# 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 March 31, 2021**

**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)** |

**1775 EYE STREET, NW, SUITE 1000, WASHINGTON, DC 20006**
**(Address of principal executive office) (Zip code)**

**Registrant's telephone number, including area code: (202) 774-3200**

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Shares of Beneficial Interest | WRE | NYSE |

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 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

| | | | |
|---|---|---|---|
| Large Accelerated Filer | ☒ | Accelerated Filer | ☐ |
| Non-accelerated Filer | ☐ | Smaller Reporting Company | ☐ |
| | | Emerging Growth Company | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of April 26, 2021, 84,581,984 common shares were outstanding.

WASHINGTON REAL ESTATE INVESTMENT TRUST

INDEX

# PART I
# FINANCIAL INFORMATION

## ITEM 1: FINANCIAL STATEMENTS

The information furnished in the accompanying unaudited Consolidated Balance Sheets, Condensed Consolidated Statements of Operations, Condensed Consolidated Statements of Comprehensive Income (Loss), Consolidated Statements of 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, 2020 included in Washington Real Estate Investment Trust's 2020 Annual Report on Form 10-K filed on February 16, 2021.

**WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES**

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

| | March 31, 2021 (Unaudited) | December 31, 2020 |
|---|---|---|
| Assets | | |
| Land | $ 551,578 | $ 551,578 |
| Income producing property | 2,443,104 | 2,432,039 |
| | 2,994,682 | 2,983,617 |
| Accumulated depreciation and amortization | (775,691) | (749,014) |
| Net income producing property | 2,218,991 | 2,234,603 |
| Properties under development or held for future development | 30,840 | 37,615 |
| Total real estate held for investment, net | 2,249,831 | 2,272,218 |
| Cash and cash equivalents | 3,017 | 7,700 |
| Restricted cash | 576 | 603 |
| Rents and other receivables | 59,396 | 58,257 |
| Prepaid expenses and other assets | 67,216 | 71,040 |
| Total assets | $ 2,380,036 | $ 2,409,818 |
| Liabilities | | |
| Notes payable, net | $ 945,634 | $ 945,370 |
| Line of credit | 33,000 | 42,000 |
| Accounts payable and other liabilities | 60,339 | 58,773 |
| Dividend payable | 25,424 | 25,361 |
| Advance rents | 6,642 | 7,215 |
| Tenant security deposits | 10,095 | 9,990 |
| Total liabilities | 1,081,134 | 1,088,709 |
| 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; 150,000 and 100,000 shares authorized; 84,564 and 84,409 shares issued and outstanding, as of March 31, 2021 and December 31, 2020, respectively | 846 | 844 |
| Additional paid in capital | 1,651,680 | 1,649,366 |
| Distributions in excess of net income | (325,469) | (298,860) |
| Accumulated other comprehensive loss | (28,473) | (30,563) |
| Total shareholders' equity | 1,298,584 | 1,320,787 |
| Noncontrolling interests in subsidiaries | 318 | 322 |
| Total equity | 1,298,902 | 1,321,109 |
| Total liabilities and equity | $ 2,380,036 | $ 2,409,818 |

See accompanying notes to the consolidated financial statements.

**WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES**

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2021 | 2020 |
| Revenue | | |
| Real estate rental revenue | $ 69,633 | $ 76,792 |
| Expenses | | |
| Real estate expenses | 26,694 | 28,639 |
| Depreciation and amortization | 29,643 | 29,720 |
| General and administrative expenses | 5,604 | 6,337 |
| | 61,941 | 64,696 |
| Real estate operating income | 7,692 | 12,096 |
| Other income (expense) | | |
| Interest expense | (10,123) | (10,845) |
| Gain on extinguishment of debt | — | 468 |
| Other income | 1,284 | — |
| | (8,839) | (10,377) |
| Net (loss) income | $ (1,147) | $ 1,719 |
| | | |
| Basic net (loss) income per common share: | $ (0.02) | $ 0.02 |
| Diluted net (loss) income per common share: | $ (0.02) | $ 0.02 |
| | | |
| Weighted average shares outstanding – basic | 84,413 | 82,086 |
| Weighted average shares outstanding – diluted | 84,413 | 82,287 |

See accompanying notes to the consolidated financial statements.

**WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**
**(IN THOUSANDS)**
**(UNAUDITED)**

| | Three Months Ended March 31, | |
|---|---|---|
| | 2021 | 2020 |
| Net (loss) income | $ (1,147) | $ 1,719 |
| Other comprehensive income (loss): | | |
| Unrealized gain (loss) on interest rate hedges | 1,580 | (34,567) |
| Reclassification of unrealized loss on interest rate derivatives to earnings | 510 | — |
| Comprehensive income (loss) | $ 943 | $ (32,848) |

See accompanying notes to the consolidated financial statements.

**WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF EQUITY**
**(IN THOUSANDS)**
**(UNAUDITED)**

| | Shares Issued and Out-standing | Shares of Beneficial Interest at Par Value | Additional Paid in Capital | Distributions in Excess of Net Income | Accumulated Other Comprehensive Loss | Total Shareholders' Equity | Noncontrolling Interests in Subsidiaries | Total Equity |
|---|---|---|---|---|---|---|---|---|
| Balance, December 31, 2020 | 84,409 | $ 844 | $ 1,649,366 | $ (298,860) | $ (30,563) | $ 1,320,787 | $ 322 | $ 1,321,109 |
| Net loss | — | — | — | (1,147) | — | (1,147) | — | (1,147) |
| Unrealized gain on interest rate hedges | — | — | — | — | 1,580 | 1,580 | — | 1,580 |
| Amortization of swap settlements | — | — | — | — | 510 | 510 | — | 510 |
| Distributions to noncontrolling interests | — | — | — | — | — | — | (4) | (4) |
| Dividends ($0.30 per common share) | — | — | — | (25,462) | — | (25,462) | — | (25,462) |
| Equity issuances, net of issuance costs | 24 | — | 467 | — | — | 467 | — | 467 |
| Shares issued under Dividend Reinvestment Program | 23 | — | 520 | — | — | 520 | — | 520 |
| Share grants, net of forfeitures and tax withholdings | 108 | 2 | 1,327 | — | — | 1,329 | — | 1,329 |
| Balance, March 31, 2021 | 84,564 | $ 846 | $ 1,651,680 | $ (325,469) | $ (28,473) | $ 1,298,584 | $ 318 | $ 1,298,902 |

| | Shares Issued and Out-standing | Shares of Beneficial Interest at Par Value | Additional Paid in Capital | Distributions in Excess of Net Income | Accumulated Other Comprehensive Income (Loss) | Total Shareholders' Equity | Noncontrolling Interests in Subsidiaries | Total Equity |
|---|---|---|---|---|---|---|---|---|
| Balance, December 31, 2019 | 82,099 | $ 821 | $ 1,592,487 | $ (183,405) | $ 1,823 | $ 1,411,726 | $ 336 | $ 1,412,062 |
| Net income | — | — | — | 1,719 | — | 1,719 | — | 1,719 |
| Unrealized loss on interest rate hedges | — | — | — | — | (34,567) | (34,567) | — | (34,567) |
| Distributions to noncontrolling interests | — | — | — | — | — | — | (3) | (3) |
| Dividends ($0.30 per common share) | — | — | — | (24,820) | — | (24,820) | — | (24,820) |
| Equity issuances, net of issuance costs | 46 | 1 | 1,241 | — | — | 1,242 | — | 1,242 |
| Shares issued under Dividend Reinvestment Program | 35 | — | 921 | — | — | 921 | — | 921 |
| Share grants, net of forfeitures and tax withholdings | 135 | 1 | 1,593 | — | — | 1,594 | — | 1,594 |
| Balance, March 31, 2020 | 82,315 | $ 823 | $ 1,596,242 | $ (206,506) | $ (32,744) | $ 1,357,815 | $ 333 | $ 1,358,148 |

See accompanying notes to the consolidated financial statements.

**WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES**

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

| | Three Months Ended March 31, 2021 | Three Months Ended March 31, 2020 |
|---|---|---|
| Cash flows from operating activities | | |
| Net (loss) income | $ (1,147) | $ 1,719 |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: | | |
| Depreciation and amortization | 29,643 | 29,720 |
| Credit losses on lease related receivables | 1,043 | 923 |
| Share-based compensation expense | 1,664 | 1,778 |
| Net amortization of debt premiums, discounts and related financing costs | 1,112 | 645 |
| Gain on extinguishment of debt | — | (468) |
| Changes in operating other assets | (1,619) | 895 |
| Changes in operating other liabilities | 6,543 | (6,352) |
| Net cash provided by operating activities | 37,239 | 28,860 |
| Cash flows from investing activities | | |
| Capital improvements to real estate | (4,032) | (10,846) |
| Development in progress | (4,161) | (9,402) |
| Non-real estate capital improvements | (7) | (94) |
| Net cash used in investing activities | (8,200) | (20,342) |
| Cash flows from financing activities | | |
| Line of credit borrowings, net | (9,000) | 92,000 |
| Dividends paid | (25,398) | (49,485) |
| Principal payments – mortgage notes payable | — | (46,567) |
| Distributions to noncontrolling interests | (4) | (3) |
| Proceeds from dividend reinvestment program | 520 | 921 |
| Net proceeds from equity issuances | 467 | 1,241 |
| Payment of tax withholdings for restricted share awards | (334) | (141) |
| Net cash used in financing activities | (33,749) | (2,034) |
| Net (decrease) increase in cash, cash equivalents and restricted cash | (4,710) | 6,484 |
| Cash, cash equivalents and restricted cash at beginning of period | 8,303 | 14,751 |
| Cash, cash equivalents and restricted cash at end of period | $ 3,593 | $ 21,235 |
| | | |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for interest, net of amounts capitalized | $ 4,345 | $ 5,133 |
| Change in accrued capital improvements and development costs | (3,844) | 4,851 |
| | | |
| Reconciliation of cash, cash equivalents and restricted cash: | | |
| Cash and cash equivalents | $ 3,017 | $ 20,601 |
| Restricted cash | 576 | 634 |
| Cash, cash equivalents and restricted cash | $ 3,593 | $ 21,235 |

See accompanying notes to the consolidated financial statements.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**March 31, 2021**
**(UNAUDITED)**

**NOTE 1: NATURE OF BUSINESS**

Washington Real Estate Investment Trust ("WashREIT"), a Maryland real estate investment trust, is a self-administered 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 portfolio of multifamily and commercial (office and retail) properties.

*Federal Income Taxes*

We believe that we qualify as a real estate investment trust ("REIT") under Sections 856-860 of the Internal Revenue Code of 1986, as amended (the "Code"), and intend to continue to qualify as such. To maintain our status as a REIT, we are, among other things, required to distribute 90% of our REIT taxable income (determined before the deduction for dividends paid and excluding net capital gains to our shareholders) on an annual basis. When selling a property, we generally have the option of (a) reinvesting the sales proceeds of property sold in a way that allows us to defer recognition of some or all taxable gain realized on the sale, (b) distributing gains to the shareholders with no tax to us or (c) treating net long-term capital gains as having been distributed to our shareholders, paying the tax on the gain deemed distributed and allocating the tax paid as a credit to our shareholders.

Generally, and subject to our ongoing qualification as a REIT, no provisions for income taxes are necessary except for taxes on undistributed 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. As of both March 31, 2021 and December 31, 2020, our TRSs had a deferred tax asset of $1.4 million that was fully reserved.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATIONS**

*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, 2020.

*Principles of Consolidation and Basis of Presentation*

The accompanying unaudited consolidated financial statements include the consolidated accounts of WashREIT, our majority-owned subsidiaries and entities in which WashREIT has a controlling 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 ("SEC"). Certain information and note disclosures normally included in annual financial statements prepared in accordance with 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, 2020.

Within these notes to the financial statements, we refer to the three months ended March 31, 2021 and March 31, 2020 as the "2021 Quarter" and the "2020 Quarter," respectively.

*Restricted Cash*

Restricted cash includes funds held in escrow for tenant security deposits.

*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.

**NOTE 3: REAL ESTATE**

*Development/Redevelopment*

We have properties under development/redevelopment and held for current or future development. As of March 31, 2021, we have invested $28.9 million, including the cost of acquired land, in a multifamily development adjacent to Riverside Apartments. In addition, in our multifamily and office segments, we continue to capitalize qualifying costs on several other projects with minor development activity necessary to ready each project for its intended use. We placed the remainder of the Trove development costs into service during the 2021 Quarter.

*Properties Sold and Held for Sale*

We intend to hold our properties for investment with a view to long-term appreciation, to engage in the business of acquiring, developing and owning our properties and to make occasional sales of properties 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. Depreciation on these properties is discontinued at the time they are classified as held for sale, but operating revenues, operating expenses and interest expense continue to be recognized until the date of sale.

We did not sell or classify any properties as held for sale during the 2021 Quarter. We sold our interests in the following properties during 2020:

| Disposition Date | Property Name | Property Type | Rentable Square Feet | Contract Sales Price (in thousands) | (Loss) Gain on Sale (in thousands) |
|---|---|---|---|---|---|
| April 21, 2020 | John Marshall II | Office | 223,000 | $ 57,000 | $ (6,855) |
| December 2, 2020 | Monument II | Office | 207,000 | 53,000 | (8,595) |
| December 17, 2020 | 1227 25th Street NW | Office | 135,000 | 53,500 | 1,125 |
| | | **Total 2020** | 565,000 | $ 163,500 | $ (14,325) |

We have fully transferred control of the assets associated with these disposed properties and do not have continuing involvement in their operations.

As of March 31, 2021, we assessed certain properties for impairment and did not recognize any impairment charges during the 2021 Quarter. We applied reasonable estimates and judgments in evaluating each of the properties as of March 31, 2021. Should external or internal circumstances change requiring the need to shorten holding periods or adjust future estimated cash flows from our properties, we could be required to record impairment charges in the future.

**NOTE 4: UNSECURED LINE OF CREDIT PAYABLE**

During the first quarter of 2018, we entered into an amended and restated credit agreement ("Credit Agreement") which provides for a $700.0 million unsecured revolving credit facility ("Revolving Credit Facility"), the continuation of an existing $150.0 million unsecured term loan ("2015 Term Loan") and an additional $250.0 million unsecured term loan ("2018 Term Loan"). In the fourth quarter of 2020, we repaid all $150.0 million of borrowings on the 2015 Term Loan. The Revolving Credit Facility has a four-year term ending in March 2022, with two six-month extension options. The Credit Agreement has an accordion feature that allows us to increase the aggregate facility to $1.5 billion, subject to the lenders' agreement to provide additional revolving loan commitments or term loans.

The Revolving Credit Facility bears interest at a rate of either one month LIBOR plus a margin ranging from 0.775% to 1.55% or the base rate plus a margin ranging from 0.0% to 0.55% (in each case depending upon WashREIT's credit rating). The base rate is the highest of the administrative agent's prime rate, the federal funds rate plus 0.50% and the LIBOR market index rate plus 1.0%. In addition, the Revolving Credit Facility requires the payment of a facility fee ranging from 0.10% to 0.30% (depending on WashREIT's credit rating) on the $700.0 million committed revolving loan capacity, without regard to usage. As of March 31, 2021, the interest rate on the Revolving Credit Facility is one month LIBOR plus 1.00%, the one month LIBOR is 0.11% and the facility fee is 0.20%.

All outstanding advances for the Revolving Credit Facility are due and payable upon maturity in March 2022, unless extended pursuant to one or both of the two six-month extension options. Interest only payments are due and payable generally on a monthly basis.

The 2018 Term Loan increases and replaces the $150.0 million unsecured term loan, initially entered into on July 22, 2016 ("2016 Term Loan"), that was scheduled to mature in July 2023. The 2018 Term Loan is scheduled to mature in July 2023 and bears interest at a rate of either one month LIBOR plus a margin ranging from 0.85% to 1.75% or the base rate plus a margin ranging from 0.0% to 0.75% (in each case depending upon WashREIT's credit rating). We used the $100.0 million of additional proceeds from the 2018 Term Loan primarily to repay outstanding borrowings on the Revolving Credit Facility.

We had previously used interest rate derivatives to effectively fix the interest rate of the 2016 Term Loan. These interest rate derivatives now effectively fix the interest rate on a $150.0 million portion of the 2018 Term Loan at 2.31%. In March 2018, we entered into interest rate derivatives that commenced on June 29, 2018 to effectively fix the interest rate on the remaining $100.0 million of the 2018 Term Loan at 3.71%. The 2018 Term Loan has an all-in fixed interest rate of 2.87%.

The amount of the Revolving Credit Facility's unsecured line of credit unused and available at March 31, 2021 is as follows (in thousands):

| | | |
|---|---|---|
| Committed capacity | $ | 700,000 |
| Borrowings outstanding | | (33,000) |
| Unused and available | $ | 667,000 |

We executed borrowings and repayments on the Revolving Credit Facility during the 2021 Quarter as follows (in thousands):

| | | |
|---|---|---|
| Balance at December 31, 2020 | $ | 42,000 |
| Borrowings | | 27,000 |
| Repayments | | (36,000) |
| Balance at March 31, 2021 | $ | 33,000 |

**NOTE 5: DERIVATIVE INSTRUMENTS**

On July 22, 2016, we entered into two forward interest rate swap arrangements with a total notional amount of $150.0 million to swap the floating interest rate under the $150.0 million 2016 Term Loan to an all-in fixed interest rate of 2.86% starting on March 31, 2017 and extending until the scheduled maturity of the 2016 Term Loan on July 21, 2023.

On March 29, 2018, we entered into the $250.0 million 2018 Term Loan maturing on July 21, 2023, which increased and replaced the 2016 Term Loan. The interest rate swap arrangements that had effectively fixed the 2016 Term Loan then effectively fix the interest rate on a $150.0 million portion of the 2018 Term Loan at 2.31%. On March 29, 2018, we entered into four interest rate swap arrangements with a total notional amount of $100.0 million to effectively fix the interest rate on the remaining $100.0 million of the 2018 Term Loan at 3.71%, that commenced on June 29, 2018 and extending until the maturity of the 2018 Term Loan on July 21, 2023. The $250.0 million 2018 Term Loan has an all-in fixed interest rate of 2.87%.

In November 2019, we entered into four forward interest rate swap arrangements, each effective as of April 1, 2020 ("2020 Forward Swaps") with a total notional amount of $200.0 million to reduce our exposure to adverse fluctuations in interest rates on future fixed-rate debt to replace all $250.0 million of our 4.95% 10-year unsecured notes that were scheduled to mature in October 2020. In April 2020, we used borrowings from our Revolving Credit Facility to prepay all $250.0 million of our 4.95% 10-year unsecured notes without penalty. In September 2020, in conjunction with the entry into the note purchase agreement to issue $350.0 million aggregate principal amount of 3.44% senior unsecured 10-year notes payable (the "Green Bonds"), we terminated the 2020 Forward Swaps. At the time of termination, the 2020 Forward Swaps had a liability fair value of $20.4 million, which will be amortized as interest expense over the 10-year term of the Green Bonds. On October 2, 2020, we paid the $20.4 million liability associated with the termination of the 2020 Forward Swaps.

The interest rate swaps qualify as cash flow hedges and are recorded at fair value in accordance with GAAP, based on discounted cash flow methodologies and observable inputs. We record the effective portion of changes in fair value of the cash flow hedges in other comprehensive income. The resulting unrealized loss on the effective portions of the cash flow hedges was the only activity in other comprehensive income (loss) during the periods presented in our consolidated financial statements. We assess the effectiveness of our cash flow hedges both at inception and on an ongoing basis. The cash flow hedges were highly effective for all periods presented.
The fair values of the interest rate swaps as of March 31, 2021 and December 31, 2020, are as follows (in thousands):

| | | | | Fair Value Derivative Liabilities | |
|---|---|---|---|---|---|
| **Derivative Instrument** | **Aggregate Notional Amount** | **Effective Date** | **Maturity Date** | **March 31, 2021** | **December 31, 2020** |
| Interest rate swaps | $ 150,000 | March 31, 2017 | July 21, 2023 | $ (3,263) | $ (4,009) |
| Interest rate swaps | 100,000 | June 29, 2018 | July 21, 2023 | (5,411) | (6,246) |
| | | | | $ (8,674) | $ (10,255) |

We record interest rate swaps on our consolidated balance sheets within Prepaid expenses and other assets when in a net asset position and within Accounts payable and other liabilities when in a net liability position. The interest rate swaps have been effective since inception. The net unrealized gains or losses on the effective swaps are recognized in Other comprehensive loss, as follows (in thousands):

| | Three Months Ended March 31, | |
|---|---|---|
| | **2021** | **2020** |
| Unrealized gain (loss) on interest rate hedges | 1,580 | (34,567) |

Amounts reported in Accumulated other comprehensive loss related to derivatives will be reclassified to interest expense as interest payments are made on our variable-rate debt. The gains or losses reclassified from Accumulated other comprehensive loss into interest expense for the three months ended March 31, 2021 and 2020, were as follows (in thousands):

| | Three Months Ended March 31, | |
|---|---|---|
| | **2021** | **2020** |
| Loss reclassified from Accumulated other comprehensive loss into interest expense | $ 510 | $ — |

During the next twelve months, we estimate that an additional $6.1 million will be reclassified as an increase to interest expense.

We have agreements with each of our derivative counterparties that contain a provision whereby we could be declared in default on our derivative obligations if repayment of the underlying indebtedness is accelerated by the lender due to our default on the indebtedness. As of March 31, 2021, we did not have any derivatives in an asset position and the fair value of the derivative liabilities, including accrued interest, was $8.7 million. As of March 31, 2021, we have not posted any collateral related to these agreements.

Derivative instruments expose us to credit risk in the event of non-performance by the counterparty under the terms of the interest rate hedge agreements. We believe that we minimize our credit risk on these transactions by dealing with major, creditworthy financial institutions. We monitor the credit ratings of counterparties and our exposure to any single entity, thus minimizing our credit risk concentration.

**NOTE 6: 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 March 31, 2021 and December 31, 2020 that are recorded at fair value on a recurring basis are the assets held in the Supplemental Executive Retirement Plan ("SERP"), which primarily consist of investments in mutual funds, and the interest rate swaps (see note 5).

We base the valuations related to the SERP on assumptions derived from significant other observable inputs and accordingly these valuations fall into Level 2 in the fair value hierarchy.

The valuation of the interest rate swaps is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each interest rate swap. This analysis reflects the contractual terms of the interest rate swaps, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash payments (or receipts) and the discounted expected variable cash receipts (or payments). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. To comply with the provisions of ASC 820, *Fair Value Measurement*, we incorporate credit valuation adjustments in the fair value measurements to appropriately reflect both our own nonperformance risk and the respective counterparty's nonperformance risk. These credit valuation adjustments were concluded to not be significant inputs for the fair value calculations for the periods presented. In adjusting the fair value of our derivative contracts for the effect of nonperformance risk, we have considered the impact of netting and any applicable credit enhancements, such as the posting of collateral, thresholds, mutual puts and guarantees. The valuation of interest rate swaps fall into Level 2 in the fair value hierarchy.

The fair values of these assets and liabilities at March 31, 2021 and December 31, 2020 were as follows (in thousands):

| | March 31, 2021 | | | | December 31, 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | Fair Value | Level 1 | Level 2 | Level 3 | Fair Value | Level 1 | Level 2 | Level 3 |
| Assets: | | | | | | | | |
| SERP | $ 2,191 | $ — | $ 2,191 | $ — | $ 2,433 | $ — | $ 2,433 | $ — |
| Liabilities: | | | | | | | | |
| Interest rate swaps | $ (8,674) | $ — | $ (8,674) | $ — | $ (10,255) | $ — | $ (10,255) | $ — |

*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 models. 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 March 31, 2021 may differ significantly from the amounts presented. The valuations of cash and cash equivalents and restricted cash fall into Level 1 in the fair value hierarchy and the valuations of debt instruments fall into Level 3 in the fair value hierarchy.

As of March 31, 2021 and December 31, 2020, the carrying values and estimated fair values of our financial instruments were as follows (in thousands):

| | March 31, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Cash and cash equivalents | $ 3,017 | $ 3,017 | $ 7,700 | $ 7,700 |
| Restricted cash | 576 | 576 | 603 | 603 |
| Line of credit | 33,000 | 33,000 | 42,000 | 42,000 |
| Notes payable, net | 945,634 | 974,595 | 945,370 | 978,678 |

## NOTE 7: STOCK BASED COMPENSATION

WashREIT 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 2016 Omnibus Incentive Plan which allows for awards in the form of restricted shares, restricted share units, options and other awards up to an aggregate of 2,400,000 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 $1.7 million and $1.8 million for the 2021 Quarter and 2020 Quarter, respectively.

*Restricted Share Awards*

The total fair values of restricted share awards vested was $1.0 million and $0.4 million for the 2021 Quarter and 2020 Quarter, respectively.

The total unvested restricted share awards at March 31, 2021 was 463,100 shares, which had a weighted average grant date fair value of $28.36 per share. As of March 31, 2021, the total compensation cost related to unvested restricted share awards was $9.2 million, which we expect to recognize over a weighted average period of 23 months.

## NOTE 8: EARNINGS PER COMMON SHARE

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

We also determine "Diluted earnings per share" as the more dilutive of the two-class method or the treasury stock 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 dilutive earnings per share calculation includes the dilutive impact of operating partnership units under the if-converted method and our share based awards with performance conditions prior to the grant date and all market condition awards under the contingently issuable method.

The computations of basic and diluted earnings per share for the three months ended March 31, 2021 and 2020 were as follows (in thousands, except per share data):

| | Three Months Ended March 31, | |
|---|---|---|
| | 2021 | 2020 |
| **Numerator:** | | |
| Net (loss) income | $ (1,147) | $ 1,719 |
| Allocation of distributed earnings to unvested restricted share awards | (139) | (151) |
| Adjusted net (loss) income | $ (1,286) | $ 1,568 |
| **Denominator:** | | |
| Weighted average shares outstanding – basic | 84,413 | 82,086 |
| Effect of dilutive securities: | | |
| Employee restricted share awards | — | 189 |
| Operating partnership units | — | 12 |
| Weighted average shares outstanding – diluted | 84,413 | 82,287 |
| | | |
| Basic net (loss) income per common share | $ (0.02) | $ 0.02 |
| Diluted net (loss) income per common share | $ (0.02) | $ 0.02 |
| Dividends declared per common share | $ 0.30 | $ 0.30 |

**NOTE 9: SEGMENT INFORMATION**

We evaluate real estate performance and allocate resources by property type throughtwo reportable segments: office and multifamily. Office properties provide office space for various types of businesses and professions. Multifamily properties provide rental housing for individuals and families throughout the Washington metro region. We have eight retail properties that do not meet the qualitative or quantitative criteria for a reportable segment and are classified as “Corporate and other” in our segment disclosure tables.

We evaluate performance based upon net operating income of 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 each segment’s performance. Net operating income is a key measurement of our segment profit and loss and is defined as real estate rental revenue less real estate expenses.

The following tables present revenues, net operating income, capital expenditures and total assets for the three months ended March 31, 2021 and 2020 from these segments, and reconcile net operating income of our reportable segments to net (loss) income as reported (in thousands):

| | Three Months Ended March 31, 2021 | | | |
|---|---|---|---|---|
| | Multifamily | Office | Corporate and Other | Consolidated |
| Real estate rental revenue | $ 36,132 | $ 28,599 | $ 4,902 | $ 69,633 |
| Real estate expenses | 15,172 | 10,117 | 1,405 | 26,694 |
| Net operating income | $ 20,960 | $ 18,482 | $ 3,497 | $ 42,939 |
| Depreciation and amortization | | | | (29,643) |
| General and administrative expenses | | | | (5,604) |
| Interest expense | | | | (10,123) |
| Other income | | | | 1,284 |
| Net loss | | | | $ (1,147) |
| Capital expenditures | $ 3,737 | $ 172 | $ 130 | $ 4,039 |
| Total assets | $ 1,322,738 | $ 927,757 | $ 129,541 | $ 2,380,036 |

| | Three Months Ended March 31, 2020 | | | |
|---|---|---|---|---|
| | Multifamily | Office | Corporate and Other | Consolidated |
| Real estate rental revenue | $ 36,578 | $ 35,670 | $ 4,544 | $ 76,792 |
| Real estate expenses | 13,985 | 13,317 | 1,337 | 28,639 |
| Net operating income | $ 22,593 | $ 22,353 | $ 3,207 | $ 48,153 |
| Depreciation and amortization | | | | (29,720) |
| General and administrative expenses | | | | (6,337) |
| Interest expense | | | | (10,845) |
| Gain on extinguishment of debt | | | | 468 |
| Net income | | | | $ 1,719 |
| Capital expenditures | $ 3,469 | $ 7,088 | $ 383 | $ 10,940 |
| Total assets | $ 1,339,925 | $ 1,130,013 | $ 152,682 | $ 2,622,620 |

**NOTE 10: SHAREHOLDERS' EQUITY**

On February 17, 2021, we entered into separate amendments to each of our existing equity distribution agreements ("Original Equity Distribution Agreements") with each of Wells Fargo Securities, LLC, BNY Mellon Capital Markets, LLC, Capital One Securities, Inc., Citigroup Global Markets Inc., Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC, KeyBanc Capital Markets Inc. and Truist Securities, Inc. (f/k/a SunTrust Robinson Humphrey, Inc.), each dated May 4, 2018 (collectively, as amended, the "Amended Equity Distribution Agreements"). Also on February 17, 2021, we entered into a separate equity distribution agreement with BTIG, LLC on the same terms as the Amended Equity Distribution Agreements (the "BTIG Equity Distribution Agreement," together with the Amended Equity Distribution Agreements, the "Equity Distribution Agreements"). Pursuant to the Equity Distribution Agreements, we may sell, from time to time, up to an aggregate price of $550.0 million of our common shares of beneficial interest, $0.01 par value per share. Issuances of our common shares are made at market prices prevailing at the time of issuance. We may use net proceeds from the issuance of common shares under this program for general business purposes, including, without limitation, working capital, the acquisition, renovation, expansion, improvement, development or redevelopment of income producing properties or the repayment of debt. Our issuances and net proceeds on the Equity Distribution Agreements and the Original Equity Distribution Agreements, respectively, for the three months ended March 31, 2021 and 2020 are as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2021 | 2020 |
| Issuance of common shares | 24 | 47 |
| Weighted average price per share | $ 22.06 | $ 31.07 |
| Net proceeds | $ 467 | $ 1,241 |

We have a dividend reinvestment program whereby shareholders may use their dividends and optional cash payments to purchase common shares. The shares sold under this program may either be common shares issued by us or common shares purchased in the open market. Net proceeds under this program are used for general corporate purposes.

Our issuances and net proceeds on the dividend reinvestment program for the three months ended March 31, 2021 and 2020 are as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2021 | 2020 |
| Issuance of common shares | 23 | 35 |
| Weighted average price per share | $ 22.07 | $ 26.96 |
| Net proceeds | $ 520 | $ 921 |

## 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, 2020 filed with the Securities and Exchange Commission ("SEC") on February 16, 2021.*

We refer to the three months ended March 31, 2021 and March 31, 2020 as the "2021 Quarter" and the "2020 Quarter," respectively.

**Forward-Looking Statements**

This Form 10-Q contains forward-looking statements which involve risks and uncertainties. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward looking statements by the use of forward-looking terminology such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," or "potential" or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. Such statements involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance, or achievements of WashREIT to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Currently, one of the most significant factors continues to be the adverse effect of the COVID-19 virus, including any variants and mutations thereof, the actions taken to contain the pandemic or mitigate the impact of COVID-19, and the direct and indirect economic effects of the pandemic and containment measures. The extent to which COVID-19 continues to impact WashREIT and its tenants will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of the pandemic, the actions taken to contain the pandemic or mitigate its impact, and the direct and indirect economic effects of the pandemic and containment measures, the continued speed and success of the vaccine rollout, effectiveness and willingness of people to take COVID-19 vaccines, and the duration of associated immunity and their efficacy against emerging variants of COVID-19, among others. Moreover, investors are cautioned to interpret many of the risks identified in the risk factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2020 filed on February 16, 2021, as being heightened as a result of the ongoing and numerous adverse impacts of COVID-19. Additional factors which may cause the actual results, performance, or achievements of WashREIT to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements include, but are not limited to the risks associated with ownership of real estate in general and our real estate assets in particular; the economic health of the greater Washington metro region; the risk of failure to enter into and/or complete potential acquisitions and dispositions, at all, within the price ranges anticipated and on the terms and timing anticipated; changes in the composition of our portfolio; fluctuations in interest rates; reductions in or actual or threatened changes to the timing of federal government spending; the risks related to use of third-party providers; the economic health of our tenants; shifts away from brick and mortar stores to e-commerce; the availability and terms of financing and capital and the general volatility of securities markets; compliance with applicable laws, including those concerning the environment and access by persons with disabilities; the risks related to not having adequate insurance to cover potential losses; the risks related to our organizational structure and limitations of stock ownership; changes in the market value of securities; terrorist attacks or actions and/or cyber-attacks; failure to qualify and maintain our qualification as a REIT and the risks of changes in laws affecting REITs; and other risks and uncertainties detailed from time to time in our filings with the SEC, including our 2020 Form 10-K filed on February 16, 2021. While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. 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 outlook, operating results, investment and financing activity and capital requirements to provide context for the remainder of MD&A.
- *Results of Operations.* Discussion of our financial results comparing the 2021 Quarter to the 2020 Quarter.

- *Liquidity and Capital Resources.* Discussion of our financial condition and analysis of changes in our capital structure and cash flows.
- *Funds From Operations.* Calculation of NAREIT Funds From Operations ("NAREIT FFO"), a non-GAAP supplemental measure to net income.
- *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 set forth below under the caption "Results of Operations - Net Operating Income." NOI is a non-GAAP supplemental measure to net income.
- *Funds From Operations ("NAREIT FFO")*, calculated as set forth below under the caption "Funds from Operations." NAREIT FFO is a non-GAAP supplemental measure to net income.
- *Ending occupancy*, calculated as occupied square footage or multifamily units as a percentage of total square footage or multifamily units, respectively, as of the last day of that period.
- *Leased percentage*, calculated as the percentage of apartments leased for our multifamily properties and percentage of available physical net rentable area leased for our commercial properties.
- *Leasing activity*, including new leases, renewals and expirations.

For purposes of evaluating comparative operating performance, we categorize our properties as "same-store" or "non-same-store". Same-store properties include properties that were owned for the entirety of the years being compared, and exclude properties under redevelopment or development and properties acquired, sold or classified as held for sale during the years being compared. We define development properties as those for which we have planned or ongoing major construction activities on existing or acquired land pursuant to an authorized development plan. We consider a property's development activities to be complete when the property is ready for its intended use. The property is categorized as same-store when it has been ready for its intended use for the entirety of the years being compared. We define redevelopment properties as those for which we have planned or ongoing significant development and construction activities on existing or acquired buildings pursuant to an authorized plan, which has an impact on current operating results, occupancy and the ability to lease space with the intended result of a higher economic return on the property. We categorize a redevelopment property as same-store when redevelopment activities have been complete for the majority of each year being compared.

**Overview**

Our revenues are derived primarily from the ownership and operation of income producing properties in the greater Washington metro region. As of March 31, 2021 we owned a diversified portfolio of 43 properties, totaling approximately 3.4 million square feet of commercial space and 7,059 multifamily units, and land held for development. These 43 properties consisted of 22 multifamily properties, 13 office properties and 8 retail centers.

*Outlook*

On March 11, 2020, the World Health Organization declared COVID-19, a respiratory illness caused by the novel coronavirus, a pandemic, and on March 13, 2020, the United States declared a national emergency concerning COVID-19. The COVID-19 pandemic caused state and local governments within the Washington metro region to institute quarantines, shelter-in-place rules and restrictions on travel, the types of business that may continue to operate and/or the types of construction projects that may continue.

While the COVID-19 pandemic had a significant impact on the 2021 Quarter, as of April 23, 2021, we collected 99% and 97% of office and retail cash rent, respectively, during the 2021 Quarter, excluding the impact of contractual rent deferral agreements. The effects of COVID-19 on our commercial tenants did not result in an increase in credit losses for the 2021 Quarter compared to the 2020 Quarter. As of April 23, 2021, we have $0.7 million and $0.9 million of deferred rent outstanding, net of repayments, from our office segment and retail properties, respectively. We continue to monitor and communicate with our commercial tenants to assess their needs and ability to pay rent.

At our multifamily properties, as of April 23, 2021, we collected 98% of cash rent during the 2021 Quarter, excluding rent that has been deferred. Deferred rent outstanding, net of repayments, from our multifamily tenants is less than $0.1 million. The effects of COVID-19 on our multifamily tenants have been reflected in an increase in credit losses of $0.3 million and led to a decline in rental rates during the 2021 Quarter compared to the 2020 Quarter. We expect our ability to increase rental rates to be limited until the economic disruption of the pandemic subsides.

We had a decline in average occupancy of approximately 160 basis points during the 2021 Quarter compared to the 2020 Quarter, excluding Trove, which began lease-up in the first quarter of 2020. The effects of the COVID-19 pandemic have also impacted our ability to lease up available commercial space as lease decisions have been slower for prospective tenants than in previous years as they re-evaluate re-entry and space plans. New gross leasing square footage declined by 53% for commercial space during the 2021 Quarter compared to the 2020 Quarter. As of March 31, 2021, we had approximately 490,000 square feet of vacant commercial space and approximately 200,000 square feet of commercial lease expirations scheduled for 2021.

We expect the COVID-19 outbreak, including any variants and mutations thereof, to continue to affect our financial condition and results of operations during 2021, including but not limited to real estate rental revenues, credit losses and leasing activity. Given our concentration in the Washington metro region, our entire existing portfolio could be impacted at the same time by quarantines, shelter-in-place rules and various other restrictions imposed or re-imposed in response to a surge in COVID-19 cases. To help mitigate the impact on our operating results of the COVID-19 pandemic, we have initiated various operational cost-saving initiatives across our portfolio. Due to the uncertainty of the future impacts of the COVID-19 pandemic and the speed of the vaccine rollout in the Washington metro region, the extent of the financial impact remains difficult to reasonably estimate.

New legislation was enacted to provide relief to businesses in response to the COVID-19 pandemic. We have evaluated and will continue to evaluate the relief options available, or that become available in the future, such as the Coronavirus Aid, Relief, and Economic Securities Act ("CARES Act"), or other emergency relief initiatives and stimulus packages instituted by the federal government. A number of the available relief options contain restrictions on future business activities that require careful evaluation and consideration, including the ability to repurchase shares and pay dividends. We will continue to assess these options and any subsequent legislation or other relief packages, including the accompanying restrictions on our business, as the pandemic continues to evolve. The legislation did not have a material impact on our results of operations for the 2021 and 2020 Quarters.

*Operating Results*

Net (loss) income, NOI and NAREIT FFO for the three months ended March 31, 2021 and 2020 were as follows (in thousands):

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | 2021 | 2020 | $ Change | % Change |
| Net (loss) income | $ (1,147) | $ 1,719 | $ (2,866) | (166.7)% |
| NOI [(1)] | $ 42,939 | $ 48,153 | $ (5,214) | (10.8)% |
| NAREIT FFO [(2)] | $ 28,496 | $ 31,439 | $ (2,943) | (9.4)% |

[(1)] See page 23 of the MD&A for a reconciliation of NOI to net income.
[(2)] See page 30 of the MD&A for a reconciliation of NAREIT FFO to net income.

The decrease in net income is primarily due to lower NOI ($5.2 million) in the 2021 Quarter and a gain on extinguishment of debt ($0.5 million) in the 2020 Quarter, partially offset by a gain on the settlement of litigation ($1.3 million), lower interest expense ($0.7 million) and lower general and administrative expenses ($0.7 million) in the 2021 Quarter.

The lower NOI is primarily due to lower NOI from same-store properties ($3.0 million) during 2021 and the sales of John Marshall II ($1.1 million), Monument II ($0.9 million) and 1227 25th Street ($0.7 million) during 2020, partially offset by placing Trove, a multifamily development, into service during 2020 ($0.4 million). The lower same-store NOI is explained in further detail beginning on page 23 (Results of Operations - 2021 Quarter Compared to 2020 Quarter). Same-store ending occupancy for our portfolio decreased to 90.9% as of March 31, 2021 from 92.4% as of March 31, 2020, due to lower occupancy across the portfolio resulting from the COVID-19 pandemic.

The lower NAREIT FFO is primarily due to lower NOI ($5.2 million) in the 2021 Quarter and a gain on extinguishment of debt ($0.5 million) in the 2020 Quarter, partially offset by a gain on the settlement of litigation ($1.3 million), lower interest expense ($0.7 million) and lower general and administrative expenses ($0.7 million) in the 2021 Quarter.

*Investment and Financing Activity*

As of March 31, 2021, the interest rate on the $700.0 million unsecured revolving credit facility (“Revolving Credit Facility”) was one month LIBOR plus 1.00% and the facility fee was 0.20%. As of April 26, 2021, our Revolving Credit Facility has a borrowing capacity of $629.0 million.

*Capital Requirements*

We have no debt maturities until the fourth quarter of 2022. We expect to have additional capital requirements as set forth on page 31 (Liquidity and Capital Resources - Capital Requirements).

**Results of Operations**

The discussion that follows is based on our consolidated results of operations for the 2021 Quarter and 2020 Quarter. The ability to compare one period to another is significantly affected by acquisitions completed and dispositions made during 2020 (see note 3 to the consolidated financial statements). Additionally, the COVID-19 pandemic adversely impacted our operating results for the 2021 Quarter, and we expect that the COVID-19 outbreak will continue to adversely affect our business, financial condition, results of operations and cash flows going forward, including but not limited to, real estate rental revenues, credit losses, and leasing activity, in ways that may vary widely depending on the duration and magnitude of the COVID-19 pandemic and ensuing economic turmoil, as well as numerous other factors, many of which are outside of our control, as discussed under “Part I - Item 1A. Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2020 filed on February 16, 2021.

*Net Operating Income*

NOI, defined as real estate rental revenue less real estate expenses, is a non-GAAP measure. NOI is calculated as net income, less non-real estate revenue and the results of discontinued operations (including the gain or loss on sale, if any), plus interest expense, depreciation and amortization, lease origination expenses, general and administrative expenses, real estate impairment and gain or loss on extinguishment of debt. 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, 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. A reconciliation of NOI to net income follows.

*2021 Quarter Compared to 2020 Quarter*

The following table reconciles NOI to net (loss) income and provides the basis for our discussion of our consolidated results of operations and NOI in the 2021 Quarter compared to the 2020 Quarter. All amounts are in thousands, except percentage amounts.

| | Same-Store | | | | Non-Same-Store: Development/ Re-development [1] | | Non-Same-Store: Held for Sale or Sold[2] | | Consolidated | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2021 | 2020 | $ Change | % Change | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | $ Change | % Change |
| Real estate rental revenue | $ 68,657 | $ 72,099 | $ (3,442) | (4.8) % | $ 976 | $ 37 | $ — | $ 4,656 | $ 69,633 | $ 76,792 | $ (7,159) | (9.3)% |
| Real estate expenses | 25,927 | 26,399 | (472) | (1.8) % | 767 | 247 | — | 1,993 | 26,694 | 28,639 | (1,945) | (6.8)% |
| NOI | $ 42,730 | $ 45,700 | $ (2,970) | (6.5) % | $ 209 | $ (210) | $ — | $ 2,663 | $ 42,939 | $ 48,153 | $ (5,214) | (10.8)% |
| **Reconciliation to net (loss) income:** | | | | | | | | | | | | |
| Depreciation and amortization | | | | | | | | | (29,643) | (29,720) | 77 | (0.3)% |
| General and administrative expenses | | | | | | | | | (5,604) | (6,337) | 733 | (11.6)% |
| Interest expense | | | | | | | | | (10,123) | (10,845) | 722 | (6.7)% |
| Other income | | | | | | | | | 1,284 | — | 1,284 | |
| Gain on extinguishment of debt | | | | | | | | | — | 468 | (468) | (100.0)% |
| Net (loss) income | | | | | | | | | $ (1,147) | $ 1,719 | $ (2,866) | (166.7)% |

1. Development/redevelopment:
Multifamily - Trove

2. Sold (classified as continuing operations):
2020 Office - John Marshall II, Monument II and 1227 25th Street

Real Estate Rental Revenue

Real estate rental revenue is comprised of (a) minimum base rent, which includes rental revenues recognized on a straight-line basis, (b) revenue from the recovery of operating expenses from our tenants, (c) credit losses on lease related receivables, (d) revenue from the collection of lease termination fees and (e) parking and other tenant charges such as percentage rents.

Real estate rental revenue from same-store properties for the three months ended March 31, 2021 and 2020 by segment was as follows (in thousands):

| | Three Months Ended March 31, 2021 | Three Months Ended March 31, 2020 | $ Change | % Change |
|---|---|---|---|---|
| Multifamily | $ 35,156 | $ 36,541 | $ (1,385) | (3.8) % |
| Office | 28,599 | 31,014 | (2,415) | (7.8) % |
| Other | 4,902 | 4,544 | 358 | 7.9 % |
| Total same-store real estate rental revenue | $ 68,657 | $ 72,099 | $ (3,442) | (4.8) % |

- *Multifamily*: Decrease primarily due to lower rental revenue ($1.0 million), higher rent abatements ($0.4 million) and higher credit losses ($0.3 million). These were partially offset by higher recoveries ($0.2 million) and termination fees ($0.1 million).
- *Office*: Decrease primarily due to lower parking income ($0.8 million), lower termination fees ($0.6 million), higher credit losses ($0.4 million), lower rental revenue ($0.3 million), lower reimbursements ($0.1 million) and lower specialty leasing ($0.1 million). The lower parking income and higher credit losses were primarily due to the COVID-19 pandemic.

Real estate rental revenue from development properties increased due to placing into service the Trove development ($0.9 million). We placed the remainder of the Trove development costs into service during the 2021 Quarter.

Real estate rental revenue from held for sale and sold properties classified as continuing operations decreased due to the sale of John Marshall II ($1.8 million) during the second quarter of 2020 and sales of Monument II ($1.5 million) and 1227 25th Street ($1.4 million) during the fourth quarter of 2020.

Ending occupancy for properties classified as continuing operations by segment for the 2021 Quarter and 2020 Quarter was as follows:

| | March 31, 2021 | | | March 31, 2020 | | | (Decrease) increase | | |
|---|---|---|---|---|---|---|---|---|---|
| Segment | Same-Store | Non-Same-Store | Total | Same-Store | Non-Same-Store | Total | Same-Store | Non-Same-Store | Total |
| Multifamily | 94.9 % | 44.1 % | 92.0 % | 95.1 % | 3.0 % | 89.9 % | (0.2)% | 41.1 % | 2.1 % |
| Office | 83.3 % | N/A | 83.3 % | 86.8 % | 94.9 % | 88.1 % | (3.5)% | N/A | (4.8)% |
| Other | 87.4 % | N/A | 87.4 % | 91.1 % | N/A | 91.1 % | (3.7)% | N/A | (3.7)% |
| Total | 90.9 % | 44.1 % | 89.5 % | 92.4 % | 62.9 % | 89.9 % | (1.5)% | (18.8)% | (0.4)% |

- *Multifamily*: Decrease in same-store ending occupancy was primarily due to lower ending occupancy at our DC rent-controlled properties (3801 Connecticut Avenue and The Kenmore), partially offset by higher ending occupancy at The Maxwell and Park Adams.
- *Office*: Decrease in same-store ending occupancy was primarily due to lower ending occupancy at 2000 M Street, Silverline Center, 515 King Street, 1901 Pennsylvania Avenue and 1140 Connecticut Avenue, partially offset by higher ending occupancy at 1220 19th Street.

During the 2021 Quarter, we executed new and renewal leases in our office segment as follows:

| | Square Feet (in thousands) | Average Rental Rate (per square foot) | % Rental Rate Increase | Leasing Costs [(1)] (per square foot) | Free Rent (weighted average months) |
|---|---|---|---|---|---|
| Office | 86 | $ 57.71 | 6.1 % | $ 14.67 | 2.7 |

______________________

[(1)] Consists of tenant improvements and leasing commissions.

Real Estate Expenses

Real estate expenses as a percentage of revenue for the 2021 Quarter and 2020 Quarter were 38.3% and 37.3%, respectively.

Real estate expenses from same-store properties for the three months ended March 31, 2021 and 2020 by segment were as follows (in thousands):

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | 2021 | 2020 | $ Change | % Change |
| Multifamily | $ 14,405 | $ 13,738 | $ 667 | 4.9 % |
| Office | 10,117 | 11,324 | (1,207) | (10.7) % |
| Other | 1,405 | 1,337 | 68 | 5.1 % |
| Total same-store real estate expenses | $ 25,927 | $ 26,399 | $ (472) | (1.8) % |

- *Multifamily*: Increase primarily due to higher contract maintenance ($0.2 million), utilities ($0.2 million), repairs and maintenance ($0.1 million) and insurance ($0.1 million) expenses.
- *Office*: Decrease primarily due to lower administrative ($0.5 million), utilities ($0.4 million) and repairs and maintenance ($0.3 million) expenses.

Other Income and Expenses

*Depreciation and Amortization*: Decrease primarily due to the dispositions of Monument II ($1.0 million) and 1227 25th Street ($0.4 million) in the fourth quarter of 2020 and lower depreciation and amortization at same-store properties ($0.1 million). These decreases were partially offset by placing into service a portion of the Trove development ($1.4 million).
*General and administrative expenses:* Decrease primarily due to lower professional fees ($0.5 million) and lower recruitment expense ($0.1 million) during the 2021 Quarter.

*Interest Expense*: Interest expense by debt type for the three months ended March 31, 2021 and 2020 was as follows (in thousands):

| Debt Type | Three Months Ended March 31, 2021 | 2020 | $ Change | % Change |
|---|---|---|---|---|
| Notes payable | $ 9,486 | $ 10,159 | $ (673) | (6.6)% |
| Mortgage notes payable | — | 172 | (172) | (100.0)% |
| Line of credit | 845 | 1,398 | (553) | (39.6)% |
| Capitalized interest | (208) | (884) | 676 | (76.5)% |
| Total | $ 10,123 | $ 10,845 | $ (722) | (6.7)% |

- *Notes payable*: Decrease primarily due to prepayment of all $250.0 million of our 4.95% Senior Notes in April 2020 and prepayment of our $150.0 million 2015 Term Loan in December 2020, partially offset by the $350.0 million Green Bonds executed in December 2020.
- *Mortgage notes payable:* Decrease due to repayment of the mortgage note secured by Yale West Apartments in January 2020.
- *Line of credit*: Decrease primarily due to lower weighted average interest rate of 1.1% and lower weighted average borrowings of $58.2 million in 2021 Quarter, as compared to 2.6% and $108.3 million during the 2020 Quarter.
- *Capitalized interest*: Decrease primarily due to placing into service assets at Trove.

*Gain on extinguishment of debt*: We recognized a $0.5 million gain on extinguishment of debt during 2020 Quarter related to the prepayment of the mortgage note secured by Yale West Apartments.

*Other income*: We recognized $1.3 million in other income related to a legal settlement during the 2021 Quarter.

**Liquidity and Capital Resources**

In light of local and global economic uncertainty as a result of COVID-19, ensuring adequate liquidity is critical. We believe we have access to adequate resources to meet the needs of our existing operations, mandatory capital expenditures, dividend payments and working capital, to the extent not funded by cash provided by operating activities. However, we expect the COVID-19 pandemic to continue to adversely impact our future operating cash flows. Such adverse impacts include the inability of some of our tenants to pay their rent on time or at all, longer lease-up periods for both anticipated and unanticipated vacancies, temporary rental rate freezes and contractual rent deferral arrangements.

Due to our remaining borrowing capacity on our Revolving Credit Facility and the fact that we do not have any debt maturing until the fourth quarter of 2022, we believe we have adequate liquidity to meet any major capital needs and commitments for the remainder of 2021.

*Capital Requirements*

As of the end of the 2021 Quarter, we summarize our full-year 2021 capital requirements as follows:

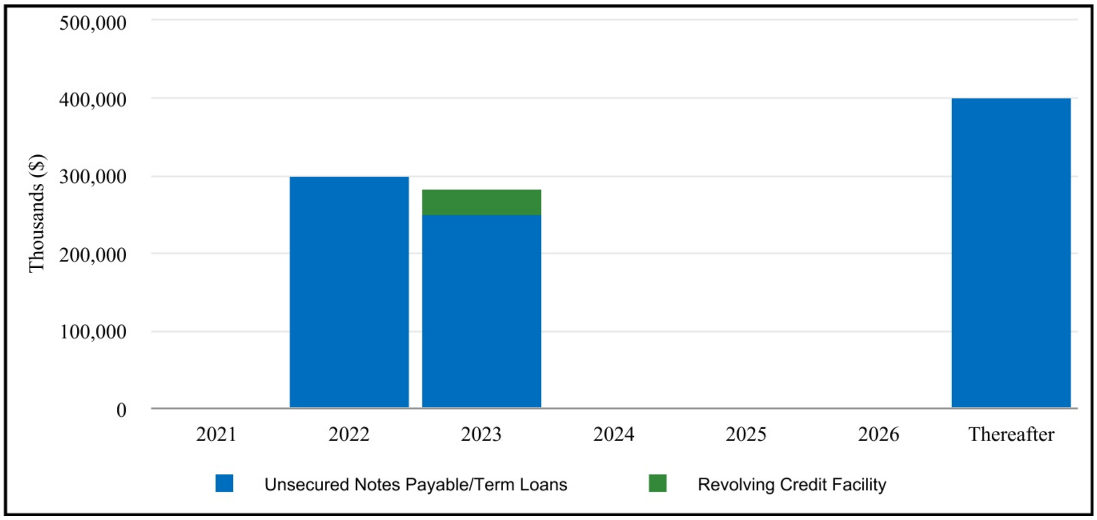
- Funding dividends and distributions to our shareholders;
- Approximately $42.5 - $47.5 million to invest in our existing portfolio of operating assets, including approximately $10.0 - $15.0 million to fund tenant-related capital requirements and leasing commissions;
- Approximately $5.0 - $7.5 million to invest in our development and redevelopment projects; and
- Funding for potential property acquisitions throughout 2021, offset by proceeds from potential property dispositions.

There can be no assurance that our capital requirements will not be materially higher or lower than the above expectations. We currently believe that we will generate sufficient cash flow from operations and potential property sales and have access to the capital resources necessary to fund our requirements for the remainder of 2021. However, as a result of the uncertainty of the future impacts of the COVID-19 pandemic, general market conditions in the greater Washington metro region, economic conditions affecting the ability to attract and retain tenants, declines in our share price, unfavorable changes in the supply of competing properties, or our properties not performing as expected, we may not generate sufficient cash flow from operations and property sales or otherwise have access to capital on favorable terms, or at all. If we are unable to obtain capital from other sources, we may need to alter capital spending to be materially different than what is stated above. If capital were not available, we may be unable to satisfy the distribution requirement applicable to REITs, make required principal and interest payments, make strategic acquisitions or make necessary and/or routine capital improvements or undertake improvement/redevelopment opportunities with respect to our existing portfolio of operating assets.

*Debt Financing*

We generally use secured or unsecured, corporate-level debt, including unsecured notes, our Revolving Credit Facility, bank term loans and mortgages to meet our borrowing needs. Long-term, we generally use fixed rate debt instruments in order to match the returns from our real estate assets. If we issue unsecured debt in the future, we would seek to “ladder” the maturities of our debt to mitigate exposure to interest rate risk in any particular future year. We also utilize variable rate debt for short-term financing purposes. At times, our mix of variable and fixed rate debt may not suit our needs. At those times, we may use derivative financial instruments including interest rate swaps and caps, forward interest rate options or interest rate options in order to assist us in managing our debt mix. We may either hedge our variable rate debt to give it an effective fixed interest rate or hedge fixed rate debt to give it an effective variable interest rate.

Our future debt principal payments are scheduled as follows (in thousands):




| | *Future Maturities of Debt* | | | |
|---|---|---|---|---|
| **Year** | **Unsecured Debt** | **Revolving Credit Facility** | **Total Debt** | **Average Interest Rate** |
| 2021 | $ — | $ — | $ — | —% |
| 2022 | 300,000 | — | 300,000 | 4.0% |
| 2023 | 250,000 (1) | 33,000 (2) | 283,000 | 2.7% |
| 2024 | — | — | — | —% |
| 2025 | — | — | — | —% |
| 2026 | — | — | — | —% |
| Thereafter | 400,000 (3) | — | 400,000 | 4.5% |
| Scheduled principal payments | $ 950,000 | $ 33,000 | $ 983,000 | 3.8% |
| Net premiums/discounts | (408) | — | (408) | |
| Loan costs, net of amortization | (3,958) | — | (3,958) | |
| Total | $ 945,634 | $ 33,000 | $ 978,634 | 3.8% |

(1) WashREIT entered into interest rate swaps to effectively fix a LIBOR plus 110 basis points floating interest rate to a 2.31% all-in fixed interest rate for $150.0 million portion of the term loan. For the remaining $100.0 million portion of the term loan, WashREIT entered into interest rate swaps to effectively fix a LIBOR plus 100 basis points floating interest rate to a 3.71% all-in fixed interest rate. The interest rates are fixed through the term loan maturity of July 2023. The 2018 Term Loan has an all-in fixed interest rate of 2.87%.

(2) Maturity date for credit facility of March 2023 assumes election of option for two additional 6-month periods.

(3) The closing and full funding of the $350.0 million 10-year 3.44% Green Bonds occurred on December 17, 2020. The Green Bonds have an all-in fixed interest rate of 4.09%.

The weighted average maturity for our debt is 5.0 years. If principal amounts due at maturity cannot be refinanced, extended or paid with proceeds of other capital transactions, such as new equity capital, our cash flow may be insufficient to repay all maturing debt. Prevailing interest rates or other factors at the time of a refinancing, such as possible reluctance of lenders to make commercial real estate loans, may result in higher interest rates and increased interest expense or inhibit our ability to finance our obligations.

From time to time, we may seek to repurchase and cancel our outstanding unsecured notes and term loans 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. The amounts involved may be material.

*Debt Covenants*

Pursuant to the terms of our Revolving Credit Facility, 2018 Term Loan and unsecured notes, we are subject to customary operating covenants and maintenance of various financial ratios.

Failure to comply with any of the covenants under our Revolving Credit Facility, 2018 Term Loan, unsecured notes 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 could therefore have a material adverse effect on our business, operations, financial condition and liquidity. In addition, our ability to draw on our Revolving Credit Facility or incur other unsecured debt in the future could be restricted by the debt covenants.

As of March 31, 2021, we were in compliance with the covenants related to our Revolving Credit Facility, 2018 Term Loan, and unsecured notes.

*Common Equity*

We have authorized for issuance 150.0 million common shares, of which 84.6 million shares were outstanding at March 31, 2021.

On February 17, 2021, we entered into separate amendments to each of our existing equity distribution agreements ("Original Equity Distribution Agreements") with each of Wells Fargo Securities, LLC, BNY Mellon Capital Markets, LLC, Capital One Securities, Inc., Citigroup Global Markets Inc., Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC, KeyBanc Capital Markets Inc. and Truist Securities, Inc. (f/k/a SunTrust Robinson Humphrey, Inc.), each dated May 4, 2018 (collectively, as amended, the "Amended Equity Distribution Agreements"). Also on February 17, 2021, we entered into a separate equity distribution agreement with BTIG, LLC on the same terms as the Amended Equity Distribution Agreements (the "BTIG Equity Distribution Agreement," together with the Amended Equity Distribution Agreements, the "Equity Distribution Agreements"). Pursuant to the Equity Distribution Agreements, we may sell, from time to time, up to an aggregate price of $550.0 million of our common shares of beneficial interest, $0.01 par value per share. Issuances of our common shares are made at market prices prevailing at the time of issuance. We may use net proceeds from the issuance of common shares under this program for general business purposes, including, without limitation, working capital, the acquisition, renovation, expansion, improvement, development or redevelopment of income producing properties or the repayment of debt. Our issuances and net proceeds on the Equity Distribution Agreements and the Original Equity Distribution Agreements, respectively, for the three months ended March 31, 2021 and 2020 are as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2021 | 2020 |
| Issuance of common shares | 24 | 47 |
| Weighted average price per share | $ 22.06 | $ 31.07 |
| Net proceeds | $ 467 | $ 1,241 |

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.

Our issuances and net proceeds on the dividend reinvestment program for the 2021 Quarter and 2020 Quarter were as follows (in thousands, except per share data):

| | Three Months Ended March 31, | |
|---|---|---|
| | 2021 | 2020 |
| Issuance of common shares | 23 | 35 |
| Weighted average price per share | $ 22.07 | $ 26.96 |
| Net proceeds | $ 520 | $ 921 |

*Preferred Equity*

WashREIT's board of trustees can, at its discretion, authorize the issuance of up to 10.0 million preferred shares. The ability to issue preferred equity provides WashREIT an additional financing tool that may be used to raise capital for future acquisitions or other business purposes. As of March 31, 2021, no preferred shares were issued or outstanding.

*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 from current levels, we may have to reduce our dividend. Consolidated cash flow information is summarized as follows (in thousands):

| | Three Months Ended March 31, | | Change | |
|---|---|---|---|---|
| | 2021 | 2020 | $ | % |
| Net cash provided by operating activities | $ 37,239 | $ 28,860 | $ 8,379 | 29.0 % |
| Net cash used in investing activities | (8,200) | (20,342) | 12,142 | (59.7)% |
| Net cash used in financing activities | (33,749) | (2,034) | (31,715) | 1,559.2 % |

Net cash provided by operating activities increased primarily due to timing differences on the payment of certain liabilities and lower interest payments in the 2021 Quarter.

Net cash used in investing activities decreased primarily due to lower expenditures on capital improvements to real estate and lower expenditures on development during the 2021 Quarter.

Net cash used in financing activities increased primarily due to lower net borrowings on the Revolving Credit Facility in the 2021 Quarter, partially offset by the prepayment of the mortgage note secured by Yale West during the 2020 Quarter.

*Off-Balance Sheet Arrangements*

We have no off-balance sheet arrangements as of March 31, 2021 that are reasonably likely to have a current or future material effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

**Funds From Operations**

NAREIT FFO is a widely used measure of operating performance for real estate companies. In its 2018 NAREIT FFO Whitepaper Restatement, the National Association of Real Estate Investment Trusts, Inc. ("NAREIT") defined NAREIT FFO as net income (computed in accordance with GAAP) excluding gains (or losses) associated with sales of properties; impairments of depreciable real estate, and real estate depreciation and amortization. We consider NAREIT FFO to be a standard supplemental measure for equity 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 NAREIT FFO more accurately provides investors an indication of our ability to incur and service debt, make capital expenditures and fund other needs. Our NAREIT 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 NAREIT FFO and a reconciliation of NAREIT FFO to net (loss) income for the three months ended March 31, 2021 and 2020 (in thousands):

| | Three Months Ended March 31, | |
|---|---|---|
| | 2021 | 2020 |
| Net (loss) income | $ (1,147) | $ 1,719 |
| Adjustments: | | |
| Depreciation and amortization | 29,643 | 29,720 |
| NAREIT FFO | $ 28,496 | $ 31,439 |

**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. There were no changes made by management to the critical accounting policies in the three months ended March 31, 2021. We discuss the most critical estimates in our Annual Report on Form 10-K for the year ended December 31, 2020 filed with the SEC on February 16, 2021.

## 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 line of credit.

The table below presents principal, interest and related weighted average interest rates by year of maturity, with respect to debt outstanding on March 31, 2021 (in thousands):

| | 2021 | 2022 | 2023 | 2024 | 2025 | Thereafter | Total | Fair Value |
|---|---|---|---|---|---|---|---|---|
| Unsecured fixed rate debt [1] | | | | | | | | |
| Principal | $ — | $ 300,000 | $ 250,000 | $ — | $ — | $ 400,000 | $ 950,000 | $ 974,595 |
| Interest payments | $ 26,997 | $ 37,218 | $ 22,177 | $ 17,995 | $ 17,995 | $ 87,364 | $ 209,746 | |
| Interest rate on debt maturities | — % | 4.0 % | 2.7 % | — % | — % | 4.5 % | 3.8 % | |
| Unsecured variable rate debt [2] | | | | | | | | |
| Principal | $ — | $ — | $ 33,000 | $ — | $ — | $ — | $ 33,000 | $ 33,000 |
| Variable interest rate on debt maturities | | | 1.1 % | | | | 1.1 % | |

(1) Includes $250.0 million term loan with a floating interest rate. The interest rate on the $250.0 million term loan is effectively fixed by interest rate swap arrangements at 2.9%.

(2) Maturity date on the unsecured credit facility of 2023 assumes the election of two additional six-month options.

We enter into interest rate swap arrangements designated and qualifying as cash flow hedges to reduce our exposure to the variability in future cash flows attributable to changes in interest rates. Derivative instruments expose us to credit risk in the event of non-performance by the counterparty under the terms of the interest rate hedge agreement. We believe that we minimize our credit risk on these transactions by dealing with major, creditworthy financial institutions. As part of our ongoing control procedures, we monitor the credit ratings of counterparties and our exposure to any single entity, thus minimizing our credit risk concentration.

The following table sets forth information pertaining to interest rate swap contracts in place as of March 31, 2021 and December 31, 2020 and their respective fair values (in thousands):

| | | | | | Fair Value as of: | |
|---|---|---|---|---|---|---|
| Notional Amount | Fixed Rate | Floating Index Rate | Effective Date | Expiration Date | March 31, 2021 | December 31, 2020 |
| $ 100,000 | 1.205% | One-Month USD-LIBOR | 3/31/2017 | 7/21/2023 | $ (2,173) | $ (2,671) |
| 50,000 | 1.208% | One-Month USD-LIBOR | 3/31/2017 | 7/21/2023 | (1,090) | (1,338) |
| 25,000 | 2.610% | One-Month USD-LIBOR | 6/29/2018 | 7/21/2023 | (1,353) | (1,562) |
| 25,000 | 2.610% | One-Month USD-LIBOR | 6/29/2018 | 7/21/2023 | (1,353) | (1,562) |
| 25,000 | 2.610% | One-Month USD-LIBOR | 6/29/2018 | 7/21/2023 | (1,353) | (1,561) |
| 25,000 | 2.610% | One-Month USD-LIBOR | 6/29/2018 | 7/21/2023 | (1,352) | (1,561) |
| $ 250,000 | | | | | $ (8,674) | $ (10,255) |

We enter into debt obligations primarily 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, 2020 filed with the SEC on February 16, 2021. 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 Chief Accounting Officer, 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 Chief Accounting Officer, 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 Chief Accounting Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

There have not been any changes in WashREIT'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, WashREIT's internal control over financial reporting.

## PART II
## OTHER INFORMATION

### ITEM 1: LEGAL PROCEEDINGS

None.

### ITEM 1A: RISK FACTORS

There have been no material changes from the risk factors previously disclosed in response to “Part I - Item 1A. Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2020 filed on February 16, 2021.

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

A summary of our repurchases of shares of our common stock for the three months ended March 31, 2021 was as follows:

**Issuer Purchases of Equity Securities**

| Period | Total Number of Shares Purchased [1] | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number (or Approximate Dollar Value) of Shares that May Yet be Purchased |
|---|---|---|---|---|
| January 1 -January 31, 2021 | — | $ — | N/A | N/A |
| February 1 - February 28, 2021 | 12,940 | 23.45 | N/A | N/A |
| March 1 - March 31, 2021 | — | — | N/A | N/A |
| Total | 12,940 | $ 23.45 | N/A | N/A |

[1] Represents restricted shares surrendered by employees to WashREIT to satisfy such employees' applicable statutory minimum tax withholding obligations in connection with the vesting of restricted shares.

### 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 | |
| 3.1 | Articles of Amendment and Restatement of Declaration of Trust of the Company, as amended | 10-K | 001-06622 | 3.1 | 2/16/2021 | |
| 3.2 | Amended and Restated Bylaws of Washington Real Estate Investment Trust, as adopted on February 8, 2017 | 10-Q | 001-06622 | 3.2 | 7/31/2017 | |
| 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 Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act | | | | | X |
| 31.3 | Certification of the Chief Accounting Officer pursuant to Rule 13a-14(a) of the Exchange Act | | | | | X |
| 32 | Certification of the Chief Executive Officer, Chief Financial Officer and Chief Accounting 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.INS | Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. | | | | | X |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document | | | | | X |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document | | | | | X |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document | | | | | X |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document | | | | | X |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document | | | | | X |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document and contained in Exhibit 101) | | | | | |

**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/ Stephen E. Riffee

Stephen E. Riffee
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

/s/ W. Drew Hammond

W. Drew Hammond
Vice President, Chief Accounting Officer and Treasurer
(Principal Accounting Officer)

DATE: April 29, 2021

**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 reasonably 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 reasonably 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: April 29, 2021

/s/ Paul T. McDermott

Paul T. McDermott
Chief Executive Officer

**Exhibit 31.2**

CERTIFICATION

I, Stephen E. Riffee, 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 reasonably 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 reasonably 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: April 29, 2021

/s/ Stephen E. Riffee

Stephen E. Riffee
Chief Financial Officer
(Principal Financial Officer)

**Exhibit 31.3**

CERTIFICATION

I, W. Drew Hammond, 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 reasonably 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 reasonably 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: April 29, 2021

/s/ W. Drew Hammond

W. Drew Hammond
Vice President
Chief Accounting Officer
(Principal Accounting 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 Chief Financial Officer and Chief Accounting Officer of Washington Real Estate Investment Trust ("WashREIT"), each hereby certifies on the date hereof, that:

(a) the Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 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 WashREIT.

| | |
|---|---|
| DATE: April 29, 2021 | /s/ Paul T. McDermott<br>Paul T. McDermott<br>Chief Executive Officer |
| DATE: April 29, 2021 | /s/ Stephen E. Riffee<br>Stephen E. Riffee<br>Chief Financial Officer<br>(Principal Financial Officer) |
| DATE: April 29, 2021 | /s/ W. Drew Hammond<br>W. Drew Hammond<br>Chief Accounting Officer<br>(Principal Accounting Officer) |