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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## FORM 10-Q

(Mark One)

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

OR

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

For quarter ended September 30, 2002

Commission File No. 1-6622

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## WASHINGTON REAL ESTATE INVESTMENT TRUST

(Exact name of registrant as specified in its charter)

**MARYLAND**

(State or other jurisdiction of incorporation or organization)

**53-0261100**

(IRS Employer Identification Number)

**6110 Executive Boulevard, Rockville, Maryland**  
(Address of principal executive office)

**20852**  
(Zip code)

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

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

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Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the close of the period covered by this report.

SHARES OF BENEFICIAL INTEREST 39,146,220

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve (12) months (or such shorter period that the Registrant was required to file such report) and (2) has been subject to such filing requirements for the past ninety (90) days. YES  NO

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Part I

FINANCIAL INFORMATION

The information furnished in the accompanying Consolidated Balance Sheets, Statements of Income, Statements of Cash Flows and Statement of Changes in Shareholders' Equity reflect 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, 2001 included in the Trust's 2001 Annual Report on Form 10-K filed with the Securities and Exchange Commission.

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**Part I**  
**Item I. Financial Statements**

WASHINGTON REAL ESTATE INVESTMENT TRUST

CONSOLIDATED BALANCE SHEETS  
(In Thousands, except per share amounts)  
(Unaudited)

	September 30, 2002	December 31, 2001
<b>Assets</b>		
Land	\$ 169,045	\$ 151,782
Building	679,365	622,804
	<u>                    </u>	<u>                    </u>
Total real estate, at cost	\$ 848,410	774,586
Accumulated depreciation	(139,965)	(122,625)
	<u>                    </u>	<u>                    </u>
Total investment in real estate	708,445	651,961
Cash and cash equivalents	15,818	26,441
Rents and other receivables, net of allowance for doubtful accounts of \$2,400 and \$1,993, respectively	12,617	10,523
Prepaid expenses and other assets	21,083	19,010
	<u>                    </u>	<u>                    </u>
	\$ 757,963	\$ 707,935
	<u>                    </u>	<u>                    </u>
<b>Liabilities</b>		
Accounts payable and other liabilities	11,869	13,239
Advance rents	4,172	3,604
Tenant security deposits	6,442	6,148
Mortgage notes payable	87,197	94,726
Line of credit payable	53,750	—
Notes payable	265,000	265,000
	<u>                    </u>	<u>                    </u>
	428,430	382,717
	<u>                    </u>	<u>                    </u>
Minority interest	1,554	1,611
	<u>                    </u>	<u>                    </u>
<b>Shareholders' Equity</b>		
Shares of beneficial interest; \$.01 par value; 100,000 shares authorized: 39,146 and 38,829 shares issued and outstanding at September 30, 2002 and December 31, 2001, respectively	391	388
Additional paid-in capital	328,387	323,257
Retained earnings (deficit)	(799)	(38)
	<u>                    </u>	<u>                    </u>
Total Shareholders' Equity	327,979	323,607
	<u>                    </u>	<u>                    </u>
Total Liabilities and Shareholders' Equity	\$ 757,963	\$ 707,935
	<u>                    </u>	<u>                    </u>

See accompanying notes to financial statements

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## WASHINGTON REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF INCOME  
(In Thousands, except per share amounts)  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
<b>Revenue</b>				
Real estate rental revenue	\$ 38,324	\$ 37,510	\$113,903	\$109,528
Other income	177	302	552	1,251
	<u>38,501</u>	<u>37,812</u>	<u>114,455</u>	<u>110,779</u>
<b>Expenses</b>				
Real estate expenses	(11,453)	(10,732)	(32,779)	(31,475)
Interest expense	(7,068)	(6,731)	(20,838)	(20,178)
Depreciation and amortization	(7,303)	(6,777)	(21,305)	(19,624)
General and administrative	(1,034)	(1,303)	(3,505)	(4,541)
	<u>(26,858)</u>	<u>(25,543)</u>	<u>(78,427)</u>	<u>(75,818)</u>
Income from continuing operations	11,643	12,269	36,028	34,961
<b>Discontinued operations:</b>				
Income (loss) from operations of property disposed	—	259	(82)	690
Gain on property disposed	—	—	3,838	—
	<u>11,643</u>	<u>12,528</u>	<u>39,784</u>	<u>35,651</u>
Gain on sale of real estate investment	—	4,296	—	4,296
	<u>11,643</u>	<u>16,824</u>	<u>39,784</u>	<u>39,947</u>
<b>Net Income</b>				
	<u>\$ 11,643</u>	<u>\$ 16,824</u>	<u>\$ 39,784</u>	<u>\$ 39,947</u>
<b>Per share information based on the weighted average of shares outstanding</b>				
Shares—Basic	39,134	38,460	39,030	37,312
Shares—Diluted	39,358	38,795	39,265	37,618
Income from continuing operations - Basic	\$ 0.30	\$ 0.32	\$ 0.92	\$ 0.94
Income from continuing operations - Diluted	\$ 0.30	\$ 0.32	\$ 0.92	\$ 0.93
Income (loss) from operations of property disposed - Basic	\$ 0.00	\$ 0.01	\$ 0.00	\$ 0.02
Income (loss) from operations of property disposed - Diluted	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.02
Gain on property disposed - Basic	\$ 0.00	\$ 0.00	\$ 0.10	\$ 0.00
Gain on property disposed - Diluted	\$ 0.00	\$ 0.00	\$ 0.09	\$ 0.00
Income before gain on sale of real estate investment - Basic	\$ 0.30	\$ 0.33	\$ 1.02	\$ 0.96
Income before gain on sale of real estate investment - Diluted	\$ 0.30	\$ 0.32	\$ 1.01	\$ 0.95
Gain on sale of real estate investment - Basic	\$ 0.00	\$ 0.11	\$ 0.00	\$ 0.11
Gain on sale of real estate investment - Diluted	\$ 0.00	\$ 0.11	\$ 0.00	\$ 0.11
Net income per share - Basic	\$ 0.30	\$ 0.44	\$ 1.02	\$ 1.07
Net income per share - Diluted	\$ 0.30	\$ 0.43	\$ 1.01	\$ 1.06
Dividends paid	\$ 0.3525	\$ 0.3325	\$ 1.0375	\$ 0.9775

See accompanying notes to financial statements

WASHINGTON REAL ESTATE INVESTMENT TRUST  
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002  
(In Thousands)  
(Unaudited)

	<u>Shares</u>	<u>Par Value</u>	<u>Additional Paid in Capital</u>	<u>Retained Earnings (deficit)</u>	<u>Shareholders' Equity</u>
Balance, December 31, 2001	38,829	\$388	\$323,257	\$ (38)	\$ 323,607
Net income	—	—	—	39,784	39,784
Dividends	—	—	—	(40,545)	(40,545)
Share Options Exercised	310	3	4,949	—	4,952
Share Grants	7	—	181	—	181
Balance, September 30, 2002	<u>39,146</u>	<u>\$391</u>	<u>\$328,387</u>	<u>\$ (799)</u>	<u>\$ 327,979</u>

See accompanying notes to financial statements

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WASHINGTON REAL ESTATE INVESTMENT TRUST  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(In Thousands)  
(Unaudited)

	Nine Months Ended September 30,	
	2002	2001
<b>Cash Flow From Operating Activities</b>		
Net income	\$ 39,784	\$ 39,947
Adjustments to reconcile net income to net cash provided by operating activities		
Gain on sale of real estate	(3,838)	(4,296)
Depreciation and amortization	21,317	19,694
Bad debt expense	1,024	701
Changes in other assets	(6,955)	(3,997)
Changes in other liabilities	(493)	(695)
Share Grants	110	154
Net cash provided by operating activities	<u>50,949</u>	<u>51,508</u>
<b>Cash Flow From Investing Activities</b>		
Real estate acquisitions	(58,074)	(46,070)
Capital improvements to real estate	(19,793)	(8,794)
Non-real estate capital improvements	(146)	(212)
Cash received for sale of real estate	5,813	8,115
Net cash used in investing activities	<u>(72,200)</u>	<u>(46,961)</u>
<b>Cash Flow From Financing Activities</b>		
Share Offering	—	53,083
Line of Credit Borrowings	53,750	—
Line of Credit Repayments	—	—
Notes payable	(40,545)	(36,780)
Principal payments - Mortgage note payable	(7,529)	(619)
Share options exercised	4,952	6,296
Net cash provided by financing activities	<u>10,628</u>	<u>21,980</u>
Net (decrease) increase in cash and cash equivalents	(10,623)	26,527
Cash and temporary investments at beginning of year	26,441	6,426
Cash and cash equivalents at end of period	<u>\$ 15,818</u>	<u>\$ 32,953</u>
<u>Supplemental disclosure of cash flow information:</u>		
Cash paid for interest during the nine months ended	\$ 22,816	\$ 22,082

See accompanying notes to financial statements.

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WASHINGTON REAL ESTATE INVESTMENT TRUST  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2002  
(UNAUDITED)

**NOTE 1: NATURE OF BUSINESS**

Washington Real Estate Investment Trust ("WRIT", the "Trust" or the "company"), a Maryland Real Estate Investment Trust, is a self-administered, self managed equity real estate investment trust, successor to a trust organized in 1960. The Trust's business consists of the ownership of income-producing real estate properties in the greater Washington - Baltimore region. WRIT owns a diversified portfolio of office buildings, industrial/flex centers, multi-family buildings and retail centers.

**Federal Income Taxes**

WRIT has qualified as a Real Estate Investment Trust (REIT) under Sections 856-860 of the Internal Revenue Code and intends to continue to qualify as such. To maintain its status as a REIT, the company is required to distribute 90% of its ordinary taxable income (95% for years prior to 2001) to its shareholders. The company has the option of (i) reinvesting the sale price of properties sold, allowing for a deferral of income taxes on the sale, (ii) paying out capital gains to the shareholders with no tax to the company or (iii) treating the capital gains as having been distributed to the shareholders, paying the tax on the gain deemed distributed and allocating the tax paid as a credit to the shareholders. The company distributed all of its 2001, 2000 and 1999 ordinary taxable income to its shareholders. Gain on sale of properties disposed during 2001, 2000 and 1999 were reinvested in replacement properties, therefore no capital gains were distributed to shareholders during these periods. Accordingly, no provision for income taxes was necessary.

**NOTE 2: ACCOUNTING POLICIES**

**Basis of Presentation**

The accompanying unaudited financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations, although WRIT believes that the disclosures made are adequate to make the information presented not misleading. In addition, in the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. These unaudited financial statements should be read in conjunction with the financial statements and notes included in WRIT's Annual Report on Form 10-K for the year ended December 31, 2001.

**New Accounting Pronouncements**

***Impairment or Disposal of Long-Lived Assets***

In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", which supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of". SFAS No. 144 is effective for all quarters of fiscal years beginning after December 15, 2001. WRIT will classify a property as held for sale when the company commits to the disposal of the property and begins to actively pursue the sale of the property.

On February 28, 2002, WRIT sold 1501 South Capitol Street, an industrial/flex center in Washington, D.C., for \$6.2 million resulting in a gain of \$3.8 million. This property provided no real estate revenue in 2002 because it had been vacant since November 2001. The property produced a net loss of \$0.1 million for the nine months ended September 30, 2002 and total revenue of \$1.0 million and net income of \$0.7 million for the nine months ended

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WASHINGTON REAL ESTATE INVESTMENT TRUST  
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(UNAUDITED)

September 30, 2001 and is reflected as a discontinued operation. WRIT recognized no impairment loss on this property prior to or upon sale. As of September 30, 2002, WRIT had no properties held for sale.

**Revenue Recognition**

Residential properties are leased under operating leases with terms of generally one year or less, and commercial properties are leased under operating leases with average terms of three to five years. WRIT recognizes rental income and rental abatements from the company's residential and commercial leases when earned in accordance with SFAS No. 13, "Accounting for Leases". WRIT records an allowance for doubtful accounts equal to the estimated uncollectible amounts. This estimate is based on WRIT's historical experience and a review of the current status of the company's receivables. Contingent rents are recorded when cumulative sales exceed the amount necessary for the contingent rents to equal minimum annual rent and WRIT has been informed of cumulative sales data; thereafter, percentage rent is accrued based on subsequent sales.

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

**Minority Interest**

WRIT formed a limited liability company with a member of the entity which previously owned Northern Virginia Industrial Park in conjunction with the acquisition of this property in May 1998. This resulted in a minority ownership interest in this property based upon defined company ownership units at the date of purchase. WRIT accounts for this activity by allocating the minority owner's percentage ownership interest of the net operating income of the property to minority interest. Quarterly distributions are made to the minority owner equal to the quarterly distribution per share for each ownership unit in the limited liability company.

**Deferred Financing Costs**

Costs associated with the issuance of mortgage and other notes and draws on lines of credit are capitalized and amortized using the effective interest rate method over the term of the related notes and are included in interest expense on the accompanying consolidated statements of income.

**Real Estate and Depreciation**

Buildings are depreciated on a straight-line basis over estimated useful lives not exceeding 50 years. All capital improvement expenditures associated with replacements, improvements, or major repairs to real property are depreciated using the straight-line method over their estimated useful lives ranging from 3 to 30 years. All tenant improvements are amortized over the shorter of the useful life or the term of the lease. Maintenance and repair costs are charged to expense as incurred.

In accordance with SFAS 144, WRIT recognizes impairment losses on long-lived assets used in operations when indicators of impairment are present and the net undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. If such carrying amount is in excess of the estimated projected operating cash flows of the property, WRIT would recognize an impairment loss equivalent to an amount required to adjust the carrying amount to the estimated fair market value. There were no property impairments recognized during 2001 or the nine months ended September 30, 2002. In accordance with SFAS No. 66, "Accounting for Sales of



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WASHINGTON REAL ESTATE INVESTMENT TRUST  
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Real Estate.” sales are recognized at closing only when sufficient down payments have been obtained, possession and other attributes of ownership have been transferred to the buyer and the Trust has no significant continuing involvement. The gain or loss resulting from the sale of properties is included in net income at the time of sale.

**Cash and Cash Equivalents**

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

**Stock Based Compensation**

WRIT maintains Stock Option Plans, which include qualified and non-qualified options for eligible employees. Stock options are accounted for in accordance with Accounting Principles Board (“APB”) No. 25, “Accounting for Stock Issued to Employees”, whereby if options are priced at fair market value or above at the date of grant, no compensation expense is recognized.

**Comprehensive Income**

WRIT has no items of comprehensive income that would require separate reporting in the accompanying consolidated statements of income.

**Earnings Per Common Share**

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

**Use of Estimates in the Financial Statements**

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

**Reclassifications**

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

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WASHINGTON REAL ESTATE INVESTMENT TRUST  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2002  
(UNAUDITED)

**NOTE 3: REAL ESTATE INVESTMENTS**

WRIT's real estate investment portfolio, at cost, consists of properties located in Maryland, Washington, D.C. and Virginia as follows:

	September 30, 2002
	(in thousands)
Office buildings	\$ 458,651
Industrial/Flex Centers	138,181
Multi-family Properties	109,465
Retail centers	142,113
	<u>\$ 848,410</u>

WRIT acquired the following properties during 2002:

Acquisition Date	Property Name	Property Type	Rentable Square Feet	Purchase Contract Cost (in thousands)
January 25, 2002	1620 Wilson Boulevard	Retail	5,364	\$ 2,250
June 21, 2002	Centre at Hagerstown	Retail	326,846	\$41,700
July 23, 2002	The Atrium Building	Office	81,390	\$14,200

On February 28, 2002 WRIT sold its 1501 South Capitol Street industrial/flex center in Washington, DC for \$6.2 million, resulting in a gain of \$3.8 million. The proceeds and resultant gain on sale were reinvested on a tax-free basis in the acquisition of the Centre at Hagerstown.

**NOTE 4: MORTGAGE NOTES PAYABLE**

On August 22, 1995, WRIT assumed a \$7.8 million mortgage note payable as partial consideration for WRIT's acquisition of Frederick County Square retail center. The mortgage bore interest at 9.00 percent per annum. On September 4, 2002, WRIT prepaid this \$6.7 million unpaid mortgage principal and interest. This mortgage was paid in full without penalty through a draw on the unsecured line of credit facility bearing interest at 2.52 percent per annum (see Note 5).

On November 30, 1998, WRIT assumed a \$9.2 million mortgage note payable and a \$12.4 million mortgage note payable as partial consideration for WRIT's acquisition of Woodburn Medical Park I and II. Both mortgages bear interest at 7.69 percent per annum. Principal and interest are payable monthly until September 15, 2005, at which time all unpaid principal and interest are payable in full.

On September 20, 1999, WRIT assumed an \$8.7 million mortgage note payable as partial consideration for WRIT's acquisition of the Avondale Apartments. The mortgage bears interest at 7.88 percent per annum. Principal and interest are payable monthly until November 1, 2005, at which time all unpaid principal and interest are payable in full.

On September 27, 1999, WRIT executed a \$50.0 million mortgage note payable secured by Munson Hill Towers, Country Club Towers, Roosevelt Towers, Park Adams Apartments, and the Ashby Apartments. The mortgage

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WASHINGTON REAL ESTATE INVESTMENT TRUST  
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bears interest at 7.14 percent per annum and is payable monthly until October 1, 2009, at which time all unpaid principal and interest are payable in full.

On November 1, 2001, WRIT assumed an \$8.5 million mortgage note payable with an estimated fair value of \$9.3 million as partial consideration for WRIT's acquisition of Sullyfield Commerce Center. The mortgage bears interest at 9.00 percent per annum. Principal and interest are payable monthly until February 1, 2007, at which time all unpaid principal and interest are payable in full. In accordance with the purchase method of accounting, the mortgage was recorded at its estimated fair value of \$9.3 million resulting in an adjustment to the basis of this property and an effective interest rate of 6.8%.

Annual maturities of principal as of September 30, 2002 are as follows:

	(in thousands)
2002	\$ 246
2003	1,030
2004	1,110
2005	26,634
2006	331
Thereafter	57,846
Total	\$ 87,197

**NOTE 5: UNSECURED LINES OF CREDIT PAYABLE**

WRIT has two unsecured lines of credit in the aggregate amount of \$75.0 million, with \$53.8 million outstanding under the lines of credit as of September 30, 2002. Amounts outstanding under the lines of credit during the three months ended September 30, 2002 bore interest at 2.52%. This rate was calculated based upon a LIBOR rate of 1.82% increased by a 70 basis point spread. All unpaid interest and principal can be prepaid without penalty prior to the expiration of WRIT's interest rate lock-in periods. Advances will reprice upon rate expiration if not paid in full by WRIT in accordance with the terms discussed below.

The \$50.0 million line of credit, renewed on July 25, 2002, requires WRIT to pay the lender unused line of credit fees at the rate of 0.200 percent per annum on the amount by which the unused portion of the line of credit exceeds the balance of outstanding advances and term loans. Advances under this agreement bear interest at either LIBOR plus a spread, the Prime rate plus a spread, or an advance can be converted into a term loan based upon a Treasury rate plus a spread. All outstanding advances are due and payable upon maturity in July 2005.

The \$25.0 million line of credit, renewed on July 23, 2002, requires WRIT to pay the lender unused line of credit fees based on a sliding scale as usage is increased. These fees are payable quarterly. Advances under this agreement bear interest at either LIBOR plus a spread or the higher of the Prime rate or the Federal Funds effective rate plus a spread based on WRIT's credit rating on its publicly issued debt. All outstanding advances are due and payable upon maturity in July 2004.

The lines of credit contain certain financial and non-financial covenants, all of which WRIT met as of September 30, 2002. The covenants under the lines of credit require WRIT to maintain insurance on its properties in such amounts and covering such risks as are (a) customarily carried by companies engaged in similar businesses or (b)

WASHINGTON REAL ESTATE INVESTMENT TRUST  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2002  
(UNAUDITED)

consistent with sound business practices. WRIT renewed its property insurance coverage effective September 1, 2002 resulting in premiums increasing approximately 31% over the prior year policy. The line of credit agreements require WRIT to insure its properties against loss or damage at least equal to their then full insurable value. The renewed policy does not specifically exclude terrorism activities, but the Trust's financial condition and results of operations are subject to the risks associated with acts of terrorism and the potential for uninsured losses as the result of any such acts.

NOTE 6: NOTES PAYABLE

On August 13, 1996 WRIT sold \$50.0 million of 7.125 percent unsecured 7-year notes due August 13, 2003, and \$50.0 million of 7.25 percent unsecured 10-year notes due August 13, 2006. The 7-year notes were sold at 99.107 percent of par and the 10-year notes were sold at 98.166 percent of par. Net proceeds to the Trust after deducting underwriting expenses were \$97.6 million. The 7-year notes bear an effective interest rate of 7.46 percent, and the 10-year notes bear an effective interest rate of 7.49 percent, for a combined effective interest rate of 7.47 percent. WRIT used the proceeds of these notes to repay advances on its lines of credit and to finance acquisitions and capital improvements to its properties.

On February 20, 1998, WRIT sold \$50.0 million of 7.25 percent unsecured notes due February 25, 2028 at 98.653 percent to yield approximately 7.36 percent. WRIT also sold \$60.0 million in unsecured Mandatory Par Put Remarketed Securities ("MOPPRS") at an effective borrowing rate through the remarketing date (February 2008) of approximately 6.74 percent. The net proceeds to WRIT after deducting loan origination fees was \$102.8 million. WRIT used the proceeds of these notes for general business purposes, including repayment of outstanding advances under its lines of credit and to finance acquisitions and capital improvements to its properties. WRIT's costs of the borrowings of approximately \$7.2 million will be amortized over the lives of the notes using the effective interest method.

On November 6, 2000, WRIT sold \$55.0 million of 7.78 percent unsecured notes due November 2004. The notes bear an effective interest rate of 7.89 percent. Total proceeds to the Trust, net of underwriting fees, were \$54.8 million. WRIT used the proceeds of these notes to repay advances on its lines of credit.

These notes contain certain financial and non-financial covenants, all of which WRIT met as of September 30, 2002. The covenants under the lines of credit require WRIT to maintain insurance on its properties in such amounts and covering such risks as are (a) customarily carried by companies engaged in similar businesses or (b) consistent with sound business practices. WRIT renewed its property insurance coverage effective September 1, 2002 resulting in premiums increasing approximately 31% over the prior year policy. The notes require WRIT to insure its properties against loss or damage at least equal to their then full insurable value. The renewed policy does not specifically exclude terrorism activities, but the Trust's financial condition and results of operations are subject to the risks associated with acts of terrorism and the potential for uninsured losses as the result of any such acts.

NOTE 7: BENEFIT PLANS

The Trust adopted a split dollar life insurance plan for senior officers, excluding the Chief Executive Officer ("CEO"), in 2000. It is intended that the Trust will recover its costs from the life insurance policies at death prior to retirement, upon termination prior to retirement or upon retirement at age 65. The Trust has a security interest in the cash value and death benefit of each policy to the extent of the sum of premium payments made by the Trust. The cash values of the policy in excess of the Trust's interest can be used by the executive. Annual premiums for the split dollar life insurance plan are due each April. On July 30, 2002, the Sarbanes-Oxley Act of 2002 (the "Act") was signed into law. Section 402 of the Act prohibits a public company from making or maintaining a personal loan to any of its directors or executive officers, either directly or indirectly. As of September 30, 2002, the Trust is awaiting definitive guidance from either Congress or the Securities and Exchange Commission (the "SEC") in determining if its split dollar life insurance executive benefit arrangement will be considered in compliance with the Act.)

The Trust adopted a non-qualified deferred compensation plan for the CEO and members of the Board of Trustees in 2000. The plan allows for a deferral of a percentage of annual cash compensation and trustee fees.

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Compensation deferred will be credited with interest equal to 7.5%. The plan is unfunded and payments are to be made from general assets of the Trust. The deferred compensation liability was \$0.7 million at September 30, 2002 including \$0.1 million recognized for the nine months ended September 30, 2002.

WRIT established a Supplemental Executive Retirement Plan ("SERP") effective July 1, 2002 for the benefit of the CEO. Upon the CEO's termination of employment from the Company for any reason other than death, discharge for cause or total and permanent disability, the CEO will be entitled to receive an annual benefit equal to his accrued benefit times his vested interest as outlined in the SERP.

WRIT purchased a universal life insurance policy on the CEO's life to serve as a source of funds to assist WRIT in meeting its liabilities under the SERP. Through an endorsement split dollar arrangement, WRIT has made available to the CEO pre-retirement life insurance coverage through age 70.

In the event the CEO continues in the employment of the Company until age 70, the annual benefit to be paid to the CEO shall be \$200,000. The SERP is not subject to vesting, funding and fiduciary requirements under ERISA. WRIT recognized \$70,000 as the deferred compensation liability and service cost for the SERP for the three months ended September 30, 2002 in accordance with the requirements of SFAS 87.

NOTE 8: SEGMENT INFORMATION

WRIT has four reportable segments: Office Buildings, Industrial/Flex Centers, Multi-family Properties and Retail Centers. For the nine months ended September 30, 2002 Office Buildings, which include medical office buildings, represented 52 percent of real estate rental revenue and provide office space for various professions and businesses. Industrial/Flex Centers represented 14 percent of real estate rental revenue and are used for warehousing, distribution and related offices. Multi-family Properties represented 19 percent of real estate rental revenue and provide housing for families throughout the Washington Metropolitan area. Retail Centers represented the remaining 15 percent of real estate rental revenue and are typically neighborhood grocery store or drug store anchored retail centers.

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

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	Three Months Ended September 30, 2002					
	Office Buildings	Industrial/Flex Centers	Multi-family	Retail Centers	Corporate And Other	Consolidated
	(in thousands)					
<b>Revenue</b>						
Real estate rental revenue	\$ 19,484	\$ 5,240	\$ 7,205	\$ 6,395	\$ —	\$ 38,324
Other income	—	—	—	—	177	177
	<u>19,484</u>	<u>5,240</u>	<u>7,205</u>	<u>6,395</u>	<u>177</u>	<u>38,501</u>
<b>Expenses</b>						
Real estate expenses	6,385	1,122	2,666	1,280	—	11,453
Interest expense	389	160	1,075	100	5,344	7,068
Depreciation and amortization	3,888	1,210	1,036	883	286	7,303
General and administration	—	—	—	—	1,034	1,034
	<u>10,662</u>	<u>2,492</u>	<u>4,777</u>	<u>2,263</u>	<u>6,664</u>	<u>26,858</u>
Income from continuing operations	8,822	2,748	2,428	4,132	(6,487)	11,643
<b>Discontinued Operations:</b>						
Income (loss) from operations of disposed property	—	—	—	—	—	—
Gain on property disposed	—	—	—	—	—	—
	<u>8,822</u>	<u>2,748</u>	<u>2,428</u>	<u>4,132</u>	<u>(6,487)</u>	<u>11,643</u>
Income before sale of real estate investment	8,822	2,748	2,428	4,132	(6,487)	11,643
Gain on sale of real estate investment	—	—	—	—	—	—
	<u>8,822</u>	<u>2,748</u>	<u>2,428</u>	<u>4,132</u>	<u>(6,487)</u>	<u>11,643</u>
<b>Net Income</b>	<b>\$ 8,822</b>	<b>\$ 2,748</b>	<b>\$ 2,428</b>	<b>\$ 4,132</b>	<b>\$ (6,487)</b>	<b>\$ 11,643</b>
Capital expenditures (including acquisitions)	\$ 3,964	\$ 552	\$ 1,812	\$ 42,684	\$ 84	\$ 49,096
	<u>3,964</u>	<u>552</u>	<u>1,812</u>	<u>42,684</u>	<u>84</u>	<u>49,096</u>
<b>Total assets</b>	<b>\$ 399,859</b>	<b>\$ 123,083</b>	<b>\$ 80,439</b>	<b>\$ 127,285</b>	<b>\$ 27,297</b>	<b>\$ 757,963</b>
	<u>399,859</u>	<u>123,083</u>	<u>80,439</u>	<u>127,285</u>	<u>27,297</u>	<u>757,963</u>
	Three Months Ended September 30, 2001					
	Office Buildings	Industrial/Flex Centers	Multi-family	Retail Centers	Corporate And Other	Consolidated
	(in thousands)					
<b>Revenue</b>						
Real estate rental revenue	\$ 21,278	\$ 4,605	\$ 7,016	\$ 4,611	\$ —	\$ 37,510
Other income	—	—	—	—	302	302
	<u>21,278</u>	<u>4,605</u>	<u>7,016</u>	<u>4,611</u>	<u>302</u>	<u>37,812</u>
<b>Expenses</b>						
Real estate expenses	6,401	932	2,459	940	—	10,732
Interest expense	398	—	1,078	155	5,100	6,731
Depreciation and amortization	3,939	992	956	580	310	6,777
General and administration	—	—	—	—	1,303	1,303
	<u>10,738</u>	<u>1,924</u>	<u>4,493</u>	<u>1,675</u>	<u>6,713</u>	<u>25,543</u>
Income from continuing operations	10,540	2,681	2,523	2,936	(6,411)	12,269
<b>Discontinued Operations:</b>						
Income (loss) from operations of disposed property	—	259	—	—	—	259
Gain on property disposed	—	—	—	—	—	—
	<u>10,540</u>	<u>2,940</u>	<u>2,523</u>	<u>2,936</u>	<u>(6,411)</u>	<u>12,528</u>
Income before sale of real estate investment	10,540	2,940	2,523	2,936	(6,411)	12,528
Gain on sale of real estate investment	4,296	—	—	—	—	4,296
	<u>14,836</u>	<u>2,940</u>	<u>2,523</u>	<u>2,936</u>	<u>(6,411)</u>	<u>16,824</u>
<b>Net Income</b>	<b>\$ 14,836</b>	<b>\$ 2,940</b>	<b>\$ 2,523</b>	<b>\$ 2,936</b>	<b>\$ (6,411)</b>	<b>\$ 16,824</b>
Capital expenditures (including acquisitions)	\$ 1,917	\$ 421	\$ 766	\$ 381	\$ 141	\$ 3,626
	<u>1,917</u>	<u>421</u>	<u>766</u>	<u>381</u>	<u>141</u>	<u>3,626</u>
<b>Total assets</b>	<b>\$ 381,131</b>	<b>\$ 106,500</b>	<b>\$ 80,228</b>	<b>\$ 81,749</b>	<b>\$ 45,193</b>	<b>\$ 694,801</b>
	<u>381,131</u>	<u>106,500</u>	<u>80,228</u>	<u>81,749</u>	<u>45,193</u>	<u>694,801</u>

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	Nine Months Ended September 30, 2002					
	Office Buildings	Industrial/Flex Centers	Multi-family	Retail Centers	Corporate And Other	Consolidated
	(in thousands)					
<b>Revenue</b>						
Real estate rental revenue	\$ 59,279	\$ 16,046	\$ 21,430	\$ 17,148	\$ —	\$ 113,903
Other income	—	—	—	—	552	552
	59,279	16,046	21,430	17,148	552	114,455
<b>Expenses</b>						
Real estate expenses	18,177	3,543	7,649	3,410	—	32,779
Interest expense	1,173	482	3,227	405	15,551	20,838
Depreciation and amortization	11,582	3,603	3,087	2,147	886	21,305
General and administration	—	—	—	—	3,505	3,505
	30,932	7,628	13,963	5,962	19,942	78,427
Income from continuing operations	28,347	8,418	7,467	11,186	(19,390)	36,028
<b>Discontinued Operations:</b>						
Income (loss) from operations of disposed property	—	(82)	—	—	—	(82)
Gain on property disposed	—	3,838	—	—	—	3,838
	28,347	12,174	7,467	11,186	(19,390)	39,784
Income before sale of real estate investment	28,347	12,174	7,467	11,186	(19,390)	39,784
Gain on sale of real estate investment	—	—	—	—	—	—
	28,347	12,174	7,467	11,186	(19,390)	39,784
<b>Net Income</b>	\$ 28,347	\$ 12,174	\$ 7,467	\$ 11,186	\$ (19,390)	\$ 39,784
Capital expenditures (including acquisitions)	\$ 27,454	\$ 862	\$ 3,279	\$ 46,272	\$ 146	\$ 78,013
<b>Total assets</b>	\$ 399,859	\$ 123,083	\$ 80,439	\$ 127,285	\$ 27,297	\$ 757,963

	Nine Months Ended September 30, 2002					
	Office Buildings	Industrial/Flex Centers	Multi-family	Retail Centers	Corporate And Other	Consolidated
	(in thousands)					
<b>Revenue</b>						
Real estate rental revenue	\$ 60,507	\$ 14,310	\$ 20,512	\$ 14,199	\$ —	\$ 109,528
Other income	—	—	—	—	1,251	1,251
	60,507	14,310	20,512	14,199	1,251	110,779
<b>Expenses</b>						
Real estate expenses	18,038	3,118	7,309	3,010	—	31,475
Interest expense	1,134	—	3,238	468	15,338	20,178
Depreciation and amortization	11,246	2,989	2,849	1,746	794	19,624
General and administration	—	—	—	—	4,541	4,541
	30,418	6,107	13,396	5,224	20,673	75,818
Income from continuing operations	30,089	8,203	7,116	8,975	(19,422)	34,961
<b>Discontinued Operations:</b>						
Income (loss) from operations of disposed property	—	690	—	—	—	690
Gain on disposal	—	—	—	—	—	—
	30,089	8,893	7,116	8,975	(19,422)	35,651
Income before sale of real estate investment	30,089	8,893	7,116	8,975	(19,422)	35,651
Gain on sale of real estate investment	4,296	—	—	—	—	4,296
	34,385	8,893	7,116	8,975	(19,422)	39,947
<b>Net Income</b>	\$ 34,385	\$ 8,893	\$ 7,116	\$ 8,975	\$ (19,422)	\$ 39,947
Capital expenditures (including acquisitions)	\$ 49,713	\$ 1,614	\$ 2,995	\$ 542	\$ 212	\$ 55,076
<b>Total assets</b>	\$ 381,131	\$ 106,500	\$ 80,228	\$ 81,749	\$ 45,193	\$ 694,801

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ITEM2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS

WRIT's discussion and analysis of its financial condition and results of operations are based upon its 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 WRIT to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an on-going basis, WRIT evaluates these estimates, including those related to estimated useful lives of real estate assets, cost reimbursement income, bad debts, contingencies and litigation. WRIT bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. There can be no assurance that actual results will not differ from those estimates.

CRITICAL ACCOUNTING POLICIES

WRIT believes the following critical accounting policies affect the more significant judgments and estimates used in the preparation of its consolidated financial statements. WRIT's significant accounting policies are described in Note 2 in the Notes to Consolidated Financial Statements.

**Revenue Recognition**

Residential properties are leased under operating leases with terms of generally one year or less, and commercial properties are leased under operating leases with average terms of three to five years. WRIT recognizes rental income and rental abatements from the company's residential and commercial leases when earned in accordance with SFAS No. 13. WRIT records an allowance for doubtful accounts equal to the estimated uncollectible amounts. This estimate is based on WRIT's historical experience and a review of the current status of the company's receivables. Contingent rents are recorded when cumulative sales exceed the amount necessary for the contingent rents to equal minimum annual rent and WRIT has been informed of cumulative sales data; thereafter, percentage rent is accrued based on subsequent sales.

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

**Estimated Useful Lives of Real Estate Assets**

Real estate assets are depreciated on a straight-line basis over estimated useful lives not exceeding 50 years. All capital improvement expenditures associated with replacements, improvements, or major repairs to real property are depreciated using the straight-line method over their estimated useful lives ranging from 3 to 30 years. All tenant improvements are amortized over the shorter of the useful life or the term of the lease. Maintenance and repair costs are charged to expense as incurred.

**Impairment Losses on Long-Lived Assets**

In accordance with SFAS 144, WRIT recognizes impairment losses on long-lived assets used in operations when indicators of impairment are present and the net undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. If such carrying amount is in excess of the estimated projected operating cash flows of the property, WRIT would recognize an impairment loss equivalent to an amount required to adjust the carrying amount to the estimated fair market value. There were no property impairments recognized during the



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ITEM2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
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period ended September 30, 2002. WRIT reflects the results of properties as discontinued operations when classified and held for sale.

**Federal Income Taxes**

WRIT has qualified as a Real Estate Investment Trust (REIT) under Sections 856-860 of the Internal Revenue Code and intends to continue to qualify as such. To maintain its status as a REIT, the company is required to distribute 90% of its ordinary taxable income (95% for years prior to 2001) to its shareholders. The company has the option of (i) reinvesting the sale price of properties sold allowing for a deferral of income taxes on the sale, (ii) paying out capital gains to the shareholders with no tax to the company or (iii) treating the capital gains as having been distributed to the shareholders, paying the tax on the gain deemed distributed and allocating the tax paid as a credit to the shareholders. The company distributed all of its 2001, 2000 and 1999 ordinary taxable income to its shareholders. Gain on sale of properties disposed during 2001, 2000 and 1999 were reinvested in replacement properties, therefore no capital gains were distributed to shareholders during these periods. Accordingly, no provision for income taxes was necessary.

RESULTS OF OPERATIONS

FORWARD LOOKING STATEMENTS

WRIT's Management's Discussion and Analysis of Financial Condition and Results of Operations contains statements that may be considered forward-looking. Although WRIT believes that the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no assurance that its expectations will be achieved. Factors that could cause actual results to differ materially from WRIT's current expectations include the economic health of WRIT's tenants, the economic health of the greater Washington-Baltimore region or other markets WRIT may enter, the supply of competing properties, inflation, consumer confidence, unemployment rates, consumer tastes and preferences, stock price and interest rate fluctuations, WRIT's future capital requirements, compliance with applicable laws, including those concerning the environment and access by persons with disabilities, weather conditions and the additional matters discussed in the Annual Report on Form 10-K under the caption "Risk Factors".

REAL ESTATE RENTAL REVENUE AND OPERATING INCOME: Three Months Ended September 30, 2002 Compared to the Three Months Ended September 30, 2001

Total revenues for the third quarter of 2002 increased 2.1% (\$0.8 million) to \$38.3 million from \$37.5 million in the third quarter of 2001. Operating income increased 0.4% (\$0.1 million) to \$26.9 million from \$26.8 million in the third quarter of 2001.

For the third quarter of 2002, WRIT's office buildings had decreases of 8.4% in revenues and 12.0% in operating income compared to the third quarter of 2001. These decreases were primarily due to decreased revenues and operating income as a result of increased vacancy and the September 2001 sale of 10400 Connecticut Avenue. Real estate expenses over the same periods were relatively flat. Occupancy rates for the overall office portfolio declined from 97.1% in the third quarter of 2001 to 87.6% in the third quarter of 2002. Comparing those office buildings owned by WRIT for the entire third quarter of 2001 and 2002, revenue and operating income decreased 8.1% and 10.8%, respectively. These decreases in revenues and operating income were primarily due to increased vacancy. Occupancy rates in the core office portfolio decreased to 88.5% in third quarter 2002 from 97.2% in third quarter

ITEM2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
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2001. The changes in these occupancy rates are due primarily to 156,000 square feet of vacant space at 7900 Westpark Drive effective December 31, 2001. As of September 30, 2002 WRIT has released 6,500 square feet leaving the remaining vacancy at 149,500 square feet. Due to the very soft Northern Virginia market, WRIT anticipates that it will take several additional quarters before the vacancy at 7900 Westpark Drive will be absorbed.

For the third quarter of 2002, WRIT's industrial/flex centers revenues and operating income increased 13.8% and 12.1%, respectively, over the third quarter of 2001. These increases in revenue and operating income, offset by a \$0.2 million (20.4%) increase in real estate expenses, were primarily due to the acquisition of Sullyfield Commerce Center in November 2001. Occupancy rates for the overall industrial portfolio decreased from 98.8% in third quarter 2001 to 93.0% in third quarter 2002 due to increased vacancies at five industrial properties. Comparing those industrial/flex centers owned by WRIT for the entire third quarter of 2001 and 2002, revenue and operating income decreased 0.2% and 0.9%, respectively. These decreases in revenue and operating income were primarily due to increased vacancy levels and a 2.5% increase in real estate expenses for the third quarter of 2002. Occupancy rates for the core industrial property decreased to 91.9% in the third quarter of 2002 from 98.7% in the third quarter of 2001 due to increased vacancies at five industrial properties.

For the third quarter of 2002, WRIT's multi-family revenues increased 2.7% and operating income decreased 0.4% as compared to the third quarter of 2001. Revenue increases were primarily due to increased rental rates offset in part by increased vacancy. Occupancy rates decreased slightly from 96.3% in the third quarter of 2001 to 94.6% in the third quarter of 2002. Operating income decreased due to a \$0.2 million (8.4%) increase in real estate expenses during third quarter 2002 due primarily to increased marketing costs as a result of increased vacancy and increased utility costs.

For the third quarter of 2002, WRIT's retail center revenues and operating income increased 38.7% and 39.3%, respectively, over the third quarter of 2001. These increases were primarily due to the acquisition of the Centre at Hagerstown in June 2002 and increased core portfolio revenues and operating income. Occupancy rates for the overall retail portfolio were relatively unchanged from 95.3% in third quarter 2001 to 95.1% in third quarter 2002. Comparing those shopping centers owned by WRIT for the entire third quarter of 2001 and 2002, revenue and operating income increased by 10.3% and 11.2%, respectively. These increases were primarily due to increased rental rates and tenant pass through recoveries, offset in part by decreased occupancy. Occupancy rates for the core retail center portfolio decreased slightly from 95.3% in the third quarter of 2001 to 94.9% in the third quarter of 2002. Operating income was primarily offset by a \$0.1 million (6.5%) increase in real estate expenses during third quarter 2002 due to increases in repairs and maintenance and real estate tax expense at core retail properties.

REAL ESTATE RENTAL REVENUE AND OPERATING INCOME: Nine Months Ended September 30, 2002 Compared to the Nine Months Ended September 30, 2001

Total revenues for the first nine months of 2002 increased 4.0% (\$4.4 million) to \$113.9 million from \$109.5 million for the first nine months of 2001. Operating income increased 3.9% (\$3.0 million) to \$81.1 million for the first nine months of 2002 from \$78.1 million for the first nine months of 2001.

For the first nine months of 2002, WRIT's office buildings had decreases of 2.0% in revenues and 3.2% in operating income, respectively, over the first nine months of 2001. These decreases were primarily due to decreases in core portfolio operating income as a result of increased vacancies and the sale of 10400 Connecticut Avenue in September 2001. Occupancy rates for the overall office portfolio decreased from 97.8% for the nine months ended September 2001 to 89.0% for the nine months ended September 2002. Comparing those office buildings owned by WRIT for the entire first nine months of 2001 and 2002, revenue and operating income decreased 5.9% and 7.8%, respectively. These decreases in revenues and operating income were primarily due to

ITEM2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
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increased vacancy and a slight increase in real estate expenses of \$0.1 million (0.5%) from \$18.0 million in 2001 to \$18.1 million in 2002. Occupancy rates for the core office portfolio declined from 97.8% for the nine months ended September 2001 to 88.6% for the nine months ended September 2002. The changes in these occupancy rates are due primarily to 156,000 square feet of vacant space at 7900 Westpark Drive effective December 31, 2001. As of September 30, 2002 WRIT has released 6,500 square feet leaving the remaining vacancy at 149,500 square feet. Due to the very soft Northern Virginia market, WRIT anticipates that it will take several additional quarters before the vacancy at 7900 Westpark Drive will be absorbed.

For the first nine months of 2002, WRIT's industrial/flex center revenues and operating income increased 12.1% and 11.7%, respectively, over the first nine months of 2001. These increases were primarily due to the acquisition of Sullyfield Commerce Center in November 2001. Occupancy rates for the industrial portfolio declined from 98.8% for the nine months ended September 2001 to 93.6% for the nine months ended September 2002. Comparing those industrial/flex centers owned by WRIT for the entire first nine months of 2001 and 2002, revenue and operating income decreased by 3.4% and 3.5%, respectively. These decreases in revenues and operating income were primarily due to increased vacancy, decreased tenant pass through expense recoveries and an increase of \$0.1 million (2.8%) in real estate expenses in the first nine months of 2002. Occupancy rates for the core industrial portfolio declined from 98.7% for the nine months ended September 2001 to 93.8% for the nine months ended September 2002.

For the first nine months of 2002, WRIT's multi-family property revenues and operating income increased 4.5% and 4.4%, respectively, over the first nine months of 2001. These increases were primarily due to increases in rental rates across the sector. Operating income was partially offset by an increase of \$0.3 million (4.7%) in real estate expense in the first nine months of 2002. Occupancy rates for the multi-family portfolio declined slightly from 95.3% for the nine months ended September 2001 to 94.5% for the nine months ended September 2002.

For the first nine months of 2002, WRIT's retail center revenues increased 20.8% and operating income increased 22.8%, respectively, over the first nine months of 2001. These increases were primarily due to increased rental rates, other income in the form of lease termination fees, core portfolio revenue and operating income and the acquisition of the Centre at Hagerstown in June 2002. Occupancy rates for the overall retail portfolio were relatively unchanged at 95% for the nine months ended September 2002 compared to the nine months ended September 2001. Comparing those shopping centers owned by WRIT for the entire first nine months for 2001 and 2002, revenue and operating income increased by 10.1% and 12.7%, respectively. These increases were primarily due to increased rental rates and other income in the form of lease termination fees. Operating income was partially offset by an increase of \$0.1 million (1.2%) in real estate expenses in the first nine months of 2002. Occupancy rates for the core retail portfolio declined from 95.5% for the nine months ended September 2001 to 94.4% for the nine months ended September 2002.

OPERATING EXPENSES AND OTHER RESULTS OF OPERATIONS: Three Months Ended September 30, 2002 Compared to the Three Months Ended September 30, 2001

Real estate expenses increased \$0.7 million or 6.7% to \$11.4 million for the third quarter of 2002 as compared to \$10.7 million for the third quarter of 2001. This increase was primarily due to expenses relating to \$67.8 million of properties acquired in 2001 and \$58.1 million of properties acquired in 2002, partially offset by the impact of the \$8.4 million property sold in 2001 and the \$6.2 million property sold in 2002.

Depreciation and amortization expense increased \$0.5 million or 7.8% to \$7.3 million for the third quarter of 2002 as compared to \$6.8 million for the third quarter of 2001. This was primarily due to the impact of \$67.8 million of acquisitions throughout 2001, \$58.1 million of properties acquired in 2002 and capital and tenant improvement

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ITEM2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
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expenditures for 2001 and 2002, which totaled \$8.8 million and \$19.8 million, respectively. This amount was partially offset by the property dispositions of \$8.4 million in 2001 and \$6.2 million in 2002.

Total interest expense increased \$0.4 million or 5.0% to \$7.1 million for the third quarter of 2002 as compared to \$6.7 million for the third quarter of 2001. This increase was primarily attributable to the assumption of an \$8.5 million mortgage in November 2001 with the acquisition of Sullyfield Commerce Center and increased line of credit borrowings due to the June 2002 and July 2002 acquisitions of the Centre at Hagerstown and the Atrium Building, respectively. For the third quarter of 2002, notes payable interest expense was \$5.1 million, mortgage interest expense was \$1.7 million and lines of credit interest expense was \$0.3 million. For the third quarter of 2001, notes payable interest expense was \$5.0 million, mortgage interest expense was \$1.6 million and lines of credit interest expense was \$0.1 million.

General and administrative expenses decreased \$0.3 million or 20.6% to \$1.0 million for the third quarter of 2002 as compared to \$1.3 million for the third quarter of 2001. The change was primarily attributable to decreased incentive compensation as a result of a reduced rate of growth of the Trust, offset by increased corporate legal expenses and corporate salaries due to increased staffing levels. For the third quarter of 2002, general and administrative expenses as a percentage of revenue were 2.7% as compared to 3.5% for the third quarter of 2001.

OPERATING EXPENSES AND OTHER RESULTS OF OPERATIONS: Nine Months Ended September 30, 2002 Compared to the Nine Months Ended September 30, 2001

Real estate expenses increased \$1.3 million or 4.1% to \$32.8 million for the first nine months of 2002 as compared to \$31.5 million for the first nine months of 2001. This increase was primarily due to expenses relating to properties acquired in 2001 and 2002 as well as increased core portfolio real estate taxes, insurance and repairs and maintenance expenses in 2002 as compared to 2001.

Depreciation and amortization expense increased \$1.7 million or 8.6% to \$21.3 million for the first nine months of 2002 as compared to \$19.6 million for the first nine months of 2001. This was primarily due to 2001 and year to date 2002 acquisitions of \$67.8 million and \$58.1 million, respectively, and 2001 and year to date 2002 capital and tenant improvement expenditures which totaled \$14.0 million and \$19.8 million, respectively.

Total interest expense was \$20.8 million for the first nine months of 2002 as compared to \$20.2 million for the first nine months of 2001. This increase was primarily attributable to the assumption of an \$8.5 million mortgage in November 2001 with the acquisition of Sullyfield Commerce Center and increased line of credit borrowings due to the June 2002 and July 2002 acquisitions of the Centre at Hagerstown and the Atrium Building, respectively. For the first nine months of 2002, notes payable interest expense was \$15.1 million, mortgage interest expense was \$5.3 million and lines of credit interest expense was \$0.4 million. For the first nine months of 2001, notes payable interest expense was \$15.1 million, mortgage interest expense was \$4.8 million and lines of credit interest expense was \$0.3 million.

General and administrative expenses decreased \$1.0 million to \$3.5 million for the first nine months of 2002 as compared to \$4.5 million for the first nine months of 2001. This change was primarily attributable to decreased incentive compensation as a result of a reduced rate of growth of the Trust. For the first nine months of 2002, general and administrative expenses as a percentage of revenue were 3.1% as compared to 4.1% for the first nine months of 2001.

ITEM2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS

Other Income decreased \$0.7 million to \$0.6 million for the first nine months of 2002 as compared to \$1.3 million for the first nine months quarter of 2001. The decrease was attributable to a utility divestiture sharing distribution received in June 2001.

Gain on sale of property disposed for the nine months ended September 30, 2002 was \$3.8 million, resulting from the sale of 1501 South Capitol Street. Gain on sale of real estate for the nine months ended September 30, 2001 was \$4.3 million, resulting from the sale of 10400 Connecticut Avenue.

CAPITAL RESOURCES AND LIQUIDITY

WRIT has utilized the proceeds of share offerings, medium and long-term fixed interest rate debt, bank lines of credit and cash flow from operations for its capital needs. External sources of capital are available to WRIT from its existing unsecured lines of credit and management believes that additional sources of capital are available from the sale of additional shares, the sale of medium or long-term notes, the sale of property and/or through secured financing. The funds raised would be used to pay off any outstanding advances on the Trust's lines of credit or other Trust debt and/or for new acquisitions, capital improvements and development.

WRIT anticipates that over the near term, interest rate fluctuations will not have a material adverse effect on earnings. WRIT's long-term fixed-rate notes payable have maturities ranging from August 2003 through February 2028 (see Note 6).

WRIT has lines of credit in place from commercial banks for up to \$75 million which bear interest at an adjustable spread over LIBOR based on the Trust's interest coverage ratio and public debt rating. As of September 30, 2002, WRIT had \$53.8 million outstanding under its lines of credit at an average interest rate of 2.5%.

The senior and medium-term notes payable contain certain financial and non-financial covenants, all of which WRIT met as of September 30, 2002. The covenants under the notes require WRIT to maintain insurance on its properties in such amounts and covering such risks as are (a) customarily carried by companies engaged in similar businesses or (b) consistent with sound business practices. WRIT renewed its property insurance coverage effective September 1, 2002 resulting in premiums increasing approximately 31% over the prior year policy. The notes require WRIT to insure its properties against loss or damage at least equal to their then full insurable value. The policy does not specifically exclude terrorism activities, but the Trust's financial condition and results of operations are subject to the risks associated with acts of terrorism and the potential for uninsured losses as the result of any such acts.

WRIT acquired three properties in 2001 and three properties in 2002 (as of September 30) for total acquisition costs of \$67.8 million and \$58.1 million, respectively. The 2001 acquisitions were financed through income from operations, line of credit advances, proceeds of the public offering in April 2001 and the assumption of an \$8.5 million mortgage. The 2002 acquisitions were financed through proceeds from the dispositions of 10400 Connecticut Avenue and 1501 South Capitol Street, proceeds of the public offering in April 2001 and line of credit advances.

Cash flow from operating activities totaled \$50.9 million for the first nine months of 2002, as a result of income from continuing operations of \$36.0 million, adding back depreciation and amortization of \$21.3 million, decreases in other assets of \$7.0 million, bad debt expense of \$1.0 million and decreases in liabilities (other than mortgage notes, senior notes and lines of credit payable) of \$0.5 million. The decline in net cash flow from operating activities was due primarily to increased vacancy offset by a larger property portfolio and increased rental rates.

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ITEM2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS

Cash flow from operating activities totaled \$51.5 million for the first nine months of 2001, as a result of income from continuing operations of \$35.0 million, adding back depreciation and amortization of \$19.7 million, decreases in other assets of \$4.0 million, bad debt expense of \$0.7 million and increases in liabilities (other than mortgage note, senior notes and lines of credit payable) of \$0.7 million.

Net cash used in investing activities for the first nine months of 2002 was \$72.2 million, including real estate acquisitions of \$58.1 million, capital improvements to real estate of \$19.8 million and non-real estate investments of \$0.1 million, offset by cash received from sale of real estate property of \$5.8 million. Net cash used in investing activities from the first nine months of 2001 was \$47.0 million, including real estate acquisitions of \$46.1 million and capital improvements to real estate of \$8.8 million, offset by cash received from the sale of real estate of \$8.1 million.

Net cash provided by financing activities for the first nine months of 2002 was \$10.6 million, including line of credit borrowings of \$53.8 million, share option exercises of \$5.0 million, offset by principal repayments on the mortgage notes payable of \$7.5 million and \$40.5 million in dividends paid. Net cash provided by financing activities for the first nine months of 2001 was \$22.0 million, including \$53.1 million from share offering proceeds and share option exercises of \$6.3 million, offset by principal repayments on the mortgage notes payable of \$0.6 million and \$36.8 million in dividends paid. Rental revenue has been the principal source of funds to pay WRIT's operating expenses, interest expense and dividends to shareholders.

Management believes that WRIT has the liquidity and the capital resources necessary to meet all of its known obligations and to make additional property acquisitions and capital improvements when appropriate to enhance long-term growth.

RATIOS OF EARNINGS TO FIXED CHARGES AND DEBT SERVICE COVERAGE

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

	Nine months ended September 30,		Year Ended December 31,		
	2002	2001	2001	2000	1999
Earnings to fixed charges	2.72x	2.77x	2.78x	2.63x	2.61x
Debt service coverage	3.61x	3.60x	3.60x	3.40x	3.42x

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

Debt service coverage is computed by dividing income before (a) gain on sale of real estate; (b) interest income; (c) interest expense; and (d) depreciation and amortization by the sum of interest expense, including interest costs capitalized, and the amortized costs of debt issuance plus mortgage principal amortization.

ITEM 3: QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT  
FINANCIAL MARKET RISK

The principal financial market risk to which WRIT is exposed is interest rate risk. WRIT's 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 its variable rate lines of credit. WRIT enters into debt obligations primarily to support general corporate purposes including acquisition of real estate properties, capital improvements and working capital needs. In the past, WRIT has used interest rate hedge agreements to hedge against rising interest rates in anticipation of refinancing or new debt issuance.

WRIT's interest rate risk has not changed significantly from its risk as disclosed in its 2001 Form 10-K.

ITEM 4: CONTROLS AND PROCEDURES

The Trust maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Trust's 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 the Trust's management, including its Chief Executive Officer and Chief Financial 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.

Within 90 days prior to the date of this report, the Trust carried out an evaluation, under the supervision and with the participation of the Trust's management, including the Trust's Chief Executive Officer and the Trust's Chief Financial Officer, of the effectiveness of the design and operation of the Trust's disclosure controls and procedures. Based on the foregoing, the Trust's Chief Executive Officer and Chief Financial Officer concluded that the Trust's disclosure controls and procedures were effective.

There have been no significant changes in the Trust's internal controls or in other factors that could significantly affect the internal controls subsequent to the date the Trust completed its evaluation.



PART II  
OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

None

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

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

Exhibits

(4)

(l) Credit agreement dated July 23, 2002 between Washington Real Estate Investment Trust, as borrower, Bank One, as lender, and Bank One, as agent.

(m) Amended and restated credit agreement dated July 25, 2002, among Washington Real Estate Investment Trust, as borrower, SunTrust Bank, successor to Crestar Bank, as Agent, and SunTrust Bank (SunTrust), successor to Crestar Bank, and Wachovia Bank, National Association (Wachovia), successor to First Union National Bank (the Credit Agreement).

(10) Management contracts, plans and arrangements

(j) Share Purchase Plan

(k) Supplemental Executive Retirement Plan

(12) Computation of Ratios

(99) Written Statement of Chief Executive Officer and Chief Financial Officer

(b) Reports on Form 8-K

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1. July 22, 2002 – Report pursuant to Item 5 on the release of the Trust’s June 30, 2002 earnings information.
2. November 4, 2002 – Report pursuant to Item 5 on the release of the Trust’s September 30, 2002 earnings information.

SIGNATURES

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

WASHINGTON REAL ESTATE INVESTMENT TRUST

/s/ Edmund B. Cronin, Jr.

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

/s/ Laura M. Franklin

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

/s/ Sara L. Grootwassink

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Sara L. Grootwassink  
Chief Financial Officer

Date: November 14, 2002

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CERTIFICATION

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

1. I have reviewed this quarterly report on Form 10-Q of Washington Real Estate Investment Trust;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a. designed such disclosure controls and procedures 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 quarterly report is being prepared;
  - b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, 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 in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

DATE: November 14, 2002

/s/ Edmund B. Cronin, Jr.

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Edmund B. Cronin, Jr.  
Chief Executive Officer

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CERTIFICATION

I, Laura M. Franklin, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Washington Real Estate Investment Trust;
- 2) Based on my knowledge, this quarterly 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 quarterly report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
- 4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a. designed such disclosure controls and procedures 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 quarterly report is being prepared;
  - b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
- 5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, 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 in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
- 6) The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

DATE: November 14, 2002

/s/ Laura M. Franklin

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

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CERTIFICATION

I, Sara L. Grootwassink, certify that:

- a. I have reviewed this quarterly report on Form 10-Q of Washington Real Estate Investment Trust;
- b. Based on my knowledge, this quarterly 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 quarterly report;
- c. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
- d. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a. designed such disclosure controls and procedures 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 quarterly report is being prepared;
  - b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
- e. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, 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 in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
- f. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

DATE: November 14, 2002

/s/ Sara L. Grootwassink

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Sara L. Grootwassink  
Chief Financial Officer

CREDIT AGREEMENT

DATED AS OF JULY 23, 2002

AMONG

WASHINGTON REAL ESTATE INVESTMENT TRUST,

AS BORROWER

AND

BANK ONE, NA,

AS LENDER

AND

BANK ONE, NA,

AS AGENT

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CREDIT AGREEMENT

This Credit Agreement ("Agreement"), dated as of July 23, 2002, is among Washington Real Estate Investment Trust, a real estate investment trust organized under the laws of the State of Maryland (the "Borrower"), Bank One, NA, a national banking association having its principal office in Chicago, Illinois, as "Agent", and the Lenders (as hereinafter defined).

RECITALS

A. The Borrower is primarily engaged in the business of purchasing, developing, owning, operating and renovating apartment buildings, shopping centers, office buildings, business centers and warehouses.

B. The Borrower is listed on the New York Stock Exchange and is qualified as a real estate investment trust.

C. Borrower has requested that the Lenders make loans available to Borrower of up to \$25,000,000, subject to future increases to up to \$75,000,000, pursuant to the terms of this Agreement. The Agent and the Lenders have agreed to do so.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree as follows:

ARTICLE I.

DEFINITIONS

As used in this Agreement:

"ABR Applicable Margin" means, as of any date, the Applicable Margin in effect on such date with respect to Floating Rate Advances and Floating Rate Loans.

"Acquisition" means any transaction, or any series of related transactions, consummated on or after the date of this Agreement, by which the Borrower or any of its Subsidiaries (i) acquires any going business or all or substantially all of the assets of any firm, corporation or division thereof, whether through purchase of assets, merger or otherwise or (ii) directly or indirectly acquires (in one transaction or as the most recent transaction in a series of transactions) at least a majority (in number of votes) of the securities of a corporation which have ordinary voting power for the election of directors (other than securities having such power only by reason of the happening of a contingency) or a majority (by percentage or voting power) of the outstanding partnership interests of a partnership.

"Advance" means a borrowing hereunder consisting of the aggregate amount of the several Loans made by the Lenders to the Borrower of the same Type and, in the case of LIBOR Advances, for the same Interest Period.

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"Affiliate" of any Person means any other Person directly or indirectly controlling, controlled by or under common control with such Person. A Person shall be deemed to control another Person if the controlling Person owns 10% or

more of any class of voting securities (or other ownership interests) of the controlled Person or possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through ownership of stock, by contract or otherwise.

"Agent" means Bank One, NA in its capacity as agent for the Lenders pursuant to Article X, and not in its individual capacity as a Lender, and any successor Agent appointed pursuant to Article X.

"Aggregate Commitment" means the aggregate of the Commitments of all the Lenders (not to exceed the Maximum Aggregate Commitment), as modified from time to time pursuant to the terms hereof.

"Agreement" means this Credit Agreement, as it may be amended or modified and in effect from time to time.

"Alternate Base Rate" means, for any day, a rate of interest per annum equal to the higher of (i) the Prime Rate for such day and (ii) the sum of Federal Funds Effective Rate for such day plus 1/2% per annum.

"Applicable Margin" means the ABR Applicable Margin or the LIBOR Applicable Margin as applicable.

"Article" means an article of this Agreement unless another document is specifically referenced.

"Authorized Officer" means any of the Chief Executive Officer, President, Chief Financial Officer or Chief Accounting Officer of the Borrower, acting singly.

"Borrower" means Washington Real Estate Investment Trust, a real estate investment trust organized under the laws of the District of Columbia, and its successors and assigns.

"Borrowing Date" means a date on which an Advance is made hereunder.

"Borrowing Notice" is defined in Section 2.9.

"Business Day" means (i) with respect to any borrowing, payment or rate selection of LIBOR Advances, a day (other than a Saturday or Sunday) on which banks generally are open in Chicago, Illinois and New York, New York for the conduct of substantially all of their commercial lending activities and on which dealings in United States dollars are carried on in the London interbank market and (ii) for all other purposes, a day (other than a Saturday or Sunday) on which banks generally are open in Chicago, Illinois for the conduct of substantially all of their commercial lending activities.

"Calculation Date" is defined in Section 2.4.

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"Capitalized Lease" of a Person means any lease of Property imposing obligations on such Person, as lessee thereunder, which are required in accordance with GAAP to be capitalized on a balance sheet of such Person.

"Capitalized Lease Obligations" of a Person means the amount of the obligations of such Person under Capitalized Leases which would be shown as a liability on a balance sheet of such Person prepared in accordance with GAAP.

"Capital Stock" means any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants or options to purchase any of the foregoing.

"Cash Flow to Debt Service Ratio" means, as for any date for any period, the ratio calculated by dividing (x) actual EBITDA for such period, by (y) Consolidated Debt Service for such period.

"Closing Date" means the date that all the conditions precedent to the initial Advance, as specified in Section 4.1, have been satisfied; provided, however, that the obligations of the Lenders to make Loans hereunder shall automatically terminate if such date does not occur on or before August 31, 2002.

"Code" means the Internal Revenue Code of 1986, as amended, reformed or otherwise modified from time to time.

"Commitment" means, for each Lender, the obligation of such Lender to make Loans not exceeding the amount set forth opposite its signature below or as set forth in any Notice of Assignment relating to any assignment that has become effective pursuant to Section 12.3.2, as such amount may be modified from time to time pursuant to the terms hereof.

"Condemnation" is defined in Section 7.9.



"Consolidated Debt Service" for any period means (a) Consolidated Interest Expense for such period plus (b) the aggregate amount of scheduled principal payments of Indebtedness (excluding optional prepayments and scheduled principal payments in respect of any Indebtedness which is payable in a single installment at final maturity) required to be made during such period by the Borrower or any of its consolidated Subsidiaries.

"Consolidated Group" means the Borrower and all Subsidiaries which are consolidated with it for financial reporting purposes under GAAP.

"Consolidated Interest Expense," for any period, means the amount of interest expense of the Borrower and its Subsidiaries for such period on the aggregate principal amount of their Indebtedness, determined on a consolidated basis in accordance with GAAP plus any capitalized interest which accrued during such period.

"Consolidated Net Income," for any period, means consolidated net income (or loss) of the Borrower and its Subsidiaries for such period determined on a consolidated basis in accordance with GAAP; provided that there shall be excluded (a) the income (or deficit) of any

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other Person accrued prior to the date it becomes a Subsidiary of the Borrower or is merged into or consolidated with the Borrower or any of its Subsidiaries and (b) the undistributed earnings of any Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary is not at the time permitted by the terms of any contractual obligation or requirement of law applicable to such Subsidiary.

"Consolidated Secured Indebtedness," as of any date of determination, means the sum of (a) the aggregate principal amount of all Indebtedness of the Borrower and its Subsidiaries outstanding at such date which does not constitute Unsecured Indebtedness and (b) the excess, if any, of (i) the aggregate principal amount of all Unsecured Indebtedness of the Subsidiaries of the Borrower over (ii) \$10,000,000, determined on a consolidated basis in accordance with GAAP.

"Consolidated Senior Unsecured Indebtedness," as of any date of determination, means the sum of (a) the aggregate principal amount of all Indebtedness of the Borrower and its Subsidiaries outstanding at such date which constitutes Unsecured Indebtedness (excluding (i) Indebtedness which is contractually subordinated to the Indebtedness of the Borrower and its Subsidiaries under the Loan Documents on customary terms acceptable to the Agent, (ii) Indebtedness of the Borrower and its Subsidiaries under the Loan Documents and (iii) Indebtedness incurred pursuant to any commitment referred to in clause (c) below), (b) the aggregate Commitments then in effect under the Facility, and (c) the aggregate commitments then in effect with respect to any other unsecured committed line of credit extended to the Borrower or any of its Subsidiaries, determined on a consolidated basis in accordance with GAAP.

"Consolidated Tangible Net Worth," at any date of determination, means an amount equal to (a) Total Capitalization Value as of such date minus (b) Consolidated Total Indebtedness as of such date.

"Consolidated Total Indebtedness," as of any date of determination, means all Indebtedness of the Borrower and its Subsidiaries outstanding at such date, determined on a consolidated basis in accordance with GAAP.

"Controlled Group" means all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Borrower or any of its Subsidiaries, are treated as a single employer under Section 414 of the Code.

"Conversion/Continuation Notice" is defined in Section 2.10.

"Crestar Agreement" means the Credit Agreement dated as of July 25, 1997 among the Borrower, Crestar Bank, Signet Bank/Virginia, and any other bank as party to the Credit Agreement from time to time, and Crestar Bank, as agent, as the same may be amended from time to time.

"Current DSC Ratio" means, as of any date, the ratio calculated by dividing (x) the actual EBITDA for the most recently completed fiscal quarter, by (y) the actual Consolidated Debt Service for such fiscal quarter.

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"Default" means an event described in Article VII.

"EBITDA" means earnings of Borrower and its Subsidiaries on a consolidated basis before interest, taxes (other than real estate taxes), depreciation and amortization, all as calculated in accordance with GAAP.

"Environmental Laws" means any and all foreign, Federal, state, local or municipal laws, rules, orders, regulations, statutes, ordinances, codes, decrees, requirements of any Governmental Authority or other Requirements of Law (including common law) regulating, relating to or imposing liability or standards of conduct concerning protection of human health or the environment, as now or may at any time hereafter be in effect, in each case to the extent the foregoing are applicable to the Borrower or any Subsidiary or any of their respective assets or Property.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any rule or regulation issued thereunder.

"Extension Fee" is defined in Section 2.20.

"Extension Request" is defined in Section 2.20.

"Facility Termination Date" means July 23, 2004, subject to extension in accordance with the terms of Section 2.20.

"Federal Funds Effective Rate" means, for any day, an interest rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published for such day (or, if such day is not a Business Day, for the immediately preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations at approximately 10 a.m. (Chicago time) on such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by the Agent in its sole discretion.

"Financial Contract" of a Person means (i) any exchange-traded or over-the-counter futures, forward, swap or option contract or other financial instrument with similar characteristics, or (ii) any Rate Management Transaction.

"Financing Lease" means any lease of property, real or personal, the obligations of the lessee in respect of which are, in accordance with GAAP, capitalized on a balance sheet of the lessee.

"Fixed Charges" shall mean, for any period, the sum of (i) Consolidated Interest Expense, (ii) all scheduled principal payments due on account of Consolidated Total Indebtedness (excluding balloon payments), (iii) all dividends payable on account of preferred stock or preferred operating partnership units of the Borrower or any other Person in the Consolidated Group and (iv) all ground lease payments to the extent not deducted as an expense in calculating EBITDA.

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"Floating Rate" means, for any date, a rate per annum equal to (i) the Alternate Base Rate for such day plus (ii) ABR Applicable Margin for such day, in each case changing when and as the Alternate Base Rate changes.

"Floating Rate Advance" means an Advance which bears interest at the Floating Rate.

"Floating Rate Loan" means a Loan which bears interest at the Floating Rate.

"Funded Percentage" means, with respect to any Lender at any time, a percentage equal to a fraction the numerator of which is the amount of the outstanding Advances from such Lender at such time, and the denominator of which is the outstanding Advances from all of the Lenders at such time.

"Funds From Operations," for any period, means Consolidated Net Income for such period as adjusted by (i) excluding gains and losses from property sales, debt restructurings and property write-downs and adjusted for the non-cash effect of straight-lining of rents, (ii) to the extent not already accomplished under GAAP, straight-lining various ordinary operating expenses which are payable less frequently than monthly (e.g. real estate taxes), and (iii) adding back depreciation, amortization and all non-cash items.

"GAAP" means generally accepted accounting principles in the United States of America as in effect from time to time, applied in a manner consistent with that used in preparing the financial statements referred to in Section 6.1.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Guarantee Obligation" means, as to any Person (the "guaranteeing person"), any obligation (determined without duplication) of (a) the guaranteeing person or (b) another Person (including, without limitation, any bank under any letter

of credit) to induce the creation of which the guaranteeing person has issued a reimbursement, counterindemnity or similar obligation, in either case guaranteeing or in effect guaranteeing any Indebtedness, leases, dividends or other obligations (the "primary obligations") of any other third Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of the guaranteeing person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds (1) for the purchase or payment of any such primary obligation or (2) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; provided, however, that the term Guarantee Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guarantee Obligation of any guaranteeing person shall be deemed to be the maximum stated amount of the primary obligation relating to such Guarantee Obligation (or, if less, the maximum stated liability set forth in the instrument embodying such Guarantee Obligation), provided, that in the absence of any such

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stated amount or stated liability, the amount of such Guarantee Obligation shall be such guaranteeing person's maximum reasonably anticipated liability in respect thereof as determined by the Borrower in good faith.

"Indebtedness" of any Person at any date means without duplication, (a) all indebtedness of such Person for borrowed money including without limitation any repurchase obligation or liability of such Person with respect to securities, accounts or notes receivable sold by such Person, (b) all obligations of such Person for the deferred purchase price of property or services (other than current trade liabilities incurred in the ordinary course of business and payable in accordance with customary practices), to the extent such obligations constitute indebtedness for the purposes of GAAP, (c) any other indebtedness of such Person which is evidenced by a note, bond, debenture or similar instrument, (d) all Capitalized Lease Obligations, (e) all obligations of such Person in respect of acceptances issued or created for the account of such Person, (f) all Guarantee Obligations of such Person, (g) all reimbursement obligations of such Person for letters of credit and other contingent liabilities, (h) Net Mark-to-Market Exposure under Rate Management Transactions and other Financial Contracts; and (i) all liabilities secured by any lien (other than liens for taxes not yet due and payable) on any property owned by such Person even though such Person has not assumed or otherwise become liable for the payment thereof.

"Interest Period" means, with respect to a LIBOR Advance, a period of one, two, three, or six months or such period shorter than one month as may be available from time to time from the Lenders at their sole discretion commencing on a Business Day selected by the Borrower pursuant to this Agreement. Such Interest Period shall end on (but exclude) the day which corresponds numerically to such date one, two, three, or six, months thereafter or on such day as decided upon by the Lenders for such period shorter than one month if available, provided, however, that if there is no such numerically corresponding day in such next, second, third, or sixth, succeeding month, such Interest Period shall end on the last Business Day of such next, second, third, or sixth, succeeding month. If an Interest Period would otherwise end on a day which is not a Business Day, such Interest Period shall end on the next succeeding Business Day, provided, however, that if said next succeeding Business Day falls in a new calendar month, such Interest Period shall end on the immediately preceding Business Day.

"Lenders" means the lending institutions listed on the signature pages of this Agreement, their respective successors and assigns and any other lending institutions that subsequently become parties to this Agreement.

"Lending Installation" means, with respect to a Lender, any office, branch, subsidiary or affiliate of such Lender.

"Letter of Credit" of a Person means a letter of credit or similar instrument which is issued upon the application of such Person or upon which such Person is an account party or for which such Person is in any way liable.

"LIBOR Advance" means an Advance which bears interest at a LIBOR Rate.

"LIBOR Applicable Margin" means, as of any date with respect to any Interest Period, the Applicable Margin in effect for such Interest Period as determined in accordance with Section 2.4 hereof.

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"LIBOR Base Rate" means, with respect to a LIBOR Advance for the relevant

Interest Period, the applicable British Bankers' Association Interest Settlement Rate for deposits in U.S. dollars appearing on Reuters Screen FRBD as of 11:00 a.m. (London time) two Business Days prior to the first day of such LIBOR Interest Period, and having a maturity equal to such LIBOR Interest Period, provided that, (i) if Reuters Screen FRBD is not available to the Agent for any reason, the applicable LIBOR Base Rate for the relevant LIBOR Interest Period shall instead be the applicable British Bankers' Association Interest Settlement Rate for deposits in U.S. dollars as reported by any other generally recognized financial information service as of 11:00 a.m. (London time) two Business Days prior to the first day of such LIBOR Interest Period, and having a maturity equal to such LIBOR Interest Period, and (ii) if no such British Bankers' Association Interest Settlement Rate is available to the Agent, the applicable LIBOR Base Rate for the relevant LIBOR Interest Period shall instead be the rate determined by the Agent to be the rate at which Bank One or one of its Affiliate banks offers to place deposits in U.S. dollars with first-class banks in the London interbank market at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such LIBOR Interest Period, in the approximate amount of Bank One's relevant LIBOR Loan and having a maturity approximately equal to such LIBOR Interest Period.

"LIBOR Loan" means a Loan which bears interest at a LIBOR Rate.

"LIBOR Rate" means, with respect to a LIBOR Advance for the relevant Interest Period, the sum of (i) the quotient of (a) the LIBOR Base Rate applicable to such Interest Period, divided by (b) one minus the Reserve Requirement (expressed as a decimal) applicable to such Interest Period, plus (ii) the LIBOR Applicable Margin in effect on the day that such LIBOR Base Rate was determined. The LIBOR Rate shall be rounded to the next higher multiple of 1/16 of 1% if the rate is not such a multiple.

"Lien" means any lien (statutory or other), mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, the interest of a vendor or lessor under any conditional sale, capitalized lease or other title retention agreement).

"Loan" means, with respect to a Lender, such Lender's portion of any Advance.

"Loan Documents" means this Agreement, the Note(s), the Subsidiary Guaranty, and any other document from time to time evidencing or securing indebtedness incurred by the Borrower under this Agreement, as any of the foregoing may be amended or modified from time to time.

"Loan Year" means the period of 12 months ending on the first anniversary of the date of this Agreement, and thereafter, each succeeding 12 month period ending on an anniversary of the date of this Agreement.

"Material Adverse Effect" means a material adverse effect on (i) the business, Property, condition (financial or otherwise), results of operations, or prospects of the Borrower and its Subsidiaries taken as a whole, (ii) the ability of the Borrower to perform its obligations under the Loan Documents, or (iii) the validity or enforceability of any of the Loan Documents or the rights or remedies of the Agent or the Lenders thereunder.

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"Materials of Environmental Concern" means any gasoline or petroleum (including crude oil or any fraction thereof) or petroleum products or any hazardous or toxic substances, materials or wastes, defined or regulated as such in or under any Environmental Law, including, without limitation, asbestos, polychlorinated biphenyls and urea-formaldehyde insulation.

"Maximum Aggregate Commitment" means \$25,000,000, or at any time such other amount to which the Maximum Aggregate Loan has been increased in accordance with the terms of this Agreement.

"Moody's" means Moody's Investors Service, Inc. and its successors.

"Multiemployer Plan" means a Plan maintained pursuant to a collective bargaining agreement or any other arrangement to which the Borrower or any member of the Controlled Group is a party to which more than one employer is obligated to make contributions.

"Net Mark-to-Market Exposure" of a Person means, as of any date of determination, the excess (if any) of all unrealized losses over all unrealized profits of such Person arising from Rate Management Transactions or any other Financial Contract. "Unrealized losses" means the fair market value of the cost to such Person of replacing such Rate Management Transaction or other Financial Contract as of the date of determination (assuming the Rate Management Transaction or other Financial Contract were to be terminated as of that date), and "unrealized profits" means the fair market value of the gain to such Person of replacing such Rate Management Transaction or other Financial Contract as of

the date of determination (assuming such Rate Management Transaction or other Financial Contract were to be terminated as of that date).

"Note" means a promissory note, in substantially the form of Exhibit B hereto, duly executed by the Borrower and payable to the order of a Lender in the amount of its Commitment, including any amendment, modification, renewal or replacement of such promissory note.

"Notice of Assignment" is defined in Section 12.3.2.

"Obligations" means all unpaid principal of and accrued and unpaid interest on the Notes, all accrued and unpaid fees and all expenses, reimbursements, indemnities and other obligations of the Borrower to the Lenders or to any Lender, the Agent or any indemnified party hereunder arising under the Loan Documents.

"Office Building Assets" means all office buildings owned by Borrower from time to time.

"Other Taxes" is defined in Section 3.5.

"Participants" is defined in Section 12.2.1.

"Payment Date" means, with respect to the payment of interest accrued on any Advance, the first day of each calendar month.

"PBGC" means the Pension Benefit Guaranty Corporation, or any successor thereto.

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"Percentage" means, with respect to each Lender, the applicable percentage of the then-current Aggregate Commitment represented by such Lender's then-current Commitment.

"Permitted Acquisitions" are defined in Section 6.16.

"Permitted Liens" are defined in Section 6.17.

"Person" means any natural person, corporation, firm, joint venture, partnership, association, enterprise, trust or other entity or organization, or any government or political subdivision or any agency, department or instrumentality thereof.

"Plan" means an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code as to which the Borrower or any member of the Controlled Group may have any liability.

"Prime Rate" means a rate per annum equal to the prime rate of interest announced from time to time by Bank One, NA or its parent (which is not necessarily the lowest rate charged to any customer), changing when and as said prime rate changes.

"Pro Forma EBITDA" means, for any Person for any period, EBITDA calculated as if the Property then owned by such Person had been owned by such Person for the entire period.

"Property" of a Person means any and all property, whether real, personal, tangible, intangible, or mixed, of such Person, or other assets owned, leased or operated by such Person.

"Purchasers" is defined in Section 12.3.1.

"Rate Management Transaction" means any transaction (including an agreement with respect thereto) now existing or hereafter entered into by the Borrower which is a rate swap, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, forward transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions) or any combination thereof, whether linked to one or more interest rates, foreign currencies, commodity prices, equity prices or other financial measures.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor thereto or other regulation or official interpretation of said Board of Governors relating to reserve requirements applicable to member banks of the Federal Reserve System.

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor or other

regulation or official interpretation of said Board of Governors relating to the extension of credit by banks for the purpose of purchasing or carrying margin stocks applicable to member banks of the Federal Reserve System.

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"Reportable Event" means a reportable event as defined in Section 4043 of ERISA and the regulations issued under such section, with respect to a Plan, excluding, however, such events as to which the PBGC by regulation waived the requirement of Section 4043(a) of ERISA that it be notified within 30 days of the occurrence of such event, provided, however, that a failure to meet the minimum funding standard of Section 412 of the Code and of Section 302 of ERISA shall be a Reportable Event regardless of the issuance of any such waiver of the notice requirement in accordance with either Section 4043(a) of ERISA or Section 412(d) of the Code.

"Required Lenders" means Lenders in the aggregate having at least 66-2/3% of the Aggregate Commitment or, if the Aggregate Commitment has been terminated, Lenders in the aggregate holding at least 66-2/3% of the aggregate unpaid principal amount of the outstanding Advances.

"Reserve Requirement" means, with respect to a LIBOR Interest Period, the maximum aggregate reserve requirement (including all basic, supplemental, marginal and other reserves) which is imposed under Regulation D on Eurocurrency liabilities. On the date of this Agreement Bank One NA's Reserve Requirement is 0.

"Section" means a numbered section of this Agreement, unless another document is specifically referenced.

"Single Employer Plan" means a Plan maintained by the Borrower or any member of the Controlled Group for employees of the Borrower or any member of the Controlled Group.

"Subsidiary," as to any Person, means a corporation, partnership or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

"Subsidiary Guaranty" means the guaranty to be executed and delivered by each Subsidiary of Borrower, including without limitation WRIT Limited Partnership, a Delaware limited partnership substantially in the form of Exhibit I as the same may be amended, supplemented, or otherwise modified from time to time.

"Substantial Portion" means, with respect to the Property of the Borrower and its Subsidiaries, Property which (i) represents more than 15% of the consolidated assets of the Borrower and its Subsidiaries as would be shown in the consolidated financial statements of the Borrower as at the beginning of the twelve-month period ending with the month in which such determination is made, or (ii) is responsible for more than 10% of the consolidated net sales or of the consolidated net income of the Borrower and its Subsidiaries as reflected in the financial statements referred to in clause (i) above.

"S&P" means Standard & Poor's Ratings Group and its successors.

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"Total Capitalization Value" means for any Person for any quarter, the product of (x) annualized EBITDA for such Person during such quarter (for purposes of calculating such annualized EBITDA for any Property not owned for the entire quarter, EBITDA shall be adjusted to include the Pro Forma EBITDA for such Property for the most recently ended fiscal quarter), and (y) ten (10).

"Total Tangible Assets," of any Person at any date, means the current book value of the total assets of such Person other than that portion of such Person's assets that constitute intangible assets as determined in accordance with GAAP plus accumulated depreciation on the depreciable assets (excluding intangible assets) from such Person's original book value of such assets which is reflected in the current book value of such assets.

"Transferee" is defined in Section 12.4.

"Type" means, with respect to any Advance, its nature as a Floating Rate Advance or a LIBOR Advance.

"Unencumbered Asset," with respect to any asset, at any date of

determination, means the circumstance that such asset on such date (a) is not subject to any Liens of any kind, other than Permitted Liens (excluding however Permitted Liens of the type contemplated by the penultimate paragraph of Section 6.17 hereof), (b) is not subject to any agreement (including (i) any agreement governing Indebtedness incurred in order to finance or refinance the acquisition of such asset), and (ii) if applicable, the organizational documents of any Subsidiary) (other than the Crestar Agreement, the terms of which restrict Borrower's ability to encumber certain of Borrower's assets provided that no such restrictions may exist after September 30, 2002, except for a restriction which prohibits an encumbrance if it would result in a breach of the covenants in such agreement, provided any covenants limiting secured debt are not in the sole judgement of Administrative Agent materially more restrictive for the Borrower than the covenants contained in this Agreement) which prohibits or limits the ability of the Borrower or any of its Subsidiaries to create, incur, assume or suffer to exist any Lien upon any assets or Capital Stock of the Borrower or any of its Subsidiaries (excluding any agreement which limits generally the amount of secured Indebtedness which may be incurred by the Borrower and its Subsidiaries, and (c) is not subject to any agreement (including any agreement governing Indebtedness incurred in order to finance or refinance the acquisition of such asset, but excluding (for the period through September 30, 2002 only) the terms of the Crestar Agreement) which entitles any Person to the benefit of any Lien (other than Permitted Liens) on any assets or Capital Stock of the Borrower or any of its Subsidiaries, or would entitle any Person to the benefit of any Lien (other than Permitted Liens) on such assets or Capital Stock upon the occurrence of any contingency (including, without limitation, pursuant to an "equal and ratable" clause). For the purposes of this Agreement, any Property of a Subsidiary which is not a Wholly-Owned Subsidiary shall not be deemed to be unencumbered unless both (i) such Property and (ii) all Capital Stock of such Subsidiary held by the Borrower is unencumbered.

"Unfunded Liabilities" means the amount (if any) by which the present value of all vested nonforfeitable benefits under all Single Employer Plans exceeds the fair market value of all such Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plans.

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"Unmatured Default" means an event which but for the lapse of time or the giving of notice, or both, would constitute a Default.

"Unsecured Indebtedness" means all Indebtedness of any Person that is not secured by a Lien on any income, Capital Stock, Property or any other asset of such Person.

"Unused Fee" is defined in Section 2.6.

"Value of Unencumbered Assets," as of any date for all Unencumbered Assets owned by Borrower and its Subsidiaries on a consolidated basis shall mean the product of (x) the annualized EBITDA from all such Unencumbered Assets for the most recent calendar quarter for which results have been reported to Lender (which annualized net operating income shall be determined by multiplying the EBITDA from all such Unencumbered Assets for such calendar quarter by four (4)), and (y) ten (10).

"Wholly-Owned Subsidiary" of a Person means (i) any Subsidiary all of the outstanding voting securities of which shall at the time be owned or controlled, directly or indirectly, by such Person or one or more Wholly-Owned Subsidiaries of such Person, or by such Person and one or more Wholly-Owned Subsidiaries of such Person, or (ii) any partnership, association, joint venture or similar business organization 100% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled.

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms.

## ARTICLE II.

### THE CREDIT

2.1 Commitment; Increase in Aggregate Commitment. From and including the date of this Agreement and prior to the Facility Termination Date, each Lender severally agrees, on the terms and conditions set forth in this Agreement, to make Loans to the Borrower from time to time in amounts not to exceed in the aggregate at any one time outstanding the amount of its Commitment. Subject to the terms of this Agreement, the Borrower may borrow, repay and reborrow at any time prior to the Facility Termination Date. The Commitments to lend hereunder shall expire on the Facility Termination Date.

The Borrower shall also have the right during the first twelve (12) months of the Agreement to increase the Aggregate Commitment up to a maximum of \$75,000,000 by obtaining the agreement of one or more of the then-current Lenders to increase its or their Commitments, or by finding one or more new Lenders. Such increases shall be evidenced by the execution and delivery of an

Amendment Regarding Increase in the form of Exhibit G attached hereto by the Borrower, the Agent and the new bank or existing Lender providing such additional Commitment, a copy of which shall be forwarded to each Lender by the Agent promptly after execution thereof. On the effective date of each such increase in the Aggregate Commitment, the Borrower and the Agent shall cause the new or existing Lenders providing such increase to hold its or their Percentage of all ratable Advances outstanding at the close of

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business on such day, by either funding more than its or their Percentage of new ratable Advances made on such date or purchasing shares of outstanding ratable Loans held by the other Lenders or a combination thereof. The Lenders agree to cooperate in any required sale and purchase of outstanding ratable Advances to achieve such result. In no event shall the Aggregate Commitment exceed \$75,000,000 without the approval of all of the Lenders.

2.2 Final Principal Payment. Any outstanding Advances and all other unpaid Obligations shall be paid in full by the Borrower on the Facility Termination Date.

2.3 Ratable Loans. Each Advance hereunder shall consist of Loans made from the several Lenders ratably in proportion to the ratio that their respective Commitments bear to the Aggregate Commitment. The Advances may be Floating Rate Advances or LIBOR Advances, or a combination thereof, selected by the Borrower in accordance with Sections 2.9 and 2.10. If any Lender shall default in its obligation to fund all or a portion of its Percentage of any Advance (a "Defaulting Lender"), then simultaneously with any funding by any of the remaining Lenders (each, a "Funding Lender") of their respective Percentages of such Advance (such an Advance is sometimes referred to herein as a "Partial Advance"), the respective Funded Percentages of each Defaulting Lender and of each Funding Lender shall automatically be adjusted so that following such adjustment each Lender's Funded Percentage shall correspond to the aggregate percentage of all then outstanding Advances (including all Partial Advances) made by such Lender. Following any adjustment of each Lender's Funded Percentage pursuant to the preceding sentence, such Lender's Funded Percentage shall be readjusted only upon the first to occur of (a) a Defaulting Lender subsequently funding its Percentage of any such Partial Advance, or (b) the repayment in full (including all interest thereon) to each Funding Lender of its Percentage of any such Partial Advance. Notwithstanding anything contained herein to the contrary, in no event shall any Defaulting Lender be entitled to receive any repayment of its Percentage of any Advances (or any interest earned thereon) until such time as the Funding Lenders have received repayment in full of the amount of any Partial Advance, together with all interest thereon. Borrower shall have the right to replace a Defaulting Lender in the manner set forth in Section 3.6 below, and upon the replacement of any Defaulting Lender, such Defaulting Lender shall refund to Borrower the pro rata share of all commitment fees paid to such Defaulting Lender which have not been earned by such Defaulting Lender as of the date of such replacement, determined by multiplying the amount of all commitment fees paid by Borrower to or for the benefit of such Defaulting Lender by a fraction, the numerator of which is the number of months (it being understood and agreed that for purposes of this provision a portion of any month shall constitute a complete "month") which have elapsed in the 24-month Facility term, and the denominator of which is 24. Solely by way of example, if Borrower has paid aggregate commitment fees of \$75,000 to a Defaulting Lender, and Borrower replaces such Defaulting Lender on the first anniversary of the Closing Date, then concurrently with such replacement such Defaulting Lender shall return to Borrower \$37,500 of the \$75,000 in commitment fees.

2.4 Applicable Margins. The ABR Applicable Margin and the LIBOR Applicable Margin to be used in calculating the interest rate applicable to different Types of Advances shall vary from time to time as set forth in Exhibit A-1 in accordance with the ratings from Moody's and/or S&P for Borrower's long-term unsecured debt. If a rating has been issued by only one of S&P or Moody's, that rating shall determine the Applicable Margin. In the event both rating agencies have issued a rating and the rating agencies are split on the rating for the Borrower's long-term unsecured debt or this Facility, the lower rating shall be deemed to be the applicable

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rating (e.g., if the Borrower's Moody's long-term unsecured debt rating is Baal and its S&P long-term unsecured debt rating is BBB then the Applicable Margins shall be computed based on the S&P rating). The Applicable Margins shall be adjusted effective on the next Business Day following any change in the Borrower's Moody's long-term unsecured debt rating and/or S&P's long-term unsecured debt rating, as the case may be (provided that if Agent does not receive notice of a change in rating within twenty days after it occurs then any reduction in Applicable Margin shall be effective only when such notice is received).

In the event that either S&P or Moody's shall discontinue their ratings of the REIT industry or the Borrower's long-term unsecured debt, a mutually



agreeable substitute rating agency shall be selected by the Required Lenders and the Borrower. If the Required Lenders and the Borrower cannot agree on a substitute rating agency within forty-five (45) days of such discontinuance, the Applicable Margin to be used for the calculation of interest on Advances hereunder shall be the highest Applicable Margin set forth in Exhibit B. Lenders acknowledge that the rating for Borrower's unsecured long term debt may be issued even though Borrower has no outstanding unsecured long term debt.

2.5 Other Fees. The Borrower agrees to pay all other fees payable to the Agent pursuant to the Borrower's prior letter agreement with the Agent dated May 28, 2002.

2.6 Unused Fee. The Borrower agrees to pay to the Agent for the account of each Lender an unused fee (the "Unused Fee") equal to an amount computed by multiplying the applicable percentage in Exhibit A-2 (determined by reference to average usage of the Facility during the applicable quarter) by the average daily amount during such quarter of the difference between the Aggregate Commitment and the outstanding principal balance of the Loans for the quarter. The Unused Fee shall be payable quarterly in arrears on the last day of each calendar quarter.

2.7 Minimum Amount of Each Advance. Each LIBOR Advance shall be in the minimum amount of \$1,000,000 (and in multiples of \$250,000 if in excess thereof), and each Floating Rate Advance shall be in the minimum amount of \$1,000,000 (and in multiples of \$250,000 if in excess thereof), provided, however, that any Floating Rate Advance may be in the amount of the unused Aggregate Commitment.

2.8 Optional Principal Payments. The Borrower may from time to time pay, without penalty or premium, all outstanding Advances, or, in a minimum aggregate amount of \$500,000 or any integral multiple of \$250,000 in excess thereof, any portion of the outstanding Advances upon two Business Days' prior notice to the Agent; provided however, that the provisions of Section 3.4 hereof shall be applicable to any prepayment of any LIBOR Advance.

2.9 Method of Selecting Types and Interest Periods for New Advances. The Borrower shall select the Type of Advance and, in the case of each LIBOR Advance, the Interest Period applicable to each Advance from time to time. The Borrower shall give the Agent irrevocable notice (a "Borrowing Notice") not later than 10:00 a.m. (Chicago time) at least one Business Day before the Borrowing Date of each Floating Rate Advance and three Business Days before the Borrowing Date for each LIBOR Advance, specifying:

- (i) the Borrowing Date, which shall be a Business Day, of such Advance,
- (ii) the aggregate amount of such Advance,
- (iii) the Type of Advance selected, and
- (iv) in the case of each LIBOR Advance, the Interest Period applicable thereto.

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Not later than noon (Chicago time) on each Borrowing Date, each Lender shall make available its Loan or Loans, in funds immediately available in Chicago to the Agent at its address specified pursuant to Article VIII. The Agent will make the funds so received from the Lenders available to the Borrower at the Agent's aforesaid address.

No Interest Period may end after the Facility Termination Date and, unless the Lenders otherwise agree in writing, in no event may there be more than five (5) different Interest Periods for LIBOR Advances outstanding at any one time.

2.10 Conversion and Continuation of Outstanding Advances. Floating Rate Advances shall continue as Floating Rate Advances unless and until such Floating Rate Advances are converted into LIBOR Advances. Each LIBOR Advance shall continue as a LIBOR Advance until the end of the then applicable Interest Period therefor, at which time such LIBOR Advance shall be automatically converted into a Floating Rate Advance unless the Borrower shall have given the Agent a Conversion/Continuation Notice requesting that, at the end of such Interest Period, such LIBOR Advance continue as an LIBOR Advance for the same or another Interest Period. Subject to the terms of Section 2.7, the Borrower may elect from time to time to convert all or any part of an Advance of any Type into any other Type or Types of Advances; provided that any conversion of any LIBOR Advance shall be made on, and only on, the last day of the Interest Period applicable thereto. The Borrower shall give the Agent irrevocable notice (a "Conversion/Continuation Notice") of each conversion of an Advance or continuation of a LIBOR Advance not later than 10:00 a.m. (Chicago time) at least one Business Day, in the case of a conversion into a Floating Rate Advance, or three Business Days, in the case of a conversion into or continuation of a LIBOR Advance, prior to the date of the requested conversion

or continuation, specifying:

- (i) the requested date, which shall be a Business Day, of such conversion or continuation;
- (ii) the aggregate amount and Type of the Advance which is to be converted or continued; and
- (iii) the amount and Type(s) of Advance(s) into which such Advance is to be converted or continued and, in the case of a conversion into or continuation of a LIBOR Advance, the duration of the Interest Period applicable thereto.

2.11 Changes in Interest Rate, Etc. Each Floating Rate Advance shall bear interest on the outstanding principal amount thereof, for each day from and including the date such Advance is made or is converted from a LIBOR Advance into a Floating Rate Advance pursuant to Section 2.10 to but excluding the date it becomes due or is converted into a LIBOR Advance pursuant to Section 2.10 hereof, at a rate per annum equal to the Floating Rate for such day. Changes in the rate of interest on that portion of any Advance maintained as a Floating Rate

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Advance will take effect simultaneously with each change in the Alternate Base Rate. Each LIBOR Advance shall bear interest from and including the first day of the Interest Period applicable thereto to (but not including) the last day of such Interest Period at the interest rate determined as applicable to such LIBOR Advance.

2.12 Rates Applicable After Default. Notwithstanding anything to the contrary contained in Section 2.9 or 2.10, during the continuance of a Default or Unmatured Default the Required Lenders may, at their option, by notice to the Borrower (which notice may be revoked at the option of the Required Lenders notwithstanding any provision of Section 8.2 requiring unanimous consent of the Lenders to changes in interest rates), declare that no Advance may be made as, converted into or continued as a LIBOR Advance. During the continuance of a Default the Required Lenders may, at their option, by notice to the Borrower (which notice may be revoked at the option of the Required Lenders notwithstanding any provision of Section 8.2 requiring unanimous consent of the Lenders to changes in interest rates), declare that for the duration of such Default (i) each LIBOR Advance shall bear interest at the rate otherwise applicable to such Interest Period plus 2% per annum and (ii) each Floating Rate Advance shall bear interest at a rate per annum equal to the Floating Rate otherwise applicable to the Floating Rate Advance plus 2% per annum.

2.13 Method of Payment. All payments of the Obligations hereunder shall be made, without setoff, deduction, or counterclaim, in immediately available funds to the Agent at the Agent's address specified pursuant to Article VIII, or at any other Lending Installation of the Agent specified in writing by the Agent to the Borrower, by noon (local time) on the date when due and shall be applied ratably by the Agent among the Lenders. Each payment delivered to the Agent for the account of any Lender shall be delivered promptly by the Agent to such Lender in the same type of funds that the Agent received at its address specified pursuant to Article VIII or at any Lending Installation specified in a notice received by the Agent from such Lender. The Agent is hereby authorized to charge the account of the Borrower maintained with First Chicago for each payment of principal, interest and fees as it becomes due hereunder.-

2.14 Notes; Telephonic Notices. Each Lender is hereby authorized to record the principal amount of each of its Loans and each repayment on the schedule attached to its Note, provided, however, that the failure to so record shall not affect the Borrower's obligations under such Note. The Borrower hereby authorizes the Lenders and the Agent to extend, convert or continue Advances, effect selections of Types of Advances and to transfer funds based on telephonic notices made by any person or persons the Agent or any Lender in good faith believes to be acting on behalf of the Borrower. The Borrower agrees to deliver promptly to the Agent a written confirmation, if such confirmation is requested by the Agent or any Lender, of each telephonic notice signed by an Authorized Officer. If the written confirmation differs from the action taken by the Agent and the Lenders, the records of the Agent and the Lenders shall be presumed (rebuttably) accurate.

2.15 Interest Payment Dates; Interest and Fee Basis. Interest accrued on each Floating Rate Advance shall be payable on each Payment Date, commencing with the first such date to occur after the date hereof, and at maturity. Interest accrued on each LIBOR Advance shall be payable on each Payment Date, commencing with the first such date to occur after the date hereof, on any date on which the LIBOR Advance is prepaid, whether by acceleration or otherwise, and at maturity. Interest and commitment fees shall be calculated for actual days

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elapsed on the basis of a 360-day year. Interest shall be payable for the day an Advance is made but not for the day of any payment on the amount paid if payment is received prior to noon (local time) at the place of payment. If any payment of principal of or interest on an Advance shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and, in the case of a principal payment, such extension of time shall be included in computing interest in connection with such payment.

2.16 Notification of Advances, Interest Rates and Prepayments. Promptly after receipt thereof, the Agent will notify each Lender of the contents of each Borrowing Notice, Conversion/Continuation Notice, and repayment notice received by it hereunder. The Agent will notify each Lender of the interest rate applicable to each LIBOR Advance promptly upon determination of such interest rate and will give each Lender prompt notice of each change in the Corporate Base Rate.

2.17 Lending Installations. Each Lender may book its Loans at any Lending Installation selected by such Lender and may change its Lending Installation from time to time. All terms of this Agreement shall apply to any such Lending Installation and the Notes shall be deemed held by each Lender for the benefit of such Lending Installation. Each Lender may, by written or telex notice to the Agent and the Borrower, designate a Lending Installation through which Loans will be made by it and for whose account Loan payments are to be made.

2.18 Non-Receipt of Funds by the Agent. Unless the Borrower or a Lender, as the case may be, notifies the Agent prior to the date on which it is scheduled to make payment to the Agent of (i) in the case of a Lender, the proceeds of a Loan or (ii) in the case of the Borrower, a payment of principal, interest or fees to the Agent for the account of the Lenders, that it does not intend to make such payment, the Agent may assume that such payment has been made. The Agent may, but shall not be obligated to, make the amount of such payment available to the intended recipient in reliance upon such assumption. If such Lender or the Borrower, as the case may be, has not in fact made such payment to the Agent, the recipient of such payment shall, on demand by the Agent, repay to the Agent the amount so made available together with interest thereon in respect of each day during the period commencing on the date such amount was so made available by the Agent until the date the Agent recovers such amount at a rate per annum equal to (i) in the case of payment by a Lender, the Federal Funds Effective Rate for such day or (ii) in the case of payment by the Borrower, the interest rate applicable to the relevant Loan.

2.19 Reduction in Aggregate Commitment. Borrower may from time to time during the term of this Facility upon prior written notice to Agent, elect to permanently reduce the amount of the Aggregate Commitment to an amount to be determined by Borrower; provided, however, that in no event shall Borrower be entitled to reduce the Aggregate Commitment below \$15,000,000 pursuant to this Section. Each reduction notice from Borrower as described in the preceding sentence shall be accompanied by payment of any amounts (including any amounts payable by Borrower pursuant to Article III hereof) necessary to reduce the outstanding balance of the Advances to the amount specified in such notice. Each reduction of the Aggregate Commitment shall reduce each Lender's Commitment on a pro rata basis.

2.20 Extension of Facility Termination Date. The Borrower may request a one-year extension of the Facility Termination Date by submitting a request for a one-year extension of the Facility Termination Date to the Agent (an "Extension Request") no more than 90 and no less

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than 60 days prior to the original Facility Termination Date. Promptly upon receipt of an Extension Request, the Agent shall notify each Lender thereof and shall request each Lender to approve the Extension Request. Such approval shall be at the Required Lenders' sole election and not binding upon Lender who do not approve of such extension. Each Lender approving the Extension Request shall deliver its written consent no later than 15 days prior to such original Facility Termination Date. If the consent of the Required Lenders is received by the Agent, the Facility Termination Date shall be extended by one year and the Agent shall promptly notify the Borrower and each Lender of the new Facility Termination Date. Such extension of the Agreement shall be subject to the terms of the original Agreement. Borrower shall be charged a fee equal to 3/16% of the amount of the Aggregate Commitment based on the Commitments of the Lenders who have agreed to such extension (the "Extension Fee"). No Lender shall be obligated to extend if they did not approve the extension and the Aggregate Commitment shall be reduced by the amounts of the Commitments of such Lenders not extending. Borrower shall have the right to replace any Lender that does not agree to the extension provided that: (a) Borrower notifies such Lender that it has elected to replace such Lender and notifies such Lender and the Administrative Agent of the identity of the proposed replacement Lender at least 15 days prior to the original Facility Termination Date and (b) the proposed replacement Lender is approved by the Agent. The Lender being replaced shall assign its Percentage of the Aggregate Commitment and its rights and obligations

under this Facility to the replacement Lender pursuant to an Assignment substantially in the form of Exhibit E and the replacement Lender shall assume such Percentage of the Aggregate Commitment and the related obligations under this Facility as of the original Facility Termination Date. The purchase by the replacement Lender shall be at par (plus all accrued and unpaid interest and any other sums owed to such Lender being replaced hereunder) which shall be paid to the Lender being replaced upon the execution and delivery of the Assignment.

#### ARTICLE III.

##### CHANGE IN CIRCUMSTANCES

3.1 Yield Protection. If any law or any governmental or quasi-governmental rule, regulation, policy, guideline or directive (whether or not having the force of law), or any interpretation thereof, or the compliance of any Lender therewith,

- (i) subjects any Lender or any applicable Lending Installation to any tax, duty, charge or withholding on or from payments due from the Borrower (excluding (i) federal taxation of the net income of any Lender or applicable Lending Installation, (ii) state and local taxation in the jurisdiction where a Lender's home office is situated, (iii) state and local taxation in a jurisdiction other than described in (ii) above to the extent such Lender receives credit on its tax payments in its home jurisdiction for such taxes, and (iv) federal withholding tax imposed on payments due hereunder or under the Notes), or changes the basis of taxation of payments to any Lender in respect of its Loans or other amounts due it hereunder, or
- (ii) imposes or increases or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or

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for the account of, or credit extended by, any Lender or any applicable Lending Installation (other than reserves and assessments taken into account in determining the interest rate applicable to LIBOR Advances), or

- (iii) imposes any other condition the result of which is to increase the cost to any Lender or any applicable Lending Installation of making, funding or maintaining loans or reduces any amount receivable by any Lender or any applicable Lending Installation in connection with loans, or requires any Lender or any applicable Lending Installation to make any payment calculated by reference to the amount of loans held or interest received by it, by an amount deemed material by such Lender,

then, within 30 days of demand by such Lender, the Borrower shall pay such Lender that portion of such increased expense incurred or reduction in an amount received which such Lender determines is attributable to making, funding and maintaining its Loans and its Commitment.

3.2 Changes in Capital Adequacy Regulations. If a Lender reasonably determines the amount of capital required or expected to be maintained by such Lender, any Lending Installation of such Lender or any corporation controlling such Lender is increased as a result of a Change (as hereinafter defined), then, within 30 days of demand by such Lender, the Borrower shall pay such Lender the amount necessary to compensate for any shortfall in the rate of return on the portion of such increased capital which such Lender determines is attributable to this Agreement, its Loans or its obligation to make Loans hereunder (after taking into account such Lender's policies as to capital adequacy). "Change" means (i) any change after the date of this Agreement in the Risk-Based Capital Guidelines or (ii) any adoption of or change in any other law, governmental or quasi-governmental rule, regulation, policy, guideline, interpretation, or directive (whether or not having the force of law) after the date of this Agreement which affects the amount of capital required or expected to be maintained by any Lender or any Lending Installation or any corporation controlling any Lender. "Risk-Based Capital Guidelines" means (i) the risk-based capital guidelines in effect in the United States on the date of this Agreement, including transition rules, and (ii) the corresponding capital regulations promulgated by regulatory authorities outside the United States implementing the July 1988 report of the Basle Committee on Banking Regulation and Supervisory Practices Entitled "International Convergence of Capital Measurements and Capital Standards," including transition rules, and any amendments to such regulations adopted prior to the date of this Agreement.

3.3 Availability of LIBOR Advances. If any Lender reasonably determines that maintenance of any of its LIBOR Loans at a suitable Lending Installation would violate any applicable law, rule, regulation or directive, whether or not having the force of law, the Agent shall suspend the availability of LIBOR Advances and require any LIBOR Advances to be converted into Floating

Rate Advances; or if the Required Lenders reasonably determine that (i) deposits of a type or maturity appropriate to match fund LIBOR Advances are not available, the Agent shall suspend the availability of LIBOR Advances with respect to any Advances made after the date of any such determination, or (ii) an interest rate applicable to a LIBOR Advance does not accurately reflect the cost of making a LIBOR Advance, then, if for any reason whatsoever the provisions of Section 3.1 are inapplicable, the Agent shall suspend the availability of LIBOR Advances with respect to any Advances made after the date of any such determination.

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3.4 Funding Indemnification. If any payment of a LIBOR Advance occurs on a date which is not the last day of the applicable Interest Period, whether because of acceleration, prepayment or otherwise, or a LIBOR Advance is not made on the date specified by the Borrower for any reason other than default by the Lenders, the Borrower will indemnify each Lender for any loss or cost incurred by it resulting therefrom, including, without limitation, any loss or cost in liquidating or employing deposits acquired to fund or maintain the LIBOR Advance.

3.5 Taxes.

- (i) All payments by the Borrower to or for the account of any Lender or the Agent hereunder or under any Note shall be made free and clear of and without deduction for any and all Taxes. If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder to any Lender or the Agent, (a) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 3.5) such Lender or the Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (b) the Borrower shall make such deductions, (c) the Borrower shall pay the full amount deducted to the relevant authority in accordance with applicable law and (d) the Borrower shall furnish to the Agent the original copy of a receipt evidencing payment thereof within 30 days after such payment is made.
- (ii) In addition, the Borrower hereby agrees to pay any present or future stamp or documentary taxes and any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or under any Note or from the execution or delivery of, or otherwise with respect to, this Agreement or any Note ("Other Taxes").
- (iii) The Borrower hereby agrees to indemnify the Agent and each Lender for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed on amounts payable under this Section 3.5) paid by the Agent or such Lender as a result of its Commitment, any Loans made by it hereunder, or otherwise in connection with its participation in this Agreement and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto. Payments due under this indemnification shall be made within 30 days of the date the Agent or such Lender makes demand therefor pursuant to Section 3.6.
- (iv) Each Lender that is not incorporated under the laws of the United States of America or a state thereof (each a "Non-U.S. Lender") agrees that it will, not more than ten Business Days after the date of this Agreement, (i) deliver to the Agent two duly completed copies of United States Internal Revenue Service Form W-8BEN or W-8ECI, certifying in either case that such Lender is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes, and (ii) deliver to the Agent a United States Internal Revenue Form W-8 or W-9, as the case may be, and certify that it is

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entitled to an exemption from United States backup withholding tax. Each Non-U.S. Lender further undertakes to deliver to each of the Borrower and the Agent (x) renewals or additional copies of such form (or any successor form) on or before the date that such form expires or becomes obsolete, and (y) after the occurrence of any event requiring a change in the most recent forms so delivered by it, such additional forms or amendments thereto as may be reasonably requested by the Borrower or the Agent. All forms or amendments described in the preceding sentence shall certify that such Lender is entitled to receive payments under this Agreement without deduction or withholding of

any United States federal income taxes, unless an event (including without limitation any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Lender from duly completing and delivering any such form or amendment with respect to it and such Lender advises the Borrower and the Agent that it is not capable of receiving payments without any deduction or withholding of United States federal income tax.

- (v) For any period during which a Non-U.S. Lender has failed to provide the Borrower with an appropriate form pursuant to clause (iv), above (unless such failure is due to a change in treaty, law or regulation, or any change in the interpretation or administration thereof by any governmental authority, occurring subsequent to the date on which a form originally was required to be provided), such Non-U.S. Lender shall not be entitled to indemnification under this Section 3.5 with respect to Taxes imposed by the United States; provided that, should a Non-U.S. Lender which is otherwise exempt from or subject to a reduced rate of withholding tax become subject to Taxes because of its failure to deliver a form required under clause (iv), above, the Borrower shall take such steps as such Non-U.S. Lender shall reasonably request to assist such Non-U.S. Lender to recover such Taxes.
- (vi) Any Lender that is entitled to an exemption from or reduction of withholding tax with respect to payments under this Agreement or any Note pursuant to the law of any relevant jurisdiction or any treaty shall deliver to the Borrower (with a copy to the Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate.
- (vii) If the U.S. Internal Revenue Service or any other governmental authority of the United States or any other country or any political subdivision thereof asserts a claim that the Agent did not properly withhold tax from amounts paid to or for the account of any Lender (because the appropriate form was not delivered or properly completed, because such Lender failed to notify the Agent of a change in circumstances which rendered its exemption from withholding ineffective, or for any other reason), such Lender shall indemnify the Agent fully for all amounts paid, directly or indirectly, by the Agent as tax, withholding therefor, or otherwise, including penalties and interest, and including taxes imposed by any jurisdiction on amounts payable to the Agent under this subsection, together with all costs and expenses related thereto (including attorneys fees and time charges

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of attorneys for the Agent, which attorneys may be employees of the Agent). The obligations of the Lenders under this Section 3.5(vii) shall survive the payment of the Obligations and termination of this Agreement.

3.6 Lender Statements; Survival of Indemnity. To the extent reasonably possible, each Lender shall designate an alternate Lending Installation with respect to its LIBOR Loans to reduce any liability of the Borrower to such Lender under Sections 3.1, 3.2 and 3.5 or to avoid the unavailability of a LIBOR Advance under Section 3.3, so long as such designation is not disadvantageous to such Lender. Each Lender shall deliver a written statement of such Lender as to the amount due, if any, under Sections 3.1, 3.2, 3.4 and 3.5. Such written statement shall set forth in reasonable detail the calculations upon which such Lender determined such amount and shall be presumed (rebuttably) correct. Determination of amounts payable under such Sections in connection with a LIBOR Loan shall be calculated as though each Lender funded its LIBOR Loan through the purchase of a deposit of the type and maturity corresponding to the deposit used as a reference in determining the LIBOR Rate applicable to such Loan, whether in fact that is the case or not. Unless otherwise provided herein, the amount specified in the written statement shall be payable on demand after receipt by the Borrower of the written statement. The obligations of the Borrower under Sections 3.1, 3.2, 3.4 and 3.5 shall survive payment of the Obligations and termination of this Agreement.

3.7 Replacement of Lender by Reason of Change in Circumstances. In the event that any Lender (a "Recovery Lender") requires Borrower to make any payment to such Recovery Lender in accordance with the provisions of Sections 3.1, and/or 3.2 and/or 3.5 hereof, then upon written notice from Borrower to Agent, Borrower and Agent shall mutually use their respective best efforts to find another lender to replace the Recovery Lender. If a replacement lender is found then Borrower shall pay to the Recovery Lender all amounts owed to such

Recovery Lender under the Facility, such Recovery Lender shall no longer be a "Lender" hereunder, and concurrently therewith the remaining parties hereto shall execute such instruments as shall be necessary to have the replacement lender become a "Lender" hereunder having a Commitment equal to that of the Recovery Lender.

Nothing contained in this Section 3.7 shall be deemed to relieve Borrower of its obligations to make all payments to any Recovery Lender in the amounts and at the times required pursuant to the terms of this Agreement during the period of time prior to the replacement of such Recovery Lender.

#### ARTICLE IV.

##### CONDITIONS PRECEDENT

4.1 Initial Advance. The Lenders shall not be required to make the initial Advance hereunder unless the Borrower shall have furnished to the Agent, with sufficient copies for the Lenders, the following:

- (i) The duly executed originals of the Loan Documents, including the Notes, payable to the order of each of the Lenders, the Subsidiary Guaranty, and this Agreement;

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- (ii) A certificate of good standing for the Borrower, certified by the appropriate governmental officer of the State of Maryland, and foreign qualification certificates, certified by the appropriate governmental officer, for each jurisdiction where the failure to so qualify or be licensed (if required) would have a Material Adverse Effect;
- (iii) A certificate of good standing for each Subsidiary from its state of formation;
- (iv) Copies, certified by an officer of the Borrower, of the formation documents (including by-laws), of Borrower and each Subsidiary, together with all amendments thereto;
- (v) An incumbency certificate, executed by an officer of the Borrower, which shall identify by name and title and bear the signature of the Persons authorized to sign the Loan Documents and to make borrowings hereunder on behalf of the Borrower, upon which certificate the Agent and the Lenders shall be entitled to rely until informed of any change in writing by the Borrower;
- (vi) Copies, certified by the Secretary or Assistant Secretary, of the Borrower's Board of Directors' resolutions (and resolutions of other bodies, if any are deemed necessary by counsel for any Lender) authorizing the Advances provided for herein and the execution, delivery and performance of the Loan Documents to be executed and delivered by the Borrower hereunder;
- (vii) A written opinion of the Borrower's and Subsidiaries' counsel, addressed to the Lenders in substantially the form of Exhibit C hereto;
- (viii) A certificate, signed by an officer of the Borrower, stating that on the initial Borrowing Date no Default or Unmatured Default has occurred and is continuing and that all representations and warranties of the Borrower are true and correct as of the initial Borrowing Date;
- (ix) The most recent financial statements of the Borrower and a certificate from an officer of the Borrower that no material adverse change in the Borrower's financial condition has occurred since the date of such statements;
- (x) UCC financing statement, judgment, and tax lien searches with respect to the Borrower from the State of Maryland;
- (xi) Written money transfer instructions, in substantially the form of Exhibit F hereto, addressed to the Agent and signed by an Authorized Officer, together with such other related money transfer authorizations as the Agent may have reasonably requested; and
- (xii) Such other documents as any Lender or its counsel may have reasonably requested, the form and substance of which documents shall be acceptable to the parties and their respective counsel.

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4.2 Each Advance. The Lenders shall not be required to make any Advance (other than an Advance that, after giving effect thereto and to the application of the proceeds thereof, does not increase the aggregate amount of outstanding Advances), unless on the applicable Borrowing Date:

- (i) There exists no Default or Unmatured Default;
- (ii) The representations and warranties contained in Article V are true and correct in all material respects as of such Borrowing Date with respect to Borrower and to any Subsidiary in existence on such Borrowing Date, except to the extent any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty shall be true and correct on and as of such earlier date; and
- (iii) All legal matters incident to the making of such Advance shall be reasonably satisfactory to the Lenders and their counsel and shall impose no burden on the Borrower greater than as set forth in Section 4.1 hereof.

Each Borrowing Notice with respect to each such Advance shall constitute a representation and warranty by the Borrower that the conditions contained in Sections 4.2(i) and (ii) have been satisfied. Any Lender may require a duly completed compliance certificate in substantially the form of Exhibit D hereto as a condition to making an Advance.

#### ARTICLE V.

##### REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Lenders that:

5.1 Existence. Borrower is a real estate investment trust duly organized and validly existing under the laws of the State of Maryland, with its principal place of business in Rockville, Maryland, and is duly qualified as a foreign real estate investment trust, properly licensed (if required), in good standing and has all requisite authority to conduct its business in each jurisdiction in which its business is conducted and in which the failure to be qualified would have a Material Adverse Effect. Each of Borrower's Subsidiaries is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and has all requisite authority to conduct its business in each jurisdiction in which its business is conducted.

5.2 Authorization and Validity. The Borrower and its Subsidiaries have the power and authority and legal right to execute and deliver the Loan Documents and to perform their obligations thereunder. The execution and delivery by the Borrower and its Subsidiaries of the Loan Documents to which they are a party and the performance of their obligations thereunder have been duly authorized by proper proceedings, and the Loan Documents constitute legal, valid and binding obligations of the Borrower and its Subsidiaries enforceable against the Borrower and its Subsidiaries in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally.

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5.3 No Conflict; Government Consent. Neither the execution and delivery by the Borrower or any Subsidiary of the Loan Documents, nor the consummation of the transactions therein contemplated, nor compliance with the provisions thereof will violate any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Borrower or any such Subsidiary, or the provisions of any indenture, instrument or agreement to which the Borrower or any such Subsidiary is a party or is subject, or by which it, or its Property, is bound, or conflict with or constitute a default thereunder, or result in the creation or imposition of any Lien in, of or on the Property of the Borrower or any such Subsidiary pursuant to the terms of any such indenture, instrument or agreement. No order, consent, approval, license, authorization, or validation of, or filing, recording or registration with, or exemption by, any governmental or public body or authority, or any subdivision thereof, is required to authorize, or is required in connection with the execution, delivery and performance of, or the legality, validity, binding effect or enforceability of, any of the Loan Documents.

5.4 Material Adverse Change. Since December 31, 2001, there has been no change in the business, Property, prospects, condition (financial or otherwise) or results of operations of the Borrower which could have a Material Adverse Effect.

5.5 Taxes. The Borrower and its Subsidiaries have filed all United States federal tax returns and all other tax returns which are required to be filed and have paid all taxes due pursuant to said returns or pursuant to any assessment received by the Borrower except such taxes, if any, as are being contested in good faith and as to which adequate reserves have been provided. No tax liens have been filed and no claims are being asserted with respect to any



such taxes. The charges, accruals and reserves on the books of the Borrower in respect of any taxes or other governmental charges are adequate.

5.6 Litigation and Guarantee Obligations. There is no litigation, arbitration, governmental investigation, proceeding or inquiry pending or, to the knowledge of any of their officers, threatened against or affecting the Borrower or any of its Subsidiaries which could have a Material Adverse Effect. The Borrower has no material contingent obligations not provided for or disclosed in the financial statements referred to in Section 6.4.

5.7 No Subsidiaries. Schedule 2 contains a complete list of each presently existing Subsidiary of the Borrower. The information set forth in Schedule 2 regarding each Subsidiary is true and correct.

5.8 ERISA. The Unfunded Liabilities of all Single Employer Plans do not in the aggregate exceed \$100,000. Neither the Borrower nor any other member of the Controlled Group has incurred, or is reasonably expected to incur, any withdrawal liability to Multiemployer Plans in excess of \$100,000 in the aggregate. Each Plan complies in all material respects with all applicable requirements of law and regulations, no Reportable Event has occurred with respect to any Plan, neither the Borrower nor any other members of the Controlled Group has withdrawn from any Plan or initiated steps to do so, and no steps have been taken to reorganize or terminate any Plan.

5.9 Accuracy of Information. No information, exhibit or report furnished by the Borrower to the Agent or to any Lender in connection with the negotiation of, or compliance

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with, the Loan Documents contained any material misstatement of fact or omitted to state a material fact or any fact necessary to make the statements contained therein not misleading.

5.10 Regulation U. Margin stock (as defined in Regulation U) constitutes less than 25% of those assets of the Borrower which are subject to any limitation on sale, pledge, or other restriction hereunder.

5.11 Material Agreements. The Borrower is not subject to any charter or other corporate restriction which could have a Material Adverse Effect. The Borrower is not in material default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in (i) any agreement to which it is a party, which default could have a Material Adverse Effect or (ii) any agreement or instrument evidencing or governing Indebtedness.

5.12 Compliance With Laws. The Borrower has complied in all material respects with all applicable statutes, rules, regulations, orders and restrictions of any domestic or foreign government or any instrumentality or agency thereof, having jurisdiction over the conduct of their respective businesses or the ownership of their respective Property. The Borrower has not received any notice to the effect that its operations are not in material compliance with any of the requirements of applicable federal, state and local environmental, health and safety statutes and regulations or the subject of any federal or state investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, which non-compliance or remedial action could have a Material Adverse Effect.

5.13 Ownership of Properties. Except as set forth on Schedule 3 hereto, on the date of this Agreement, the Borrower has good title, free of all Liens other than those permitted by Section 6.17, to all of the Property and assets reflected in the financial statements as owned by it.

5.14 Investment Company Act. The Borrower is not an "investment company" or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

5.15 Public Utility Holding Company Act. The Borrower is not a "holding company" or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended.

5.16 Solvency.

- (i) Immediately after the Closing Date and immediately following the making of each Loan and after giving effect to the application of the proceeds of such Loans, (a) the fair value of the assets of the Borrower and its Subsidiaries (if any) on a consolidated basis, at a fair valuation, will exceed the debts and liabilities, subordinated, contingent or otherwise, of the Borrower and its Subsidiaries, if any, on a consolidated basis; (b) the present fair saleable value of the property of the Borrower and its Subsidiaries on a consolidated basis will be greater than the

amount that will be required to pay the probable liability of the Borrower and its Subsidiaries, if any, on a consolidated basis on their debts and other liabilities,

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subordinated, contingent or otherwise, as such debts and other liabilities become absolute and matured; (c) the Borrower and its Subsidiaries, if any, on a consolidated basis will be able to pay their debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured; and (d) the Borrower and its Subsidiaries, if any, on a consolidated basis will not have unreasonably small capital with which to conduct the businesses in which they are engaged as such businesses are now conducted and are proposed to be conducted after the date hereof.

- (ii) The Borrower does not intend to incur debts beyond its ability to pay such debts as they mature, taking into account the timing of and amounts of cash to be received by it and the timing of the amounts of cash to be payable on or in respect of its Indebtedness or the Indebtedness.

5.17 Insurance. (i) The Borrower carries insurance on its Property with financially sound and reputable insurance companies, in such amounts, with such deductibles and covering such risks as are consistent with its obligations under Section 6.6.

5.18 REIT Status. The Borrower is in good standing on the New York Stock Exchange, is qualified as a real estate investment trust and currently is in compliance with all applicable provisions of the Code.

5.19 Environmental Matters. Each of the following representations and warranties is true and correct on and as of the Closing Date except to the extent that the facts and circumstances giving rise to any such failure to be so true and correct, in the aggregate, could not reasonably be expected to have a Material Adverse Effect:

- (i) To the knowledge of the Borrower, the Property of the Borrower and its Subsidiaries do not contain any Materials of Environmental Concern in amounts or concentrations which constitute a violation of, or could reasonably give rise to liability of the Borrower or any Subsidiary under, Environmental Laws.
- (ii) To the knowledge of the Borrower, (i) the Property of the Borrower and its Subsidiaries and all operations at the Property are in compliance with all applicable Environmental Laws, and (ii) with respect to all Property owned by the Borrower and/or its Subsidiaries (x) for at least two (2) years, have in the last two years, or (y) for less than two (2) years, have for such period of ownership, been in compliance in all material respects with all applicable Environmental Laws.
- (iii) Neither the Borrower nor any of its Subsidiaries has received any notice of violation, alleged violation, non-compliance, liability or potential liability regarding environmental matters or compliance with Environmental Laws with regard to any of the Property, nor does the Borrower have knowledge or reason to believe that any such notice will be received or is being threatened.
- (iv) To the knowledge of the Borrower, Materials of Environmental Concern have not been transported or disposed of from the Property of the Borrower and its Subsidiaries in violation of, or in a manner or to a location which could

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reasonably give rise to liability of the Borrower or any Subsidiary under, Environmental Laws, nor have any Materials of Environmental Concern been generated, treated, stored or disposed of at, on or under any of the Property of the Borrower and its Subsidiaries in violation of, or in a manner that could give rise to liability of the Borrower or any Subsidiary under, any applicable Environmental Laws.

- (v) No judicial proceedings or governmental or administrative action is pending, or, to the knowledge of the Borrower, threatened, under any Environmental Law to which the Borrower or any of its Subsidiaries is or, to the Borrower's knowledge, will be named as a party with respect to the Property of the Borrower and its Subsidiaries, nor are there any consent decrees or other decrees,

consent orders, administrative order or other orders, or other administrative of judicial requirements outstanding under any Environmental Law with respect to the Property of the Borrower and its Subsidiaries.

- (vi) To the knowledge of the Borrower, there has been no release or threat of release of Materials of Environmental Concern at or from the Property of the Borrower and its Subsidiaries, or arising from or related to the operations of the Borrower and its Subsidiaries in connection with the Property in violation of or in amounts or in a manner that could give rise to liability under Environmental Laws.

#### ARTICLE VI.

##### COVENANTS

During the term of this Agreement, unless the Required Lenders shall otherwise consent in writing:

6.1 Financial Reporting. The Borrower will maintain, for itself and each Subsidiary, a system of accounting established and administered in accordance with GAAP, and furnish to the Lenders:

- (i) Within 45 days after the close of each fiscal quarter, for the Borrower and its Subsidiaries, an unaudited balance sheet as of the close of each such period and profit and loss and reconciliation of surplus statements and a statement of cash flows for the period from the beginning of the fiscal year to the end of such quarter, all certified by the Borrower's chief financial officer or chief accounting officer;
- (ii) Together with the financial statements required hereunder, a compliance certificate in substantially the form of Exhibit D hereto signed by the Borrower's chief financial officer or chief accounting officer showing the calculations necessary to determine compliance with this Agreement and stating that no Default or Unmatured Default exists, or if any Default or Unmatured Default exists, stating the nature and status thereof;

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- (iii) Within 45 days after the close of each fiscal quarter, for themselves and their Subsidiaries, related reports in form and substance satisfactory to the Lenders, all certified by the entity's chief financial officer or chief accounting officer, including a statement of Funds From Operations, listing of capital expenditures, a report listing and describing all newly acquired Properties, including their net operating income, cost and mortgage debt, if any, and summary Property information and such other information as may be reasonably requested;
- (iv) Within 90 days after the close of each fiscal year, for the Borrower and its Subsidiaries, audited financial statements, including a balance sheet as of the close of each such period and profit and loss and reconciliation of surplus statements and a statement of cash flows for the period, all audited and certified by independent accountants (which accountants shall be reasonably satisfactory to Agent) as fairly presenting the financial position and results of operations and its cash flows as of the end of such fiscal year for such entities in accordance with GAAP;
- (v) As soon as possible and in any event within 10 days after the Borrower knows that any Reportable Event has occurred with respect to any Plan, a statement, signed by the chief financial officer of the Borrower, describing said Reportable Event and the action which the Borrower proposes to take with respect thereto;
- (vi) As soon as possible and in any event within 10 days after receipt by the Borrower, a copy of (a) any notice or claim to the effect that the Borrower or any of its Subsidiaries is or may be liable to any Person as a result of the release by the Borrower, any of its Subsidiaries, or any other Person of any toxic or hazardous waste or substance into the environment, and (b) any notice alleging any violation of any federal, state or local environmental, health or safety law or regulation by the Borrower or any of its Subsidiaries, which, in either case, could have a Material Adverse Effect;
- (vii) Promptly upon the furnishing thereof to the shareholders of the Borrower, copies of all financial statements, reports and proxy

statements so furnished;

- (viii) Promptly upon the filing thereof, copies of all registration statements and annual, quarterly, monthly or other reports and any other public information which the Borrower or any of its Subsidiaries files with the Securities Exchange Commission; and
- (ix) Such other information (including, without limitation, financial statements for the Borrower and non-financial information) as the Agent or any Lender may from time to time reasonably request.

6.2 Use of Proceeds. The Borrower will, and will cause each of its Subsidiaries to, use the proceeds of the Advances for the general business purposes of the Borrower, including working capital needs and interim financing for property acquisitions, and to repay outstanding Advances. The Borrower will not, nor will it permit any Subsidiary to, use any of the proceeds

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of the Advances to purchase or carry any "margin stock" (as defined in Regulation U) or to make any Acquisition other than a Permitted Acquisition.

6.3 Notice of Default. The Borrower will, and will cause each of its Subsidiaries to, give prompt notice in writing to the Lenders of the occurrence of any Default or Unmatured Default and of any other development, financial or otherwise, which could have a Material Adverse Effect.

6.4 Conduct of Business. The Borrower will, and will cause each of its Subsidiaries to, (i) do all things necessary to remain duly incorporated or duly qualified, validly existing and in good standing as a real estate investment trust, domestic corporation or limited partnership, as the case may be, in its jurisdiction of incorporation/formation and maintain all requisite authority to conduct its business in each jurisdiction in which its business is conducted and in which the failure to be qualified would have a Material Adverse Effect, (ii) to carry on and conduct their businesses in substantially the same manner as they are presently conducted, and (iii) not undertake any business other than the development, ownership, management and operation of apartment buildings, office buildings, shopping centers, business centers, and warehouses, and ancillary businesses specifically related to such properties.

6.5 Taxes. The Borrower will, and will cause each of its Subsidiaries to, pay when due all taxes, assessments and governmental charges and levies upon them of their income, profits or Property, except those which are being contested in good faith by appropriate proceedings and with respect to which adequate reserves have been set aside.

6.6 Insurance. The Borrower will, and will cause each of its Subsidiaries to, maintain with financially sound and reputable insurance companies insurance on all their Property in such amounts and covering such risks as is consistent with sound business practice, and the Borrower will furnish to any Lender upon request full information as to the insurance carried.

6.7 Compliance with Laws. The Borrower will, and will cause each of its Subsidiaries to, comply with all laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which they may be subject.

6.8 Maintenance of Properties. The Borrower will, and will cause each of its Subsidiaries to, do all things necessary to maintain, preserve, protect and keep its Property in good repair, working order and condition, and make all necessary and proper repairs, renewals and replacements so that their businesses carried on in connection therewith may be properly conducted at all times.

6.9 Inspection. The Borrower will, and will cause each of its Subsidiaries to, permit the Lenders, by their respective representatives and agents, to inspect any of the Property, corporate books and financial records of the Borrower and each of its Subsidiaries, to examine and make copies of the books of accounts and other financial records of the Borrower and each of its Subsidiaries, and to discuss the affairs, finances and accounts of the Borrower and each of its Subsidiaries, and to be advised as to the same by, their respective officers at such reasonable times and intervals as the Lenders may designate.

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6.10 Maintenance of Status. The Borrower shall at all times (i) remain a corporation listed and in good standing on the New York Stock Exchange, and (ii) maintain its status as a real estate investment trust in compliance with all applicable provisions of the Code.

6.11 Dividends. The Borrower and its Subsidiaries shall be permitted to declare and pay any dividends on its Capital Stock from time to time, provided that the aggregate amount of such dividends paid with respect to any period of

four (4) fiscal quarters shall not exceed 95% of the Borrower's Funds From Operations for the most recent period of four (4) consecutive fiscal quarters for which financial results have been reported, and; provided, further, that the Borrower shall be permitted at all times to distribute whatever amount is necessary to maintain its tax status as a real estate investment trust provided that if a Default exists under Section 7.2 Borrower agrees not to use the proceeds of any borrowings under any credit facility it may have to make such distribution.

6.12 Merger. The Borrower will not, nor will it permit any of its Subsidiaries to, enter into any merger, consolidation, reorganization or liquidation or transfer or otherwise dispose of all or a Substantial Portion of their Properties, except for such transactions that occur between Wholly-Owned Subsidiaries or as otherwise approved in advance by the Lenders, provided, however, that mergers shall be permitted as a means for the Borrower to acquire additional Properties or ancillary businesses specifically related to Properties so long as such merger is not accomplished through a hostile takeover and the Borrower is the surviving entity.

6.13 Delivery of Subsidiary Guaranties. Borrower shall cause each of its existing Subsidiaries to execute and deliver to the Agent the Subsidiary Guaranty. Borrower shall promptly notify Agent of any planned formation or acquisition of any Subsidiary. Within 10 days after Borrower forms or acquires any Subsidiary, Borrower shall cause such Subsidiary to execute and deliver to the Lenders a subsidiary guaranty agreement (together with such other documents as the Lenders shall reasonably request), or a joinder to the existing Subsidiary Guaranty, whereby such Subsidiary agrees that it shall be jointly and severally liable for all Obligations of the Borrower under the Loan Documents. The Subsidiary Guaranty agreement and such other documents each shall be in form and substance satisfactory to the Lenders.

6.14 Sale of Accounts. The Borrower will not, nor will it permit any of its Subsidiaries to, sell or otherwise dispose of any notes receivable or accounts receivable, with or without recourse.

6.15 Sale and Leaseback. The Borrower will not, nor will it permit any of its Subsidiaries to, sell or transfer any of its Property in order to concurrently or subsequently lease as lessee such or similar Property.

6.16 Acquisitions and Investments. Without the prior written consent of the Required Lenders, the Borrower will not, nor will it permit any of its Subsidiaries to:

- (i) make any Acquisition, except mergers permitted pursuant to Section 6.12;
- (ii) make any investments in, or loans or advances to, any unconsolidated Person to the extent such investments, loans and advances in the aggregate would exceed ten percent (10%) of their Total Tangible Assets on a consolidated basis.

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Acquisitions permitted pursuant to this Section 6.16 shall be deemed to be "Permitted Acquisitions".

6.17 Liens. The Borrower will not, nor will it permit any of its Subsidiaries to, create, incur, or suffer to exist any Lien in, of or on the Property of the Borrower or any of its Subsidiaries, except:

- (i) Liens for taxes, assessments or governmental charges or levies on its Property if the same shall not at the time be delinquent or thereafter can be paid without penalty, or are being contested in good faith and by appropriate proceedings and for which adequate reserves shall have been set aside on its books;
- (ii) Liens imposed by law, such as carriers', warehousemen's and mechanics' liens and other similar liens arising in the ordinary course of business which secure payment of obligations not more than 60 days past due or which are being contested in good faith by appropriate proceedings and for which adequate reserves shall have been set aside on its books;
- (iii) Liens arising out of pledges or deposits under worker's compensation laws, unemployment insurance, old age pensions, or other social security or retirement benefits, or similar legislation;
- (iv) Utility easements, building restrictions and such other encumbrances or charges against real property as are of a nature generally existing with respect to properties of a similar character and which do not in any material way affect the marketability of the same or interfere with the use thereof in the business of the Borrower or its Subsidiaries;

- (v) Liens existing on the date hereof and described in Schedule 3 hereto; and
- (vi) Liens arising in connection with any Indebtedness permitted hereunder.

Notwithstanding anything contained in this Agreement to the contrary, Borrower may from time to time encumber its Properties with Liens in addition to those set forth in clauses (i) through (vi) above, provided that the granting or existence of such other Liens shall not cause Borrower to be in breach of the provisions of Section 6.21 hereof.

Liens permitted pursuant to this Section 6.17 shall be deemed to be "Permitted Liens".

6.18 Affiliates. The Borrower will not, nor will it permit any of their Subsidiaries to, enter into any transaction (including, without limitation, the purchase or sale of any Property or service) with, or make any payment or transfer to, any Affiliate except in the ordinary course of business and pursuant to the reasonable requirements of the Borrower's or such Subsidiary's business and upon fair and reasonable terms no less favorable to the Borrower or such Subsidiary than the Borrower or such Subsidiary would obtain in a comparable arms-length transaction.

6.19 Cash Flow to Debt Service Ratio. The Borrower on a consolidated basis with its Subsidiaries shall maintain a Cash Flow to Debt Service Ratio of not less than 2.5. Such test

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must be satisfied as of the end of each fiscal quarter, based on annualized results for the preceding two fiscal quarters.

6.20 Consolidated Tangible Net Worth. The Borrower on a consolidated basis with its Subsidiaries shall maintain a Consolidated Tangible Net Worth of not less than \$250,000,000, plus 80% of any net cash proceeds from equity offerings completed subsequent to the Closing Date.

6.21 Indebtedness and Cash Flow Covenants. The Borrower on a consolidated basis with its Subsidiaries shall not, as of the last day of any fiscal quarter, permit:

- (i) Consolidated Total Indebtedness to exceed fifty percent (50%) of Total Capitalization Value;
- (ii) Consolidated Secured Indebtedness to exceed thirty percent (30%) of Total Capitalization Value;
- (iii) the Value of Unencumbered Assets to be less than 1.75 times the Consolidated Senior Unsecured Indebtedness;
- (iv) annualized EBITDA (determined by multiplying (x) the sum of EBITDA for the two most recently ended fiscal quarters, by (y) two) to be less than seventeen and one-half percent (17.5%) of Consolidated Total Indebtedness; and
- (v) annualized EBITDA (determined by multiplying (x) the sum of EBITDA for the two most recently ended fiscal quarters, by (y) two) to be less than 2.00 times the Fixed Charges.

6.22 Environmental Matters. Borrower and its Subsidiaries shall:

- (i) Comply with, and use all reasonable efforts to ensure compliance by all tenants and subtenants, if any, with, all applicable Environmental Laws and obtain and comply with and maintain, and use all reasonable efforts to ensure that all tenants and subtenants obtain and comply with and maintain, any and all licenses, approvals, notifications, registrations or permits required by applicable Environmental Laws, except to the extent that failure to do so could not be reasonably expected to have a Material Adverse Effect; provided that in no event shall the Borrower or its Subsidiaries be required to modify the terms of leases, or renewals thereof, with existing tenants (i) at Property owned by the Borrower or its Subsidiaries as of the date hereof, or (ii) at Property hereafter acquired by the Borrower or its Subsidiaries as of the date of such acquisition, to add provisions to such effect.
- (ii) Conduct and complete all investigations, studies, sampling and testing, and all remedial, removal and other actions required under Environmental Laws and promptly comply in all material respects with all lawful orders and directives of all Governmental Authorities regarding Environmental Laws, except to

the extent that (i) the same are being contested in good faith by appropriate proceedings and the pendency of such proceedings could not be reasonably expected to have a

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Material Adverse Effect, or (ii) the Borrower has determined in good faith that contesting the same is not in the best interests of the Borrower and its Subsidiaries and the failure to contest the same could not be reasonably expected to have a Material Adverse Effect.

- (iii) Defend, indemnify and hold harmless Agent and each Lender, and their respective officers and directors, from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs and expenses of whatever kind or nature known or unknown, contingent or otherwise, arising out of, or in any way relating to the violation of, noncompliance with or liability under any Environmental Laws applicable to the operations of the Borrower, its Subsidiaries or the Property, or any orders, requirements or demands of Governmental Authorities related thereto, including, without limitation, attorney's and consultant's fees, investigation and laboratory fees, response costs, court costs and litigation expenses, except to the extent that any of the foregoing arise out of the gross negligence or willful misconduct of the party seeking indemnification therefor. This indemnity shall continue in full force and effect regardless of the termination of this Agreement.
- (iv) Prior to the acquisition of a new Property after the Closing Date, perform or cause to be performed an environmental investigation which investigation shall at a minimum comply with the specifications and procedures attached hereto as Exhibit H. In connection with any such investigation, Borrower shall cause to be prepared a report of such investigation, to be made available to any Lenders upon reasonable request, for informational purposes and to assure compliance with the specifications and procedures.

#### ARTICLE VII.

##### DEFAULTS

The occurrence of any one or more of the following events shall constitute a Default:

7.1 Any representation or warranty made or deemed made by or on behalf of the Borrower or any of its Subsidiaries to the Lenders or the Agent under or in connection with this Agreement, any Loan, or any certificate or information delivered in connection with this Agreement or any other Loan Document shall be materially false on the date as of which made.

7.2 Nonpayment of principal of any Note when due, or nonpayment of interest upon any Note or of any commitment fee or other obligations under any of the Loan Documents within five Business Days after the same becomes due.

7.3 The breach of any of the terms or provisions of Sections 6.2, 6.11, 6.12, 6.14, 6.15, 6.16, 6.19, 6.20, and 6.21 hereof.

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7.4 The breach by the Borrower (other than a breach which constitutes a Default under Section 7.1, 7.2, or 7.3) of any of the terms or provisions of this Agreement which is not remedied within thirty days after written notice from the Agent or any Lender.

7.5 Failure of the Borrower or any of its Subsidiaries to pay when due any "recourse" Indebtedness (i.e., Indebtedness which is recoverable from the general assets of the Borrower and/or its Subsidiaries) which is outstanding in an individual or aggregate amount of at least \$10,000,000; or failure of the Borrower or any of its Subsidiaries to pay when due any Indebtedness which is not "recourse", which is outstanding in an individual or aggregate amount of at least \$50,000,000; or the default by the Borrower or any of its Subsidiaries in the performance of any term, provision or condition contained in any agreement under which such "recourse" or non-recourse Indebtedness was created or is governed, or any other event shall occur or condition exist, the effect of which is to cause such "recourse" or non-recourse Indebtedness to become due prior to its stated maturity; or any "recourse" or non-recourse Indebtedness of the Borrower or any of its Subsidiaries (other than "recourse" or non-recourse Indebtedness which is "due on demand") shall be declared to be due and payable or required to be prepaid (other than by a regularly scheduled payment) prior to the stated maturity thereof;

7.6 The Borrower or any of its Subsidiaries shall not pay, or admit in writing its inability to pay, its debts generally as they become due.

7.7 The Borrower or any of its Subsidiaries that has more than \$10,000,000 of Total Tangible Assets shall (i) have an order for relief entered with respect to it under the Federal bankruptcy laws as now or hereafter in effect, (ii) make an assignment for the benefit of creditors, (iii) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any Substantial Portion of its Property, (iv) institute any proceeding seeking an order for relief under the Federal bankruptcy laws as now or hereafter in effect or seeking to adjudicate it a bankrupt or insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (v) take any corporate action to authorize or effect any of the foregoing actions set forth in this Section 7.7 or (vi) fail to contest in good faith any appointment or proceeding described in Section 7.8.

7.8 A receiver, trustee, examiner, liquidator or similar official shall be appointed for the Borrower or any Subsidiary that has more than \$10,000,000 of Total Tangible Assets or any Substantial Portion of their Property, or a proceeding described in Section 7.7(iv) shall be instituted against the Borrower or any such Subsidiary and such appointment continues undischarged or such proceeding continues undismissed or unstayed for a period of 30 consecutive days.

7.9 Any court, government or governmental agency shall condemn, seize or otherwise appropriate, or take custody or control of (each a "Condemnation"), all or any portion of the Property of the Borrower and its Subsidiaries which, when taken together with all other Property of the Borrower and its Subsidiaries so condemned, seized, appropriated, or taken custody or control of, during the twelve-month period ending with the month in which any such Condemnation occurs, constitutes a Substantial Portion of their Property.

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7.10 The Borrower or any of its Subsidiaries shall fail within 30 days to pay, bond or otherwise discharge any judgment or order for the payment of money in excess of \$5,000,000, which is not stayed on appeal or otherwise being appropriately contested in good faith.

7.11 The Unfunded Liabilities of all Single Employer Plans shall exceed in the aggregate \$100,000 or any Reportable Event shall occur in connection with any Plan.

7.12 The Borrower or any other member of the Controlled Group shall have been notified by the sponsor of a Multiemployer Plan that it has incurred withdrawal liability to such Multiemployer Plan in an amount which, when aggregated with all other amounts required to be paid to Multiemployer Plans by the Borrower or any other member of the Controlled Group as withdrawal liability (determined as of the date of such notification), exceeds \$100,000 or requires payments exceeding \$1,000,000 per annum.

7.13 The Borrower or any other member of the Controlled Group shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA, if as a result of such reorganization or termination the aggregate annual contributions of the Borrower and the other members of the Controlled Group (taken as a whole) to all Multiemployer Plans which are then in reorganization or being terminated have been or will be increased over the amounts contributed to such Multiemployer Plans for the respective plan years of each such Multiemployer Plan immediately preceding the plan year in which the reorganization or termination occurs by an amount exceeding \$100,000.

7.14 Failure to remediate within the time period permitted by law or governmental order (or within a reasonable time give the nature of the problem if no specific time period has been given) material environmental problems related to Properties whose aggregate book values are in excess of \$20,000,000 or where the estimated cost of remediation for one of such Properties is in excess of \$250,000 or for all of such Properties in the aggregate is in excess of \$1,000,000, in each case after all administrative hearings and appeals have been concluded.

7.15 The occurrence of any default under any Loan Document or the breach of any of the terms or provisions of any Loan Document, which default or breach continues beyond any period of grace therein provided.

#### ARTICLE VIII.



8.1 Acceleration. If any Default described in Section 7.6, 7.7 or 7.8 occurs with respect to the Borrower, the obligations of the Lenders to make Loans hereunder shall automatically terminate and the Obligations shall immediately become due and payable without any election or action on the part of the Agent or any Lender. If any other Default occurs, the Required Lenders may terminate or suspend the obligations of the Lenders to make Loans hereunder, or declare the Obligations to be due and payable, or both, whereupon the Obligations shall become immediately due and payable, without presentment, demand, protest or notice of any kind, all of which the Borrower hereby expressly waives.

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If, within 10 days after acceleration of the maturity of the Obligations or termination of the obligations of the Lenders to make Loans hereunder as a result of any Default (other than any Default as described in Section 7.6, 7.7 or 7.8 with respect to the Borrower) and before any judgment or decree for the payment of the Obligations due shall have been obtained or entered, the Required Lenders (in their sole discretion) shall so direct, the Agent shall, by notice to the Borrower, rescind and annul such acceleration and/or termination.

8.2 Amendments. Subject to the provisions of this Article VIII, the Required Lenders (or the Agent with the consent in writing of the Required Lenders) and the Borrower may enter into agreements supplemental hereto for the purpose of adding or modifying any provisions to the Loan Documents or changing in any manner the rights of the Lenders or the Borrower hereunder or waiving any Default hereunder; provided, however, that no such supplemental agreement shall, without the consent of each Lender affected thereby:

- (i) Extend the maturity of any Loan or Note (except in accordance with Section 2.20) or forgive all or any portion of the principal amount thereof, or reduce the rate or extend the time of payment of interest or fees thereon.
- (ii) (Reduce the percentage specified in the definition of Required Lenders.
- (iii) Extend the Facility Termination Date (except in accordance with the terms of Section 2.20) or reduce the amount or extend the payment date for, the mandatory payments required under Section 2.2 (other than as provided for under Section 2.2), or increase the amount of the Commitment of any Lender hereunder (except in accordance with the terms of Section 2.1), or permit the Borrower to assign its rights under this Agreement.
- (iv) Amend this Section 8.2.

Notwithstanding any provision contained in this Section 8.2, the Aggregate Commitment may be increased prior to the Facility Termination Date (up to the Maximum Aggregate Commitment) solely by the consent of the Borrower and each Lender whose Commitment is being increased. No amendment of any provision of this Agreement relating to the Agent shall be effective without the written consent of the Agent.

8.3 Preservation of Rights. No delay or omission of the Lenders or the Agent to exercise any right under the Loan Documents shall impair such right or be construed to be a waiver of any Default or an acquiescence therein, and the making of a Loan notwithstanding the existence of a Default or the inability of the Borrower to satisfy the conditions precedent to such Loan shall not constitute any waiver or acquiescence. Any single or partial exercise of any such right shall not preclude other or further exercise thereof or the exercise of any other right, and no waiver, amendment or other variation of the terms, conditions or provisions of the Loan Documents whatsoever shall be valid unless in writing signed by the Lenders required pursuant to Section 8.2, and then only to the extent in such writing specifically set forth. All remedies contained in the Loan Documents or by law afforded shall be cumulative and all shall be available to the Agent and the Lenders until the Obligations have been paid in full.

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#### ARTICLE IX.

##### GENERAL PROVISIONS

9.1 Survival of Representations. All representations and warranties of the Borrower contained in this Agreement shall survive delivery of the Notes and the making of the Loans herein contemplated.

9.2 Governmental Regulation. Anything contained in this Agreement to the contrary notwithstanding, no Lender shall be obligated to extend credit to the Borrower in violation of any limitation or prohibition provided by any applicable statute or regulation.

9.3 Taxes. Any taxes (excluding (i) federal taxation of the net income of any Lender or applicable Lending Installation, (ii) state and local taxation in the jurisdiction where a Lender's home office is situated, (iii) state and local taxation in a jurisdiction other than described in (ii) above to the extent such Lender receives credit on its tax payments in its home jurisdiction for such taxes, and (iv) federal withholding tax imposed on payments due hereunder or under the Notes) or other similar assessments or charges made by any governmental or revenue authority in respect of the Loan Documents shall be paid by the Borrower when due (and Agent shall forward to Borrower copies of any notices of such taxes promptly following Agent's receipt of any such notices).

9.4 Headings. Section headings in the Loan Documents are for convenience of reference only, and shall not govern the interpretation of any of the provisions of the Loan Documents.

9.5 Entire Agreement. The Loan Documents embody the entire agreement and understanding among the Borrower, the Agent and the Lenders and supersede all prior commitments, agreements and understandings among the Borrower, the Agent and the Lenders relating to the subject matter thereof.

9.6 Several Obligations; Benefits of this Agreement. The respective obligations of the Lenders hereunder are several and not joint and no Lender shall be the partner or agent of any other (except to the extent to which the Agent is authorized to act as such). The failure of any Lender to perform any of its obligations hereunder shall not relieve any other Lender from any of its obligations hereunder. This Agreement shall not be construed so as to confer any right or benefit upon any Person other than the parties to this Agreement and their respective successors and assigns.

9.7 Expenses; Indemnification. The Borrower shall reimburse the Agent for any costs, internal charges and out-of-pocket expenses (including, without limitation, all reasonable fees for consultants and reasonable fees and reasonable expenses for attorneys for the Agent, which attorneys may be employees of the Agent) paid or incurred by the Agent in connection with the preparation, negotiation, execution, delivery, review, amendment, modification, and administration of the Loan Documents; provided that the provisions of Section 12.2.1 and 12.3.1 shall govern with respect to payment of the fees and expenses associated with the sale of participating interests in, and assignments of, the Loans. The Borrower also agrees to reimburse

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the Agent and the Lenders for any costs, internal charges and out-of-pocket expenses (including, without limitation, all reasonable fees and reasonable expenses for attorneys for the Agent and the Lenders, which attorneys may be employees of the Agent or the Lenders) paid or incurred by the Agent or any Lender in connection with the collection and enforcement of the Loan Documents (including, without limitation, any workout). The Borrower further agrees to indemnify the Agent and each Lender, its directors, officers and employees against all losses, claims, damages, penalties, judgments, liabilities and expenses (including, without limitation, all expenses of litigation or preparation therefor whether or not the Agent or any Lender is a party thereto) which any of them may pay or incur arising out of or relating to this Agreement, the other Loan Documents, the Properties, the transactions contemplated hereby or the direct or indirect application or proposed application of the proceeds of any Loan hereunder, except that the foregoing indemnity shall not apply to a Lender to the extent that any losses, claims, damages, penalties, judgments, liabilities and expenses are the result of such Lender's gross negligence or willful misconduct. The obligations of the Borrower under this Section shall survive the termination of this Agreement.

9.8 Numbers of Documents. All statements, notices, closing documents, and requests hereunder shall be furnished to the Agent with sufficient counterparts so that the Agent may furnish one to each of the Lenders.

9.9 Accounting. Except as provided to the contrary herein, all accounting terms used herein shall be interpreted and all accounting determinations hereunder shall be made in accordance with GAAP, except that any calculation or determination which is to be made on a consolidated basis shall be made for the Borrower and all its Subsidiaries, including those Subsidiaries, if any, which are unconsolidated on the Borrower's official financial statements.

9.10 Severability of Provisions. Any provision in any Loan Document that is held to be inoperative, unenforceable, or invalid in any jurisdiction shall, as to that jurisdiction, be inoperative, unenforceable, or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability, or validity of that provision in any other jurisdiction, and to this end the provisions of all Loan Documents are declared to be severable.

9.11 Nonliability of Lenders. The relationship between the Borrower, on the one hand, and the Lenders and the Agent, on the other, shall be solely that

of borrower and lender. Neither the Agent nor any Lender shall have any fiduciary responsibilities to the Borrower. Neither the Agent nor any Lender undertakes any responsibility to the Borrower to review or inform the Borrower of any matter in connection with any phase of the Borrower's business or operations.

9.12 CHOICE OF LAW. THE LOAN DOCUMENTS (OTHER THAN THOSE CONTAINING A CONTRARY EXPRESS CHOICE OF LAW PROVISION) SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (AND NOT THE LAW OF CONFLICTS) OF THE STATE OF ILLINOIS, BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL BANKS.

9.13 CONSENT TO JURISDICTION. THE BORROWER HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR ILLINOIS STATE COURT SITTING IN CHICAGO IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO ANY LOAN

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DOCUMENTS AND THE BORROWER HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE AGENT OR ANY LENDER TO BRING PROCEEDINGS AGAINST THE BORROWER IN THE COURTS OF ANY OTHER JURISDICTION. ANY JUDICIAL PROCEEDING BY THE BORROWER AGAINST THE AGENT OR ANY LENDER OR ANY AFFILIATE OF THE AGENT OR ANY LENDER INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN DOCUMENT SHALL BE BROUGHT ONLY IN A COURT IN CHICAGO, ILLINOIS.

9.14 WAIVER OF JURY TRIAL. THE BORROWER, THE AGENT AND EACH LENDER HEREBY WAIVE TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN DOCUMENT OR THE RELATIONSHIP ESTABLISHED THEREUNDER.

#### ARTICLE X.

##### THE AGENT

10.1 Appointment. Bank One, NA is hereby appointed Agent hereunder and under each other Loan Document, and each of the Lenders irrevocably authorizes the Agent to act as the agent of such Lender. The Agent agrees to act as such upon the express conditions contained in this Article X. The Agent shall not have a fiduciary relationship in respect of the Borrower or any Lender by reason of this Agreement.

10.2 Powers. The Agent shall have and may exercise such powers under the Loan Documents as are specifically delegated to the Agent by the terms of each thereof, together with such powers as are reasonably incidental thereto. The Agent shall have no implied duties to the Lenders, or any obligation to the Lenders to take any action thereunder except any action specifically provided by the Loan Documents to be taken by the Agent.

10.3 General Immunity. Neither the Agent nor any of its directors, officers, agents or employees shall be liable to the Borrower, the Lenders or any Lender for (i) any action taken or omitted to be taken by it or them hereunder or under any other Loan Document or in connection herewith or therewith except for its or their own gross negligence or willful misconduct; or (ii) any determination by the Agent that compliance with any law or any governmental or quasi-governmental rule, regulation, order, policy, guideline or directive (whether or not having the force of law) requires the Advances and Commitments hereunder to be classified as being part of a "highly leveraged transaction".

10.4 No Responsibility for Loans, Recitals, etc. Neither the Agent nor any of its directors, officers, agents or employees shall be responsible for or have any duty to ascertain,

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inquire into, or verify (i) any statement, warranty or representation made in connection with any Loan Document or any borrowing hereunder; (ii) the performance or observance of any of the covenants or agreements of any obligor under any Loan Document, including, without limitation, any agreement by an obligor to furnish information directly to each Lender; (iii) the satisfaction of any condition specified in Article IV, except receipt of items required to be delivered to the Agent; (iv) the validity, effectiveness or genuineness of any Loan Document or any other instrument or writing furnished in connection therewith; or (v) the value, sufficiency, creation, perfection or priority of any interest in any collateral security. The Agent shall have no duty to disclose to the Lenders information that is not required to be furnished by the Borrower to the Agent at such time, but is voluntarily furnished by the Borrower to the Agent (either in its capacity as Agent or in its individual capacity).

10.5 Action on Instructions of Lenders. The Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder and under any other Loan Document in accordance with written instructions signed by the Required Lenders, and such instructions and any action taken or failure to act pursuant thereto shall be binding on all of the Lenders and on all holders of Notes. The Agent shall be fully justified in failing or refusing to take any action hereunder and under any other Loan Document unless it shall first be indemnified to its satisfaction by the Lenders pro rata against any and all liability, cost and expense that it may incur by reason of taking or continuing to take any such action.

10.6 Employment of Agents and Counsel. The Agent may execute any of its duties as Agent hereunder and under any other Loan Document by or through employees, agents, and attorneys-in-fact and shall not be answerable to the Lenders, except as to money or securities received by it or its authorized agents, for the default or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. The Agent shall be entitled to advice of counsel concerning all matters pertaining to the agency hereby created and its duties hereunder and under any other Loan Document.

10.7 Reliance on Documents; Counsel. The Agent shall be entitled to rely upon any Note, notice, consent, certificate, affidavit, letter, telegram, statement, paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons, and, in respect to legal matters, upon the opinion of counsel selected by the Agent, which counsel may be employees of the Agent.

10.8 Agent's Reimbursement and Indemnification. The Lenders agree to reimburse and indemnify the Agent ratably in proportion to their respective Commitments (i) for any amounts not reimbursed by the Borrower for which the Agent is entitled to reimbursement by the Borrower under the Loan Documents, (ii) for any other expenses incurred by the Agent on behalf of the Lenders, in connection with the preparation, execution, delivery, administration and enforcement of the Loan Documents and (iii) for any liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against the Agent in any way relating to or arising out of the Loan Documents or any other document delivered in connection therewith or the transactions contemplated thereby, or the enforcement of any of the terms thereof or of any such other documents, provided that no Lender shall be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the Agent.

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The obligations of the Lenders under this Section 10.8 shall survive payment of the Obligations and termination of this Agreement.

10.9 Rights as a Lender. In the event the Agent is a Lender, the Agent shall have the same rights and powers hereunder and under any other Loan Document as any Lender and may exercise the same as though it were not the Agent, and the term "Lender" or "Lenders" shall, at any time when the Agent is a Lender, unless the context otherwise indicates, include the Agent in its individual capacity. The Agent may accept deposits from, lend money to, and generally engage in any kind of trust, debt, equity or other transaction, in addition to those contemplated by this Agreement or any other Loan Document, with the Borrower or any of its Subsidiaries in which the Borrower or such Subsidiary is not restricted hereby from engaging with any other Person. The Agent, in its individual capacity, is not obligated to remain a Lender.

10.10 Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon the Agent or any other Lender and based on the financial statements prepared by the Borrower and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and the other Loan Documents. Each Lender also acknowledges that it will, independently and without reliance upon the Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement and the other Loan Documents.

10.11 Successor Agent. The Agent may resign at any time by giving written notice thereof to the Lenders and the Borrower, such resignation to be effective upon the appointment of a successor Agent or, if no successor Agent has been appointed, forty-five days after the retiring Agent gives notice of its intention to resign. Upon any such resignation, the Required Lenders shall have the right to appoint, on behalf of the Borrower and the Lenders, a successor Agent. If no successor Agent shall have been so appointed by the Required Lenders within thirty days after the resigning Agent's giving notice of its intention to resign, then the resigning Agent may appoint, on behalf of the Borrower and the Lenders, a successor Agent. If the Agent has resigned and no successor Agent has been appointed, the Lenders may perform all the duties of the Agent hereunder and the Borrower shall make all payments in respect of the Obligations to the applicable Lender and for all other purposes shall deal

directly with the Lenders. No successor Agent shall be deemed to be appointed hereunder until such successor Agent has accepted the appointment. Any such successor Agent shall be a commercial bank having capital and retained earnings of at least \$50,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the resigning Agent. Upon the effectiveness of the resignation of the Agent, the resigning Agent shall be discharged from its duties and obligations hereunder and under the Loan Documents. After the effectiveness of the resignation of an Agent, the provisions of this Article XI shall continue in effect for the benefit of such Agent in respect of any actions taken or omitted to be taken by it while it was acting as the Agent hereunder and under the other Loan Documents.

10.12 Commitment as a Lender. Bank One, NA agrees to provide a Commitment of at least \$10,000,000 so long as Bank One, NA remains as Agent; provided, that the foregoing agreement of Bank One, NA shall not apply to assignments of all or any portion of Bank One, NA's Commitment which are made at any time following a Default by Borrower hereunder.

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#### ARTICLE XI.

##### SETOFF; RATABLE PAYMENTS

11.1 Setoff. In addition to, and without limitation of, any rights of the Lenders under applicable law, if a Default occurs, any and all deposits (including all account balances, whether provisional or final and whether or not collected or available) and any other Indebtedness at any time held or owing by any Lender to or for the credit or account of the Borrower may be offset and applied toward the payment of the Obligations owing to such Lender, whether or not the Obligations, or any part hereof, shall then be due.

11.2 Ratable Payments. If any Lender, whether by setoff or otherwise, has payment made to it upon its Loans (other than payments received pursuant to Sections 3.1, 3.2, 3.4 and 3.5) in a greater proportion than that received by any other Lender, such Lender agrees, promptly upon demand, to purchase a portion of the Loans held by the other Lenders so that after such purchase each Lender will hold its ratable proportion of Loans. If any Lender, whether in connection with setoff or amounts which might be subject to setoff or otherwise, receives collateral or other protection for its Obligations or such amounts which may be subject to setoff, such Lender agrees, promptly upon demand, to take such action necessary such that all Lenders share in the benefits of such collateral ratably in proportion to their Loans. In case any such payment is disturbed by legal process, or otherwise, appropriate further adjustments shall be made.

#### ARTICLE XII.

##### BENEFIT OF AGREEMENT; ASSIGNMENTS; PARTICIPATIONS

12.1 Successors and Assigns. The terms and provisions of the Loan Documents shall be binding upon and inure to the benefit of the Borrower and the Lenders and their respective successors and assigns, except that (i) the Borrower shall not have the right to assign its rights or obligations under the Loan Documents and (ii) any assignment by any Lender must be made in compliance with Section 12.3. The parties to this Agreement acknowledge that clause (ii) of this Section 12.1 relates only to absolute assignments and does not prohibit assignments creating security interests, including, without limitation, (x) any pledge or assignment by any Lender of all or any portion of its rights under this Agreement and any Note to a Federal Reserve Bank or (y) in the case of a Lender which is a fund, any pledge or assignment of all or any portion of its rights under this Agreement and any Note to its trustee in support of its obligations to its trustee; provided, however, that no such pledge or assignment creating a security interest shall release the transferor Lender from its obligations hereunder unless and until the parties thereto have complied with the provisions of Section 12.3. The Agent may treat the Person which made any Loan or which holds any Note as the owner thereof for all purposes hereof unless and until such Person complies with Section 12.3; provided, however, that the Agent may in its discretion (but shall not be required to) follow instructions from the Person which made any Loan or which holds any Note to direct payments relating to such Loan or Note to another Person. Any assignee of the rights to any Loan or any Note agrees by acceptance of such assignment to be bound by all the terms and provisions of the Loan Documents. Any request, authority or consent

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of any Person, who at the time of making such request or giving such authority or consent is the owner of the rights to any Loan (whether or not a Note has been issued in evidence thereof), shall be conclusive and binding on any subsequent holder or assignee of the rights to such Loan.

## 12.2 Participations.

12.2.1 Permitted Participants; Effect. Any Lender may, in the ordinary course of its business and in accordance with applicable law, at any time sell to one or more banks or other entities ("Participants") participating interests in any Loan owing to such Lender, any Note held by such Lender, any Commitment of such Lender or any other interest of such Lender under the Loan Documents. In the event of any such sale by a Lender of participating interests to a Participant, such Lender's obligations under the Loan Documents shall remain unchanged, such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, such Lender shall remain the owner of its Loans and the holder of any Note issued to it in evidence thereof for all purposes under the Loan Documents, all amounts payable by the Borrower under this Agreement shall be determined as if such Lender had not sold such participating interests, and the Borrower and the Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under the Loan Documents. Notwithstanding anything contained in this Agreement to the contrary, Borrower shall not be obligated to pay any fees and expenses incurred by any Lender in connection with the sale of any participating interests in any Loan pursuant to this Section.

12.2.2 Voting Rights. Each Lender shall retain the sole right to approve, without the consent of any Participant, any amendment, modification or waiver of any provision of the Loan Documents other than any amendment, modification or waiver with respect to any Loan or Commitment in which such Participant has an interest which would require consent of all of the Lenders pursuant to the terms of Section 8.2 or of any other Loan Document.

12.2.3 Benefit of Certain Provisions. The Borrower agrees that each Participant shall be deemed to have the right of setoff provided in Section 11.1 in respect of its participating interest in amounts owing under the Loan Documents to the same extent as if the amount of its participating interest were owing directly to it as a Lender under the Loan Documents, provided that each Lender shall retain the right of setoff provided in Section 11.1 with respect to the amount of participating interests sold to each Participant. The Lenders agree to share with each Participant, and each Participant, by exercising the right of setoff provided in Section 11.1, agrees to share with each Lender, any amount received pursuant to the exercise of its right of setoff, such amounts to be shared in accordance with Section 11.2 as if each Participant were a Lender. The Borrower further agrees that each Participant shall be entitled to the benefits of Sections 3.1, 3.2, 3.4 and 3.5 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to Section 12.3, provided that (i) a Participant shall not be entitled to receive any greater payment under Section 3.1, 3.2, 3.4 or 3.5 than the Lender who sold the participating interest to such Participant would have received had it retained such interest for its own account, unless the sale of such interest to such Participant is made with the prior written consent of the Borrower, and (ii) any Participant organized under the laws

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of any jurisdiction other than the United States of America or any state thereof agrees to comply with the provisions of Section 3.5 to the same extent as if it were a Lender.

## 12.3 Assignments.

12.3.1 Permitted Assignments. Any Lender may, in the ordinary course of its business and in accordance with applicable law, at any time assign to one or more banks or other entities ("Purchasers") all or any part of its rights and obligations under the Loan Documents. Such assignment shall be substantially in the form of Exhibit C or in such other form as may be agreed to by the parties thereto. The consent of the Borrower and the Agent shall be required prior to an assignment becoming effective with respect to a Purchaser which is not a Lender or an Affiliate thereof immediately prior to the assignment; provided, however, that if a Default has occurred and is continuing, or if the assignment is in connection with the physical settlement of credit derivative transactions, the consent of the Borrower shall not be required. The Borrower's consent shall not be unreasonably withheld or delayed. Each such assignment with respect to a Purchaser which is not a Lender in connection with any assignment of any portion of the initial \$25,000,000 Maximum Aggregate Commitment or an Affiliate thereof shall (unless each of the Borrower and the Agent otherwise consents) be in an amount not less than the lesser of (i) \$ 5,000,000 or (ii) the remaining amount of the assigning Lender's Commitment (calculated as at the date of such assignment) or outstanding Loans (if the applicable or Aggregate

Commitment above the initial \$25,000,000 Maximum Aggregate Commitment has been terminated). Notwithstanding anything contained in this Agreement, Borrower shall not be obligated to pay any fees and expenses incurred in connection with any assignment of any portion of the initial \$25,000,000 Maximum Aggregate Commitment.

12.3.2 Effect; Effective Date. Upon (i) delivery to the Agent of an assignment, together with any consents required by Section 12.3.1, and (ii) payment of a \$3,500 fee to the Agent for processing such assignment (unless such fee is waived by the Agent), such assignment shall become effective on the effective date specified in such assignment. The assignment shall contain a representation by the Purchaser to the effect that none of the consideration used to make the purchase of the Commitment and Loans under the applicable assignment agreement constitutes "plan assets" as defined under ERISA and that the rights and interests of the Purchaser in and under the Loan Documents will not be "plan assets" under ERISA. On and after the effective date of such assignment, such Purchaser shall for all purposes be a Lender party to this Agreement and any other Loan Document executed by or on behalf of the Lenders and shall have all the rights and obligations of a Lender under the Loan Documents, to the same extent as if it were an original party hereto, and no further consent or action by the Borrower, the Lenders or the Agent shall be required to release the transferor Lender with respect to the percentage of the Aggregate Commitment and Loans assigned to such Purchaser. Upon the consummation of any assignment to a Purchaser pursuant to this Section 12.3.2, the transferor Lender, the Agent and the Borrower shall, if the transferor Lender or the Purchaser desires that its Loans be evidenced by Notes, make appropriate arrangements so that new Notes or, as appropriate, replacement Notes are issued to such transferor Lender and new Notes or, as appropriate, replacement Notes, are issued to such

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Purchaser, in each case in principal amounts reflecting their respective Commitments, as adjusted pursuant to such assignment.

12.4 Dissemination of Information. The Borrower authorizes each Lender to disclose to any Participant or Purchaser or any other Person acquiring an interest in the Loan Documents by operation of law (each a "Transferee") and any prospective Transferee any and all information in such Lender's possession concerning the creditworthiness of the Borrower and its Subsidiaries.

12.5 Tax Treatment. If any interest in any Loan Document is transferred to any Transferee which is organized under the laws of any jurisdiction other than the United States or any State thereof, the transferor Lender shall cause such Transferee, concurrently with the effectiveness of such transfer, to comply with the provisions of Section 3.5(iv).

#### ARTICLE XIII.

##### NOTICES

13.1 Giving Notice. Except as otherwise permitted by Section 2.14 with respect to borrowing notices, all notices and other communications provided to any party hereto under this Agreement or any other Loan Document shall be in writing or by facsimile and addressed or delivered to such party at its address set forth below its signature hereto or at such other address as may be designated by such party in a notice to the other parties. Any notice transmitted by facsimile, shall be deemed given when received according to the recipient's automatically generated answerback. Any notice transmitted by Federal Express or other recognized overnight courier shall be presumed (rebuttably) given the business day after it is sent. Any other notice shall be effective only when actually received.

13.2 Change of Address. The Borrower, the Agent and any Lender may each change the address for service of notice upon it by a notice in writing to the other parties hereto.

#### ARTICLE XIV.

##### COUNTERPARTS

This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Agreement by signing any such counterpart. This Agreement shall be effective when it has been executed by the Borrower, the Agent and the Lenders and each party has notified the Agent by telex or telephone, that it has taken such action.

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#### ARTICLE XV.

NO OFFICER, ETC. LIABILITY

No trustee, officer or agent of the Borrower shall be held to any personal liability whatsoever, in tort, contract or otherwise, in connection with the transactions contemplated by this Agreement.

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IN WITNESS WHEREOF, the Borrower, the Lender and the Agent have executed this Agreement as of the date first above written.

WASHINGTON REAL ESTATE  
INVESTMENT TRUST

By: /s/ Edmund B. Cronin

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

Commitments  
\$25,000,000

BANK ONE, NA, Individually and as Agent

By: /s/ Kenneth Nelson

-----  
Print Name: Kenneth Nelson  
Title:  
One Bank One Plaza  
Chicago, Illinois 60670  
Attention: Corporate Real Estate Division  
Phone: (312) 732-6403  
Fax: (312) 732-5939

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EXHIBIT A-1

PRICING GRID

S&P Rating	Moody's Rating	LIBOR Applicable Margin	ABR Applicable Margin
A or higher	A2 or higher	0.60%	0%
A-	A3	0.70%	0%
BBB+	Baa1	0.70%	0%
BBB	Baa2	1.00%	0%
BBB-	Baa3	1.25%	0.25%
Less than BBB-	Less than Baa3	2.25%	0.50%

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EXHIBIT A-2

UNUSED FEES



S&P Rating	Moody's Rating	*20% Usage	**=20% Usage and *40% Usage	**=40% Usage
A or higher	A2 or higher	.30%	.275%	.225%
A-	A3	.35%	.30%	.25%
BBB+	Baa1	.35%	.30%	.25%
BBB	Baa2	.35%	.30%	.25%
BBB-	Baa3	.40%	.35%	.30%
Less than BBB-	Less than Baa3	.40%	.35%	.30%

\* Equals to less than  
\*\* Equals to more than

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SunTrust Bank, Greater Washington  
Real Estate Finance Group  
8245 Boone Boulevard, Suite 820  
Vienna, VA 22182

SunTrust

Item 6. Exhibit (4) (m)

July 25, 2002

Washington Real Estate Investment Trust  
6110 Executive Boulevard  
Suite 800  
Rockville, Maryland 20852

SunTrust Bank-\$50,000,000  
Revolving Credit Facility for Washington Real Estate Investment Trust

Ladies and Gentlemen:

Reference is made to the Amended and Restated Credit Agreement, dated as of August 26, 1999, but effective for all purposes as of July 25, 1999, between Washington Real Estate Investment Trust (the Borrower), SunTrust Bank, successor to Crestar Bank, as Agent, and SunTrust Bank (SunTrust), successor to Crestar Bank, and Wachovia Bank, National Association (Wachovia), successor to First Union National Bank (the Credit Agreement). Terms defined in the Credit Agreement shall have the same defined meanings when such terms are used herein.

Wachovia has assigned all of its rights and obligations under the Credit Agreement to SunTrust, and SunTrust is now the sole Bank. SunTrust and the Borrower have agreed to modify the terms of the Credit Agreement. Accordingly, for valuable consideration, the receipt and sufficiency of which are acknowledged, the Agent, the Bank, the Borrower and WRIT LP agree that:

1. The Termination Date is extended to July 25, 2005.
2. The Commitment Schedule attached as Schedule 2.1 to the Credit Agreement is replaced by the Commitment Schedule attached as Schedule 2.1 to this Agreement.
3. The Borrower shall no longer have the option to borrow Term Loans, and all references to a Term Loan or the Term Loans in the Credit Agreement are deleted.
4. Section 2.4 of the Credit Agreement is amended to read in its entirety as follows:

"SECTION 2.4. Prepayments.

(a) The Borrower shall have the right to prepay any Loans at any time subject to the prepayment penalty described below; provided, however, that each partial prepayment shall be in an aggregate principal amount of not less than \$1,000,000 or an integral multiple thereof. No prepayment penalty will be imposed for Prime Rate Loans, for a LIBOR Loan with an initial Interest Period of three months or less or for a

LIBOR Loan that is prepaid on the last day of the Interest Period applicable thereto. The Borrower shall give the Agent at least three Business Days' prior written notice of prepayment (prompt written notice of which shall be given to the Banks by the Agent) and in such notice specify the prepayment date and the principal amount of each Loan to be prepaid. Such notice of prepayment shall be irrevocable and shall commit the Borrower to prepay in the amount stated therein. All prepayments under this Section shall be accompanied by accrued interest on the principal amount being prepaid to the date of prepayment. Amounts prepaid shall be available to be reborrowed from the Banks hereunder in accordance with the terms of this Agreement.

(b) The prepayment penalty for a LIBOR Loan with an initial Interest Period of more than three months that is prepaid on a day other than the last day of the Interest Period applicable thereto will be equal to the present value of the difference between the amount of interest that would accrue on the

prepaid amount for the remaining term of the applicable Interest Period at LIBOR that was in effect on the first day of such Interest Period, and any lesser amount that would accrue on the prepaid amount at LIBOR for an Interest Period with the with a maturity most closely equal to, but not longer than, the remaining term of the applicable Interest Period. To determine such present value, the foregoing difference shall be discounted to its present value at a discount rate equal to the applicable LIBOR for such remaining Interest Period."

5. Section 5.2(a)(4) of the Credit Agreement is amended to read as follows:

"...(4) Liens on real estate assets securing Indebtedness incurred in the ordinary course of the Borrower's business, provided that at the time of the granting of such Lien and the occurrence of such Indebtedness and after giving effect thereto, no Default or Event of Default shall or would occur, and the Borrower shall demonstrate to the reasonable satisfaction of the Agent that the Borrower will be in compliance on a pro forma basis with all of the terms and provisions of the financial covenants set forth in Section 5.2(b)..."

6. The reference in Section 5.2(b)(2) of the Credit Agreement to "\$250,000,000" is amended to be "\$450,000,000."

7. The reference in Section 5.2(b)(4) of the Credit Agreement to "fifteen percent (15%)" is amended to be thirty percent (30%)."

8. The reference in Section 6.1(e) to "\$100,000" is amended to be "1,000,000."

9. Each reference in the Credit Agreement to "Crestar Bank" shall be amended to be a reference to SunTrust Bank.

10. Notices in connection with the Credit shall be sent, in the case of the Borrower, to the attention of Sara L. Grootwassink, and in the case of the Agent, to the attention of Gregory T. Horstman.

11. Not later than July 25, 2002, the Borrower shall pay to the Agent for the account of SunTrust Bank an extension fee of \$187,500.

12. All of the obligations of the parties to the Credit Agreement, as amended hereby, and the other Loan Documents, are hereby ratified and confirmed. All references in the Loan Documents to the "Credit Agreement" shall henceforth be deemed to refer to the Credit Agreement as amended by this letter agreement.

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

14. All other terms and conditions of the Loan Documents remain unchanged and in full force and effect.

[Signatures on following page]

Sincerely yours,

SunTrust Bank, as Agent

By: /s/ Gregory T. Horstman

-----  
Gregory T. Horstman  
Senior Vice President

Seen and Agreed:

BORROWER:

WASHINGTON REAL ESTATE INVESTMENT TRUST,  
a Maryland real estate investment trust

By: /s/ Sara Grootwassink

Name: Sara Groostwassink

Title: Chief Financial Officer

WRIT LIMITED PARTNERSHIP, a Delaware limited partnership

By: Washington Real Estate Investment Trust, as general partner

By: /s/ Sara Grootwassink  
-----

Name: Sara Groostwassink

Title: Chief Financial Officer

BANK:

SUNTRUST BANK

By: /s/ Gregory T. Horstman  
-----

Gregory T. Horstman  
Senior Vice President

WASHINGTON REAL ESTATE INVESTMENT TRUST

SHARE PURCHASE PLAN

1. Purpose

The Washington Real Estate Investment Trust Share Purchase Plan (the "Plan") is intended to provide a means by which persons who serve as Trustees of, but who are not employees of, Washington Real Estate Investment Trust (the "Trust") (individually, the "Trustee" and collectively, the "Trustees"), may increase their proprietary interest in the success and progress of the Trust as the owners of the Trust's common shares (the "Common Shares").

2. Administration and Consent to Plan Terms

The Plan shall be administered by the Management Committee of the Trust (the "Management Committee") which shall be composed of the Trust's President, its Chief Financial Officer, and its Chief Accounting Officer. Each Trustee who elects to participate in the Plan shall designate an Agent to perform the functions and have the responsibilities assigned to the Agent with respect to the purchase of Common Shares. The Management Committee shall have the right to change the Agent appointed by a particular Trustee, but only with the prior written consent of the affected Trustee.

Notwithstanding any other provision to the contrary contained herein, each Agent shall have all authority to determine the time of open market purchases, the prices at which such open market purchases are made, the manner of such open market purchases and the selection of brokers or dealers (which may include the Agent) to make such purchases on behalf of the Trustee who designated such Agent pursuant to this Paragraph 2.

All costs and expenses incurred in purchasing Common Shares pursuant to the Plan shall be paid by the Trust, including each Agent's reasonable brokerage fee for the acquisition of such Common Shares.

The consent of the Trust to the terms and conditions of the Plan shall be evidenced by the signature of one of its authorized officers to this Plan. The consent of each participating Trustee and his or her designated Agent to the terms and conditions of the Plan shall be evidenced by their signatures or the signatures of their authorized representatives to a Share Purchase Agreement (the "Agreement"), the Form of which is attached hereto as Exhibit A.

3. Eligibility

The only individuals eligible to participate in the Plan shall be the Trustees of the Trust, provided, however, that a Trustee may not participate if that Trustee would, immediately after a purchase of shares under the Plan, own shares, and/or options to purchase shares, possessing five percent or more of the total combined voting power or value of all classes of shares of the Trust or of any subsidiary (applying the rules of Section 424(d) of the Internal Revenue Code in determining share ownership).

4. Shares

The shares subject to purchase under the Plan shall be outstanding Common Shares purchased in the open market, provided, however, that if the Trust provides notice to the Agents at least three business days prior to the Purchase Date, the shares shall be purchased from the Trust at a purchase price equal to the average of the closing price of the shares, as reported by the American Stock Exchange, or if the shares are no longer traded on the American Stock Exchange, by such other exchange or market on which the shares are then traded, for the five trading days immediately prior to the Purchase Date.

5. Participation

Each participating Trustee shall continue to participate until his or her voluntary withdrawal from the Plan, resignation as a Trustee, non-reelection as a Trustee, death or disability.

6. Contributions

From and after the date of participation, a portion of each participating Trustee's compensation, even to the extent of his or her full compensation, which would otherwise be paid in cash to such Trustee for serving as a member of the Board of Trustees of the Trust (the "Board of Trustees") and for attending regular and special meetings of the Board of Trustees and any applicable committee meetings of the Board of Trustees (the "fees") shall be retained by the Trust and allocated to an account on behalf of each such Trustee to be used to purchase a specified number of Common Shares (the "Designated Number of Shares") per month for such Trustee, as designated by such Trustee in his or her Agreement and as described below.

7. Purchase of Common Shares

On the last trading day of each month (the "Purchase Date"), the Trust shall transfer from each participating Trustee's account to his or her designated Agent an amount equal to the estimated purchase price of the Designated Number of Shares to be purchased in the open market with respect to such month. In addition, the Trust shall transfer such additional amount to each Agent as may be necessary to pay such Agent's commission with respect to the acquisition of such Designated Number of Shares. The amount needed to pay each such Agent's commission shall be paid directly by the Trust and shall not be withdrawn from the Trustees' accounts. To the extent that the existing balance in a Trustee's account is not sufficient to acquire the Designated Number of

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Shares on his or her behalf, the full balance of the account shall be transferred to his or her Agent to purchase such number of whole shares as is possible given the then existing balance in such Trustee's account. His or her Agent shall cause the proceeds received from the Trust to be applied to the open market purchase of Common Shares on such Trustee's behalf.

At any time prior to a Purchase Date, the Board of Trustees may terminate the Plan without any obligation whatsoever to the Trustees, other than to refund to them, without interest, any sum accumulated for them.

8. Distributions from the Plan

(a) As soon as practicable after the end of each month, any residual cash balance in a Trustee's account after the monthly transfer to his or her Agent, described in Paragraph 7 above, shall be distributed to such Trustee.

(b) At such time as a covered individual shall cease to be a Trustee for any reason other than death, any cash credited to his or her account under this Plan shall be distributed to such individual as soon as practicable after such termination of participation.

(c) In the event of a Trustee's death, any cash credited to his or her account as of the end of the month in which such death occurred shall be applied to the purchase of Common Shares under the terms of the Plan. After such shares are purchased, all such shares and any remaining cash credited to such account shall be distributed as soon as practicable thereafter (i) to the beneficiary designated by such Trustee, or (ii) if no such designation shall have been made or if a designated beneficiary does not survive such Trustee, to his or her estate. Any designation of beneficiary (which may be any person, trust or other entity) may be made, revoked or amended solely by the Trustee at any time, which designation shall be effective upon receipt by the Management Committee.

9. Amendment of the Plan

The Board of Trustees may from time to time alter, amend, suspend or discontinue the Plan except that no alteration or amendment shall be made more than once in every twelve-month period with respect to the dates on which Common Shares shall be purchased for each participating Trustee's account.

10. Miscellaneous

(a) Nothing in the Plan shall be deemed to create any obligation on the part of the Board of Trustees to nominate any of the Trustees covered by this Plan for reelection by the Trust's shareholders.

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(b) The Plan and all determinations made and actions taken pursuant to the Plan shall be interpreted, constructed, and enforced in accordance with the laws of the State of Maryland, including any questions of choice of law.

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11. Effective Date

The effective date of the Plan shall be October 28, 1997.

IN WITNESS WHEREOF, the Trust, by its duly authorized officer, has executed the Plan as of October 28, 1997.

ATTEST: WASHINGTON REAL ESTATE  
INVESTMENT TRUST

/s/ Laura M. Franklin

By: /s/ Larry M. Finger



Exhibit A

Washington Real Estate Investment Trust  
Share Purchase Agreement

This Agreement made this \_\_\_\_ day of \_\_\_\_\_, 199\_, by and between Washington Real Estate Investment Trust (the "Trust"), \_\_\_\_\_ (the "Trustee"), and \_\_\_\_\_ (the "Agent").

1. The Trustee hereby designates \_\_\_\_\_ as his/her Agent, pursuant to the terms and provisions of the Washington Real Estate Investment Trust Share Purchase Plan (the "Plan"), to perform the functions and have the responsibilities assigned to the Agent under the Plan with respect to the purchase of Common Shares on the Trustee's behalf. Said Agent shall have all authority to determine the time of open market purchases, the prices at which such open market purchases shall be made, the manner of such open market purchases, and the selection of brokers or dealers (which may include the Agent) to make such purchases on behalf of the Trustee.
2. The Trustee hereby elects, pursuant to the terms and provisions of the Plan, to use a portion of his/her compensation, even to the extent of his/her full compensation, which would otherwise be paid in cash to him/her for serving as a member of the Board of Trustees of the Trust (the "Board of Trustees") and for attending regular and special meetings of the Board of Trustees and any applicable committee meetings of the Board of Trustees to purchase, through his/her designated Agent, shares of the Trust's common shares (the "Common Shares").
3. The number of Common Shares which will be purchased each month shall be equal to the lesser of (i) \_\_\_\_\_ shares or (ii) such number of whole shares as may then be purchased through the existing balance in the Trustee's account under the Plan.
4. The purchase price for the Common Shares shall be remitted by the Trust to the Agent from the Trustee's account under the Plan each month pursuant to instructions from the Agent. All other costs and expenses incurred in purchasing Common Shares pursuant to the Plan shall be paid by the Trust, including Agent's reasonable brokerage fee for the acquisition of such Common Shares on the Trustee's behalf.
5. Trustee and Agent acknowledge by execution of this Agreement that they have received a copy of the Plan and agree to be bound by the terms and provisions of the Plan.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

ATTEST: WASHINGTON REAL ESTATE  
INVESTMENT TRUST

\_\_\_\_\_  
By: \_\_\_\_\_

ATTEST: AGENT:

\_\_\_\_\_  
By: \_\_\_\_\_

WITNESS: TRUSTEE

\_\_\_\_\_  
By: \_\_\_\_\_



WASHINGTON REAL ESTATE INVESTMENT TRUST  
 SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

(July 1, 2002)

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SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

ARTICLE I.  
 PURPOSE

1.1 Establishment. Washington Real Estate Investment Trust (the "Company") has established this Supplemental Executive Retirement Plan effective as of July 1, 2002 for the benefit of Edmund B. Cronin, Jr. Chairman of the Board, President and Chief Executive Officer ("CEO").

1.2 Purpose. The Company intends by the adoption of this Plan to recognize the value to the Company of past and present services provided by the CEO and to encourage his continued service with the Company by making more adequate provision for his future retirement security.

1.3 Compliance. This Plan is intended to be an unfunded plan for purposes of the Code and Title I of ERISA. It is the Company's intent that this Plan be exempt from ERISA's provisions to the maximum extent permitted by law. This Plan is intended to be an unfunded "top-hat" plan maintained primarily for a select group of management or highly-compensated employees under Sections 201(2), 301(a)(3), and 401(a)(1) of ERISA, and therefore is not subject to participation and vesting, funding and fiduciary requirements under ERISA.

ARTICLE II.  
DEFINITIONS

When used herein, the following terms shall have the following meanings:

2.1 "Accrued Benefit" means the annual amount of the retirement benefit which the CEO has earned as of any particular time under the Plan. The Accrued Benefit shall mean the product of (i) Two Hundred Thousand Dollars (\$200,000) multiplied by (ii) a fraction, the numerator of which is the number of whole months which have elapsed from the date of the CEO's sixty fifth (65th) birthday and the denominator of which is the number of whole months between the CEO's sixty fifth (65th) birthday and the CEO's seventieth (70th) birthday. For these purposes, the number of months to be included in the denominator shall not include any months subsequent to the date of the CEO's termination of employment with the Company for any reason.

2.2 "Administrator" means the Senior Vice President of Administration of Washington Real Estate Investment Trust.

2.3 "Board" means the Board of Trustees of Washington Real Estate Investment Trust.

2.4 "Code" means the Internal Revenue Code of 1986, as now in effect or as hereafter amended. All citations to sections of the Code are to such sections as they may from time to time be amended or renumbered.

2.5 "Committee" means the Compensation Committee of the Board of Trustees of Washington Real Estate Investment Trust.

2.6 "Company" means Washington Real Estate Investment Trust.

2.7 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

2.8 "Plan" means this Supplemental Executive Retirement Plan of Washington Real Estate Investment Trust.

2.9 "Vested Interest" shall mean the CEO's right to receive a benefit from the Plan. The CEO shall vest in accordance with the following schedule for each year of continuous employment with the Company measured by reference to his birthday and commencing with the CEO's sixty-fifth (65th) birthday:

Years of Continuous Employment -----	Percentage Vested -----
1	0%
2	0%
3	50%
4	75%
5	100%

The CEO shall be 100% vested upon his seventieth (70th) birthday, if having remained employed through said date. In addition, the CEO shall become 100% vested in the event of his termination of employment prior to his seventieth (70th) birthday due to the incurrance of a total and permanent disability (as defined in the Company's long-term disability plan). In addition, the Board of Trustees may, in its sole and absolute discretion, elect to accelerate the rate of vesting in whole or in part at any time.

ARTICLE III.  
ELIGIBILITY AND PARTICIPATION

3.1 Eligibility. The CEO shall be the only employee of the Company eligible to participate in this Plan.

3.2 Retirement Benefits. Upon his termination of employment from the Company for any reason other than death or a discharge due to gross negligence or gross misconduct, the CEO will be entitled to receive an annual benefit, payable in equal monthly amounts and commencing on the first day of the month following the CEO's termination of employment, equal to his Accrued Benefit times his Vested Interest. As such, in the event the CEO continues in the employment of the Company until his seventieth (70th) birthday, the annual benefit to be paid to the CEO shall be \$200,000. Such benefit shall continue to be paid to the CEO through the CEO's lifetime and shall terminate on the last day of the month following the CEO's death.

3.3 Death Benefits.

- (a) In the event the CEO dies while employed by the Company, no death benefit will be paid under this Plan to the CEO's beneficiary.

- (b) In the event the CEO dies subsequent to a termination of employment from the Company for any reason other than a discharge due to gross negligence or gross misconduct, and if the CEO had not previously received at least one hundred and eighty (180) monthly payments under the Plan, then the beneficiary of the CEO shall continue to receive from the Plan the same monthly payment as had been made to the CEO until the combination of the number of monthly payments made to the CEO prior to his death and the number of monthly payments made to the CEO's beneficiary equals one hundred and eighty (180).

ARTICLE IV.  
ADMINISTRATION

4.1 Administration. The Plan shall be administered by the Committee. The Committee shall have all powers necessary to carry out the provisions of the Plan, including, without reservation, discretionary authority to interpret the provisions of the Plan, and the power to delegate to other persons the duty to perform administrative matters and the discretionary authority to interpret the provisions of the Plan.

4.2 No Liability of Committee Members. No member of the Committee shall be personally liable by reason of any contract or other instrument executed by such member or on his or her behalf in his or her capacity as a member of the Committee nor for any mistake of judgment made in good faith, and the Company shall indemnify and hold harmless each employee, officer or director of the Company to whom any duty or power relating to the administration or interpretation of the Plan may be allocated or delegated, against any cost or expense (including counsel fees) or liability (including any sum paid in settlement of a claim) arising out of any act or omission to act in connection with the Plan unless arising out of such person's own fraud or bad faith; provided, however, that approval of the Board shall be required for the payment of any amount in settlement of a claim against the Committee or any member of the Committee.

4.3 Claims Procedures. Claims for benefits under the Plan shall be submitted in writing to and decided by the person designated by the Committee. A claimant or his duly authorized representative may review pertinent documents and may submit issues and comments in writing prior to the time when a decision is rendered on the claim. Under normal circumstances a final decision on a claimant's request for benefits shall be made within ninety (90) days after receipt of the claim. However, if special circumstances require an extension of time to process a claim, a final decision may be deferred up to one hundred eighty (180) days after receipt of the claim if prior to the end of the initial ninety (90) day period the claimant is furnished written notice of the special circumstances requiring the extension and the anticipated date of a final decision. If the claim is denied, within the applicable period of time set out above, the claimant shall receive written notification of the denial, which notice shall set forth in a manner reasonably calculated to be understood by such claimant (i) the specific reason or reasons for the denial, (ii) specific reference to the pertinent provision of the Plan on which the

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denial is based, (iii) a description of any additional material or information necessary for the claimant to perfect such claim and an explanation of why such material or information is necessary, and (iv) an explanation of the Plan's review procedure. If such a notice is not furnished and such claim has not been allowed within the ninety (90) day period after receipt of the claim, such claim shall be deemed to have been denied.

In the event a claim is denied or in the event no action is taken on the claim within the above-described period(s) of time, the following procedure shall be used:

- (a) First, in the event that the claimant does not timely receive the above-described written notification, the claimant's request for benefits shall be deemed to be denied as of the last day of the relevant period and the claimant shall be entitled to a full review of his or her claim in accordance with the following provisions of this Section.
- (b) Second, a claimant is entitled to a full review of his or her claim after actual or constructive notification of a denial. A claimant or the authorized representative of a claimant desiring a claim review must make a written request to the Committee requesting such a review, which request shall contain all information which the claimant wishes the Committee to consider. Incident to the review, the claimant or the claimant's authorized representative will have the right to inspect all documents pertaining to the claim and to submit issues and comments in writing. The Committee may conduct any independent investigation which it deems

necessary to render its decision.

A request for a review must be filed with the Committee within sixty (60) days after the denial of the claim for benefits was actually or constructively received by the claimant. If no request is received within the sixty (60) day time limit, the denial of benefits will be final. However, if a request for review of a denied claim is timely filed, the Committee must render its decision under normal circumstances within sixty (60) days of the receipt of the request for review. However, if special circumstances require an extension of time, the decision may be delayed if prior to expiration of the initial sixty (60) day period the claimant is notified of the extension, but must in any event be rendered no later than one hundred twenty (120) days after the receipt of the request. If the decision on review is not furnished the claimant within the applicable time period(s) set out above, the claim shall be deemed denied on the last day of the relevant period. All decisions of the Committee shall be in writing setting forth in a manner reasonably calculated to be understood by the claimant the specific reasons for whatever action has been taken, and the provisions of the Plan on which the decision is based. A claimant shall be precluded from bringing suit for benefits unless a review of the claimant's benefit claim has been properly requested and an adverse decision on review received. For all purposes of the Plan, said decisions on claims (where no review is requested) and decisions or review (where review is requested) shall be final, binding and conclusive on all interested persons as to participation and benefit eligibility, the computation of the employee's amount of benefit and as to any other matter of fact or interpretation relating to the Plan.

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ARTICLE V.  
MISCELLANEOUS

5.1 General Creditor Status. To the extent that the CEO acquires a right to receive payments from the Company under the Plan, such right shall be no greater than the right of an unsecured general creditor of the Company and the CEO shall have only the unsecured promise of the Company that such payment shall be made. All payments to be made hereunder shall be paid from the general funds of the Company and no special or separate fund other than a trust designed to qualify as a "Rabbi Trust" shall be established and no segregation of assets shall be made to assure payment of such amounts. The CEO and his surviving spouse or other beneficiary shall have no right, title or interest in or to any investments which the Company may make to aid it in meeting its obligations under the Plan. All such assets shall be the property solely of the Company and shall be subject to the claims of the Company's unsecured general creditors.

5.2 Change in Control or other Discontinuance. The CEO shall become fully vested under the Plan upon a change in control of the Company resulting in the termination of the CEO as CEO of the controlling parent company. The obligations of the Company under the Plan shall be binding upon any successor corporation or organization resulting from the merger, consolidation or other reorganization or from any reincorporation or change of name of the company, or upon any successor corporation or organization succeeding to substantially all of the assets and business of the Company. The Company agrees that it will make appropriate provision for the preservation of the CEO's rights under the Plan in any agreement or plan which it may enter into or adopt to effect such merger, consolidation, reorganization, reincorporation, change of name or transfer of assets.

5.3 Non-Alienation of Benefits. To the extent permitted by law, the CEO and his surviving spouse or other beneficiary shall not have the right to alienate, anticipate, commute, sell, assign, transfer, pledge, encumber or otherwise convey the right to receive any payments under the Plan, and any payments under the Plan or rights thereto shall not be subject to the debts, liabilities, contracts, engagements or torts of the CEO or his surviving spouse or other beneficiary nor to attachment, garnishment or execution, nor shall they be transferable by operation of law in the event of bankruptcy or insolvency. Any attempt, whether voluntary or involuntary, to effect any such action shall be null, void and of no effect.

5.4 Payments to Persons other than the CEO. If the Committee shall find that the CEO or the death beneficiary of the CEO, if applicable, is unable to care for such person's affairs because of illness or accident, or has died, then any payment due to the CEO or to his estate or to such death beneficiary, if applicable (unless a prior claim therefor has been made by a duly appointed legal representative), may, if the Committee so directs the Company (or trustee in the event a trust fund is established in connection with the Plan), be paid to such person's spouse, child, a relative, an institution maintaining or having custody of such person, or any other person deemed by the Committee to be a proper recipient on behalf of such person otherwise entitled to payment. Any such payment shall be a complete discharge of the liability of the Plan, any trust fund established in accordance with Section 5.6 hereof and the Company therefor.

5.5 Amendment or Termination. The Board may, with prospective or retroactive effect, amend, suspend, or terminate the Plan or any portion thereof

at any time, and delegates to

the Committee the authority to adopt amendments which may be necessary or appropriate to facilitate the administration, management and interpretation of the Plan or to conform the Plan thereto, provided any such amendment does not significantly affect the cost to the Company of maintaining the Plan. However, no amendment, suspension or termination of the Plan shall without the consent of the CEO impair or adversely affect any benefits accrued and vested under the Plan as of the date of such action (determined as if the CEO then employed had terminated his employment as of the date of such amendment, suspension or termination).

5.6 Effect of Trust Fund. The Company shall be responsible for the payment of all benefits to the CEO as provided under the Plan. The Company may, in its discretion, establish a trust to be used for the purpose of providing for the payment of such benefits. Although such a trust may be irrevocable, its assets shall be held for payment of the Company's general creditors in the event of the Company's bankruptcy or insolvency. To the extent any benefits provided under the Plan are paid from a trust, the Company shall have no further obligation to pay that portion of the benefit due. If not paid from the trust, the benefits shall remain the obligation of the Company.

5.7 Unfunded Plan: Governing Law. As provided in Section 1.3, the Plan is intended to constitute an unfunded deferred compensation arrangement for the CEO and all rights thereunder shall be governed by and be construed in accordance with the laws of the State of Maryland.

5.8 Taxes. The amount of any taxes required to be withheld from the CEO's distribution by an federal, state, or local government shall be deducted from the distribution. The CEO shall bear any and all federal, state, or local or other taxes imposed on amounts accrued under or distributed from the Plan. The Company does not represent or guarantee that any particular federal or state, income, payroll, personal property or other tax consequences will result from participation in the Plan.

5.9 Other Plans. Benefits payable under the Plan shall not be deemed salary or other compensation to the CEO for the purpose of computing benefits to which he may be entitled under any other plan or arrangement of the Company.

5.10 Not an Employment Contract. This Plan shall not be deemed to constitute a contract of employment between the Company and the CEO, nor shall any provision herein restrict the right of the Company to discharge the CEO, or restrict the right of the CEO to terminate his employment.

5.11 Forfeiture. In the event that the CEO shall be terminated for gross negligence or gross misconduct, this Plan shall terminate immediately and no benefits or payments of any kind will be made hereunder.

5.12 Captions. The captions preceding the Sections of the Plan have been inserted solely as a matter of convenience and in no way define or limit the scope or intent of any provision of the Plan.

5.13 Severability. If any section of this Plan is held to be unenforceable, it shall be severed and shall not effect the validity and enforceability of the remaining sections hereof.

5.14 Effective Date. The Plan shall be effective as of July 1, 2002.

IN WITNESS WHEREOF, the Company and the CEO have hereunder executed their understanding and agreement to the terms and conditions of this Plan. .

By /s/ John P. McDaniel  
-----  
John P. McDaniel  
Chairman of the Compensation  
Committee of the Board of Trustees  
of Washington Real Estate Investment  
Trust

/s/ Edmund B. Cronin  
-----  
Edmund B. Cronin, Jr.  
Chairman of the Board, President  
And Chief Executive Officer  
Washington Real Estate Investment Trust

ATTEST:

DATE:





<TABLE>  
<CAPTION>

	Three months ended September 30, 2002 -----	Year ended December 31, 2001 -----
<S>	<C>	<C>
Income from continuing operations	11,643	47,356
Add back:		
Fixed charges	7,104	27,071
Deduct:		
Capitalized interest	(36)	0
Earnings available for fixed charges and preferred dividends	18,711	74,427
Fixed charges		
Interest expense	7,104	27,071
Capitalized interest	(36)	0
Total fixed charges	7,068	27,071
Preferred dividends	0	0
Total fixed charges	7,068	27,071
Ratio of earnings to fixed charges and preferred dividends	2.64	2.75

</TABLE>

WRITTEN STATEMENT  
OF  
CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

The undersigned hereby certify that the Quarterly Report on Form 10-Q for the quarter ended September 30, 2002 filed by Washington Real Estate Investment Trust with the Securities and Exchange Commission fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the issuer.

Dated: November 14, 2002

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

Dated: November 14, 2002

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

Dated: November 14, 2002

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