SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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 JUNE 30, 2003 COMMISSION FILE NO. 1-6622

WASHINGTON REAL ESTATE INVESTMENT TRUST

(Exact name of registrant as specified in its charter)

MARYLAND	**53-0261100**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification Number)**
6110 EXECUTIVE BOULEVARD, ROCKVILLE, MARYLAND	**20852**
(Address of principal executive office)	**(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)

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 39,285,890

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 ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). YES ☒ NO ☐

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WASHINGTON REAL ESTATE INVESTMENT TRUST

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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, 2002 included in the Trust’s 2002 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) June 30, 2003	December 31, 2002
Assets		
Land	$ 172,378	$ 169,045
Building	703,251	684,657
Total real estate, at cost	875,629	853,702
Accumulated depreciation	(161,264)	(146,912)
Total investment in real estate, net	714,365	706,790
Cash and cash equivalents	20,669	13,076
Rents and other receivables, net of allowance for doubtful accounts of $2,689 and $2,188, respectively	15,967	14,072
Prepaid expenses and other assets	18,857	22,059
	$ 769,858	$ 755,997
Liabilities		
Accounts payable and other liabilities	16,400	14,661
Advance rents	5,071	4,409
Tenant security deposits	6,282	6,495
Mortgage notes payable	93,201	86,951
Line of credit payable	—	50,750
Notes payable	325,000	265,000
	445,954	428,266
Minority interest	1,581	1,554
Shareholders' Equity		
Shares of beneficial interest; $.01 par value; 100,000 shares authorized: 39,286 and 39,168 shares issued and outstanding at June 30, 2003 and December 31, 2002, respectively	393	392
Additional paid-in capital	330,808	328,797
Retained earnings (deficit)	(8,498)	(2,554)
Deferred compensation on restricted shares	(380)	(458)
Total Shareholders' Equity	322,323	326,177
Total Liabilities and Shareholders' Equity	$ 769,858	$ 755,997

See accompanying notes to financial statements

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WASHINGTON REAL ESTATE INVESTMENT TRUST

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Revenue				
Real estate rental revenue	$ 39,481	$ 37,556	$ 78,442	$ 75,578
Other income	132	228	240	375
	39,613	37,784	78,682	75,953
Expenses				
Real estate expenses	11,235	10,803	22,838	21,325
Interest expense	7,581	6,888	14,628	13,771
Depreciation and amortization	8,245	7,053	16,318	14,002
General and administrative	1,264	1,227	2,396	2,470
	28,325	25,971	56,180	51,568
Income from continuing operations	11,288	11,813	22,502	24,385
Discontinued operations:				
Loss from operations of property disposed	—	—	—	(82)
Gain on property disposed	—	—	—	3,838
Net income	$ 11,288	$ 11,813	$ 22,502	$ 28,141
Per share information based on the weighted average of shares outstanding				
Shares—basic	39,241	39,056	39,207	38,978
Shares—diluted	39,452	39,349	39,387	39,237
Income from continuing operations—basic and diluted	$ 0.29	$ 0.30	$ 0.57	$ 0.62
Net income per share—basic and diluted	$ 0.29	$ 0.30	$ 0.57	$ 0.72
Dividends paid	$ 0.3725	$ 0.3525	$ 0.7250	$ 0.6850

See accompanying notes to financial statements

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WASHINGTON REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR SIX MONTHS ENDED JUNE 30, 2003
(In thousands)

	Shares	Par Value	Deferred Compensation	Additional Paid in Capital	Retained Earnings (deficit)	Shareholders' Equity
Balance, December 31, 2002	39,168	$ 392	$ (458)	$ 328,797	$ (2,554)	$ 326,177
Net income	—	—	—	—	22,502	22,502
Dividends	—	—	—	—	(28,446)	(28,446)
Share Options Exercised	118	1	—	2,011	—	2,012
Amortization of Officer Share Grants	—	—	78	—	—	78
Balance, June 30, 2003 (Unaudited)	39,286	$ 393	$ (380)	$ 330,808	$ (8,498)	$ 322,323

See accompanying notes to financial statements

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WASHINGTON REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	(Unaudited) Six Months Ended June 30, 2003	2002
Cash Flow From Operating Activities		
Net income	$ 22,502	$ 28,141
Adjustments to reconcile net income to net cash provided by operating activities		
Gain on sale of real estate	—	(3,838)
Depreciation and amortization	16,318	14,014
Provision for losses on accounts receivable	972	405
Changes in other assets	(939)	(1,250)
Changes in other liabilities	2,184	890
Share grants	108	64
Net cash provided by operating activities	41,145	38,426
Cash Flow From Investing Activities		
Real estate acquisitions, net*	(5,164)	(43,562)
Capital improvements to real estate	(9,938)	(12,071)
Non-real estate capital improvements	(61)	(60)
Net cash received for sale of real estate	—	5,813
Net cash used in investing activities	(15,163)	(49,880)
Cash Flow From Financing Activities		
Line of credit (repayments)/borrowings, net	(50,750)	32,000
Dividends paid	(28,446)	(26,746)
Principal payments—mortgage notes payable	(575)	(567)
Net proceeds from debt offering	59,369	—
Net proceeds from the exercise of share options	2,013	4,455
Net cash (used in) provided by financing activities	(18,389)	9,142
Net increase (decrease) in cash and cash equivalents	7,593	(2,312)
Cash and cash equivalents, beginning of period	13,076	26,441
Cash and cash equivalents, end of period	$ 20,669	$ 24,129
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 13,342	$ 13,264

Non-cash Transactions:

* On January 24, 2003, WRIT purchased Fullerton Industrial Center for an acquisition cost of $10.6 million. WRIT assumed a mortgage in the amount of $6.6 million, fair valued at $6.8 million, and paid the balance in cash. The $6.6 million of assumed mortgage is not included in the $5.2 million amount shown as 2003 acquisitions or in amount shown as proceeds from debt offering.

See accompanying notes to financial statements

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WASHINGTON REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2003
(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 metropolitan region. WRIT owns a diversified portfolio of office buildings, industrial/flex centers, multifamily 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 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 2002 ordinary taxable income to its shareholders. Gain on sale of the property disposed during 2002 was reinvested in replacement properties, therefore no capital gains were distributed to shareholders during this period. 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, 2002.

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 on a straight-line basis in accordance with SFAS No. 13, "Accounting for Leases". WRIT records a provision for losses on accounts receivable 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 WRIT has been informed of cumulative sales data exceeding the amount necessary. 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.

WASHINGTON REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2003
(UNAUDITED)

Minority Interest

WRIT entered into an operating agreement 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. The operating agreement was amended and restated in 2002 resulting in a reduced minority ownership percentage interest. WRIT accounts for this activity by allocating the minority owner's percentage ownership interest of the net income of the property to minority interest included in general and administrative expenses of the Trust, thereby reducing net income. Quarterly distributions are made to the minority owner equal to the quarterly dividend per share for each ownership unit.

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 straight-line method which approximates 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.

Deferred Leasing Costs

Costs associated with the successful negotiation of leases are capitalized and amortized on a straight-line basis over the terms of the respective leases.

Real Estate and Depreciation

Buildings are depreciated on a straight-line basis over estimated useful lives ranging from 28 to 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 of the improvements or the term of the related tenant lease. Maintenance and repair costs are charged to expense as incurred.

In accordance with SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," 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 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 three or six months ended June 30, 2003 and June 30, 2002. In accordance with SFAS No. 66, "Accounting for Sales of 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.

WASHINGTON REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2003
(UNAUDITED)

Stock Based Compensation

WRIT maintains Incentive Stock Option Plans and Share Grant Plans, which include qualified and non-qualified options and deferred shares for eligible employees.

Stock options are issued annually to officers, trustees and key employees under the Stock Option Plans. The options vest over a 2-year period in annual installments commencing one year after the date of grant. Stock options are accounted for in accordance with APB 25, whereby if options are priced at fair market value or above at the date of grant and if other requirements are met, then the plans are considered fixed and no compensation expense is recognized.

	For the three months ended June 30,		For the six months ended June 30,	
Pro-forma Information	**2003**	**2002**	**2003**	**2002**
(In thousands, except per share data)				
Net income[1], as reported	$ 11,288	$ 11,813	$ 22,502	$ 28,141
Stock-based employee compensation expense determined under fair value based method	(189)	(219)	(378)	(439)
Pro-forma net income	$ 11,099	$ 11,594	$ 22,124	$ 27,702
Earnings per share:				
Basic—as reported	$ 0.29	$ 0.30	$ 0.57	$ 0.72
Basic—pro-forma	$ 0.28	$ 0.30	$ 0.56	$ 0.71
Diluted—as reported	$ 0.29	$ 0.30	$ 0.57	$ 0.72
Diluted—pro-forma	$ 0.28	$ 0.29	$ 0.56	$ 0.71

[1] Includes amortization of compensation expense of $54 and $27 for the quarters ended June 30, 2003 and June 30, 2002, respectively, for officer and trustee share grants.

Shares are granted to officers and trustees under the Share Grant Plans. Officer share grants vest over 5 years in annual installments commencing one year after the date of grant. Trustee share grants are fully vested on date of grant. Trustee shares are granted at year-end and accrued ratably throughout the year. WRIT recognizes compensation expense for trustee share grants when issued and for officer share grants over the vesting period equal to the fair market value of the shares on the date of issuance. The unvested portion of officer share grants is treated as deferred compensation in the accompanying Statement of Shareholders' Equity.

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.

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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.

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:

	June 30, 2003 (in thousands)
Office buildings	$ 467,506
Industrial/Flex Centers	149,431
Multifamily Properties	114,286
Retail centers	144,406
	$ 875,629

WRIT's results of operations are dependent on the overall economic health of its markets, tenants and the specific segments in which WRIT owns properties. These segments include commercial office, multifamily, retail and industrial. All sectors are affected by external economic factors, such as inflation, consumer confidence, unemployment rates, etc., as well as by changing tenant and consumer requirements.

WRIT acquired the following properties during 2003:

Acquisition Date	Property Name	Property Type	Rentable Square Feet	Contract Purchase Price (in thousands)
January 2003	Fullerton Industrial Center	Industrial	137,405	$ 10,600
May 2003	718 Jefferson Street[(1)]	Retail	5,000	$ 1,100

(1) 718 Jefferson Street, in Alexandria, Virginia, was acquired to complete WRIT's ownership of the entire block of 800 S. Washington Street. The block is now in the preliminary stages of development.

WRIT accounted for the acquisition using the purchase method of accounting. WRIT allocates the purchase price to the land and building based on consideration of the assessed value of the property at the time of acquisition, valuations of comparable properties, absorption costs, foregone recovery costs and market replacement costs. In addition, beginning in 2002, WRIT allocates a portion of the purchase price to lease intangibles, when applicable, for in place operating leases acquired, based on SFAS No. 141, "Business Combinations." The results of

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operations of the acquired properties are included in the consolidated statements of income as of the acquisition date.

NOTE 4: MORTGAGE NOTES PAYABLE

	June 30, 2003	December 31, 2002
	(in thousands)	
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.	$ 19,512	$ 19,779
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.	8,019	8,125
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 of McLean. The mortgage bears interest at 7.14 percent per annum and interest only is payable monthly until October 1, 2009, at which time all unpaid principal and interest are payable in full.	50,000	50,000
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.	8,914	9,047
On January 24, 2003, WRIT assumed a $6.6 million mortgage note payable, with an estimated fair value of $6.8 million, as partial consideration for WRIT's acquisition of Fullerton Industrial Center. The mortgage bears interest at 6.77 percent per annum. Principal and interest are payable monthly until September 1, 2006, 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 $6.8 million resulting in an adjustment to the basis of the property.	6,756	—
	$ 93,201	$ 86,951

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Scheduled principal payments for the remaining six months in 2003 and the remaining years subsequent to December 31, 2003 are as follows:

	(in thousands)
2003	$ 610
2004	1,288
2005	26,824
2006	6,633
2007	7,846
Thereafter	50,000
Total	$ 93,201

NOTE 5: UNSECURED LINES OF CREDIT PAYABLE

WRIT has two unsecured lines of credit: a $25.0 million line of credit (“Credit Facility No. 1”) and a $50.0 million line of credit (“Credit Facility No. 2”).

Credit Facility No. 1

WRIT had $0 outstanding as of June 30, 2003 related to Credit Facility No. 1. At June 30, 2003, $25.0 million of this commitment was unused and available for subsequent acquisitions or capital improvements.

Credit Facility No. 1 requires WRIT to pay the lender unused line of credit fees ranging from 0.225 percent to 0.40 percent per annum 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, at WRIT’s option, 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. Interest only payments are due and payable generally on a monthly basis.

Credit Facility No. 2

WRIT had $0 outstanding as of June 30, 2003 related to Credit Facility No. 2. At June 30, 2003 $50.0 million of this commitment was unused and available for subsequent acquisitions or capital improvements.

Credit Facility No. 2 requires WRIT to pay the lender unused line of credit fees at the rate of 0.2 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. The fee is paid quarterly in arrears. Advances under this agreement bear interest at 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. Interest only payments are due and payable generally on a monthly basis.

WASHINGTON REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2003
(UNAUDITED)

Credit Facility No. 1 and No. 2 contain certain financial and non-financial covenants, all of which WRIT has met as of June 30, 2003. In addition, Credit Facility No. 1 requires approval to be obtained from the lender for purchases by the Trust over an agreed upon amount.

The covenants under one of the line of credit agreements require WRIT to insure its properties against loss or damage in the amount of the replacement cost of the improvements at the properties. The covenants for the notes, discussed in Note 6, require WRIT to keep all of its insurable properties insured against loss or damage at least equal to their then full insurable value. WRIT's insurance policies include terrorism coverage; however, 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 7-year unsecured 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 the Trust's lines of credit and to finance acquisitions and capital improvements. These notes do not require any principal payment and are due in full at maturity. WRIT intends to pay off the $50.0 million unsecured note due August 13, 2003 with an advance on its lines of credit.

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 the Trust's lines of credit and to finance acquisitions and capital improvements to its properties. WRIT's costs of the borrowings and related closed hedge settlements of approximately $7.2 million are amortized over the lives of the notes using the effective interest method. These notes do not require any principal payment and are due in full at maturity.

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 WRIT's lines of credit.

On March 17, 2003, WRIT sold $60.0 million of 5.125 percent unsecured notes due March 2013. The notes bear an effective interest rate of 5.125 percent. Total proceeds to the Trust, net of underwriting fees, were $59.4 million. WRIT used a portion of the proceeds of these notes to repay advances on WRIT's lines of credit. The remaining proceeds will be used to finance acquisitions and/or capital improvements.

These notes contain certain financial and non-financial covenants, all of which WRIT has met as of June 30, 2003.

WASHINGTON REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2003
(UNAUDITED)

Scheduled maturity dates of securities for the remaining six months in 2003 and the remaining years subsequent to December 31, 2003 are as follows:

	(in thousands)
2003	$ 50,000
2004	55,000
2005	—
2006	50,000
2007	—
Thereafter	170,000
	$ 325,000

NOTE 7: BENEFIT PLANS

During 1996, WRIT adopted an Incentive Compensation Plan for its senior personnel, which provides share options under the Incentive Stock Option Plan and share grants under the Share Grant Plan based on financial performance of the Trust. Under the Incentive Stock Option Plan, options, which are issued at market price on the date of grant, vest 50% after year one and 50% after year two and expire ten years following the date of grant. Officer share grants vest over 5 years in annual installments commencing one year after the date of grant. The unvested portion is recognized as deferred compensation in the accompanying Statement of Shareholders' Equity. Trustee share grants are fully vested upon issuance and compensation expense for these grants is fully recognized upon issuance based upon the fair market value of the shares on the date of grant.

In 1997, WRIT implemented a Retirement Savings Plan (the "Savings Plan"). It was established so that participants in the Savings Plan may elect to contribute a portion of their earnings to the Savings Plan.

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, termination prior to retirement or retirement at age 65. The Trust has an 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 Trust has adopted a non-qualified deferred compensation plan for the officers and members of the Board of Trustees. The plan allows for a deferral of a percentage of annual cash compensation and trustee fees. The deferred compensation liability was $0.8 million at June 30, 2003.

WRIT established a Supplemental Executive Retirement Plan ("SERP") effective July 1, 2002 for the benefit of the CEO. WRIT recognized $0.1 million as the current service cost for the quarter ended June 30, 2003.

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WASHINGTON REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2003
(UNAUDITED)

NOTE 8: EARNINGS PER SHARE

The following table sets forth the computation of net income and diluted average shares:

	(in thousands) For the three months ended June 30,		For the six months ended June 30,	
	2003	2002	2003	2002
Numerator for basic and diluted per share calculations:				
Net income	$ 11,288	$ 11,813	$ 22,502	$ 24,385
Denominator for basic and diluted per share calculations:				
Denominator for basic per share amounts—weighted average shares	39,241	39,056	39,207	38,978
Effect of dilutive securities:				
Employee stock option and awards	211	293	180	259
Denominator for diluted per share amounts	39,452	39,349	39,387	39,237

NOTE 9: SEGMENT INFORMATION

WRIT has four reportable segments: Office Buildings, Industrial/Flex Centers, Multifamily Properties and Retail Centers. For the three months ended June 30, 2003 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. Multifamily Properties represented 18 percent of real estate rental revenue and provide housing for families throughout the Washington Metropolitan area. Retail Centers represented the remaining 16 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.

WASHINGTON REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2003
(UNAUDITED)

Segment Information:

(in thousands)

Three Months Ended June 30, 2003

	Office Buildings	Industrial/Flex Centers	Multifamily	Retail Centers	Corporate And Other	Consolidated
Revenue						
Real estate rental revenue	$ 20,529	$ 5,402	$ 7,069	$ 6,481	$ —	$ 39,481
Other income	—	—	—	—	132	132
	20,529	5,402	7,069	6,481	132	39,613
Expenses						
Real estate expenses	5,863	1,194	2,738	1,440	—	11,235
Interest expense	381	258	1,071	—	5,871	7,581
Depreciation and amortization	4,520	1,321	1,091	888	425	8,245
General and administration	—	—	—	—	1,264	1,264
	10,764	2,773	4,900	2,328	7,560	28,325
Net Income	$ 9,765	$ 2,629	$ 2,169	$ 4,153	$ (7,428)	$ 11,288
Capital expenditures (excluding real estate acquisitions)	$ 3,359	$ 301	$ 1,536	$ 540	$ 35	$ 5,771
Total assets	$ 397,984	$ 130,536	$ 81,384	$ 127,184	$ 32,770	$ 769,858

(in thousands)

Three Months Ended June 30, 2002

	Office Buildings	Industrial/Flex Centers	Multifamily	Retail Centers	Corporate And Other	Consolidated
Revenue						
Real estate rental revenue	$ 19,870	$ 5,336	$ 7,188	$ 5,162	$ —	$ 37,556
Other income	—	—	—	—	228	228
	19,870	5,336	7,188	5,162	228	37,784
Expenses						
Real estate expenses	5,925	1,268	2,527	1,083	—	10,803
Interest expense	391	161	1,076	155	5,105	6,888
Depreciation and amortization	3,865	1,196	1,044	646	302	7,053
General and administration	—	—	—	—	1,227	1,227
	10,181	2,625	4,647	1,884	6,634	25,971
Net Income	$ 9,689	$ 2,711	$ 2,541	$ 3,278	$ (6,406)	$ 11,813
Capital expenditures (excluding real estate acquisitions)	$ 4,760	$ 110	$ 901	$ 926	$ 8	$ 6,705
Total assets	$ 382,595	$ 123,576	$ 80,314	$ 124,441	$ 35,246	$ 746,172

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WASHINGTON REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2003
(UNAUDITED)

(in thousands)

Six Months Ended June 30, 2003

	Office Buildings	Industrial/Flex Centers	Multifamily	Retail Centers	Corporate And Other	Consolidated
Revenue						
Real estate rental revenue	$ 40,268	$ 10,815	$ 14,172	$ 13,187	$ —	$ 78,442
Other income	—	—	—	—	240	240
	40,268	10,815	14,172	13,187	240	78,682
Expenses						
Real estate expenses	11,965	2,513	5,419	2,941	—	22,838
Interest expense	704	495	2,144	—	11,285	14,628
Depreciation and amortization	8,917	2,652	2,151	1,758	840	16,318
General and administration	—	—	—	—	2,396	2,396
	21,586	5,660	9,714	4,699	14,521	56,180
Net Income	$ 18,682	$ 5,155	$ 4,458	$ 8,488	$ (14,281)	$ 22,502
Capital expenditures (excluding real estate acquisitions)	$ 5,514	$ 326	$ 3,205	$ 893	$ 61	$ 9,999

(in thousands)

Six Months Ended June 30, 2002

	Office Buildings	Industrial/Flex Centers	Multifamily	Retail Centers	Corporate And Other	Consolidated
Revenue						
Real estate rental revenue	$ 39,794	$ 10,806	$ 14,224	$ 10,754	$ —	$ 75,578
Other income	—	—	—	—	375	375
	39,794	10,806	14,224	10,754	375	75,953
Expenses						
Real estate expenses	11,792	2,421	4,983	2,129	—	21,325
Interest expense	785	323	2,153	304	10,206	13,771
Depreciation and amortization	7,692	2,392	2,053	1,265	600	14,002
General and administration	—	—	—	—	2,470	2,470
	20,269	5,136	9,189	3,698	13,276	51,568
Income from continuing operations	19,525	5,670	5,035	7,056	(12,901)	24,385
Discontinued Operations:						
Income (loss) from operations of disposed property	—	(82)	—	—	—	(82)
Gain on property disposed	—	3,838	—	—	—	3,838
Net Income	$ 19,525	$ 9,426	$ 5,035	$ 7,056	$ (12,901)	$ 28,141
Capital expenditures (excluding real estate acquisitions)	$ 9,015	$ 310	$ 1,441	$ 1,305	$ 60	$ 12,131

NOTE 10: SUBSEQUENT EVENT

On August 7, 2003, WRIT executed a $60.0 million unsecured term note. Borrowings under this facility bear interest at LIBOR plus a spread based on WRIT's credit rating on its publicly issued debt. The facility has an initial maturity of 60 days with an extension option. The proceeds of this borrowing were utilized as partial payment for the acquisition of 1776 G Street located in Washington, DC. WRIT paid $84.7 million for the eight-story building containing 262,053 rentable square feet of office space. To fund the acquisition, WRIT utilized the proceeds from the $60.0 million unsecured term note executed on the same day, $5.7 million of excess proceeds from the March 17, 2003 $60.0 million unsecured note and the balance of $19.0 million from an advance under its lines of credit.

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ITEM 2: 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 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

WRIT's revenue recognition policy is significant because revenue is a key component of the company's results from operations. In addition, revenue recognition determines the timing of certain expenses, such as leasing commissions and bad debt. WRIT recognizes real estate rental revenue including cost reimbursement income when earned in accordance with Statement of Financial Accounting Standards ("SFAS") No. 13, "Accounting for Leases". This requires WRIT to recognize rental revenue on a straight-line basis over the term of the company's leases. WRIT maintains an allowance for doubtful accounts for estimated losses resulting from the inability of the company's tenants to make required payments.

Capital Expenditures

WRIT capitalizes those expenditures related to acquiring new assets, significantly increasing the value of an existing asset, or substantially extending the useful life of an existing asset. Expenditures necessary to maintain an existing property in ordinary operating condition are expensed as incurred.

Estimated Useful Lives of Real Estate Assets

Real estate assets are depreciated on a straight-line basis over estimated useful lives ranging from 28 to 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.

Impairment Losses on Long-Lived Assets

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 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 quarter ended June 30, 2003.

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

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 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 2002 ordinary taxable income to its shareholders. Gain on sale of the property disposed during 2002 was reinvested in replacement properties, therefore no capital gains were distributed to shareholders during this period. Accordingly, no provision for income taxes was necessary.

RESULTS OF OPERATIONS

FORWARD LOOKING STATEMENTS

WRIT claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for the forward-looking statements in this report. The following important factors, in addition to those discussed in WRIT's 2002 Annual Report on Form 10-K under the caption "Risk Factors", could affect WRIT's future results and could cause those results to differ materially from those expressed in the forward-looking statements. These factors include (a) the economic health of WRIT's tenants; (b) the economic health of the Greater Washington-Baltimore region, or other markets WRIT may enter, including the effects of changes in Federal government spending; (c) the supply of competing properties; (d) inflation or deflation; (e) consumer confidence; (f) unemployment rates; (g) consumer tastes and preferences; (h) stock price and interest rate fluctuations; (i) WRIT's future capital requirements; (j) competition; (k) compliance with applicable laws, including those concerning the environment and access by persons with disabilities; (l) changes in general economic and business conditions; (m) terrorist attacks or actions; (n) acts of war; (o) weather conditions; and (p) the effects of changes in capital availability to the technology and biotechnology sectors of the economy. WRIT undertakes no obligation to update its forward-looking statements or risk factors to reflect new information, future events, or otherwise.

REAL ESTATE RENTAL REVENUE AND OPERATING INCOME: Three Months Ended June 30, 2003 Compared to the Three Months Ended June 30, 2002

Total revenues for the second quarter of 2003 increased 5.1% ($1.9 million) to $39.5 million from $37.6 million in the second quarter of 2002. Operating income increased 5.6% ($1.4 million) to $28.2 million from $26.8 million in the second quarter of 2002. Operating income is defined as real estate rental revenue less real estate expenses. Operating income is a relevant measure used by management to measure real estate operations performance prior to giving effect to interest expense, depreciation and amortization, and general and administrative expenses.

For the second quarter of 2003, WRIT's office buildings had increases of 3.3% in revenues and 5.2% in operating income compared to the second quarter of 2002. These increases were primarily due to increased revenues as a result of increased rental rates, increased lease termination fees and a slight decrease in operating expenses offset by higher provisions for estimated losses on accounts receivable due in part to a larger portfolio as a result of the July 2002 acquisition of the Atrium Building. Real estate expenses decreased 1.0% in the second quarter of 2003 compared to the second quarter of 2002 due primarily to decreased utility costs as a result of milder temperatures.

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

Occupancy rates for the overall office portfolio increased from 89.3% in the second quarter of 2002 to 89.6% in the second quarter of 2003.

For the second quarter of 2003, WRIT's industrial/flex centers revenues and operating income increased 1.2% and 3.4%, respectively, over the second quarter of 2002. These increases in revenue and operating income were primarily due to increased rental rates and to the January 2003 acquisition of Fullerton Industrial Center, offset by increased vacancy and in turn lower reimbursement income from pass through activity. Operating income further increased due to the $0.1 million (5.8%) decrease in real estate expenses due to lower common area maintenance expenses and decreased real estate tax expenses primarily as a result of a lower tax rate on Fairfax County Virginia 2003 tax assessments. Occupancy rates for the overall industrial portfolio decreased from 93.2% in second quarter 2002 to 87.2% in second quarter 2003 due to increased vacancy, primarily at the Ammendale and NVIP properties.

For the second quarter of 2003, WRIT's multifamily revenues decreased 1.7% and operating income decreased 7.1% as compared to the second quarter of 2002. Revenue decreases were primarily due to increased vacancy due to 37 former HUD units and 4 additional units taken off the market for full renovation in 2003 at the Ashby. Operating income also decreased due to a $0.2 million (8.4%) increase in real estate expenses during second quarter 2003 primarily as a result of increased utility costs due to higher gas costs and usage, increased repairs and maintenance and higher real estate taxes. Occupancy rates decreased from 95.3% in the second quarter of 2002 to 91.1% in the second quarter of 2003.

For the second quarter of 2003, WRIT's retail center revenues and operating income increased 25.6% and 23.6%, respectively, over the second quarter of 2002. These increases were primarily due to the acquisition of the Centre at Hagerstown in June 2002 and increased core portfolio revenues and operating income, offset in part by lower lease termination fees, percentage rent and increased provision for estimated losses on accounts receivable. Occupancy rates for the overall retail portfolio increased from 94.9% in second quarter 2002 to 95.8% in second quarter 2003.

REAL ESTATE RENTAL REVENUE AND OPERATING INCOME: Six Months Ended June 30, 2003 Compared to the Six Months Ended June 30, 2002

Total revenues for the first six months of 2003 increased 3.8% ($2.8 million) to $78.4 million from $75.6 million for the first six months of 2002. Operating income increased 2.5% ($1.3 million) to $55.6 million from $54.3 million for the first six months of 2002.

For the first six months of 2003, WRIT's office buildings had increases of 1.2% in revenues and 1.1% in operating income compared to the first six months of 2002. These increases were primarily due to increased rental rates offset by increased vacancy and higher provisions for estimated losses on accounts receivable. Real estate expenses increased 1.5% for the first six months of 2003 compared to the first six months of 2002 due primarily to increased insurance, repairs and maintenance and real estate taxes due in part to a larger portfolio as a result of the July 2002 acquisition of the Atrium Building.

For the first six months of 2003, WRIT's industrial/flex centers had increases of 0.1% in revenues and decreases of 1.0% in operating income compared to the first six months of 2002. These increases in revenue were primarily due to increased rental rates and the January 2003 acquisition of Fullerton Industrial Center, offset by increased vacancy. The decrease in operating income was due to the $0.1 million (3.8%) increase in real estate expenses primarily due to more inclement weather and colder temperatures resulting in higher snow removal and utility costs offset in part by lower repairs and maintenance costs.

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

For the first six months of 2003, WRIT's multifamily revenues decreased 0.4% and operating income decreased 5.3% as compared to the first six months of 2002. Revenue decreases were primarily due to increased vacancy as a result of the 37 former HUD units and 4 additional units taken off the market for full renovation in 2003 at the Ashby. Operating income further decreased due to a $0.4 million (8.6%) increase in real estate expenses during the first six months of 2003 primarily as a result of increased fuel and gas heating utility costs due to higher gas prices and usage, snow removal costs and increased repair and maintenance costs.

For the first six months of 2003, WRIT's retail center revenues and operating income increased 22.6% and 18.8%, respectively, over the first six months of 2002. These increases were primarily due to the acquisition of the Centre at Hagerstown in June 2002 and increased core portfolio revenues and operating income, offset in part by lower lease termination fees, percentage rent and increased provision for estimated losses on accounts receivable.

OPERATING EXPENSES AND OTHER RESULTS OF OPERATIONS: Three Months Ended June 30, 2003 Compared to the Three Months Ended June 30, 2002

Real estate expenses increased $0.4 million or 4.0% to $11.2 million for the second quarter of 2003 as compared to $10.8 million for the second quarter of 2002. This increase was primarily due to expenses relating to 2002 acquisitions of the Centre at Hagerstown, The Atrium Building and 1620 Wilson Boulevard, the January 2003 acquisition of Fullerton Industrial Center and the May 2003 acquisition of 718 Jefferson Street.

Depreciation and amortization expense increased $1.1 million or 16.9% to $8.2 million for the second quarter of 2003 as compared to $7.1 million for the second quarter of 2002. This was primarily due to the impact of the $58.1 million of acquisitions in 2002, the $12.0 million of acquisitions in 2003 and capital and tenant improvement expenditures for 2002 and the first six months of 2003, which totaled $25.1 million and $9.9 million, respectively.

Total interest expense increased $0.7 million or 10.1% to $7.6 million for the second quarter of 2003 as compared to $6.9 million for the second quarter of 2002. This increase was primarily attributable to the issuance of $60.0 million of medium term notes in March 2003, net of interest savings on the line of credit borrowings paid off with the proceeds of this note, and the assumption of a $6.8 million mortgage in January 2003 with the acquisition of Fullerton Industrial Center. For the second quarter of 2003, notes payable interest expense was $5.8 million, mortgage interest expense was $1.7 million and lines of credit interest expense was $0.1 million. For the second quarter of 2002, notes payable interest expense was $5.0 million, mortgage interest expense was $1.8 million and lines of credit interest expense was $0.1 million.

General and administrative expenses increased $0.1 million or 3.0% to $1.3 million for the second quarter of 2003 as compared to $1.2 million for the second quarter of 2002. The change was primarily attributable to increased incentive compensation, higher pension plan expenses and insurance premiums offset in part by decreased legal costs, decreased corporate salaries due to lower staffing levels and lower administrative depreciation. For the second quarter of 2003, general and administrative expenses as a percentage of revenue were 3.2% as compared to 3.3% for the second quarter of 2002.

OPERATING EXPENSES AND OTHER RESULTS OF OPERATIONS: Six Months Ended June 30, 2003 Compared to the Six Months Ended June 30, 2002

Real estate expenses increased $1.5 million or 7.1% to $22.8 million for the first six months of 2003 as compared to $21.3 million for the first six months of 2002. This increase was primarily due to expenses relating to properties acquired in 2002 and 2003 as well as significantly higher utility and snow removal costs in first quarter 2003 as a result of more inclement weather and colder temperatures, as well as an increase in gas utility rates, increased insurance costs and higher real estate taxes.

Depreciation and amortization expense increased $2.3 million or 16.5% to $16.3 million for the first six months of 2003 as compared to $14.0 million for the first six months of 2002. This was primarily due to 2002 and year to date 2003 acquisitions of $58.1 million and $12.0 million, respectively, and 2002 and year to date capital and tenant improvement expenditures which totaled $25.1 million and $9.9 million, respectively.

Total interest expense increased $0.9 million or 6.2% to $14.7 million for the first six months of 2003 as compared to $13.8 million for the first six months of 2002. This increase was primarily attributable to the issuance of $60.0 million of medium term notes in March 2003, net of interest savings on the line of credit borrowings paid off with the proceeds of these notes, and the assumption of a $6.8 million mortgage in January 2003 with the acquisition of Fullerton Industrial Center. For the first six months of 2003, notes payable interest expense was $11.0 million, mortgage interest expense was $3.3 million and lines of credit interest expense was $0.4 million. For the first six months of 2002, notes payable interest expense was $10.1 million, mortgage interest expense was $3.6 million and lines of credit interest expense was $0.1 million.

General and administrative expenses and pension plan expenses decreased $0.1 million or 3.0% to $2.4 million for the first six months of 2003 as compared to $2.5 million for the first six months of 2002. The change was primarily attributable to increased incentive compensation offset by decreased legal costs and lower administrative depreciation. For the first six months of 2003, general and administrative expenses as a percentage of revenue were 3.1% as compared to 3.3% for the first six months of 2002.

CAPITAL RESOURCES AND LIQUIDITY

WRIT has utilized the proceeds of share offerings, unsecured and secured debt issuance (medium and long-term fixed interest rate debt), bank lines of credit and cash flow from operations for its capital needs. Management believes that external sources of capital will continue to be available to WRIT from its existing unsecured lines of credit, selling additional shares and/or the sale of medium or long-term unsecured or collateralized notes. The funds raised would be used for new acquisitions, capital improvements and other corporate purposes.

On March 17, 2003, WRIT sold $60.0 million of 5.125 percent unsecured notes due March 2013. The notes bear an effective interest rate of 5.125 percent. Total proceeds to the Trust, net of underwriting fees, were $59.4 million. WRIT used a portion of the proceeds of these notes to repay advances on WRIT's lines of credit. The remaining proceeds will be used to finance acquisitions and capital improvements (See Note 10).

Management believes that WRIT has the liquidity and 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.

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 intends to pay off the $50.0 million unsecured note due August 13, 2003 with an advance on its lines of credit.

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 (see Note 5). As of June 30, 2003, WRIT had no outstanding balances due under the lines of credit.

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ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
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The senior and medium-term notes payable contain certain financial and non-financial covenants, all of which WRIT met as of June 30, 2003.

WRIT acquired three properties in 2002 and two properties in 2003 (as of June 30) for total acquisition costs of $58.1 million and $12.0 million, respectively. The 2002 acquisitions were financed through proceeds from the disposals of 10400 Connecticut Avenue and 1501 South Capitol Street, proceeds of the public offering in April 2001 and line of credit advances. The 2003 acquisitions were financed through the assumption of a $6.8 million mortgage, line of credit advances and the issuance of medium term notes.

Cash flow from operating activities totaled $41.1 million for the first six months of 2003, as a result of net income of $22.5 million, adding back depreciation and amortization of $16.3 million, decreases in other assets of $0.9 million, bad debt expense of $0.9 million and increases in liabilities (other than mortgage notes, senior notes and lines of credit payable) of $2.2 million. The increase in net cash flow from operating activities was due primarily to a larger property portfolio, increased rental rates and a higher trade accounts payable balance, offset by increased vacancy. Cash flow from operating activities totaled $38.4 million for the first six months of 2002, as a result of income from continuing operations of $28.1 million, adding back depreciation and amortization of $14.0 million, decreases in other assets of $1.3 million, bad debt expense of $0.4 million and increases in liabilities (other than mortgage notes, senior notes and lines of credit payable) of $0.9 million.

Net cash used in investing activities for the first six months of 2003 was $15.2 million, including real estate acquisitions of $5.2 million (net of a $6.8 million mortgage assumed at acquisition) and capital improvements to real estate of $9.9 million. Net cash used in investing activities from the first six months of 2002 was $49.9 million, including real estate acquisitions of $43.6 million and capital improvements to real estate of $12.1 million, offset by cash received from the sale of real estate of $5.8 million.

Net cash used in financing activities for the first six months of 2003 was $18.4 million, including line of credit repayments of $50.8 million, principal repayments on the mortgage notes payable of $0.6 million and $28.4 million in dividends paid. This was offset by the $59.4 million net proceeds from the $60.0 million 10 year notes issued in March 2003. Net cash flow provided by financing activities for the first six months of 2002 was $9.1 million, including line of credit borrowings of $32.0 million, share option exercises of $4.5 million, offset by principal repayments on the mortgage notes payable of $0.6 million and $26.7 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.

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:

	Six months ended June 30,		Year Ended December 31,		
	2003	2002	2002	2001	2000
Earnings to fixed charges	2.5x	2.8x	2.7x	2.8x	2.6x
Debt service coverage	3.5x	3.6x	3.6x	3.6x	3.4x

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

The ratio of earnings to fixed charges is computed by dividing income before (a) gain on sale of real estate; (b) interest expense, including amortization; and (c) interest costs capitalized for development by the sum of interest expense, capitalized interest and amortized debt costs.

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 by the sum of interest expense, including interest costs capitalized for development, plus mortgage principal amortization.

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ITEM 3: QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT FINANCIAL MARKET RISK

The principal material 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 2002 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.

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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

At WRIT's annual meeting of the shareholders on May 22, 2003, the following members were elected to the Board of Trustees for a period of three years:

	Affirmative Votes	Negative Votes
Mr. John M. Derrick, Jr.	33,562,045 (97)%	957,224 (3)%
Mr. Charles T. Nason	33,726,619 (98)%	792,650 (2)%

Mr. Derrick and Mr. Nason were re-elected as Trustees. Trustees whose term in office continued after the meeting were Mr. Edmund B. Cronin, Jr., Mr. John P. McDaniel, Mr. Clifford M. Kendall, Ms. Susan J. Williams and Mr. David M. Osnos.

Item 5. Other Information

None

Item 6. (a) Exhibits and Reports on Form 8-K

Exhibits

(12) Computation of Ratios

(99.1) Certification—Chief Executive Officer

(99.2) Certification—Senior Vice President

(99.3) Certification—Chief Financial Officer

(99.4) Written Statement of Chief Executive Officer, Senior Vice President and Chief Financial Officer

(b) Reports on Form 8-K

1. March 17, 2003—Report pursuant to Item 5 and Item 7 regarding Officer’s Certificate Establishing Terms of the Notes, dated March 12, 2003.
2. April 22, 2003—Report pursuant to Item 9 and Item 12 on the release of the Trust’s March 31, 2003 quarterly supplemental and earnings information.
3. July 22, 2003—Report pursuant to Item 9 and Item 12 on the release of the Trust’s June 30, 2003 quarterly supplemental and 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.

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

/s/ LAURA M. FRANKLIN

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

/s/ SARA L. GROOTWASSINK

Sara L. Grootwassink
Chief Financial Officer

Date: August 8, 2003

Exhibit 12

COMPUTATIONS OF RATIOS OF EARNINGS TO FIXED CHARGES
AND PREFERRED DIVIDENDS

	Three Months Ended June 30, 2003	Year Ended December 31, 2002
Income from continuing operations	$ 11,288	$ 48,080
Add back:		
Fixed charges	7,581	27,849
Earnings available for fixed charges and preferred dividends	$ 18,869	$ 75,929
Fixed charges		
Interest expense	$ 7,581	$ 27,849
Capitalized interest	50	120
Interest portion of rent expense	—	—
Total fixed charges	7,631	27,969
Preferred dividends	—	—
Total fixed charges and preferred dividends	$ 7,581	$ 27,969
Ratio of earnings to fixed charges and preferred dividends	2.47	2.71

Exhibit 99.1

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: August 8, 2003

/s/ EDMUND B. CRONIN, JR.

Edmund B. Cronin, Jr.
Chief Executive Officer

Exhibit 99.2

CERTIFICATION

I, Laura M. Franklin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Washington Real Estate Investment Trust;

2. Based on my knowledge, this 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: August 8, 2003

/s/ LAURA M. FRANKLIN

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

Exhibit 99.3

CERTIFICATION

I, Sara L. Grootwassink, 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: August 8, 2003

/s/ SARA L. GROOTWASSINK

Sara L. Grootwassink
Chief Financial Officer

Exhibit 99.4

WRITTEN STATEMENT
OF
CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

The undersigned hereby certify that the Form 10-Q for the quarter ended June 30, 2003 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.

A signed original of this written statement required by Section 906 has been provided to WRIT and will be retained by WRIT and furnished to the Securities and Exchange Commission or its staff upon request.

Dated: August 8, 2003

/s/ EDMUND B. CRONIN, JR.

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

Dated: August 8, 2003

/s/ LAURA M. FRANKLIN

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

Dated: August 8, 2003

/s/ SARA L. GROOTWASSINK

Sara L. Grootwassink
Chief Financial Officer