shares may not be accelerated except in compliance with the provisions of Treas. Reg. Section 1.409A-3(j)(4)(ix) or such other events and conditions which may be permitted in generally applicable guidelines published in the Internal Revenue Bulletin. The Board reserves any discretion to distribute benefits in accordance with the requirements of such regulations and/or such guidelines

Earnings shall continue to be credited on the unpaid balance in each Account.

ARTICLE 10

MISCELLANEOUS

10.1 Unfunded Plan

This Plan is an unfunded plan maintained primarily to provide deferred compensation benefits for a select group of “management or highly-compensated employees” within the meaning. of Sections 201, 301 and 401 of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and therefore is exempt from the provisions of Parts 2, 3 and 4 of Title I of ERISA. Accordingly, the Board may terminate the Plan and make no further benefit payments or remove certain employees as Participants if it is determined by the United States Department of Labor, a court of competent jurisdiction, or an opinion of counsel that the Plan constitutes an employee pension benefit plan within the meaning of Section 3(2) of ERISA (as currently in effect or hereafter amended) which is not so exempt.

10.2 Company Obligation

The obligation to make benefit payments to any Participant under the Plan shall be an obligation solely of the Company.

10.3 Unsecured General Creditor

Except as provided in Section 10.4, Participants and Beneficiaries shall be unsecured general creditors, with no secured or preferential right to any assets of Company or any other party for payment of benefits under this Plan. Any property held by Company for the purpose of generating the cash flow for benefit payments shall remain its general, unpledged and unrestricted assets. Company’s obligation under the Plan shall be an unfunded and unsecured promise to pay money in the future.

10.4 Trust Fund

Company shall be responsible for the payment of all benefits provided under the Plan. At its discretion, Company may establish one (1) or more Trusts, with such Trustees as the Board may approve, for the purpose of providing for the payment of such benefits. Although such a Trust shall be irrevocable, its assets shall be held for payment of all of Company's general creditors in the event of insolvency. To the extent any benefits provided under the Plan are paid from any such Trust, Company shall have no further obligation to pay them. If not paid from the Trust, such benefits shall remain the obligation of Company.

10.5 Nonassignability

Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are, expressly declared to be unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

10.6 Not a Contract of Employment

This Plan shall not constitute a contract of employment between Company and the Participant. Nothing in this Plan shall give a Participant the right to be retained in the service of Company or to interfere with the right of Company to discipline or discharge a Participant at any time.

10.7 Protective Provisions

A Participant will cooperate with Company by furnishing any and all information requested by Company, in order to facilitate the payment of benefits hereunder, and by taking such physical examinations as Company may deem necessary and taking such other action as may be requested by Company.

10.8 Governing Law

The provisions of this Plan shall be construed and interpreted according to the laws of the State of Maryland, except as preempted by federal law.

10.9 Validity

If any provision of this Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced as if such illegal and invalid provision had never been inserted herein.

10.10 Notice

Any notice required or permitted under the Plan shall be sufficient if in writing and hand delivered or sent by registered or certified mail. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification. Mailed notice to the Committee shall be directed to the Company's address. Mailed notice to a Participant or Beneficiary shall be directed to the individual's last known address in Company's records.

10.11 Successors

The provisions of this Plan shall bind and inure to the benefit of Company and its successors and assigns. The term successors as used herein shall include any corporate or other business entity which shall, whether by merger, consolidation, purchase or otherwise acquire all or substantially all of the business and assets of Company, and successors of any such corporation or other business entity.

10.12 Section 409A of the Code

To the extent that such requirements are applicable, the Plan is intended to comply with the requirements of Section 409A and shall be interpreted and administered in accordance with that intent. If any provision of the Plan would otherwise conflict with or frustrate this intent, that provision will be interpreted and deemed amended so as to avoid the conflict. The nature of any such amendment shall be determined by the Board. Notwithstanding the above, if the Participant qualifies as a "specified employee," as defined in Treas. Reg. Section 1.409A-1(i), incurs a Separation from Service for any reason other than death and becomes entitled to a distribution under the Plan, then to the extent required by Section 409A, no distribution otherwise payable to the Participant during the first six (6) months after the date of such Separation from Service, shall be paid to the Participant until the date which is one day after the date which is six (6) months after the date of such separation from service (or, if earlier, the date of the Participant's death).

WASHINGTON REAL ESTATE
INVESTMENT TRUST

By: /s/ Laura M. Franklin
Corporate Secretary

Dated: October 22, 2013

WRIT | WASHINGTON REAL ESTATE INVESTMENT TRUST

6110 Executive Boulevard, Suite 800
Rockville, Maryland 20852

main 301 984 9400
fax 301 984 9610

Exhibit 10.54

August 19, 2013

Mr. Paul T. McDermott
9709 Carriage Road
Kensington, MD 20895

Re: Employment Terms

Dear Paul:

This letter agreement (Agreement) confirms the terms of your employment with Washington Real Estate Investment Trust (WRIT or the Company).

Position: Effective September 1, 2013 or such later date you may start as permitted below, you will serve as the President and Chief Executive Officer (CEO) of the Company, provided that your actual start date may be delayed up until October 1, 2013, subject to negotiating a departure date with Rockefeller Group Investment Management (RGIM), your current employer. The date you actually start employment will be called the Start Date. You will perform such duties as are required by and consistent with such position and such other related duties as are reasonably assigned to you from time to time by the Board of Trustees (the Board). You agree to accept such employment under the terms and conditions herein, and to devote substantially all of your professional working time and your full and best efforts, energies and abilities to WRIT on a full-time basis, provided, however, that you may engage in non-conflicting outside activities, such as boards of directors, as are approved by the Board. You may also engage in such charitable and non-profit activities consistent with your obligations to the Company as are approved by the Board. In performing your duties, you will comply with all applicable laws and with all applicable WRIT policies. You agree not to use or disclose any trade secrets or other confidential information of any third party in your performance of duties for WRIT. Subject to the next sentence, you represent that your employment with WRIT pursuant to this Agreement will not violate any agreement or other legal obligation you have with or to any third party, including any previous employers. You agree to obtain a full release from RGIM of the non-competition provisions in Section 9c of the agreement with RGIM that you have provided to us within ten (10) days of the date you sign this Agreement, and provide us with an executed copy of such release. If you fail to obtain this release and present it to us within such period, this Agreement will be null and void and of no force or effect.

Base Salary: You will be paid an initial base salary at the rate of $500,000 per year, payable in installments according to WRIT's payroll cycle (the Base Salary). This Base Salary rate will remain in effect for as long as you are employed through December 31, 2014. Thereafter, the Board will review your Base Salary on an annual basis and may increase it in its discretion. The Base Salary may not be reduced without your prior written consent.

Stock Grant: On the Start Date, you will be granted 21,000 restricted shares of WRIT stock pursuant to the Company's Share Grant Plan, as it may be amended by the Board from time-to-time (the Plan). These shares will vest in equal one third (1/3) installments of 7,000 shares each over a three (3) year period while you remain employed on first, second and third anniversary dates of your Start Date. In the event you are terminated without Cause as defined below, all of the then remaining unvested shares will become vested on the termination date. You will be entitled to dividends on these shares, vested and unvested, in the approximate amount of $25,200 per year, based on the current dividend payout.

Stock Ownership Guidelines: In accordance with WRIT's stock ownership guidelines, as they may be amended by the Board from time to time, you will be required to attain an aggregate number of WRIT shares having a market value of at least three (3) times your Base Salary within five (5) years of becoming employed by WRIT. This aggregate number of shares will be determined based on the market value of the shares on the sixty (60) trading days prior to the date of your hiring. Once established, this share ownership goal will not change based solely on changes in your Base Salary or fluctuations in the share price.

Short-Term Incentive Plan: Effective January 1, 2014, you will be eligible to participate in WRIT's Short-Term Incentive Plan (STIP) at the CEO level, in accordance with the terms of the STIP, as they may be amended by the Board for all participating employees generally from time-to-time. Currently, the measured performance metrics in the STIP are core funds from operations per share, core funds available for distribution per share and same store net operating income growth (collectively weighted 60%), acquisition/disposition goals (weighted 20%) and individual performance measures (weighted 20%). The Board will consult with you each year concerning the establishment of individual performance measures. An award under the STIP is expressed at threshold, target and high levels and can range between 0% and 390% of your Base Salary. Your target level is 225% of Base Salary and your estimated threshold level is 115%. An award under the STIP is paid 50% in cash and 50% in restricted shares. The shares will vest in equal one third (1/3) annual installments over a three (3) year period while you remain employed. In the event you are terminated without Cause as defined below, all of the then remaining unvested shares will become vested on the termination date.

Multi-Year Long-Term Incentive Plan: Effective January 1, 2014, you will be eligible to participate in WRIT's Multi-Year Long-Term Incentive Plan (LTIP) at the CEO level, in accordance with the terms of the LTIP, as they may be amended by the Board for all participating employees generally from time-to-time. Currently, the measured performance metrics in the LTIP are absolute total shareholder return (CAGR) (weighted 20%), relative total shareholder return (CAGR) (weighted 20%) and strategic plan goals (weighted 60%). The Board will consult with you each cycle concerning the establishment of strategic plan goals. An award under the LTIP is expressed at threshold, target and high levels and can range between 0% and 270% of your Base Salary. Your target level is 150% of Base Salary and your estimated threshold level is 80%. An award under the LTIP is paid 100% in stock. The LTIP is based on performance during a multi-year performance period. If awarded, 50% of the shares will be issued on an unrestricted basis by no later than the fifteenth (15^{th}) day of the third month following the end of the performance period. The remaining 50% of the shares will be restricted and vest one year after the end of the performance period. In the event you are terminated without Cause as defined below, all of the then remaining unvested shares will become vested on the termination date.

Clawback Policy: All incentive-based compensation granted to you during your employment will be subject to the Clawback Policy of WRIT adopted by the Board, as it may be amended for all employees generally from time-to-time.

Benefits: You will be eligible to participate in all of the employee benefit plans, programs and payroll practices offered by the Company to its executive employees in accordance with the terms of those plans, programs and practices as they may be amended or terminated by the Company in its discretion from time-to-time for all executive employees generally. The current benefits are summarized below:

- Vacation - Your vacation will accrue based on your hours worked up to four weeks per year.
- Sick - Your sick leave will accrue based on your hours worked up to 9 days per year.
- Medical, Dental and Vision Insurance - You will be eligible to participate in the Company's medical insurance plan on the first of the month following your date of hire. Premiums, for this insurance, are based on the level of coverage you elect and are automatically deducted from your paycheck on a pre-tax basis.
- Flexible Spending Accounts - You may participate in the Company's medical and dependent care spending accounts provided you work an average of 24 hours per week. You would become eligible to participate on the first of the

month following 90 days of continuous service. These accounts allow you to put aside up to $2,500.00 towards out of pocket medical expenses and/or up to $5,000.00 toward dependent care expenses on a pre-tax basis.

- Life & AD&D Insurance - You will be eligible to participate in the life insurance plan on the first of the month after you have completed 90 days of continuous service. The Company will pay the premium for the individual coverage equal to 150% of your base annual salary to a maximum of $500,000.

- Long-Term Disability Insurance - You will be eligible to participate in the Company's long-term disability plan on the first of the month after you have completed 90 days of continuous service. The Company will pay the premiums for your long- term disability.

- Short-Term Disability Insurance - You will be eligible to participate in the Company's short-term disability plan on the 1st of the month following your date of hire. Premiums are employee paid. Premiums are automatically deducted from your paycheck on an after-tax basis.

- Retirement Savings Plan (401k) - On the first of the month following your date of hire, the plan allows you to contribute up to the maximum annual limit imposed by the IRS, which is $17,500.00 for 2013 through automatic payroll deductions on a before-tax basis. Following completion of 6 months of service, for which you have worked at least 500 hours, the Company will match 100% of your contribution up to a maximum of the lesser of $7,650.00 or 3% of your salary.

- Supplemental Executive Retirement Plan (SERP) - You are eligible to participate in the SERP Plan on October 1, 2013. The purpose of the SERP is to provide officers with financial security in exchange for a career commitment. The SERP is designed such that at age 65, you could be expected to have an accumulation (under certain assumptions) that is approximately equal to the present value of a life annuity sufficient to replace 40% of your final three-year average salary. If your years of service as an officer at age 65 are less than 20 years, a pro-rata reduction is applied to the 40% target. Further details will be provided upon employment.

- Automobile - You are entitled to an automobile allowance of $14,000 per year.

- Parking - You will be provided an officer parking spot in the garage adjacent to our building.

- Additional - In addition to the standard benefits set forth above, the Company will pay you up to $15,000 promptly after your Start Date to reimburse you for employment transition expenses including legal expenses. In the event you travel for work, you will be entitled to non-economy travel for flights in excess of three (3) hours.

Severance Benefits: If WRIT terminates your employment without Cause or if you terminate for Good Reason at any time during the following periods, you will receive the following severance benefits, payable in installments according to WRIT's payroll cycle and pro-rata portions of any STIP and LTIP values as determined by the applicable plans, provided that you sign the Company's standard Separation Agreement and General Release:

If termination without Cause or for Good Reason occurs between these dates	Then severance benefits are as follows:
October 1, 2013 to September 30, 2015	24 months of Base Salary
October 1, 2015 and beyond	12 months of Base Salary

For purposes of this Agreement, (1) Cause means your commission for a felony or crime of moral turpitude; conduct in the performance of duties which is illegal, dishonest, fraudulent or disloyal; your breach of any fiduciary duty you owe to the Trust; any action or inaction by you that constitutes a material breach of this Agreement which is not cured by you to WRIT's reasonable satisfaction within 30 days of your receipt of written notice from WRIT advising you of said material breach; or your gross neglect of duty which is not cured by you to the reasonable satisfaction of WRIT within 30 days of your receipt of written notice from the Board advising you of said gross neglect, and (2) Good Reason means a material diminution in your Base Salary or a material diminution in your overall base compensation earning potential that is not agreed to by you (other than due to failure to achieve performance-based measures), a material diminution in your authority, duties or responsibilities, a material change in geographic location at which you are employed, or any action or inaction by WRIT that constitutes a material breach of this Agreement provided you give written notice to WRIT within 90 days after the condition providing the basis for such Good Reason first exists and if such Good Reason has not been corrected or cured by WRIT within 30 days after WRIT has received written notice from you of your intent to terminate your employment for Good Reason and specifying in detail the basis for such termination.

Conditions to Employment: WRIT is required to verify the employment eligibility of every new employee. Therefore, should you accept this position, please bring documents to verify your identity and eligibility to work in the United States as identified on the enclosed I-9 Form. Please note that the offer of employment is contingent upon a clear criminal background check. This offer is also conditional upon the receipt and approval by the Board of all required reference and background verifications.

Confidential Information and Return of Property: During and after your employment you will not directly or indirectly use or disclose any Confidential Information of WRIT except as required by law or legal process or as authorized in the performance of your duties and for the benefit of WRIT. For purposes of this Agreement, "Confidential Information" means information about WRIT and its business that is not in the public domain and includes without limitation methods of operation, strategic plans, passwords, source codes, trade secrets, financial information, personnel information, current and prospective client information, current and prospective acquisition and disposition information, lease information and similar information. Information does not lose its status as Confidential Information if it is disclosed in violation of a non-disclosure obligation. Upon termination of employment or upon earlier request from the Board, you will return all WRIT property and all copies, excerpts or summaries of such property, in your possession, custody or control.

Employment-At-Will: Although we hope our relationship will be long and mutually rewarding, you will be employed on an at-will basis, which means that either you or WRIT may terminate the employment relationship at any time for any lawful reason, with or without Cause or Good Reason or notice.

Section 409A: To the extent that such requirements are applicable, this Agreement is intended to comply with the requirements of Section 409A of the Internal Revenue Code (Section 409A) and shall be interpreted and administered in accordance with that intent. If any provision of the Agreement would otherwise conflict with or frustrate this intent, that provision will be interpreted and deemed amended so as to avoid the conflict. Further, for purposes of the limitations on nonqualified deferred compensation under Section 409A, each payment of compensation under this Agreement shall be treated as a separate payment of compensation for purposes of applying the deferral election rules under Section 409A and the exclusion from Section 409A for certain short-term deferral amounts. Anything to the contrary herein notwithstanding, in the event that any such benefit or payment is deemed to not comply with Section 409A, WRIT and you agree to renegotiate in good faith any such benefit or payment so that either (i) Section 409A will not apply or (ii) compliance with Section 409A will be achieved, provided, however, that any resulting renegotiated terms shall provide to you, to the extent reasonably practicable, the after-tax economic equivalent based on what otherwise would have been provided to you pursuant to the terms of this Agreement. Notwithstanding the above, if you qualify as a "specified employee" as defined in Section 409A, incur a separation from service for any reason other than death and become entitled to a distribution under this Agreement, then to the extent required by Section 409A, no distribution otherwise payable to you during the first six (6) months after the date of such separation from service, shall be paid to you until the date which is one day after the date which is six

6110 Executive Boulevard, Suite 800 main 301 984 9400
Rockville, Maryland 20852 fax 301 984 9610

(6) months after the date of such separation from service (or, if earlier, the date of your death).

Indemnification: On your Start Date, you and WRIT will enter into the form of Indemnification Agreement entered into by and between WRIT and its other officers and Board members.

Entire Agreement: This Agreement constitutes the entire agreement between you and WRIT, and it supersedes all prior agreements and understandings between you and the Company, as to the matters outlined in this Agreement. This Agreement may not be amended or modified except in a written agreement executed by the parties hereto. This Agreement may not be assigned, by operation of law or otherwise, by any party without the affected party's prior written consent. This Agreement shall be construed and interpreted in accordance with the laws of the State of Maryland without reference to conflicts of laws principles.

WRIT WASHINGTON REAL ESTATE INVESTMENT TRUST
6110 Executive Boulevard, Suite 800
Rockville, Maryland 20852
main 301 984 9400
fax 301 984 9610

Please confirm your acceptance of the above terms and conditions of this Agreement by signing and dating the enclosed copy of this letter and returning it to me.

We look forward to having you join us. A member of the Human Resources Staff will conduct your orientation on your Start Date. If you should have any questions, please feel free to contact me at 202-669-4618.

Sincerely,

/s/ Charles T. Nason
Charles T. "Tuck" Nason
Chairman of the Board

I HAVE READ AND ACCEPT THE FOREGOING TERMS AND CONDITIONS OF THIS OFFER OF EMPLOYMENT:

NAME: /s/ Paul T. McDermott DATE: 8/19/2013
Paul T. McDermott

Exhibit 12

WASHINGTON REAL ESTATE INVESTMENT TRUST
Computation of Ratios
(In thousands)

Earnings to fixed charges ratio:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	**2012**	**2013**	**2012**
Income from continuing operations	$ 1,709	$ 2,604	$ 4,104	$ 7,384
Additions:				
Fixed charges				
Interest expense	15,930	14,886	47,944	43,983
Capitalized interest	124	392	607	1,250
	16,054	15,278	48,551	45,233
Deductions:				
Capitalized interest	(124)	(392)	(607)	(1,250)
Adjusted earnings	17,639	17,490	52,048	51,367
Fixed charges (from above)	$ 16,054	$ 15,278	$ 48,551	$ 45,233
Ratio of earnings to fixed charges	**1.10**	**1.14**	**1.07**	**1.14**

Note: Certain prior period amounts have been reclassified to conform to the current period presentation due to the reclassification of certain properties as discontinued operations (see note 3 to the consolidated financial statements).

Debt service coverage ratio:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	**2012**	**2013**	**2012**
Net income attributable to the controlling interests	$ 5,840	$ 9,561	18,438	$ 20,750
Additions:				
Interest expense [(1)]	16,259	16,049	48,929	47,477
Real estate depreciation and amortization [(1)]	24,383	26,218	75,489	77,803
Income tax expense	6	17	30	188
Non-real estate depreciation	203	254	614	783
	40,851	42,538	125,062	126,251
Deductions:				
Gain on sale of real estate	—	(3,724)	(3,195)	(3,724)
Adjusted EBITDA	46,691	48,375	140,305	143,277
Debt service				
Interest expense	16,259	16,049	48,929	47,477
Principal amortization	823	1,250	2,466	4,150
	$ 17,082	$ 17,299	$ 51,395	$ 51,627
Debt service coverage ratio	**2.73**	**2.80**	**2.73**	**2.78**

[(1)] Includes discontinued operations

Exhibit 31.1

CERTIFICATION

I, Paul T. McDermott, 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: November 1, 2013

/s/ Paul T. McDermott

Paul T. McDermott
Chief Executive Officer

Exhibit 31.2

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: November 1, 2013

/s/ Laura M. Franklin
Laura M. Franklin
Executive Vice President
Accounting, Administration and Corporate Secretary
(Principal Accounting Officer)

Exhibit 31.3

CERTIFICATION

I, William T. Camp, 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: November 1, 2013

/s/ William T. Camp

William T. Camp
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32

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

The undersigned, the President and Chief Executive Officer, the Executive 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 endedSeptember 30, 2013 filed 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.

DATE: November 1, 2013

/s/ Paul T. McDermott

Paul T. McDermott
Chief Executive Officer

DATE: November 1, 2013

/s/ Laura M. Franklin

Laura M. Franklin
Executive Vice President
Accounting, Administration and Corporate Secretary
(Principal Accounting Officer)

DATE: November 1, 2013

/s/ William T. Camp

William T. Camp
Chief Financial Officer
(Principal Financial Officer)