

---

---

**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 June 30, 2022

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**  
(State of incorporation)

**53-0261100**  
(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 definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

---

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 Exchange Act). Yes  No

As of July 25, 2022, 87,402,385 common shares were outstanding.

---

---

WASHINGTON REAL ESTATE INVESTMENT TRUST

INDEX

	<u>Page</u>	
<b>Part I: Financial Information</b>		
Item 1.	<a href="#">Consolidated Financial Statements (Unaudited)</a>	
	<a href="#">Consolidated Balance Sheets</a>	<a href="#">5</a>
	<a href="#">Condensed Consolidated Statements of Operations</a>	<a href="#">6</a>
	<a href="#">Condensed Consolidated Statements of Comprehensive Income (Loss)</a>	<a href="#">7</a>
	<a href="#">Consolidated Statements of Equity</a>	<a href="#">8</a>
	<a href="#">Consolidated Statements of Cash Flows</a>	<a href="#">10</a>
	<a href="#">Notes to Consolidated Financial Statements</a>	<a href="#">11</a>
Item 2.	<a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	<a href="#">23</a>
Item 3.	<a href="#">Quantitative and Qualitative Disclosures about Market Risk</a>	<a href="#">38</a>
Item 4.	<a href="#">Controls and Procedures</a>	<a href="#">38</a>
<b>Part II: Other Information</b>		
Item 1.	<a href="#">Legal Proceedings</a>	<a href="#">40</a>
Item 1A.	<a href="#">Risk Factors</a>	<a href="#">40</a>
Item 2.	<a href="#">Unregistered Sales of Equity Securities and Use of Proceeds</a>	<a href="#">40</a>
Item 3.	<a href="#">Defaults upon Senior Securities</a>	<a href="#">40</a>
Item 4.	<a href="#">Mine Safety Disclosures</a>	<a href="#">40</a>
Item 5.	<a href="#">Other Information</a>	<a href="#">40</a>
Item 6.	<a href="#">Exhibits</a>	<a href="#">41</a>
	<a href="#">Signatures</a>	<a href="#">42</a>

**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, 2021 included in Washington Real Estate Investment Trust's 2021 Annual Report on Form 10-K filed on February 18, 2022.

WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES

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

	June 30, 2022 (Unaudited)	December 31, 2021
<b>Assets</b>		
Land	\$ 373,171	\$ 322,623
Income producing property	1,875,307	1,642,147
	2,248,478	1,964,770
Accumulated depreciation and amortization	(441,105)	(402,560)
Net income producing property	1,807,373	1,562,210
Properties under development or held for future development	31,220	30,631
Total real estate held for investment, net	1,838,593	1,592,841
Cash and cash equivalents	44,787	233,600
Restricted cash	1,984	620
Rents and other receivables	16,644	15,067
Prepaid expenses and other assets	32,865	33,866
Total assets	<u>\$ 1,934,873</u>	<u>\$ 1,875,994</u>
<b>Liabilities</b>		
Notes payable, net	\$ 497,135	\$ 496,946
Mortgage notes payable, net	71,576	—
Accounts payable and other liabilities	39,890	40,585
Dividend payable	14,916	14,650
Advance rents	1,821	2,082
Tenant security deposits	5,439	4,669
Total liabilities	630,777	558,932
<b>Equity</b>		
<b>Shareholders' equity</b>		
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; 87,392 and 86,261 shares issued and outstanding, as of June 30, 2022 and December 31, 2021, respectively	874	863
Additional paid in capital	1,727,031	1,697,477
Distributions in excess of net income	(408,882)	(362,494)
Accumulated other comprehensive loss	(15,229)	(19,091)
Total shareholders' equity	1,303,794	1,316,755
Noncontrolling interests in subsidiaries	302	307
Total equity	<u>1,304,096</u>	<u>1,317,062</u>
Total liabilities and equity	<u>\$ 1,934,873</u>	<u>\$ 1,875,994</u>

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 June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
<b>Revenue</b>				
Real estate rental revenue	\$ 51,380	\$ 41,297	\$ 99,184	\$ 81,904
<b>Expenses</b>				
Property operating and maintenance	11,747	9,359	22,312	18,754
Real estate taxes and insurance	6,837	5,385	13,424	10,981
Property management	1,796	1,486	3,546	2,949
General and administrative	7,656	6,325	14,595	11,929
Transformation costs	2,023	3,780	4,246	3,780
Depreciation and amortization	24,039	17,303	46,239	34,290
	<u>54,098</u>	<u>43,638</u>	<u>104,362</u>	<u>82,683</u>
Real estate operating loss	(2,718)	(2,341)	(5,178)	(779)
<b>Other income (expense)</b>				
Interest expense	(6,156)	(10,158)	(11,806)	(20,281)
Loss on interest rate derivatives	—	(5,760)	—	(5,760)
Other income	—	1,522	386	2,806
	<u>(6,156)</u>	<u>(14,396)</u>	<u>(11,420)</u>	<u>(23,235)</u>
Loss from continuing operations	(8,874)	(16,737)	(16,598)	(24,014)
Discontinued operations:				
Income from operations of properties sold or held for sale	—	9,745	—	15,875
Income from discontinued operations	—	9,745	—	15,875
Net loss	<u>\$ (8,874)</u>	<u>\$ (6,992)</u>	<u>\$ (16,598)</u>	<u>\$ (8,139)</u>
<b>Basic net (loss) income per common share:</b>				
Continuing operations	\$ (0.10)	\$ (0.20)	\$ (0.19)	\$ (0.29)
Discontinued operations	—	0.12	—	0.19
Basic net loss per common share	<u>\$ (0.10)</u>	<u>\$ (0.08)</u>	<u>\$ (0.19)</u>	<u>\$ (0.10)</u>
<b>Diluted net (loss) income per common share:</b>				
Continuing operations	\$ (0.10)	\$ (0.20)	\$ (0.19)	\$ (0.29)
Discontinued operations	—	0.12	—	0.19
Diluted net loss per common share	<u>\$ (0.10)</u>	<u>\$ (0.08)</u>	<u>\$ (0.19)</u>	<u>\$ (0.10)</u>
Weighted average shares outstanding – basic	87,392	84,461	87,303	84,437
Weighted average shares outstanding – diluted	87,392	84,461	87,303	84,437

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)**

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Net loss	\$ (8,874)	\$ (6,992)	\$ (16,598)	\$ (8,139)
Other comprehensive income:				
Unrealized gain on interest rate hedges	917	1,004	2,842	2,584
Reclassification of unrealized loss on interest rate derivatives to earnings	510	6,269	1,020	6,779
Comprehensive (loss) income	<u>\$ (7,447)</u>	<u>\$ 281</u>	<u>\$ (12,736)</u>	<u>\$ 1,224</u>

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, 2021	86,261	\$ 863	\$ 1,697,477	\$ (362,494)	\$ (19,091)	\$ 1,316,755	\$ 307	\$ 1,317,062
Net loss	—	—	—	(16,598)	—	(16,598)	—	(16,598)
Unrealized loss on interest rate hedges	—	—	—	—	2,842	2,842	—	2,842
Amortization of swap settlements	—	—	—	—	1,020	1,020	—	1,020
Distributions to noncontrolling interests	—	—	—	—	—	—	(5)	(5)
Dividends (\$0.34 per common share)	—	—	—	(29,790)	—	(29,790)	—	(29,790)
Equity issuances, net of issuance costs	1,032	10	26,841	—	—	26,851	—	26,851
Shares issued under Dividend Reinvestment Program	20	—	518	—	—	518	—	518
Share grants, net of forfeitures and tax withholdings	79	1	2,195	—	—	2,196	—	2,196
Balance, June 30, 2022	87,392	\$ 874	\$ 1,727,031	\$ (408,882)	\$ (15,229)	\$ 1,303,794	\$ 302	\$ 1,304,096

	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	—	—	—	(8,139)	—	(8,139)	—	(8,139)
Unrealized loss on interest rate hedges	—	—	—	—	2,584	2,584	—	2,584
Loss on interest rate derivatives	—	—	—	—	5,760	5,760	—	5,760
Amortization of swap settlements	—	—	—	—	1,019	1,019	—	1,019
Distributions to noncontrolling interests	—	—	—	—	—	—	(8)	(8)
Dividends (\$0.60 per common share)	—	—	—	(50,935)	—	(50,935)	—	(50,935)
Equity issuances, net of issuance costs	24	—	467	—	—	467	—	467
Shares issued under Dividend Reinvestment Program	45	—	1,009	—	—	1,009	—	1,009
Share grants, net of forfeitures and tax withholdings	112	2	3,567	—	—	3,569	—	3,569
Balance, June 30, 2021	84,590	\$ 846	\$ 1,654,409	\$ (357,934)	\$ (21,200)	\$ 1,276,121	\$ 314	\$ 1,276,435

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 Outstanding	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, March 31, 2022	87,414	\$ 874	\$ 1,725,828	\$ (385,108)	\$ (16,656)	\$ 1,324,938	\$ 305	\$ 1,325,243
Net loss	—	—	—	(8,874)	—	(8,874)	—	(8,874)
Unrealized loss on interest rate hedges	—	—	—	—	917	917	—	917
Amortization of swap settlements	—	—	—	—	510	510	—	510
Distributions to noncontrolling interests	—	—	—	—	—	—	(3)	(3)
Dividends (\$0.17 per common share)	—	—	—	(14,900)	—	(14,900)	—	(14,900)
Shares issued under Dividend Reinvestment Program	10	—	254	—	—	254	—	254
Share grants, net of share grant amortization and forfeitures	(32)	—	949	—	—	949	—	949
Balance, June 30, 2022	87,392	\$ 874	\$ 1,727,031	\$ (408,882)	\$ (15,229)	\$ 1,303,794	\$ 302	\$ 1,304,096

	Shares Issued and Outstanding	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, March 31, 2021	84,564	\$ 846	\$ 1,651,680	\$ (325,469)	\$ (28,473)	\$ 1,298,584	\$ 318	\$ 1,298,902
Net loss	—	—	—	(6,992)	—	(6,992)	—	(6,992)
Unrealized loss on interest rate hedges	—	—	—	—	1,004	1,004	—	1,004
Loss on interest rate derivatives	—	—	—	—	5,760	5,760	—	5,760
Amortization of swap settlements	—	—	—	—	509	509	—	509
Distributions to noncontrolling interests	—	—	—	—	—	—	(4)	(4)
Dividends (\$0.30 per common share)	—	—	—	(25,473)	—	(25,473)	—	(25,473)
Shares issued under Dividend Reinvestment Program	22	—	489	—	—	489	—	489
Share grants, net of forfeitures and tax withholdings	4	—	2,240	—	—	2,240	—	2,240
Balance, June 30, 2021	84,590	\$ 846	\$ 1,654,409	\$ (357,934)	\$ (21,200)	\$ 1,276,121	\$ 314	\$ 1,276,435

See accompanying notes to the consolidated financial statements.

WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES

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

	Six Months Ended June 30,	
	2022	2021
Cash flows from operating activities		
Net loss	\$ (16,598)	\$ (8,139)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	46,239	57,194
Credit losses on lease related receivables	1,344	1,337
Share-based compensation expense	4,240	3,750
Net amortization of debt premiums, discounts and related financing costs	2,006	2,227
Loss on interest rate derivatives	—	5,760
Changes in operating other assets	(2,469)	(6,071)
Changes in operating other liabilities	(783)	8,564
Net cash provided by operating activities	33,979	64,622
Cash flows from investing activities		
Real estate acquisitions, net	(204,433)	—
Capital improvements to real estate	(11,395)	(10,370)
Development in progress	(659)	(7,794)
Non-real estate capital improvements	(642)	(31)
Net cash used in investing activities	(217,129)	(18,195)
Cash flows from financing activities		
Line of credit repayments, net	—	1,000
Dividends paid	(29,524)	(50,821)
Payment of financing costs	(39)	—
Distributions to noncontrolling interests	(5)	(7)
Proceeds from dividend reinvestment program	518	1,009
Net proceeds from equity issuances	26,851	467
Payment of tax withholdings for restricted share awards	(2,100)	(335)
Net cash used in financing activities	(4,299)	(48,687)
Net decrease in cash, cash equivalents and restricted cash	(187,449)	(2,260)
Cash, cash equivalents and restricted cash at beginning of period	234,220	8,290
Cash, cash equivalents and restricted cash at end of period	\$ 46,771	\$ 6,030
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amounts capitalized	\$ 9,597	\$ 12,038
Change in accrued capital improvements and development costs	1,209	(4,697)
Dividend payable	14,916	25,474
Mortgage notes payable assumed in connection with the acquisition of real estate	76,554	—
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	\$ 44,787	\$ 5,435
Restricted cash	1,984	595
Cash, cash equivalents and restricted cash	\$ 46,771	\$ 6,030

See accompanying notes to the consolidated financial statements.

WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022  
(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 primarily consists of the ownership of apartment communities in the greater Washington, DC metro and Southeastern regions. Within these notes to the financial statements, we refer to the three months ended June 30, 2022 and June 30, 2021 as the "2022 Quarter" and the "2021 Quarter," respectively, and the six months ended June 30, 2022 and June 30, 2021 as the "2022 Period" and the "2021 Period," respectively.

*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 subsidiary ("TRS"). Our TRS is subject to corporate federal and state income tax on its taxable income at regular statutory rates. As of both June 30, 2022 and December 31, 2021, our TRS 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, 2021.

*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 Generally Accepted Accounting Principles ("GAAP") have been condensed or omitted pursuant to those rules and regulations, although we believe that the disclosures made are adequate to make the information presented not misleading. In addition, in the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the results for the periods presented have been included. These unaudited financial statements should be read in conjunction with the financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2021.

#### *Held for Sale and Discontinued Operations*

We classify properties as held for sale when they meet the necessary criteria, which include: (a) senior management commits to a plan to sell the assets; (b) the assets are available for immediate sale in their present condition subject only to terms that are usual and customary for sales of such assets; (c) an active program to locate a buyer and other actions required to complete the plan to sell the assets has been initiated; (d) the sale of the assets is probable and transfer of the assets is expected to qualify for recognition as a completed sale within one year; (e) the assets are being actively marketed for sale at a price that is reasonable in relation to its current fair value; and (f) actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Depreciation on these properties is discontinued 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.

Revenues and expenses of properties that are either sold or classified as held for sale are presented as discontinued operations for all periods presented in the consolidated statements of operations if the dispositions represent a strategic shift that has (or will have) a major effect on our operations and financial results. If the dispositions do not represent a strategic shift that has (or will have) a major effect on our operations and financial results, then the revenues and expenses of the properties that are classified as sold or held for sale are presented as continuing operations in the consolidated statements of operations for all periods presented.

#### *Lessee Accounting*

For leases where we are the lessee, primarily our corporate office operating lease, we recognize a right-of-use asset and a lease liability in accordance with Accounting Standards Codification (“ASC”) Topic 842. The right-of-use asset and associated liability is equal to the present value of the minimum lease payments, applying our incremental borrowing rate. Our borrowing rate is computed based on observable borrowing rates taking into consideration our credit quality and adjusting to a secured borrowing rate for similar assets and term. As of June 30, 2022, our balance sheet included \$3.4 million in right-of-use assets and liabilities, net of amortization.

Lease expense for the operating lease is recognized on a straight-line basis over the expected lease term and is included in General and administrative expense on the consolidated statements of operations.

#### *Restricted Cash*

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

#### *Transformation Costs*

Transformation costs include costs related to the strategic shift away from the commercial sector to the residential sector, including the allocation of internal costs, consulting, advisory and termination benefits.

#### *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***Acquisitions*

We acquired the following properties during the 2022 Period:

Acquisition Date	Property	Type	# of homes	Ending Occupancy <sup>(1)</sup>	Contract Purchase Price (in thousands)
February 1, 2022	Carlyle of Sandy Springs	Residential	389	94.3%	\$ 105,586
May 5, 2022	Marietta Crossing	Residential	420	91.2%	107,900
May 5, 2022	Alder Park	Residential	270	95.9%	69,750
			1,079		\$ 283,236

<sup>(1)</sup> As of June 30, 2022.

The results of operations from the acquired operating properties are included in the condensed consolidated statements of operations as of their acquisition date and were as follows (in thousands):

	Three Months Ended June 30, 2022	Six Months Ended June 30, 2022
Real estate rental revenue	\$ 3,651	\$ 4,726
Net loss	(2,943)	(3,607)

We accounted for the 2022 acquisitions as asset acquisitions. We measured the value of the acquired physical assets (land and building), in-place leases (absorption costs) and mortgage notes by allocating the total cost of the acquisition on a relative fair value basis.

The total cost of the 2022 acquisitions was as follows (in thousands):

Contract purchase price	\$ 283,236
Capitalized acquisition costs	478
<b>Total</b>	<b>\$ 283,714</b>

We have recorded the 2022 acquisitions as follows (in thousands):

Land	\$ 50,547
Building	220,825
Absorption costs	7,300
Aggregate discount on assumed mortgages	5,042
<b>Total acquisition cost</b>	<b>283,714</b>
Outstanding balance on assumed mortgages	(76,554)
<b>Total carrying amounts recorded</b>	<b>\$ 207,160</b>

The weighted remaining average life for the absorption costs is four months.

The difference in the total acquisition cost of \$283.7 million for the 2022 acquisitions and the cash paid for the acquisitions per the consolidated statements of cash flows of \$204.4 million is due to the assumption of two mortgage notes secured by Marietta Crossing and Alder Park for an aggregate outstanding balance of \$76.6 million and credits received at settlement totaling \$2.8 million.

*Development/Redevelopment*

We have properties under development/redevelopment and held for current or future development. As of June 30, 2022, we have invested \$30.4 million, including the cost of acquired land, in a residential development adjacent to Riverside Apartments. During the 2022 Quarter, we paused development activities at the aforementioned property and ceased associated capitalization of interest on spending and real estate taxes. However, we continue to capitalize qualifying costs on several other projects with minor development activity necessary to ready each project for its intended use.

### 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 2022 Period. We sold the following properties during 2021 (\$ in thousands):

Disposition Date	Property Name	Property Type	Rentable Square Feet	Contract Sales Price	(Loss) Gain on Sale
July 26, 2021	Office Portfolio <sup>(1)</sup>	Office	2,370,000	\$ 766,000	\$ (11,220)
September 22, 2021	Retail Portfolio <sup>(2)</sup>	Retail	693,000	168,314	57,661
		<b>Total 2021</b>	<b>3,063,000</b>	<b>\$ 934,314</b>	<b>\$ 46,441</b>

<sup>(1)</sup> Consists of twelve office properties: 1901 Pennsylvania Avenue, 515 King Street, 1220 19th Street, 1600 Wilson Boulevard, Silverline Center, Courthouse Square, 2000 M Street, 1140 Connecticut Avenue, Army Navy Club, 1775 Eye Street, Fairgate at Ballston and Arlington Tower.

<sup>(2)</sup> Consists of eight retail properties: Takoma Park, Westminster, Concord Centre, Chevy Chase Metro Plaza, 800 S. Washington Street, Randolph Shopping Center, Montrose Shopping Center and Spring Valley Village .

We have fully transferred control of the assets sold in 2021 and do not have continuing involvement in their operations.

The dispositions of the Office Portfolio and the Retail Portfolio represent a strategic shift that had a major effect on our financial results and we have accordingly reported the Office Portfolio and Retail Portfolio as discontinued operations.

As of June 30, 2022, we assessed our properties, including assets held for development, for impairment and did not recognize any impairment charges during the 2022 Period. We applied reasonable estimates and judgments in evaluating each of the properties as of June 30, 2022. 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.

### Discontinued Operations

The results of the Office Portfolio and Retail Portfolio are classified as discontinued operations and are summarized as follows (amounts in thousands, except for share data):

	Three Months Ended June 30, 2021	Six Months Ended June 30, 2021
Real estate rental revenue	\$ 30,561	\$ 59,587
Expenses		
Property operating and maintenance	(4,855)	(9,331)
Real estate taxes and insurance	(4,783)	(9,660)
Property management	(930)	(1,817)
Depreciation and amortization	(10,248)	(22,904)
Income from discontinued operations	\$ 9,745	\$ 15,875
Basic net income per share	\$ 0.12	\$ 0.19
Diluted net income per share	\$ 0.12	\$ 0.19
Capital expenditures	\$ 2,109	\$ 2,483

All assets and liabilities related to the Office Portfolio and Retail Portfolio were sold as of December 31, 2021.

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

During the third quarter of 2021, 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”) and the continuation of an existing \$250.0 million unsecured term loan (“2018 Term Loan”). The Revolving Credit Facility has a four-year term ending in August 2025, 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 0.70% to 1.40% or the base rate plus a margin ranging from 0.0% to 0.40% (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 June 30, 2022, the interest rate on the Revolving Credit Facility is one month LIBOR plus 1.79%, the one month LIBOR is 0.85% and the facility fee is 0.20%.

All outstanding advances for the Revolving Credit Facility are due and payable upon maturity in August 2025, 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 increased and replaced 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.

On September 27, 2021, we prepaid a \$150.0 million portion of the 2018 Term Loan using proceeds from the sale of the Office Portfolio and Retail Portfolio (see note 3). We currently expect to hold the remaining \$100.0 million portion of the 2018 Term Loan until maturity.

The amount of the Revolving Credit Facility’s unsecured line of credit unused and available at June 30, 2022 was as follows (in thousands):

Committed capacity	\$	700,000
Borrowings outstanding		—
Unused and available	\$	<u>700,000</u>

There were no borrowings or repayments on the Revolving Credit Facility during the 2022 Period.

**NOTE 5: MORTGAGE NOTES PAYABLE**

In May 2022, we assumed a \$42.8 million mortgage note in connection with the acquisition of Marietta Crossing. This mortgage note bears interest at 3.36% per annum. The effective interest rate on this mortgage note is 4.50% based on quotes obtained for similar loans. We recorded the mortgage note at its estimated fair value of \$40.0 million. Principal and interest are payable monthly until May 1, 2030, at which time all unpaid principal and interest are payable in full.

In May 2022, we assumed a \$33.7 million mortgage note in connection with the acquisition of Alder Park. This mortgage note bears interest at 2.93% per annum. The effective interest rate on this mortgage note is 4.00% based on quotes obtained for similar loans. We recorded the mortgage note at its estimated fair value of \$31.5 million. Principal and interest are payable monthly until May 1, 2030, at which time all unpaid principal and interest are payable in full.

## NOTE 6: DERIVATIVE INSTRUMENTS

We have one interest rate swap arrangement with a notional amount of \$100.0 million that effectively fixes the remaining \$100.0 million portion of the 2018 Term Loan. The interest rate swap arrangement is 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 hedge in Other comprehensive income (loss). We assess the effectiveness of a cash flow hedge both at inception and on an ongoing basis. If a cash flow hedge is no longer expected to be effective, hedge accounting is discontinued. Hedge ineffectiveness of our cash flow hedges is recorded in earnings.

The fair values of the interest rate swap as of June 30, 2022 and December 31, 2021, were as follows (in thousands):

Derivative Instrument	Aggregate Notional Amount	Effective Date	Maturity Date	Fair Value	
				Derivative Assets (Liabilities)	
				June 30, 2022	December 31, 2021
Interest rate swap	\$ 100,000	March 31, 2017	July 21, 2023	\$ 2,021	\$ (821)

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 net unrealized gains or losses on the effective swaps were recognized in Other comprehensive income (loss), as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Unrealized gain on interest rate hedges	\$ 917	\$ 1,004	\$ 2,842	\$ 2,584

Amounts reported in Accumulated other comprehensive loss related to effective cash flow hedges 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 and six months ended June 30, 2022 and 2021, were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Loss reclassified from accumulated other comprehensive loss into interest expense	\$ 510	\$ 509	\$ 1,020	\$ 1,019

During the next twelve months, we estimate that an additional \$1.9 million will be reclassified as a decrease 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 June 30, 2022, the fair value of derivative assets, including accrued interest, was \$2.0 million and we did not have any derivatives in a liability position. As of June 30, 2022, 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 7: 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 June 30, 2022 and December 31, 2021 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 derivatives (see note 6).

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 derivatives is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each interest rate derivative. This analysis reflects the contractual terms of the interest rate derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. The fair values of interest rate derivatives 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 derivatives fall into Level 2 in the fair value hierarchy.

The fair values of these assets and liabilities at June 30, 2022 and December 31, 2021 were as follows (in thousands):

	June 30, 2022				December 31, 2021			
	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3
<b>Assets:</b>								
SERP	\$ 1,896	\$ —	\$ 1,896	\$ —	\$ 2,566	\$ —	\$ 2,566	\$ —
Interest rate derivatives	2,021	—	2,021	—	—	—	—	—
<b>Liabilities:</b>								
Interest rate derivatives	\$ —	\$ —	\$ —	\$ —	\$ (821)	\$ —	\$ (821)	\$ —

*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 June 30, 2022 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 June 30, 2022 and December 31, 2021, the carrying values and estimated fair values of our financial instruments were as follows (in thousands):

	June 30, 2022		December 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and cash equivalents	\$ 44,787	\$ 44,787	\$ 233,600	\$ 233,600
Restricted cash	1,984	1,984	620	620
Mortgage notes payable, net	71,576	68,079	—	—
Notes payable, net	497,135	471,730	496,946	515,341

**NOTE 8: 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 \$2.1 million and \$2.2 million for the 2022 Quarter and 2021 Quarter, respectively and \$4.2 million and \$3.8 million for the 2022 and 2021 Period, respectively.

*Restricted Share Awards*

The total fair values of restricted share awards vested was \$4.8 million and \$2.0 million for the 2022 Period and 2021 Period, respectively.

The total unvested restricted share awards at June 30, 2022 was 301,211 shares, which had a weighted average grant date fair value of \$25.60 per share. As of June 30, 2022, the total compensation cost related to unvested restricted share awards was \$5.2 million, which we expect to recognize over a weighted average period of 22 months.

**NOTE 9: 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 and six months ended June 30, 2022 and 2021 were as follows (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
<b>Numerator:</b>				
Loss from continuing operations	\$ (8,874)	\$ (16,737)	\$ (16,598)	\$ (24,014)
Allocation of earnings to unvested restricted share awards	(51)	(137)	(123)	(276)
Adjusted net loss from continuing operations	<u>(8,925)</u>	<u>(16,874)</u>	<u>(16,721)</u>	<u>(24,290)</u>
Income from discontinued operations	—	9,745	—	15,875
Adjusted net loss	<u>\$ (8,925)</u>	<u>\$ (7,129)</u>	<u>\$ (16,721)</u>	<u>\$ (8,415)</u>
<b>Denominator:</b>				
Weighted average shares outstanding – basic and diluted	87,392	84,461	87,303	84,437
<b>Earnings per common share, basic:</b>				
Continuing operations	\$ (0.10)	\$ (0.20)	\$ (0.19)	\$ (0.29)
Discontinued operations	—	0.12	—	0.19
Basic net loss per common share	<u>\$ (0.10)</u>	<u>\$ (0.08)</u>	<u>\$ (0.19)</u>	<u>\$ (0.10)</u>
<b>Earnings per common share, diluted:</b>				
Continuing operations	\$ (0.10)	\$ (0.20)	\$ (0.19)	\$ (0.29)
Discontinued operations	—	0.12	—	0.19
Diluted net loss per common share	<u>\$ (0.10)</u>	<u>\$ (0.08)</u>	<u>\$ (0.19)</u>	<u>\$ (0.10)</u>
Dividends declared per common share	\$ 0.17	\$ 0.30	\$ 0.34	\$ 0.60

#### NOTE 10: SEGMENT INFORMATION

We operate in a single reportable segment which includes the ownership, development, redevelopment and acquisition of apartment communities. Each of our operating properties, including our remaining office property, do not meet the criteria to be considered separate operating segments on a stand-alone basis. We do not distinguish or group our consolidated operations based on size, type or geography. All but five communities are within the Washington, DC metro region and one community, Riverside Apartments, comprises more than 10% of consolidated revenues. Further, our apartment communities have similar long-term economic characteristics and provide similar products and services to our residents. As a result, our operating properties are aggregated into a single reportable segment: residential.

Prior to the end of the second quarter of 2021, we had two reportable segments: office and residential. During the third quarter of 2021, we closed on the sales of the Office Portfolio and the Retail Portfolio (see note 3), and following such sales, we have one remaining office property, Watergate 600, which does not meet the criteria for a reportable segment, and has been classified within “Other” on our segment disclosure tables.

We evaluate performance based upon net operating income (“NOI”) of the combined properties in the segment. Our reportable operating segment consolidates 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. NOI 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, NOI, capital expenditures and total assets for the three and six months ended June 30, 2022 and 2021 from our Residential segment as well as Other, and reconcile NOI to net income (loss) as reported (in thousands):

	Three Months Ended June 30, 2022		
	Residential	Other <sup>(1)</sup>	Consolidated
Real estate rental revenue	46,646	4,734	\$ 51,380
Real estate expenses	17,312	1,272	18,584
Net operating income	\$ 29,334	\$ 3,462	\$ 32,796
Other income (expense):			
Property management expenses			(1,796)
General and administrative expenses			(7,656)
Transformation costs			(2,023)
Depreciation and amortization			(24,039)
Interest expense			(6,156)
Net loss			\$ (8,874)
Capital expenditures	\$ 6,429	\$ 1,582	\$ 8,011
Total assets	\$ 1,706,088	\$ 228,785	\$ 1,934,873

	Three Months Ended June 30, 2021		
	Residential	Other <sup>(1),(2)</sup>	Consolidated
Real estate rental revenue	36,862	4,435	\$ 41,297
Real estate expenses	13,468	1,276	14,744
Net operating income	\$ 23,394	\$ 3,159	\$ 26,553
Other income (expense):			
Property management expenses			(1,486)
General and administrative expenses			(6,325)
Transformation costs			(3,780)
Depreciation and amortization			(17,303)
Interest expense			(10,158)
Loss on interest rate derivatives			(5,760)
Other income			1,522
Discontinued operations:			
Income from operations of properties sold or held for sale			9,745
Net loss			\$ (6,992)
Capital expenditures	\$ 4,062	\$ 2,300	\$ 6,362
Total assets	\$ 1,315,640	\$ 1,052,765	\$ 2,368,405

<sup>(1)</sup> Other represents Watergate 600, an office property that does not meet the qualitative or quantitative criteria for a reportable segment.

<sup>(2)</sup> Total assets and capital expenditures include office and retail properties classified as discontinued operations.

	Six Months Ended June 30, 2022		
	Residential	Other <sup>(1)</sup>	Consolidated
Real estate rental revenue	\$ 89,980	9,204	\$ 99,184
Real estate expenses	33,213	2,523	35,736
Net operating income	\$ 56,767	\$ 6,681	\$ 63,448
Other income (expense):			
Property management expenses			(3,546)
General and administrative expenses			(14,595)
Transformation costs			(4,246)
Depreciation and amortization			(46,239)
Interest expense			(11,806)
Other income			386
Net loss			\$ (16,598)
Capital expenditures	\$ 9,859	\$ 2,178	\$ 12,037

	Six Months Ended June 30, 2021		
	Residential	Other <sup>(1),(2)</sup>	Consolidated
Real estate rental revenue	73,029	8,875	\$ 81,904
Real estate expenses	27,294	2,441	29,735
Net operating income	\$ 45,735	\$ 6,434	\$ 52,169
Other income (expense):			
Property management expenses			(2,949)
General and administrative expenses			(11,929)
Transformation costs			(3,780)
Depreciation and amortization			(34,290)
Interest expense			(20,281)
Other income			2,806
Loss on interest rate derivatives			(5,760)
Discontinued operations:			
Income from operations of properties sold or held for sale			15,875
Net loss			\$ (8,139)
Capital expenditures	\$ 7,799	\$ 2,602	\$ 10,401

<sup>(1)</sup> Other represents Watergate 600, an office property that does not meet the qualitative or quantitative criteria for a reportable segment.

<sup>(2)</sup> Total assets and capital expenditures include office and retail properties classified as discontinued operations.

**NOTE 11: 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 “Equity Distribution Agreements”) for our at-the-market program. 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”). On September 22, 2021, BTIG, LLC notified us that it was terminating the BTIG Equity Distribution Agreement, effective as of September 27, 2021. 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. We did not issue common shares under the Equity Distribution Agreements during the 2022 Quarter or 2021 Quarter. Our issuances and net proceeds on the Equity Distribution Agreements for the 2022 Period and 2021 Period were as follows (\$ in thousands, except per share data):

	Six Months Ended June 30,			
	2022		2021	
Issuance of common shares		1,032		24
Weighted average price per share	\$	26.27	\$	22.06
Net proceeds	\$	26,851	\$	467

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 and six months ended June 30, 2022 and 2021 were as follows (\$ in thousands, except per share data):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2022		2021		2022		2021	
Issuance of common shares		10		22		20		45
Weighted average price per share	\$	24.82	\$	23.21	\$	25.44	\$	22.63
Net proceeds	\$	254	\$	489	\$	518	\$	1,009

## **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, 2021 filed with the Securities and Exchange Commission ("SEC") on February 18, 2022.*

We refer to the three months ended June 30, 2022 and June 30, 2021 as the "2022 Quarter" and the "2021 Quarter," respectively, and the six months ended June 30, 2022 and June 30, 2021 as the "2022 Period" and "2021 Period," 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. 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: risks associated with our ability to execute on our strategies, including new strategies with respect to our operations and our portfolio, including the acquisition of residential properties in the Southeastern markets, on the terms anticipated, or at all, and to realize any anticipated benefits, including the performance of any acquired residential properties at the levels anticipated; the risks associated with ownership of real estate in general and our real estate assets in particular; the economic health of the areas in which our properties are located, particularly with respect to greater Washington, DC metro region and the larger Southeastern region; the risk of failure to enter into and/or complete contemplated 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 and other risks related to changes 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 residents; the ultimate duration of the COVID-19 global pandemic, including any mutations thereof, 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 effectiveness and willingness of people to take COVID-19 vaccines, and the duration of associated immunity and efficacy of the vaccines against emerging variants of COVID-19; the impact from macroeconomic factors (including inflation, increases in interest rates, potential economic slowdown or a recession and geopolitical conflicts; compliance with applicable laws and corporate social responsibility goals, including those concerning the environment and access by persons with disabilities; the risks related to not having adequate insurance to cover potential losses; changes in the market value of securities; terrorist attacks or actions and/or cyber-attacks; whether we will succeed in the day-to-day property management and leasing activities that we have previously outsourced; the availability and terms of financing and capital and the general volatility of securities markets; the risks related to our organizational structure and limitations of stock ownership; failure to qualify and maintain our qualification as a REIT and the risks of changes in laws affecting REITs; whether our estimated transformation costs for 2022 will be correct; whether we will realize significant operation benefits from our operating model redesign on the timing contemplated or at all; and other risks and uncertainties detailed from time to time in our filings with the SEC, including our 2021 Form 10-K filed on February 18, 2022. 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 2022 Quarter to the 2021 Quarter and the 2022 Period to the 2021 Period.

- *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 National Association of Real Estate Investment Trusts, Inc. (“NAREIT”) Funds From Operations (“NAREIT FFO”), a non-GAAP supplemental measure to net income.
- *Critical Accounting 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.
- *NAREIT FFO,* calculated as set forth below under the caption “Funds from Operations.” NAREIT FFO is a non-GAAP supplemental measure to net income.
- *Average occupancy,* calculated as average daily occupied apartment homes as a percentage of total apartment homes.

For purposes of evaluating comparative operating performance, we categorize our properties as “same-store” or “non-same-store”. Same-store portfolio 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. Development properties are categorized as same-store when they have reached stabilized occupancy (90%) before the start of the prior year. 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. As of June 30, 2022, we owned approximately 8,900 residential apartment homes in the Washington, DC metro and Southeastern regions. We also own and operate approximately 300,000 square feet of commercial space in the Washington, DC metro region.

During the third quarter of 2021, we sold twelve office properties (the “Office Portfolio”) and eight retail properties (the “Retail Portfolio”) (see note 3 to the condensed consolidated financial statements) for contract sale prices of \$766.0 million and \$168.3 million, respectively. Both the Office Portfolio and Retail Portfolio meet the criteria for classification as discontinued operations in our condensed consolidated financial statements. Our remaining office property, Watergate 600, does not meet the qualitative or quantitative criteria for a reportable segment (see note 10 to the condensed consolidated financial statements).

The dispositions of the Office Portfolio and Retail Portfolio are part of a strategic shift away from the commercial sector to the residential sector, which simplified our portfolio to one reportable segment (residential) (the “strategic transformation”). We used the net proceeds from the sales to fund the expansion of our residential platform through acquisitions in Southeastern markets and to reduce our leverage by repaying outstanding debt. During the third and fourth quarters of 2021, we completed the acquisitions of two apartment communities in Georgia for contract purchase prices of \$48.0 million and \$106.0 million, respectively. The apartment communities have a combined total of 730 apartment homes. During the 2022 Period, we completed acquisitions of three apartment communities in Georgia with a combined total of 1,079 apartment homes for a total contract purchase price of \$283.2 million. We believe the successful execution of this research-driven strategic shift will lead to greater, more sustainable growth.

In connection with this strategic transformation, we are redesigning our operating model for purposes of more efficiently and effectively supporting residential operations. This operating model redesign includes insourcing the property-level management activities currently performed by third-party management companies. Costs related to the strategic transformation, including the allocation of internal costs, consulting, advisory and termination benefits, are included in Transformation costs on our consolidated statements of operations. We recognized \$2.0 million and \$4.2 million of transformation costs, net of amounts capitalized, on the condensed consolidated statements of operations during the 2022 Quarter and 2022 Period, respectively, and anticipate incurring approximately \$6.3 - \$7.3 million of additional transformation costs during 2022. We expect to realize significant operational benefits from this operating model redesign and complete its implementation in 2023.



## Operating Results

Net loss, NOI and NAREIT FFO for the three months ended June 30, 2022 and 2021 were as follows (in thousands):

	Three Months Ended June 30,		\$ Change	% Change
	2022	2021		
Net loss	\$ (8,874)	\$ (6,992)	\$ (1,882)	26.9 %
NOI <sup>(1)</sup>	\$ 32,796	\$ 26,553	\$ 6,243	23.5 %
NAREIT FFO <sup>(2)</sup>	\$ 15,165	\$ 20,559	\$ (5,394)	(26.2) %

<sup>(1)</sup> See page 27 of the MD&A for a reconciliation of NOI to net income.

<sup>(2)</sup> See page 37 of the MD&A for a reconciliation of NAREIT FFO to net income.

The increase in net loss is primarily due to lower income from discontinued operations (\$9.7 million) due to the sales of the Office Portfolio and Retail Portfolio during 2021, higher depreciation and amortization expenses (\$6.7 million), higher general and administrative expenses (\$1.4 million), lower other income (\$1.5 million) and higher property management expenses (\$0.3 million). These were partially offset by higher NOI (\$6.2 million), the loss on interest rate derivatives in 2021 (\$5.8 million), lower interest expense (\$4.0 million) and lower transformation expenses (\$1.8 million).

The higher NOI is primarily due to the acquisitions of Assembly Eagles Landing (\$1.2 million) and The Oxford (\$0.3 million) in 2021 and Carlyle of Sandy Spring (\$0.8 million), Marietta Crossing (\$0.8 million) and Alder Park (\$0.5 million) in 2022, higher NOI from same-store properties (\$1.2 million) and higher NOI from Trove (\$1.1 million), which achieved stabilization in the fourth quarter of 2021, and higher NOI at Watergate 600 (\$0.3 million). The higher same-store NOI was primarily due to higher rental rates and occupancy. Residential same-store average occupancy for our portfolio increased to 95.8% as of June 30, 2022 from 95.1% as of June 30, 2021, due to higher occupancy across the portfolio as the portfolio recovers from the COVID-19 pandemic.

The lower NAREIT FFO is primarily due to lower income from discontinued operations, net of depreciation and amortization (\$20.0 million), lower other income (\$1.5 million), higher general and administrative expenses (\$1.4 million) and higher property management expenses (\$0.3 million). These were partially offset by higher NOI (\$6.2 million), the loss on interest rate derivatives in 2021 (\$5.8 million), lower interest expense (\$4.0 million) and lower transformation expenses (\$1.8 million).

## Investment Activity

Significant investment transactions during the 2022 Period included the following:

- Acquisition of Carlyle of Sandy Springs, a 389-unit apartment community in Sandy Springs, Georgia for a contract purchase price of \$105.6 million during the first quarter of 2022.
- Acquisition of Marietta Crossing, a 420-unit apartment community in Marietta, Georgia for a contract purchase price of \$107.9 million during the 2022 Quarter. We assumed a \$42.8 million mortgage with this acquisition.
- Acquisition of Alder Park, a 270-unit apartment community in Smyrna, Georgia for a contract purchase price of \$69.8 million during the 2022 Quarter. We assumed a \$33.7 million mortgage with this acquisition.

## Financing Activity

Significant financing transactions during the 2022 Period included the following:

- Issuance of 1.0 million common shares at a weighted average price per share of \$26.27 for net proceeds of \$26.9 million through our at-the-market program.

As of June 30, 2022, the interest rate on the \$700.0 million unsecured revolving credit facility ("Revolving Credit Facility") was one month LIBOR plus 1.79% and the facility fee was 0.20%. As of July 25, 2022, we had no outstanding balance and a full borrowing capacity of \$700.0 million on our Revolving Credit Facility and \$31.4 million of cash on hand.

## Capital Requirements

We have no debt maturities scheduled until the third quarter of 2023. We expect to have additional capital requirements as set forth on page 33 (Liquidity and Capital Resources - Capital Requirements).

## Results of Operations

The discussion that follows is based on our consolidated results of operations for the 2022 Quarter and 2021 Quarter. The ability to compare one period to another is significantly affected by acquisitions and dispositions made during 2022 and 2021 (see note 3 to the consolidated financial statements).

### *Net Operating Income*

NOI, defined as real estate rental revenue less direct real estate operating 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, acquisition costs, real estate impairment, casualty gain and losses and gain or loss on extinguishment of debt. NOI does not include management expenses, which consist of corporate property management costs and property management fees paid to third parties. We believe that NOI is a useful performance measure because, when compared across periods, it 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 calculated in accordance with GAAP. As such, NOI should not be considered an alternative to these measures as an indication of our operating performance. A reconciliation of NOI to net loss follows.

2022 Quarter Compared to 2021 Quarter

The following table reconciles NOI to net loss and provides the basis for our discussion of our consolidated results of operations and NOI in the 2022 Quarter compared to the 2021 Quarter. All amounts are in thousands, except percentage amounts.

	Three Months Ended June 30,		\$ Change	% Change
	2022	2021		
<b>Residential revenue:</b>				
Same-store portfolio	\$ 37,198	\$ 35,321	\$ 1,877	5.3 %
Acquisitions <sup>(1)</sup>	6,643	—	6,643	100.0 %
Development <sup>(2)</sup>	2,500	1,330	1,170	88.0 %
Non-residential <sup>(3)</sup>	305	211	94	44.5 %
Total	46,646	36,862	9,784	26.5 %
<b>Residential expenses:</b>				
Same-store portfolio	13,259	12,550	709	5.6 %
Acquisitions	3,049	—	3,049	100.0 %
Development	934	853	81	9.5 %
Non-residential	70	65	5	7.7 %
Total	17,312	13,468	3,844	28.5 %
<b>Residential NOI:</b>				
Same-store portfolio	23,939	22,771	1,168	5.1 %
Acquisitions	3,594	—	3,594	100.0 %
Development	1,566	477	1,089	228.3 %
Non-residential	235	146	89	61.0 %
Total	29,334	23,394	5,940	25.4 %
Other NOI <sup>(4)</sup>	3,462	3,159	303	9.6 %
Total NOI	32,796	26,553	6,243	23.5 %
<b>Reconciliation to net loss:</b>				
Property management expenses	(1,796)	(1,486)	(310)	20.9 %
General and administrative expenses	(7,656)	(6,325)	(1,331)	21.0 %
Transformation costs	(2,023)	(3,780)	1,757	(46.5) %
Depreciation and amortization	(24,039)	(17,303)	(6,736)	38.9 %
Interest expense	(6,156)	(10,158)	4,002	(39.4) %
Loss on interest rate derivatives	—	(5,760)	5,760	(100.0) %
Other income	—	1,522	(1,522)	(100.0) %
Discontinued operations <sup>(5)</sup> :				
Income from operations of properties sold or held for sale	—	9,745	(9,745)	(100.0) %
Net loss	\$ (8,874)	\$ (6,992)	\$ (1,882)	26.9 %

<sup>(1)</sup> Acquisitions:

2021: The Oxford and Assembly Eagles Landing

2022: Carlyle of Sandy Springs, Alder Park, Marietta Crossing

<sup>(2)</sup> Development/redevelopment: Trove, Riverside Development (multifamily development adjacent to Riverside Apartments)

<sup>(3)</sup> Non-residential: Includes revenues and expenses from retail operations at residential properties.

<sup>(4)</sup> Other (classified as continuing operations): Watergate 600

<sup>(5)</sup> Discontinued operations:

2021 Office - 1901 Pennsylvania Avenue, 515 King Street, 1220 19th Street, 1600 Wilson Boulevard, Silverline Center, Courthouse Square, 2000 M Street, 1140 Connecticut Avenue, Army Navy Club, 1775 Eye Street, Fairgate at Ballston and Arlington Tower

2021 Retail - Takoma Park, Westminster, Concord Centre, Chevy Chase Metro Plaza, 800 S. Washington Street, Randolph Shopping Center, Montrose Shopping Center and Spring Valley Village

Real Estate Rental Revenue

Real estate rental revenue from our apartment communities is comprised of (a) rent from operating leases of multifamily residential apartments with terms of approximately one year or less, recognized on a straight-line basis, (b) revenue from the

recovery of operating expenses from our residents, (c) credit losses on lease related receivables, (d) revenue from leases of retail space at our apartment communities and (e) parking and other tenant charges.

Real estate rental revenue from same-store residential properties increased \$1.9 million, or 5.3%, to \$37.2 million for the 2022 Quarter, compared to \$35.3 million for the 2021 Quarter, primarily due to higher rental income (\$1.9 million), lower rent abatements (\$0.5 million) and higher move-in charges (\$0.1 million), partially offset by higher credit losses (\$0.6 million).

Real estate rental revenue from acquisitions increased \$6.6 million due to the acquisitions of Carlyle of Sandy Springs (\$1.7 million) during the first quarter of 2022, Marietta Crossing (\$1.1 million) and Alder Park (\$0.8 million) during the 2022 Quarter, Assembly Eagles Landing (\$2.1 million) during the fourth quarter of 2021, and The Oxford (\$0.9 million) during the third quarter of 2021.

Real estate rental revenue from development properties increased \$1.2 million due to the continued lease-up of Trove, which reached stabilization in the fourth quarter of 2021.

Average occupancy for residential properties for the 2022 Quarter and 2021 Quarter was as follows:

June 30, 2022			June 30, 2021			% Change		
Same-Store	Non-Same-Store	Total	Same-Store	Non-Same-Store	Total	Same-Store	Non-Same-Store	Total
95.8 %	94.4 %	95.5 %	95.1 %	49.9 %	92.5 %	0.7 %	44.5 %	3.0 %

The increase in same-store average occupancy was primarily due to higher average occupancy at The Kenmore, Park Adams, 3801 Connecticut Avenue, Assembly Germantown and Assembly Herndon, partially offset by lower average occupancy at The Ashby at McLean and Maxwell.

#### Real Estate Expenses

Residential real estate expenses as a percentage of residential revenue for the 2022 Quarter and the 2021 Quarter were 37.1% and 36.5%, respectively.

Real estate expenses from same-store residential properties increased \$0.7 million, or 5.6%, to \$13.3 million for the 2022 Quarter, compared to \$12.6 million for the 2021 Quarter, primarily due to higher real estate taxes (\$0.3 million), higher utilities (\$0.2 million) and higher insurance (\$0.1 million) expenses.

Real estate expenses from acquisitions increased \$3.0 million due to the acquisitions of Carlyle of Sandy Springs (\$0.9 million) during the first quarter of 2022, Marietta Crossing (\$0.4 million) and Alder Park (\$0.3 million) during the 2022 Quarter, Assembly Eagles Landing (\$0.8 million) during the fourth quarter of 2021, and The Oxford (\$0.6 million) during the third quarter of 2021.

#### Other NOI

Other NOI classified as continuing operations increased due to lower NOI at Watergate 600 (\$0.3 million).

#### Other Income and Expenses

*Property management expenses:* These expenses include costs directly related to the third-party management of property operations and corporate management and other costs.

*General and administrative expenses:* Increase primarily due to corporate overhead no longer being allocated to office management due to the sales of the Office and Retail Portfolios in 2021 (\$0.9 million), higher legal fees (\$0.8 million) and higher office rent (\$0.3 million) from the commencement of the corporate office lease during the third quarter of 2021. The increase was partially offset by lower short term incentive compensation expense (\$0.7 million) during the 2022 Quarter.

*Transformation costs:* Decrease of \$1.8 million during 2022 Quarter primarily due to lower consulting and professional fees (\$2.1 million) and lower severance expense (\$0.8 million), partially offset by higher software depreciation (\$0.5 million), higher employee time allocations (\$0.3 million) and higher software costs (\$0.2 million).

*Depreciation and amortization:* Increase primarily due to the acquisitions of Marietta Crossing (\$1.3 million), Alder Park (\$0.6 million), Carlyle of Sandy Springs (\$2.4 million), Assembly Eagles Landing (\$1.9 million) and The Oxford (\$0.5 million) and higher depreciation and amortization at Watergate 600 (\$0.2 million). The increase was partially offset by lower depreciation and amortization at same-store residential properties (\$0.1 million) and Trove (\$0.1 million).

*Interest Expense:* Interest expense by debt type for the three months ended June 30, 2022 and 2021 was as follows (in thousands):

Debt Type	Three Months Ended June 30,		\$ Change	% Change
	2022	2021		
Notes payable	\$ 5,055	\$ 9,475	\$ (4,420)	(46.6)%
Mortgage notes payable	490	—	490	100.0 %
Line of credit	701	854	(153)	(17.9)%
Capitalized interest	(90)	(171)	81	(47.4)%
Total	\$ 6,156	\$ 10,158	\$ (4,002)	(39.4)%

- *Notes payable:* Decrease primarily due to the prepayment of \$300.0 million of unsecured notes during the third quarter of 2021 that had been scheduled to mature in October 2022 and the prepayment of a \$150.0 million portion of the 2018 Term Loan during the third quarter of 2021.
- *Mortgage notes payable:* Increase due to assumed mortgages of \$42.8 million and \$33.7 million in the acquisitions of Marietta Crossing and Alder Park, respectively, during the 2022 Quarter.
- *Line of credit:* Decrease primarily due to no borrowings in the 2022 Quarter, as compared to weighted average borrowings of \$60.9 million and weighted average interest rate of 1.1% during the 2021 Quarter.
- *Capitalized interest:* Decrease primarily due to ceasing capitalization of interest on spending related to the multifamily development adjacent to Riverside Apartments due to a pause in development activities resulting from macroeconomic uncertainty.

*Other income:* During the 2021 Quarter we recognized \$1.5 million in other income related to a tax refund for an office property sold in 2018.

*Loss on interest rate derivatives:* We terminated five interest rate swap arrangements with an aggregate notional value of \$150.0 million and recognized a \$5.8 million loss on interest rate derivatives during the 2021 Quarter (see note 6 to the consolidated financial statements).

#### Discontinued operations

*Income from operations of properties sold or held for sale:* Decrease due to the sale of the Office Portfolio and the Retail Portfolio during the third quarter of 2021.

2022 Period Compared to 2021 Period

The following tables reconcile NOI to net income (loss) and provide the basis for our discussion of our consolidated results of operations and NOI in the 2022 Period compared to the 2021 Period. All amounts are in thousands, except percentage amounts.

	Six Months Ended June 30,		\$ Change	% Change
	2022	2021		
<b>Residential revenue:</b>				
Same-store portfolio	\$ 73,931	\$ 70,233	\$ 3,698	5.3 %
Acquisitions <sup>(1)</sup>	10,568	—	10,568	100.0 %
Development <sup>(2)</sup>	4,931	2,306	2,625	113.8 %
Non-residential <sup>(3)</sup>	550	490	60	12.2 %
Total	89,980	73,029	16,951	23.2 %
<b>Residential expenses:</b>				
Same-store portfolio	26,397	25,586	811	3.2 %
Acquisitions	4,892	—	4,892	100.0 %
Development	1,779	1,574	205	13.0 %
Non-residential	145	134	11	8.2 %
Total	33,213	27,294	5,919	21.7 %
<b>Residential NOI:</b>				
Same-store portfolio	47,534	44,647	2,887	6.5 %
Acquisitions	5,676	—	5,676	100.0 %
Development	3,152	732	2,420	(330.6)%
Non-residential	405	356	49	13.8 %
Total	56,767	45,735	11,032	24.1 %
Other NOI <sup>(4)</sup>	6,681	6,434	247	3.8 %
Total NOI	63,448	52,169	11,279	21.6 %
<b>Reconciliation to net loss:</b>				
Property management expenses	(3,546)	(2,949)	(597)	(20.2)%
General and administrative expenses	(14,595)	(11,929)	(2,666)	(22.3)%
Transformation costs	(4,246)	(3,780)	(466)	(12.3)%
Depreciation and amortization	(46,239)	(34,290)	(11,949)	(34.8)%
Interest expense	(11,806)	(20,281)	8,475	41.8 %
Loss on interest rate derivatives	—	(5,760)	5,760	100.0 %
Other income	386	2,806	(2,420)	86.2 %
Discontinued operations <sup>(5)</sup> :				
Income from operations of properties sold or held for sale	—	15,875	(15,875)	(100.0)%
Net loss	\$ (16,598)	\$ (8,139)	\$ (8,459)	(103.9)%

<sup>(1)</sup> Acquisitions:  
2021: The Oxford and Assembly Eagles Landing  
2022: Carlyle of Sandy Springs, Alder Park, Marietta Crossing

<sup>(2)</sup> Development/redevelopment:  
Trove, Riverside Development (multifamily development adjacent to Riverside Apartments)

<sup>(3)</sup> Non-residential:  
Includes revenues and expenses from retail operations at residential properties.

<sup>(4)</sup> Other (classified as continuing operations)  
Watergate 600

<sup>(5)</sup> Discontinued operations:  
2021 Office - 1901 Pennsylvania Avenue, 515 King Street, 1220 19th Street, 1600 Wilson Boulevard, Silverline Center, Courthouse Square, 2000 M Street, 1140 Connecticut Avenue, Army Navy Club, 1775 Eye Street, Fairgate at Ballston and Arlington Tower  
2021 Retail - Takoma Park, Westminster, Concord Centre, Chevy Chase Metro Plaza, 800 S. Washington Street, Randolph Shopping Center, Montrose Shopping Center and Spring Valley Village

## Real Estate Rental Revenue

Real estate rental revenue from our apartment communities is comprised of (a) rent from operating leases of multifamily residential apartments with terms of approximately one year or less, recognized on a straight-line basis, (b) revenue from the recovery of operating expenses from our residents, (c) credit losses on lease related receivables, (d) revenue from leases of retail space at our apartment communities and (e) parking and other tenant charges.

Real estate rental revenue from same-store residential properties increased \$3.7 million, or 5.3%, to \$73.9 million for the 2022 Period, compared to \$70.2 million for the 2021 Period, primarily due to higher rental income (\$3.2 million), lower rent abatements (\$0.6 million) and higher recoveries (\$0.2 million), partially offset by higher credit losses (\$0.3 million).

Real estate rental revenue from acquisitions increased \$10.6 million due to the acquisitions of Carlyle of Sandy Springs (\$2.8 million) during the first quarter of 2022, Marietta Crossing (\$1.1 million) and Alder Park (\$0.8 million) during the 2022 Quarter, Assembly Eagles Landing (\$4.0 million) during the fourth quarter of 2021 and The Oxford (\$1.9 million) during the third quarter of 2021.

Real estate rental revenue from development properties increased \$2.6 million due to the continued lease-up of the Trove development, which reached stabilization in the fourth quarter of 2021.

Average occupancy for residential properties for the 2022 Period and 2021 Period was as follows:

June 30, 2022			June 30, 2021			% Change		
Same-Store	Non-Same-Store	Total	Same-Store	Non-Same-Store	Total	Same-Store	Non-Same-Store	Total
95.8 %	94.5 %	95.5 %	94.7 %	40.6 %	91.6 %	1.1 %	53.9 %	3.9 %

The increase in same-store average occupancy was primarily due to higher average occupancy at The Kenmore, 3801 Connecticut Avenue, Park Adams, Assembly Germantown and Assembly Herndon.

## Real Estate Expenses

Residential real estate expenses as a percentage of residential revenue for the 2022 Period and 2021 Period were 36.9% and 37.4%, respectively.

Real estate expenses from same-store residential properties increased \$0.8 million, or 3.2%, to \$26.4 million for the 2022 Period, compared to \$25.6 million for the six months ended June 30, 2021, primarily due to higher real estate tax (\$0.3 million), utilities (\$0.2 million), insurance (\$0.2 million) and contract maintenance and supplies (\$0.1 million) expenses.

Real estate expenses from acquisitions increased \$4.9 million due to the acquisitions of Carlyle of Sandy Springs (\$1.4 million) during the first quarter of 2022, Marietta Crossing (\$0.4 million) and Alder Park (\$0.3 million) during the 2022 Quarter, Assembly Eagles Landing (\$1.8 million) during the fourth quarter of 2021, and The Oxford (\$1.0 million) during the third quarter of 2021.

## Other NOI

Other NOI classified as continuing operations increased due to higher NOI at Watergate 600 (\$0.2 million).

## Other Income and Expenses

*Property management expenses:* These expenses include costs directly related to the third-party management of property operations and corporate management and other costs, respectively. Increase primarily due to the acquisitions of The Oxford and Assembly Eagles Landing during the third and fourth quarters of 2021, the acquisitions of Carlyle of Sandy Springs, Marietta Crossing and Alder Park during the 2022 Period and Trove reaching stabilization during the fourth quarter of 2021.

*General and administrative expenses:* Increase primarily due to corporate overhead no longer being allocated to office management due to the sales of the Office and Retail Portfolios in 2021 (\$1.7 million), higher legal fees (\$0.8 million), higher office rent (\$0.6 million) from the commencement of the corporate office lease during the third quarter of 2021, higher accounting fees (\$0.4 million) and higher recruitment fees (\$0.1 million). The increase was partially offset by lower short term incentive compensation expense (\$0.9 million) during the 2022 Quarter.

*Transformation costs:* Increase of \$0.5 million primarily due to higher software depreciation (\$1.0 million), higher employee time allocations (\$0.6 million) related to the strategic transformation, higher software costs (\$0.3 million) and higher rebranding expenses (\$0.1 million), partially offset by lower consulting (\$1.0 million) and severance (\$0.6 million) expenses.

*Depreciation and amortization:* Increase primarily due to the acquisitions of Marietta Crossing (\$1.3 million), Alder Park (\$0.6 million), Carlyle of Sandy Springs (\$3.6 million), Assembly Eagles Landing (\$4.7 million) and The Oxford (\$1.1 million) and higher depreciation and amortization at same-store residential properties (\$0.3 million) and at Watergate 600 (\$0.3 million).

*Interest Expense:* Interest expense by debt type for the six months ended June 30, 2022 and 2021 was as follows (in thousands):

Debt Type	Six Months Ended June 30,		\$ Change	% Change
	2022	2021		
Notes payable	\$ 10,204	\$ 18,961	\$ (8,757)	(46.2)%
Mortgage notes payable	490	—	490	100.0 %
Line of credit	1,395	1,699	(304)	(17.9)%
Capitalized interest	(283)	(379)	96	(25.3)%
Total	\$ 11,806	\$ 20,281	\$ (8,475)	(41.8)%

- *Notes payable:* Decrease primarily due to the prepayment of \$300.0 million of unsecured notes during the third quarter of 2021 that had been scheduled to mature in October 2022 and the prepayment of a \$150.0 million portion of the 2018 Term Loan during the third quarter of 2021.
- *Mortgage notes payable:* Increase due to the assumed mortgages of \$42.8 million and \$33.7 million in the acquisitions of Marietta Crossing and Alder Park, respectively, during the 2022 Period.
- *Line of credit:* Decrease primarily due to no borrowings in the 2022 Period, as compared to weighted average borrowings of \$59.5 million and weighted average interest rate of 1.1% during the 2021 Period.
- *Capitalized interest:* Decrease primarily due to ceased capitalization of interest on spending related to the multifamily development adjacent to Riverside Apartments due to a pause in development activities.

*Loss on interest rate derivatives:* We terminated five interest rate swap arrangements with an aggregate notional value of \$150.0 million and recognized a \$5.8 million loss on interest rate derivatives during the 2021 Period (see note 6 to the consolidated financial statements).

*Other income:* Income during 2022 Period relates to real estate tax refunds (\$0.4 million) received in Q1 2022 on previously sold properties. During the 2021 Period, we recognized \$1.3 million in other income related to a legal settlement and \$1.5 million related to a real estate tax refund for an office property sold in 2018 during 2021 Period.

#### Discontinued operations

*Income from properties sold or held for sale:* Decrease due to the sale of the Office Portfolio and the Retail Portfolio during the third quarter of 2021.



## Liquidity and Capital Resources

We believe we will have adequate liquidity over the next twelve months to operate our business and to meet our cash requirements, including meeting our debt obligations, capital commitments and contractual obligations, as well as the payment of dividends, on-going transformational costs and funding possible growth opportunities. Through our Office Portfolio and Retail Portfolio sales in 2021, which had a combined contract sales price of approximately \$934.3 million, we executed strategic transactions that will allow us to pursue residential expansion in Southeastern markets, meet our debt obligations for the next twelve months, and pay a dividend on a quarterly basis. In connection with our strategic transformation, we are designing our operating model for purposes of more efficiently and effectively supporting residential operations. We recognized \$2.0 million and \$4.2 million of transformation costs, net of amounts capitalized, on the condensed consolidated statements of operations during the 2022 Quarter and 2022 Period, respectively, and anticipate incurring approximately \$6.3 - \$7.3 million of additional transformation costs during 2022. We expect to realize significant operational benefits from this operating model redesign and complete its implementation in 2023.

We also believe we have adequate liquidity beyond 2022, with only \$100.0 million of scheduled debt maturities within the next five years. As of July 25, 2022, we had cash and cash equivalents totaling \$31.4 million and no outstanding balance and a full borrowing capacity of \$700.0 million on our Revolving Credit Facility, resulting in a total liquidity position of \$731.4 million.

While we currently intend to continue to pay dividends at or about current levels, we will continue to assess the payment of our dividends on a quarterly basis. Future determinations regarding the declaration and payment of dividends, if any, will be at the discretion of our board of trustees which considers, among other factors, trends in our levels of NAREIT FFO and ongoing capital requirements to achieve a targeted payout ratio.

### Capital Requirements

As of the end of the 2022 Quarter, our full-year 2022 capital requirements are summarized below:

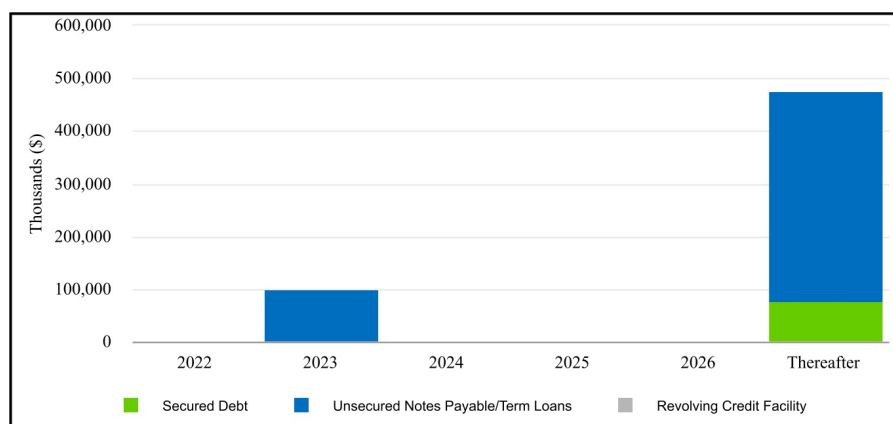
- Funding dividends and distributions to our shareholders;
- Approximately \$32.5 - \$37.5 million to invest in our existing portfolio of operating assets;
- Approximately \$0.8 - \$1.0 million to invest in our development and redevelopment projects; and
- Funding for potential property acquisitions throughout 2022, 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 2022. However, as a result of the uncertainty of the general market conditions in the greater Washington, DC metro and Southeastern regions, 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 will 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.

As of June 30, 2022, our future debt principal payments are scheduled as follows (in thousands):



*Future Maturities of Debt*

Year	Secured Debt	Unsecured Debt	Revolving Credit Facility	Total Debt	Average Interest Rate
2022	—	\$ —	\$ —	\$ —	—
2023	—	100,000 <sup>(2)</sup>	—	100,000	2.31%
2024	—	—	—	—	—
2025	—	—	—	—	—
2026	—	—	—	—	—
Thereafter	76,554 <sup>(1)</sup>	400,000	—	476,554	4.25%
Scheduled principal payments	\$ 76,554	\$ 500,000	\$ —	\$ 576,554	4.25%
Net premiums/discounts	(4,936)	(127)	—	(5,063)	—
Loan costs, net of amortization	(42)	(2,738)	—	(2,780)	—
Total	\$ 71,576	\$ 497,135	\$ —	\$ 568,711	4.25%

(1) WashREIT assumed mortgages of \$42.8 million and \$33.7 million in the acquisitions of Marietta Crossing and Alder Park, respectively, during the 2022 Quarter. The mortgages mature on May 1, 2030.

(2) WashREIT entered into an interest rate swap to effectively fix a LIBOR plus 110 basis points floating interest rate to a 2.31% all-in fixed rate for the remaining \$100.0 million portion of the 2018 Term Loan. The interest rates are fixed through the term loan maturity of July 2023.

The weighted average maturity for our debt is 6.9 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 secured and 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 secured 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, secured and 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 June 30, 2022, 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 87.4 million shares were outstanding at June 30, 2022.

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 “Equity Distribution Agreements”) for our at-the-market program. 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”). On September 22, 2021, BTIG, LLC notified us that it was terminating the BTIG Equity Distribution Agreement, effective as of September 27, 2021. 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. We did not issue common shares under the Equity Distribution Agreements during the 2022 Quarter or 2021 Quarter. Our issuances and net proceeds on the Equity Distribution Agreements for the 2022 Period and 2021 Period were as follows (\$ in thousands, except per share data):

	Six Months Ended June 30,			
	2022		2021	
Issuance of common shares		1,032		24
Weighted average price per share	\$	26.27	\$	22.06
Net proceeds	\$	26,851	\$	467

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 three and six months ended June 30, 2022 and 2021 were as follows (\$ in thousands, except per share data):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2022		2021		2022		2021	
Issuance of common shares		10		22		20		45
Weighted average price per share	\$	24.82	\$	23.21	\$	25.44	\$	22.63
Net proceeds	\$	254	\$	489	\$	518	\$	1,009

#### 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 June 30, 2022, no preferred shares were issued and 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):

	Six Months Ended June 30,		Change	
	2022	2021	\$	%
Net cash provided by operating activities	\$ 33,979	\$ 64,622	\$ (30,643)	(47.4)%
Net cash used in investing activities	(217,129)	(18,195)	(198,934)	1,093.3 %
Net cash used in financing activities	(4,299)	(48,687)	44,388	(91.2)%

Net cash provided by operating activities decreased primarily due to the sales of the Office Portfolio and Retail Portfolio in 2021 (see note 3 to the consolidated financial statements) and timing differences on the payment of certain liabilities.

Net cash used in investing activities increased primarily due to the acquisition of Marietta Crossing, Alder Park and Carlyle of Sandy Springs during the 2022 Period.

Net cash used in financing activities decreased primarily due to higher net proceeds from equity issuances and lower dividends paid in the 2022 Period.

#### Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements as of June 30, 2022 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, 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 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. NAREIT FFO is a non-GAAP measure.

The following table provides the calculation of our NAREIT FFO and a reconciliation of NAREIT FFO to net loss for the three and six months ended June 30, 2022 and 2021 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net loss	\$ (8,874)	\$ (6,992)	\$ (16,598)	\$ (8,139)
Adjustments:				
Depreciation and amortization	24,039	17,303	46,239	34,290
Discontinued operations:				
Depreciation and amortization	—	10,248	—	22,904
NAREIT FFO	\$ 15,165	\$ 20,559	\$ 29,641	\$ 49,055

## Critical Accounting 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 and six months ended June 30, 2022. We discuss the most critical estimates in our Annual Report on Form 10-K for the year ended December 31, 2021 filed with the SEC on February 18, 2022.

### 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 June 30, 2022 (in thousands):

	2022	2023	2024	2025	2026	Thereafter	Total	Fair Value
<b>Unsecured fixed rate debt</b>								
Principal	\$ —	\$ 100,000 <sup>(1)</sup>	\$ —	\$ —	\$ —	\$ 400,000	\$ 500,000	\$ 471,730
Interest payments	\$ 10,150	\$ 19,340	\$ 17,995	\$ 17,995	\$ 17,995	\$ 69,369	\$ 152,844	
Interest rate on debt maturities	— %	2.3 %	— %	— %	— %	4.5 %	4.1 %	
<b>Secured fixed rate debt</b>								
Principal <sup>(2)</sup>	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 76,554	\$ 76,554	\$ 76,554
Interest payments	\$ 1,609	\$ 2,397	\$ 2,404	\$ 2,397	\$ 2,397	\$ 7,986	\$ 19,190	
Interest rate on debt maturities	— %	— %	— %	— %	— %	3.2 %	3.2 %	

(1) Represents a \$100.0 million term loan with a floating interest rate. The interest rate on the \$100.0 million term loan is effectively fixed by interest rate swap arrangements at 2.31%.

(2) Excludes net discounts of \$4.9 million as of June 30, 2022.

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 June 30, 2022 and December 31, 2021 and their respective fair values (in thousands):

Notional Amount	Fixed Rate	Floating Index Rate	Effective Date	Expiration Date	Fair Value as of:	
					June 30, 2022	December 31, 2021
\$ 100,000	1.205%	One-Month USD-LIBOR	3/31/2017	7/21/2023	\$ 2,021	\$ (821)

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, 2021 filed with the SEC on February 18, 2022. 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, 2021 filed on February 18, 2022.

**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 June 30, 2022 was as follows:

<b>Issuer Purchases of Equity Securities</b>				
<b>Period</b>	<b>Total Number of Shares Purchased<sup>(1)</sup></b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Maximum Number (or Approximate Dollar Value) of Shares that May Yet be Purchased</b>
April 1 - April 30, 2022	—	\$ —	N/A	N/A
May 1 - May 31, 2022	—	—	N/A	N/A
June 1 - June 30, 2022	48,300	24.00	N/A	N/A
Total	<u>48,300</u>	<u>\$ 24.00</u>	N/A	N/A

<sup>(1)</sup> 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	Filing Date		
3.1	<a href="#">Articles of Amendment and Restatement of Declaration of Trust of the Company, as amended</a>	10-K	001-06622	3.1	2/16/2021	
3.2	<a href="#">Amended and Restated Bylaws of Washington Real Estate Investment Trust, as adopted on February 8, 2017</a>	10-Q	001-06622	3.2	7/31/2017	
31.1	<a href="#">Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended ("the Exchange Act")</a>					X
31.2	<a href="#">Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act</a>					X
31.3	<a href="#">Certification of the Chief Accounting Officer pursuant to Rule 13a-14(a) of the Exchange Act</a>					X
32	<a href="#">Certification of the Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>					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)					X

**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. Riffie

Stephen E. Riffie  
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: July 29, 2022

## 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: July 29, 2022

/s/ Paul T. McDermott  
\_\_\_\_\_  
Paul T. McDermott  
Chief Executive Officer

## CERTIFICATION

I, Stephen E. Riffée, 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: July 29, 2022

/s/ Stephen E. Riffée

---

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

## 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: July 29, 2022

/s/ W. Drew Hammond

W. Drew Hammond

Vice President

Chief Accounting Officer

(Principal Accounting Officer)

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 June 30, 2022 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: July 29, 2022

/s/ Paul T. McDermott

Paul T. McDermott  
Chief Executive Officer

DATE: July 29, 2022

/s/ Stephen E. Riffée

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

DATE: July 29, 2022

/s/ W. Drew Hammond

W. Drew Hammond  
Chief Accounting Officer  
(Principal Accounting Officer)