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 September 30, 2005

COMMISSION FILE NO. 1-6622

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, SUITE 800, 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 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 reports) 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 ☐

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

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date, November 4, 2005.

SHARES OF BENEFICIAL INTEREST 42,136,214

WASHINGTON REAL ESTATE INVESTMENT TRUST

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Part I

FINANCIAL INFORMATION

The information furnished in the accompanying unaudited Consolidated Balance Sheets, Statements of Income, Statements of Cash Flows and Statement of Changes in Shareholders' Equity reflects all adjustments, consisting of normal recurring items, which are, in the opinion of management, necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods. The accompanying financial statements and notes thereto should be read in conjunction with the financial statements and notes for the three years ended December 31, 2004 included in the Trust's 2004 Annual Report on Form 10-K filed with the Securities and Exchange Commission.

ITEM I. FINANCIAL STATEMENTS

WASHINGTON REAL ESTATE INVESTMENT TRUST

CONSOLIDATED BALANCE SHEETS
(In thousands, except per share amounts)

	(Unaudited) September 30, 2005	December 31, 2004
Assets		
Land	$ 226,217	$ 204,831
Income producing property	1,014,464	895,553
Accumulated depreciation	(229,490)	(200,375)
Net income producing property	1,011,191	900,009
Development in progress	23,222	12,280
Total investment in real estate, net	1,034,413	912,289
Investment in real estate held for sale, net	—	36,986
Cash and cash equivalents	6,067	5,562
Restricted cash	6,645	388
Rents and other receivables, net of allowance for doubtful accounts of $2,732 and $2,636, respectively	24,077	21,402
Prepaid expenses and other assets	41,139	35,046
Other assets related to properties held for sale	—	720
Total assets	$ 1,112,341	$ 1,012,393
Liabilities and Shareholders' Equity		
Accounts payable and other liabilities	$ 28,439	$ 22,586
Advance rents	5,522	5,108
Tenant security deposits	7,220	5,784
Other liabilities related to properties held for sale	—	848
Mortgage notes payable	170,393	173,429
Lines of credit payable	93,500	117,000
Notes payable	420,000	320,000
Total liabilities	725,074	644,755
Minority Interest	1,656	1,629
Shareholders' Equity		
Shares of beneficial interest; $0.01 par value; 100,000 shares authorized: 42,125 and 42,000 shares issued and outstanding	421	420
Additional paid-in capital	407,614	405,029
Distributions in excess of net income	(19,361)	(35,544)
Less: Deferred compensation on restricted shares	(3,063)	(3,896)
Total Shareholders' Equity	385,611	366,009
Total Liabilities and Shareholders' Equity	$ 1,112,341	$ 1,012,393

See accompanying notes to the 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 September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Revenue				
Real estate rental revenue	$ 48,939	$ 43,246	$ 140,788	$ 127,922
Other income	335	59	655	239
	49,274	43,305	141,443	128,161
Expenses				
Real estate expenses	14,929	13,148	43,075	38,360
Interest expense	9,798	8,760	27,668	25,949
Depreciation and amortization	11,988	10,017	35,467	29,027
General and administrative	2,036	1,616	6,361	4,572
	38,751	33,541	112,571	97,908
Other income from property settlement	—	—	504	—
Income from continuing operations	10,523	9,764	29,376	30,253
Discontinued operations:				
Income (loss) from operations of properties held for sale	(100)	1,033	184	2,928
Gain on sale of real estate investment	3,038	—	37,011	—
	2,938	1,033	37,195	2,928
Net income	$ 13,461	$ 10,797	$ 66,571	$ 33,181
Net income per share – basic				
Continuing operations	$ 0.25	$ 0.23	$ 0.70	$ 0.73
Discontinued operations	0.07	0.03	0.88	0.07
Net income per share - basic	$ 0.32	$ 0.26	$ 1.58	$ 0.80
Net income per share – diluted				
Continuing operations	$ 0.25	$ 0.23	$ 0.70	$ 0.72
Discontinued operations	0.07	0.03	0.88	0.07
Net income per share - diluted	$ 0.32	$ 0.26	$ 1.58	$ 0.79
Weighted average shares outstanding – basic	42,005	41,648	42,088	41,619
Weighted average shares outstanding – diluted	42,147	41,883	42,228	41,849
Dividends paid per share	$ 0.4025	$ 0.3925	$ 1.1975	$ 1.1575

See accompanying notes to the financial statements.

WASHINGTON REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(In thousands)
(UNAUDITED)

	Shares	Par Value	Deferred Compensation	Additional Paid in Capital	Distributions In Excess of Net Income	Shareholders' Equity
Balance, December 31, 2004	42,000	$ 420	$ (3,896)	$ 405,029	$ (35,544)	$ 366,009
Net income	—	—	—	—	66,572	66,572
Dividends	—	—	—	—	(50,389)	(50,389)
Share options exercised	129	1	—	2,718	—	2,719
Share grants and amortization, net of forfeitures	(4)	—	833	(133)	—	700
Balance, September 30, 2005	42,125	$ 421	$ (3,063)	$ 407,614	$ (19,361)	$ 385,611

See accompanying notes to the financial statements.

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WASHINGTON REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	(Unaudited) Nine Months Ended September 30, 2005	2004
Cash flows from operating activities		
Net income	$ 66,571	$ 33,181
Adjustments to reconcile net income to net cash provided by operating activities		
Gain on sale of real estate	(37,011)	—
Depreciation and amortization	35,538	30,508
Provision for losses on accounts receivable	611	825
Amortization and accrual of share grants	835	640
Changes in other assets	(6,544)	(8,332)
Changes in other liabilities	2,293	(191)
Net cash provided by operating activities	62,293	56,631
Cash flows from investing activities		
Real estate acquisitions, net*	(96,769)	(20,125)
Net cash received from sale of real estate	73,879	—
Restricted cash held in escrow for tax-free exchanges	(5,802)	—
Capital improvements to real estate and development costs	(32,505)	(22,626)
Non-real estate capital improvements	(403)	(58)
Cash (used in) investing activities	(61,600)	(42,809)
Cash flows from financing activities		
Line of credit (repayments)/borrowings, net	(23,500)	30,850
Dividends paid	(50,387)	(48,353)
Principal payments – mortgage notes payable	(28,047)	(1,408)
Net proceeds from debt offering	99,029	—
Net proceeds from the exercise of share options	2,717	2,683
Net cash (used in) financing activities	(188)	(16,228)
Net increase in cash and cash equivalents	505	(2,406)
Cash and cash equivalents, beginning of period	5,562	5,467
Cash and cash equivalents, end of period	$ 6,067	$ 3,061
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 30,314	$ 26,934

* Supplemental discussion of non-cash investing and financing activities: On March 23, 2005 we purchased Frederick Crossing Shopping Center for $44.8 million. We assumed a mortgage in the amount of $24.3 million, fair valued at $25.0 million, and funded the balance ($20.5 million) utilizing $1.0 million in credit facility borrowings and $19.5 million of the $31.3 million in cash escrowed from the sale of Tycon Plaza II, Tycon Plaza III and 7700 Leesburg Pike in February 2005. The $24.3 million of assumed mortgage is not included in the $20.9 million shown as real estate acquisitions for the nine months ended September 30, 2005, as the assumption of the mortgage was a non-cash acquisition cost. On April 9, 2005 we purchased the DBP Coleman Building for $8.8 million which was funded in part ($8.3 million) from cash escrowed from the aforementioned sale of Tycon Plaza II, Tycon Plaza III and 7700 Leesburg Pike.

See accompanying notes to the financial statements.

WASHINGTON REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2005
(UNAUDITED)

NOTE 1: NATURE OF BUSINESS

Washington Real Estate Investment Trust (“WRIT,” the “Company” or the “Trust”), a Maryland Real Estate Investment Trust, is a self-administered, self-managed equity real estate investment trust, successor to a trust organized in 1960. Our business consists of the ownership and development of income-producing real estate properties in the greater Washington – Baltimore region. We own a diversified portfolio of office buildings, industrial/flex properties, multifamily buildings and retail centers.

Federal Income Taxes

We believe we qualify as a Real Estate Investment Trust (REIT) under Sections 856-860 of the Internal Revenue Code and intend to continue to qualify as such. To maintain our status as a REIT, we are required to distribute at least 90% of our ordinary taxable income to our shareholders. When selling properties, we have 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. All except approximately $3.5 million of gains on the sale of properties disposed during the first nine months of 2005 were, or are expected to be, reinvested in replacement properties. Gains from the property disposed in 2004 were distributed to the shareholders.

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 we believe that the disclosures made are adequate to make the information presented not misleading. In addition, in the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. These unaudited financial statements should be read in conjunction with the financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2004.

Within these notes to the financial statements, we refer to the three and nine months ended September 30, 2005 as the “2005 Quarter” and “2005 Period”, respectively, and the three and nine months ended September 30, 2004 as the “2004 Quarter” and “2004 Period”, respectively.

New Accounting Pronouncements

In January 2003, the FASB issued Interpretation No. 46, “Consolidation of Variable Interest Entities” (“FIN 46”). This Interpretation addresses the consolidation of variable interest entities (“VIE”) in which the equity investors lack one or more of the essential characteristics of a controlling financial interest or where the equity investment at risk is not sufficient for the entity to finance its activities without subordinated financial support from other parties. For entities identified as VIE, FIN No. 46 sets forth a model to evaluate potential consolidation based on an assessment of which party to the VIE, if any, bears a majority of the exposure to its expected losses, or stands to gain from a majority of its expected returns. FIN No. 46 also sets forth certain disclosures regarding interests in VIE that are deemed significant, even if consolidation is not required. In December 2003, the FASB issued a revised Interpretation No. 46 which modifies and clarifies various aspects of the original Interpretation. The adoption of this statement and of the revised interpretation did not have any impact on our financial condition or results of operations, as we do not have any variable interest entities as defined in FIN No. 46R.

In May 2003, the FASB issued SFAS No. 150, “Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity.” SFAS No. 150 establishes standards for the classification and measurement of certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). In particular, it requires that mandatorily redeemable financial instruments be classified as liabilities and reported at fair value and that changes in their fair values be reported as interest cost. SFAS No. 150 was effective for the company as of July 1, 2003. On October 29, 2003, the FASB indefinitely delayed the provision of the statement related to non-controlling interests in limited-life subsidiaries that are consolidated. Based on FASB’s deferral of this provision, adoption of SFAS No. 150 did not affect the company’s financial statements.

WASHINGTON REAL ESTATE INVESTMENT TRUST
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In December 2004, the FASB issued SFAS No. 123R, "Share-Based Payment." This statement is a revision of SFAS No. 123, "Accounting for Stock-Based Compensation," and supersedes APB opinion No. 25 (APB25), "Accounting for Stock Issued to Employees." SFAS No. 123R addresses the accounting for share-based payment transactions in which an enterprise receives employee services in exchange for (a) equity instruments of the enterprise or (b) liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. SFAS No. 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values and eliminates the intrinsic value method of accounting in APB No. 25, which was permitted under SFAS No. 123, as originally issued. The revised statement requires entities to disclose information about the nature of the share-based payment transactions and the effects of those transactions on the financial statements. The provisions of this statement are effective for interim or annual periods beginning after June 15, 2005. All public companies must use either the modified prospective or the modified retrospective transition method of adoption. On April 14, 2005 the Securities and Exchange Commission adopted a new rule that allows companies to implement SFAS No. 123R at the beginning of their next fiscal year, instead of the next reporting period, that begins after June 15, 2005. We will adopt SFAS No. 123R at the beginning of our 2006 fiscal year. We are currently evaluating the provisions of this revision to determine the impact on our consolidated financial statements. It is, however, expected to have some negative effect on consolidated net income.

Revenue Recognition

Residential properties (our Multi-family segment) are leased under operating leases with terms of generally one year or less, and commercial properties (our Office, Retail and Industrial segments) are leased under operating leases with average terms of three to seven years. We recognize rental income and rental abatements from our residential and commercial leases when earned on a straight-line basis in accordance with SFAS No. 13 "Accounting for Leases." We record a provision for losses on accounts receivable equal to the estimated uncollectible amounts. This estimate is based on our historical experience and a review of the current status of the company's receivables. Percentage rents, which represent additional rents based on gross tenant sales, are recognized when tenants' sales exceed specified thresholds.

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 we have no significant continuing involvement.

We recognize 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

We entered into an operating agreement with a member of the entity that 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. We account for this activity by allocating the minority owner's percentage ownership interest of the net income of the property to minority interest included in our general and administrative expenses, thereby reducing net income. Minority interest expense was $43,100 and $125,600 for the 2005 Quarter and 2005 Period, respectively, and $41,000 and $118,000 for the 2004 Quarter and the 2004 Period, respectively. 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 fees associated with the 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 debt. The amortization is included in interest expense on the accompanying consolidated statements of income. The amortization of debt costs included in interest expense totaled $0.4 million for the 2005 Quarter and $0.3 for the 2004 Quarter and $1.0 million for both the 2005 and 2004 Periods.

Deferred Leasing Costs

Costs associated with the successful negotiation of leases, both external commissions and internal direct costs, are capitalized and amortized on a straight-line basis over the terms of the respective leases. If an applicable lease terminates prior to the expiration of its initial lease term, the carrying amount of the costs are written-off to expense.

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 that extend its useful life are capitalized and 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. Real estate depreciation expense for the 2005 Quarter and 2005 Period was $10.6 million and $31.5 million, respectively, and $8.6 million and $25.4 million for the 2004 Quarter and 2004 Period, respectively. Maintenance and repair costs are charged to expense as incurred.

We capitalize interest costs recognized on borrowing obligations while qualifying assets are being readied for their intended use in accordance with SFAS No. 34, "Capitalization of Interest Cost." Total interest expense capitalized to real estate assets related to development and major renovation activities was $288,000 and $729,000 for the 2005 Quarter and 2005 Period, respectively, and $156,000 and $488,000 for the 2004 Quarter and 2004 Period, respectively. Interest capitalized is amortized over the useful life of the related underlying assets upon those assets being placed into service.

We recognize 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 cash flows from the operation and disposal of the property, we 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 2005 and 2004 periods.

We allocate the purchase price of acquired properties to the related physical assets and in-place leases based on their fair values, based on SFAS No. 141, "Business Combinations." The fair values of acquired buildings are determined on an "as-if-vacant" basis considering a variety of factors, including the physical condition and quality of the buildings, estimated rental and absorption rates, estimated future cash flows and valuation assumptions consistent with current market conditions. The "as-if-vacant" fair value is allocated to land, building and tenant improvements based on property tax assessments and other relevant information obtained in connection with the acquisition of the property.

The fair value of in-place leases consists of the following components – (1) the estimated cost to us to replace the leases, including foregone rents during the period of finding a new tenant, foregone recovery of tenant pass-through expenses, tenant improvements, and other direct costs associated with obtaining a new tenant (referred to as "Tenant Origination Cost"); (2) estimated leasing commissions associated with obtaining a new tenant (referred to as "Leasing Commissions"); (3) the above/at/below market cash flow of the leases, determined by comparing the projected cash flows of the leases in place to projected cash flows of comparable market-rate leases (referred to as "Net Lease Intangible"); and (4) the value, if any, of customer relationships, determined based on our evaluation of the specific characteristics of each tenant's lease and our overall relationship with the tenant (referred to as "Customer Relationship Value").

The amounts used to calculate Tenant Origination Cost, Leasing Commissions, and Net Lease Intangible are discounted using an interest rate which reflects the risks associated with the leases acquired. Tenant Origination Costs are included in Real Estate Assets on our balance sheet and are amortized as depreciation expense on a straight-line basis over the remaining life of the underlying leases. Leasing Commissions are classified as Other Assets and are amortized as amortization expense on a straight-line basis over the remaining life of the underlying leases. The aggregate value of the cash flow for the above market leases results in Net Lease Intangible Assets which are classified as Other Assets and are amortized on a straight-line basis as a decrease to Real Estate Rental Revenue over the remaining term of the underlying leases. The aggregate value of the cash flow for the below market leases results in Net Lease Intangible Liabilities which are classified as Other Liabilities and are amortized on a straight-line basis as an increase to Real Estate Rental Revenue over the remaining term of the underlying leases. The aggregate value of the cash flow of leases at market results in no additional assets or liabilities.

WASHINGTON REAL ESTATE INVESTMENT TRUST
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(UNAUDITED)

Should a tenant terminate its lease, the unamortized portions of the Tenant Origination Cost, Leasing Commissions, and Net Lease Intangible associated with that lease are written off to depreciation expense, amortization expense, and rental revenue, respectively.

Balances net of accumulated depreciation or amortization, as appropriate, of the components of the fair value of in-place leases at September 30, 2005 and December 31, 2004 are as follows (in millions):

	September 30, 2005	December 31, 2004
Tenant Origination Costs	$ 9.0	$ 6.3
Leasing Commissions	$ 5.5	$ 4.1
Net Lease Intangible Assets	$ 5.4	$ 4.8
Net Lease Intangible Liabilities	$ 7.4	$ 3.4

Amortization of these components combined was $0.8 million for the 2005 Quarter and $2.3 million for the 2005 Period and $0.5 million and $1.4 million for the 2004 Quarter and 2004 Period, respectively.

No value had been assigned to Customer Relationship Value at September 30, 2005 or December 31, 2004.

Discontinued Operations

We classify properties as held for sale when they meet the necessary criteria specified by SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets”. These criteria include: senior management commits to and actively embarks upon a plan to sell the assets, the sale is expected to be completed within one year under terms usual and customary for such sales and actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Depreciation on these properties is discontinued, but operating revenues, operating expenses and interest expense continue to be recognized until the date of sale.

Under SFAS No. 144, revenues and expenses of properties that are either sold or classified as held for sale are presented as discontinued operations for all periods presented in the Consolidated Statements of Income.

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.

Restricted Cash

Restricted cash at September 30, 2005 consists of $5.8 million in funds escrowed from the sale of the Pepsi Distribution Center in September, 2005 to be used solely for real estate acquisitions, and $0.8 million of escrow deposits required by lenders on certain of our properties to be used for future building renovations or tenant improvements. At December 31, 2004, restricted cash of $0.4 million consisted only of the lender required replacement reserves.

Stock Based Compensation

We maintain Share Grant Plans and Incentive Stock Option Plans (the “Plans”), which include qualified and non-qualified options and deferred shares for eligible employees.

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 immediately upon date of share grant. We recognize compensation expense for 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 recognized as deferred compensation.

Stock options were historically issued annually to officers, trustees and non-officer key employees under the Incentive Stock Option Plans. They were last issued to officers in 2002, to non-officer key employees in 2003 and to trustees in 2004. The options vest over a 2-year period in annual installments commencing one year after the date of grant, except for trustee options

WASHINGTON REAL ESTATE INVESTMENT TRUST
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which vested immediately upon 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. Accordingly, we have recognized no compensation cost for stock options.

Had we determined compensation cost for the Plans consistent with SFAS No. 123, "Accounting for Stock-Based Compensation," our net income and earnings per share would have been reduced to the following pro-forma amounts (in thousands, except per share data):

	Quarter ended September 30,		Period ended September 30,	
	2005	2004	2005	2004
Pro-forma Information				
Net income, as reported	$13,461	$10,797	$66,571	$33,181
Add: Stock-based employee compensation expense included in reported net income	278	349	835	640
Deduct: Total stock-based employee compensation expense determined under fair value method	(297)	(441)	(892)	(917)
Pro-forma net income	$13,442	$10,705	$66,514	$32,904
Earnings per share:				
Basic – as reported	$ 0.32	$ 0.26	$ 1.58	$ 0.80
Basic – pro-forma	$ 0.32	$ 0.26	$ 1.58	$ 0.79
Diluted – as reported	$ 0.32	$ 0.26	$ 1.58	$ 0.79
Diluted – pro-forma	$ 0.32	$ 0.26	$ 1.58	$ 0.79

Earnings Per Common Share

We calculate 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 our 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.

NOTE 3: REAL ESTATE INVESTMENTS

Our real estate investment portfolio, at cost, consists of properties located in Maryland, Washington, D.C. and Virginia as follows (in thousands):

	September 30, 2005	December 31, 2004
Office	$ 657,587	$ 628,200
Retail	195,922	145,757
Multifamily	145,952	131,618
Industrial/Flex	264,442	207,089
	$ 1,263,903	$1,112,664

WASHINGTON REAL ESTATE INVESTMENT TRUST
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The amounts above reflect properties classified as continuing operations, which means they are to be held and used in rental operations or are currently in development. We dispose of assets (sometimes using tax-deferred exchanges) that are inconsistent with our long-term strategic or return objectives and when market conditions for sale are favorable. The proceeds from the sales may be redeployed into other properties, used to fund development operations or to support other corporate needs, or distributed to our shareholders. Properties are considered held for sale when they meet the criteria specified by SFAS No. 144 (see Note 2 – Discontinued Operations). Depreciation on these properties is discontinued at that time, but operating revenues, other operating expenses and interest continue to be recognized until the date of sale.

We had no properties classified as held for sale at September 30, 2005, and four held for sale at December 31, 2004 as follows (in thousands):

	December 31, 2004
Office buildings	$ 45,573
Industrial buildings	4,211
Total	49,784
Less accumulated depreciation	(12,798)
	$ 36,986

Our results of operations are dependent on the overall economic health of our markets, tenants and the specific segments in which we own properties. These segments include commercial office, retail, multifamily 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 the 2005 Period:

Acquisition Date	Property Name	Property Type	Rentable Square Feet	Purchase Price (in thousands)
March 23, 2005	Frederick Crossing	Retail	294,724	$ 44,800
April 8, 2005	Coleman Building	Industrial	59,767	8,800
July 29, 2005	Albemarle Point	Office/Industrial	296,105	66,800
		Total 2005 Period	650,596	$ 120,400

We accounted for these acquisitions using the purchase method of accounting. As discussed in Note 2, we allocate the purchase price to the related physical assets (land, building and tenant improvements) and in-place leases (tenant origination costs, leasing commissions, and net lease intangible assets/liabilities) based on their fair values, in accordance with SFAS No. 141, “Business Combinations.” Our acquisitions of Frederick Crossing, the Coleman Building and Albemarle Point resulted in the recognition of $4.2 million in tenant origination costs, $2.2 million in leasing commissions, $1.3 million in net intangible lease assets, and $4.8 million in net intangible lease liabilities. The results of operations from these acquired properties are included in the income statement as of their respective acquisition date and forward.

WRIT sold the following properties during the 2005 Period:

Disposition Date	Property Name	Property Type	Rentable Square Feet	Contract Sale Price (in thousands)
February 1, 2005	7700 Leesburg Pike	Office	147,000	$ 20,150
February 1, 2005	Tycon Plaza II	Office	127,000	19,400
February 1, 2005	Tycon Plaza III	Office	137,000	27,950
September 8, 2005	Pepsi Distribution Center	Industrial	69,000	6,000
		Total 2005 Period	480,000	$ 73,500

The Office properties, classified as discontinued operations effective November 2004, were sold to a single buyer for a $67.5 million contract sales price on February 1, 2005. WRIT recognized a gain on disposal of $32.1 million, in accordance with SFAS No. 66, “Accounting for Sales of Real Estate.” $31.3 million of the proceeds from the disposition were escrowed in a tax-free property exchange account and subsequently used to fund a portion of the purchase price of Frederick Crossing Shopping Center on March 23, 2005 and the Coleman Building on April 8, 2005. $31.0 million of the proceeds were used to

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pay down $31.0 million outstanding under Credit Facility No. 2. In September 2005 the industrial property was sold for $6.0 million for a gain of $3.0 million. Proceeds of $5.8 million were escrowed in a tax-free exchange account. Discontinued operations for the 2005 Quarter and 2005 Period consist of the properties sold in February and September 2005. For the 2004 Quarter and 2004 Period, discontinued operations include those same properties and 8230 Boone Boulevard, which was sold on November 15, 2004. There was a gain of $1.9 million recognized in the 2005 Period previously deferred from the sale of Boone Boulevard.

Operating results of the properties classified as discontinued operations are summarized as follows (in thousands):

	Quarter ended September 30,		Period ended September 30,	
	2005	2004	2005	2004
Revenues	$ (34)	$2,282	$ 656	$ 6,811
Property expenses	(48)	(752)	(401)	(2,402)
Depreciation and amortization	(18)	(497)	(71)	(1,481)
	$(100)	$1,033	$ 184	$ 2,928

Operating income by property is summarized below (in thousands):

	Quarter ended September 30,		Period ended September 30,	
Property	2005	2004	2005	2004
8230 Boone Boulevard	$ —	$ 47	$ 2	$ 202
7700 Leesburg Pike	—	218	90	617
Tycon Plaza II	—	353	30	1,064
Tycon Plaza III	—	361	111	877
Pepsi Distribution Center	(100)	54	(49)	168
Total	$(100)	$1,033	$184	$2,928

Other Income from Property Settlement

In the second quarter of 2005, we received the final proceeds as compensation for an action by the Maryland State Highway Administration. Curb access to one of our retail properties was closed to the detriment of tenant delivery vehicles. After independent appraisals and engineering studies the State compensated WRIT for this loss of use. The total amount of this compensation was $543,000 and the other income (net of legal, engineering and other professional fees) recorded was $504,000.

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NOTE 4: MORTGAGE NOTES PAYABLE

	September 30, 2005	December 31, 2004
On November 30, 1998, we assumed a $9.2 million mortgage note payable and a $12.4 million mortgage note payable as partial consideration for our acquisition of Woodburn Medical Park I and II. Both mortgages bore interest at 7.69% per annum. Principal and interest were paid monthly until September 15, 2005, at which time all unpaid principal and interest were paid in full.	$ —	$ 18,658
On September 20, 1999, we assumed an $8.7 million mortgage note payable as partial consideration for our acquisition of the Avondale Apartments. The mortgage bore interest at 7.88% per annum. Principal and interest were paid monthly until August 15, 2005, at which time all unpaid principal and interest were paid in full.	—	7,677
On September 27, 1999, we 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% 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, we assumed an $8.5 million mortgage note payable, with an estimated fair value of $9.3 million, as partial consideration for our acquisition of Sullyfield Commerce Center. The mortgage bears interest at 9.00% per annum, and includes a significant prepayment penalty. Principal and interest are payable monthly until February 1, 2007, at which time all unpaid principal and interest are payable in full.	8,257	8,487
On January 24, 2003, we assumed a $6.6 million mortgage note payable, with an estimated fair value of $6.8 million, as partial consideration for our acquisition of Fullerton Industrial Center. The mortgage bears interest at 6.77% per annum. Principal and interest are payable monthly until September 1, 2006, at which time all unpaid principal and interest are payable in full.	6,350	6,491
On October 9, 2003, we assumed a $36.1 million mortgage note payable and a $13.7 million mortgage note payable as partial consideration for our acquisition of the Prosperity Medical Centers. The mortgages bear interest at 5.36% per annum and 5.34% per annum, respectively. Principal and interest are payable monthly until May 1, 2013, at which time all unpaid principal and interest are payable in full.	48,373	48,911
On August 12, 2004, we assumed a $10.1 million mortgage note payable, with an estimated fair value of $11.2 million, as partial consideration for our acquisition of Shady Grove Medical Village II. The mortgage bears interest at 6.98% per annum. Principal and interest are payable monthly until December 1, 2011, at which time all unpaid principal and interest are payable in full.	10,958	11,149
On December 22, 2004, we assumed a $15.6 million mortgage note payable, with an estimated fair value of $17.8 million, and a $3.9 million mortgage note payable with an estimated fair value of $4.2 million as partial consideration for our acquisition of Dulles Business Park. The mortgages bear interest at 7.09% per annum and 5.94% per annum, respectively. Principal and interest are payable monthly until August 10, 2012, at which time all unpaid principal and interest are payable in full.	21,649	22,056
On March 23, 2005 we assumed a $24.3 million mortgage note payable, with an estimated fair value of $25.0 million, as partial consideration for the acquisition of Frederick Crossing. The mortgage bears interest at 5.95% per annum. Principal and interest are payable monthly until January 1, 2013 at which time all unpaid principal and interest are payable in full.	24,806	—
	$ 170,393	$ 173,429

Total carrying amount of the above mortgaged properties was $286.7 million and $282.0 million at September 30, 2005 and December 31, 2004, respectively.

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Scheduled principal payments for the remaining three months in 2005 and the remaining years subsequent to December 31, 2005 are as follows (in thousands):

	Total Principal Payments
2005	$ 614
2006	8,660
2007	9,981
2008	2,242
2009	52,369
Thereafter	96,527
Total	$ 170,393

NOTE 5: UNSECURED LINES OF CREDIT PAYABLE

As of September 30, 2005, we maintained an $85.0 million unsecured line of credit maturing in July 2007 (“Credit Facility No.1”) and a $70.0 million line of credit maturing in July 2008 (“Credit Facility No. 2”).

Credit Facility No. 1

We had $30.5 million outstanding as of September 30, 2005 related to Credit Facility No. 1, with $0.9 million in Letters of Credit issued, with $53.6 million unused and available for subsequent acquisitions or capital improvements. At December 31, 2004, $67.0 million was outstanding under this facility, which was paid in full using a portion of the proceeds from the April 2005 issuance of $50.0 million of seven-year, 5.05% unsecured notes and $50.0 million of ten-year, 5.35% unsecured notes. (See Note 6 – Notes Payable). Of the $30.5 million outstanding at September 30, 2005, $25.5 million was borrowed in August and September 2005 to pay off the Woodburn Medical Park I and II, and Avondale mortgages. The remaining $5.0 million outstanding was borrowed in September 2005 to fund certain capital improvements to real estate. Advances under this agreement bear interest at LIBOR plus a spread based on the credit rating on our publicly issued debt. All outstanding advances are due and payable upon maturity in July 2007. Interest only payments are due and payable generally on a monthly basis. We incurred $77,200 and $764,600 in interest expense (excluding facility fees) for the 2005 Quarter and 2005 Period, respectively, representing an average interest rate of 4.27% and 3.28% respectively, per annum. We incurred $100,200 and $172,400 in interest expense (excluding facility fees) for the 2004 Quarter and 2004 Period, respectively, representing an average interest rate of 2.20% and 2.00%, respectively, per annum. In October 2005, we paid in full the outstanding balance under Credit Facility No. 1, using a portion of the proceeds from the October issuance of an additional $100.0 million of notes of the May 2015 series of 5.35% senior unsecured notes (See Note 6 – Notes Payable).

From July 2002 through July 20, 2004, Credit Facility No. 1 had a maximum available commitment of $25.0 million and required us to pay the lender unused line of credit fees ranging from 0.225% to 0.400% per annum according to a sliding scale based on usage and the credit rating on our publicly issued debt. These fees were payable quarterly. We incurred unused commitment fees of $1,800 and $29,500, for the 2004 Quarter, and 2004 Period, respectively.

On July 21, 2004, we closed on a new $50.0 million line of credit with JP Morgan Chase Bank, NA and Wells Fargo Bank, National Association, replacing the former $25.0 million facility. On November 10, 2004, we amended the Credit Agreement to increase the maximum available commitment from $50.0 million to $85.0 million. The new Credit Facility No. 1 requires us to pay the lender a facility fee on the total commitment ranging from 0.15% to 0.25% per annum according to a sliding scale based on the credit rating on our publicly issued debt. These fees are payable quarterly. We incurred facility fees of $32,600 and $98,600, for the 2005 Quarter, and 2005 Period, respectively. During both the 2004 Quarter and 2004 Period, we incurred facility fees of $14,600.

Credit Facility No. 2

We had $63.0 million outstanding as of September 30, 2005 related to Credit Facility No. 2, and $1.1 million in Letter of Credit issued, with $5.9 million unused and available for subsequent acquisitions or capital improvements. At December 31, 2004, $50.0 million was outstanding under this facility. In February 2005, we repaid $31.0 million of the outstanding balance at December 31, 2004 under Credit Facility No. 2 using a portion of the $67.5 million proceeds from the disposition of 7700 Leesburg, Tycon Plaza II and Tycon Plaza III. In April 2005, we repaid the remaining outstanding balance at December 31, 2004 under Credit Facility No. 2 using a portion of the proceeds from the April 2005 issuance of $50.0 million of seven-year, 5.05% unsecured notes and $50.0 million of ten-year, 5.35% unsecured notes (See Note 6 – Notes Payable). The entire $63.0 million outstanding at September 30, 2005 was borrowed in July 2005 to fund the acquisition of Albemarle Point. Advances under this agreement bear interest at LIBOR plus a spread based on the credit rating on our publicly issued debt. All outstanding advances are due and payable upon maturity in July 2008. Interest only payments are due and payable on a monthly basis. We incurred $464,200 and $769,600 in interest expense (excluding facility fees) for the 2005 Quarter and 2005 Period, respectively, representing an average interest rate of 4.15% and 3.75%, respectively, per annum and no interest expense (excluding facility fees) for the 2004 Quarter and 2004 Period. In October 2005, we paid in full the outstanding balance under Credit Facility No. 2, using a portion of the proceeds from the October issuance of an additional $100.0 million of notes of the May 2015 series of 5.35% senior unsecured notes (See Note 6 – Notes Payable).

Before its renewal in July 2005, Credit Facility No. 2 required us to pay the lender unused line of credit fees ranging from 0.15% to 0.25% per annum according to a sliding scale based on the credit rating on our publicly issued debt. The fee is paid quarterly in arrears. We incurred unused commitment fees of $6,700 and $38,400, for the 2005 Quarter, and 2005 Period, respectively, and $25,600 and $76,400, for the 2004 Quarter, and 2004 Period, respectively.

On July 25, 2005 we renewed Credit Facility No. 2, extending its maturity date to July 25, 2008, and increasing the maximum available commitment to $70.0 million. This renewal and extension included a carve-out for letters of credit in the amount of $14.0 million. Credit Facility No. 2 requires us to pay the lender an annual facility fee on the total commitment ranging from 0.15% to 0.25% per annum according to a sliding scale based on the credit rating on our publicly issued debt. These fees are payable quarterly. During both the 2005 Quarter and 2005 Period, we incurred facility fees of $19,800 and no facility fees for the 2004 Quarter and 2004 Period.

Credit Facility No. 1 and No. 2 contain certain financial and non-financial covenants, all of which we have met as of September 30, 2005. In addition, Credit Facility No. 1 requires approval to be obtained from the lender for purchases by the Trust over an agreed upon amount.

NOTE 6: NOTES PAYABLE

On August 13, 1996 we sold $50.0 million of 7.125% 7-year unsecured notes due August 13, 2003, and $50.0 million of 7.25% unsecured 10-year notes due August 13, 2006. The 7-year notes were sold at 99.107% of par and the 10-year notes were sold at 98.166% of par. Net proceeds to the Trust after deducting underwriting expenses were $97.6 million. The 7-year notes, which we paid off at maturity in August 2003 with an advance under Credit Facility No. 2, bore an effective interest rate of 7.46%. The 10-year notes due in August 2006 bear an effective interest rate of 7.49%.

On February 20, 1998 we sold $50.0 million of 7.25% unsecured notes due February 25, 2028 at 98.653% to yield approximately 7.36%. We 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%. Our 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 we sold $55.0 million of 7.78% unsecured notes due November 2004. The notes bore an effective interest rate of 7.89%. Our total proceeds, net of underwriting fees, were $54.8 million. We used the proceeds of these notes to repay advances on our lines of credit. We paid off the notes on November 15, 2004, with a $50.0 million advance under Credit Facility No. 2 and a $7.0 million advance under Credit Facility No. 1.

On March 17, 2003, we sold $60.0 million of 5.125% unsecured notes due March 2013. The notes bear an effective interest rate of 5.23%. Our total proceeds, net of underwriting fees, were $59.1 million. We used portions of the proceeds of these notes to repay advances on our lines of credit and to fund general corporate purposes.

On December 11, 2003, we sold $100.0 million of 5.25% unsecured notes due January 2014. The notes bear an effective interest rate of 5.34%. Our total proceeds, net of underwriting fees, were $99.3 million. We used the proceeds of these notes to repay advances on our lines of credit.

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On April 26, 2005, we sold $50.0 million of 5.05% senior unsecured notes due May 1, 2012 and $50.0 million of 5.35% senior unsecured notes due May 1, 2015, at effective yields of 5.064% and 5.359% respectively. The net proceeds from the sale of the notes of $99.3 million were used to repay borrowings under our lines of credit totaling $90.5 million and the remainder was used for general corporate purposes.

In October 2005 we sold an additional $100.0 million of notes of the series of 5.35% senior unsecured notes due May 1, 2015, at an effective yield of 5.49%. $93.5 million of the $100.7 million proceeds (including $2.4 million of accrued interest) from the sale of these notes was used to repay borrowings under our lines of credit and the reminder may be used for the acquisition of real estate and general corporate purposes.

Interest on these notes is payable semi-annually. They contain certain financial and non-financial covenants, all of which we have met as of September 30, 2005.

The covenants under one of the line of credit agreements require us to insure our properties against loss or damage in the amount of the replacement cost of the improvements at the properties. The covenants for the notes require us to keep all of our insurable properties insured against loss or damage at least equal to their then full insurable value. We have a separate insurance policy which provides terrorism coverage; however, our 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. Effective November 26, 2002, under this existing coverage, any losses caused by certified acts of terrorism would be partially reimbursed by the United States under a formula established by Federal law. Under this formula the United States pays 90% of covered terrorism losses exceeding the statutorily established deductible paid by the insurance provider. If the aggregate amount of insured losses under the Act exceeds $100 billion during the applicable period for all insured and insurers combined, then each insurance provider will not be liable for payment of any amount which exceeds the aggregate amount of $100 billion. This current legislation expires in November 2005.

Scheduled maturity dates of the securities for the remaining three months in 2005 and the remaining years subsequent to December 31, 2005 are as follows (in thousands):

2005	$ —
2006	50,000
2007	—
2008	60,000
2009	—
Thereafter	310,000
	$420,000

NOTE 7: BENEFIT PLANS

Share Options and Grants

We maintain Incentive Stock Option Plans (the "Plans"), which include qualified and non-qualified options. In 2003 the Board approved a change in the composition of officer share options and share grant awards. Officers no longer receive annual share option awards. Effective 2003, annual incentive compensation is awarded at the same percentage of cash compensation as in prior years except it is in the form of share grants only.

We maintain a Share Grant Plan for officers and trustees. At the approval of the Board, the Share Grant Plan was changed in 2003 so that Managing Directors received an award of shares with a market value of 25% of the individual's cash compensation (45% for the Chief Executive Officer, 37% for Executive Vice Presidents, and 35% for Senior Vice Presidents) at the date of the award. Beginning in 2003, officers received annual awards of share grants only (as opposed to share options and share grants) in an amount such that the total annual incentive compensation as a percentage of officer cash compensation remained unchanged. Each Trustee received an annual grant of 400 unrestricted shares under the plan.

In November 2004, the Board of Trustees approved an amended short-term and long-term incentive plan for officers and executives. The first benefits under the amended short-term and long term plan will be paid in late 2005, in each case based upon 2005 results. The short-term incentive compensation plan provides for the annual payment of cash bonuses based upon WRIT's achievement of its annual targets, as defined by the revised plan, for Funds From Operations (FFO) per share (a non-GAAP financial measure) and EBITDA (a non GAAP measure calculated as earnings before interest, taxes, depreciation and amortization). Each target will be determined in November of the preceding year by management and approved by the Board of Trustees. The long-term incentive plan provides for the annual grant of restricted WRIT shares based on total shareholder return. The awards will be granted in the form of restricted shares pursuant to WRIT's existing share grant plan, will vest ratably over a five-year period from the date of grant and will not be permitted to be sold until the entire award has vested.

Also in November 2004, the Board of Trustees approved revisions to the trustee compensation plan, under which the first cash and share grant benefits will be paid in 2005. Under this plan, annual long-term incentive compensation for trustees is changed from options of 2,000 shares plus 400 restricted shares to $30,000 in restricted shares. These restricted shares will vest immediately and will be restricted from sale for the period of the Trustees' service. Additionally, the amounts of certain fees and retainers were amended.

Other Benefit Plans

We have a Retirement Savings Plan (the "401(k) Plan"), which permits all eligible employees to defer a portion of their compensation in accordance with the Internal Revenue Code. Under the 401(k) Plan, the company may make discretionary contributions on behalf of eligible employees. For the 2005 Quarter and 2005 Period, the company made contributions to the 401(k) plan of $86,000 and $227,000, respectively. For the 2004 Quarter and 2004 Period, the company made contributions to the 401(k) plan of $62,000 and $190,000, respectively.

We adopted a split dollar life insurance plan for executive officers (the Chief Financial Officer, Executive Vice President of Real Estate and Senior Vice President Accounting and Administration) and other company officers, excluding the Chief Executive Officer ("CEO"), in 2000. The purpose of the plan is to provide these officers with financial security in exchange for a career commitment. It is intended that we will recover our costs from the life insurance policies at death prior to retirement, termination prior to retirement or retirement at age 65. It is intended that the officers can use the cash values of the policy in excess of the Trust's interest. 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 we have made. Subsequent to July 2002 we discontinued premium advances under this plan for the benefit of executive officers. The company paid no premiums for non executive company officers for the 2005 and 2004 Quarters and $0.2 million and $0.4 million for the 2005 Period and 2004 Period, respectively.

We have 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 plan is unfunded and payments are to be made out of the general assets of the Trust. The deferred compensation liability was $1.5 million and $1.3 million at September 30, 2005 and December 31, 2004, respectively.

We 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 Trust 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. We account for the SERP in accordance with SFAS No. 87, "Employers' Accounting for Pensions," whereby we accrue benefit cost in an amount that will result in an accrued balance at the end of the CEO's employment which is not less than the present value of the estimated benefit payments to be made. We recognized current service cost for the 2005 Quarter and 2005 Periods, of $101,000 and $304,000, respectively, and $91,000 and $263,000 for the 2004 Quarter and 2004 Period, respectively.

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NOTE 8: EARNINGS PER SHARE

The following table sets forth the computation of net income per average share and diluted average shares (in thousands, except per share data):

	Quarter ended September 30,		Period ended September 30,	
	2005	2004	2005	2004
Numerator for basic and diluted per share calculations:				
Income from continuing operations	$ 10,523	$ 9,764	$ 29,376	$ 30,253
Discontinued operations including gain on sale of real estate	2,938	1,033	37,195	2,928
Net income	$ 13,461	$ 10,797	$ 66,571	$ 33,181
Denominator for basic and diluted per share calculations:				
Denominator for basic per share amounts – weighted average shares	42,005	41,648	42,088	41,619
Effect of dilutive securities:				
Employee stock option and share grant awards	142	235	140	230
Denominator for diluted per share amounts	42,147	41,883	42,228	41,849
Income from continuing operations per share				
Basic	$ 0.25	$ 0.23	$ 0.70	$ 0.73
Diluted	$ 0.25	$ 0.23	$ 0.70	$ 0.72
Discontinued operations, including gain on sale of real estate, per share				
Basic	$ 0.07	$ 0.03	$ 0.88	$ 0.07
Diluted	$ 0.07	$ 0.03	$ 0.88	$ 0.07
Net income per share				
Basic	$ 0.32	$ 0.26	$ 1.58	$ 0.80
Diluted	$ 0.32	$ 0.26	$ 1.58	$ 0.79

NOTE 9: SEGMENT INFORMATION

We have four reportable segments: Office Buildings, Retail Centers, Multifamily Properties and Industrial/Flex Centers. Office Buildings, which include medical office buildings, provide office space for various types of businesses and professions. Retail Centers are typically neighborhood grocery store or drug store anchored retail centers. Multifamily Properties provide housing for families throughout the Washington Metropolitan area. Industrial/Flex Centers are used for flex-office, warehousing and distribution type facilities.

Real estate revenue as a percentage of total revenue for each of the four reportable operating segments is as follows:

	Quarter Ended September 30,		Period Ended September 30,	
	2005	2004	2005	2004
Office Buildings	50%	54%	50%	54%
Retail Centers	17%	15%	17%	16%
Multifamily Properties	16%	17%	16%	17%
Industrial/Flex Centers	17%	14%	17%	13%

Real estate assets as a percentage of total assets for each of the four reportable operating segments are as follows:

	September 30, 2005	December 31, 2004
Office Buildings	52%	56%
Retail Centers	15%	13%
Multifamily Properties	12%	12%
Industrial/Flex Centers	21%	19%

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The accounting policies of each of the segments are the same as those described in Note 2. We evaluate performance based upon operating income from the combined properties in each segment. Our 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.

Segment Information (in thousands):

Quarter Ended September 30, 2005

	Office Buildings	Retail Centers	Multifamily	Industrial/Flex Center	Corporate And Other	Consolidated
Revenue						
Real estate rental revenue	$ 24,365	$ 8,279	$ 7,829	$ 8,466	$ —	$ 48,939
Other income	—	—	—	—	335	335
	24,365	8,279	7,829	8,466	335	49,274
Expenses						
Real estate expenses	7,948	1,698	3,385	1,898	—	14,929
Interest expense	1,112	353	986	506	6,841	9,798
Depreciation and amortization	6,355	1,871	1,272	2,380	110	11,988
General and administration	—	—	—	—	2,036	2,036
	15,415	3,922	5,643	4,784	8,987	38,751
Other income from property settlement	—	—	—	—	—	—
Discontinued operations	—	—	—	2,938	—	2,938
Net Income	$ 8,950	$ 4,357	$ 2,186	$ 6,620	$ (8,652)	$ 13,461
Capital expenditures	$ 2,978	$ 3,724	$ 4,826	$ 745	$ 10	$ 12,283
Total assets	$ 565,454	$ 102,705	$ 178,626	$ 238,952	$ 26,604	$ 1,112,341

Quarter Ended September 30, 2004

	Office Buildings	Retail Centers	Multifamily	Industrial/Flex Centers	Corporate And Other	Consolidated
Revenue						
Real estate rental revenue	$ 23,336	$ 6,714	$ 7,288	$ 5,908	$ —	$ 43,246
Other income	—	—	—	—	59	59
	23,336	6,714	7,288	5,908	59	43,305
Expenses						
Real estate expenses	7,359	1,443	3,011	1,335	—	13,148
Interest expense	1,146	—	1,066	250	6,298	8,760
Depreciation and amortization	6,050	926	1,238	1,387	416	10,017
General and administration	—	—	—	—	1,616	1,616
	14,555	2,369	5,315	2,972	8,330	33,541
Other income from property settlement	—	—	—	—	—	—
Discontinued operations	979	—	—	54	—	1,033
Net Income	$ 9,760	$ 4,345	$ 1,973	$ 2,990	$ (8,271)	$ 10,797
Capital expenditures	$ 2,336	$ 1,722	$ 3,350	$ 937	$ 12	$ 8,357
Total assets	$ 587,303	$ 129,235	$ 87,890	$ 138,720	$ 15,054	$ 958,202

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Period Ended September 30, 2005

	Office Buildings	Retail Centers	Multifamily	Industrial/Flex Centers	Corporate And Other	Consolidated
Revenue						
Real estate rental revenue	$70,826	$23,489	$ 22,867	$ 23,606	$ —	$ 140,788
Other income	—	—	—	—	655	655
	70,826	23,489	22,867	23,606	655	141,443
Expenses						
Real estate expenses	23,091	5,103	9,515	5,366	—	43,075
Interest expense	3,449	740	3,112	1,526	18,841	27,668
Depreciation and amortization	18,851	6,313	3,757	6,220	326	35,467
General and administration	—	—	—	—	6,361	6,361
	45,391	12,156	16,384	13,112	25,528	112,571
Other income from property settlement	—	504	—	—	—	504
Discontinued operations	34,204	—	—	2,991	—	37,195
Net Income	$59,639	$11,837	$ 6,483	$ 13,485	$(24,873)	$ 66,571
Capital expenditures	$ 9,257	$ 6,271	$ 14,910	$ 2,068	$ 402	$ 32,908

Period Ended September 30, 2004

	Office Buildings	Retail Centers	Multifamily	Industrial/Flex Centers	Corporate And Other	Consolidated
Revenue						
Real estate rental revenue	$68,876	$20,283	$ 21,522	$ 17,241	$ —	$ 127,922
Other income	—	—	—	—	239	239
	$68,876	$20,283	$ 21,522	17,241	239	128,161
Expenses						
Real estate expenses	21,184	4,495	8,717	3,964	—	38,360
Interest expense	3,241	—	3,201	755	18,752	25,949
Depreciation and amortization	17,714	2,762	3,631	3,988	932	29,027
General and administration	—	—	—	—	4,572	4,572
	42,139	7,257	15,549	8,707	24,256	97,908
Other income from property settlement	—	—	—	—	—	—
Discontinued operations	2,760	—	—	168	—	2,928
Net Income	$29,497	$13,026	$ 5,973	$ 8,702	$(24,017)	$ 33,181
Capital expenditures	$10,067	$ 3,999	$ 6,962	$ 1,598	$ 58	$ 22,684

NOTE 10: SUBSEQUENT EVENTS

On October 3, 2005, subsequent to the end of the third quarter, we reopened our series of 5.35% senior unsecured notes due May 1, 2015 and issued an additional $100 million of notes at an effective yield of 5.49%. $93.5 million of the $100.7 million proceeds (including $2.4 million of accrued interest) from the sale of these notes was used to repay borrowings under our lines of credit and the remainder may be used for the acquisition of real estate and general corporate purposes.

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

The following discussion should be read in conjunction with the Consolidated Financial Statements of the Company and the notes thereto included elsewhere herein.

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an on-going basis, we evaluate these estimates, including those related to useful lives of real estate assets, cost reimbursement income, bad debts, impairment, contingencies and litigation. We base our 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.

The discussion that follows is based on our consolidated results of operations for the three months (hereinafter referred to as the "Quarter") and nine months (hereinafter referred to as the "Period") ended September 30, 2005 and 2004, respectively.

Forward Looking Statements

We claim 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 contained herein. Forward looking statements include statements in this report preceded by, followed by or that include the words "believe," "expect," "intend," "anticipate," "potential," "project," "will" and other similar expressions. The following important factors, in addition to those discussed in our 2004 Annual Report on Form 10-K under the caption "Risk Factors", could affect our future results and could cause those results to differ materially from those expressed in the forward looking statements: (a) the economic health of our tenants; (b) the economic health of the Greater Washington-Baltimore region, or other markets we may enter, including the effects of changes in Federal government spending; (c) the supply of competing properties; (d) inflation; (e) consumer confidence; (f) unemployment rates; (g) consumer tastes and preferences; (h) stock price and interest rate fluctuations; (i) our future capital requirements; (j) compliance with applicable laws, including those concerning the environment and access by persons with disabilities; (k) governmental or regulatory actions and initiatives; (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. We undertake no obligation to update our forward looking statements or risk factors to reflect new information, future events, or otherwise.

Overview

Our revenues are derived primarily from the ownership and operation of income-producing real properties in the greater Washington/Baltimore region. As of September 30, 2005, we owned a diversified portfolio of 68 properties, consisting of 12 retail centers, 28 office properties, 19 industrial/flex properties and 9 multifamily properties, totaling 10 million net rentable square feet. We have a fundamental strategy of regional focus, diversification by property type and conservative capital management.

When evaluating our financial condition and operating performance, management focuses on the following financial and non-financial indicators, discussed in further detail herein:

- Net Operating Income ("NOI") by segment. NOI is calculated as real estate rental revenue less real estate operating expenses.
- Economic occupancy and rental rates.
- Leasing activity – new leases, renewals and expirations.
- Funds From Operations ("FFO"), a supplemental measure to Net Income.

Our results in the third quarter of 2005 as compared to the third quarter of 2004, showed continued improvement in both occupancy and rental rate growth. In the Office sector, WRIT's largest vacancies remain at 7900 Westpark at Tyson's Corner and with good current leasing prospects, progress to reduce this vacancy is expected. Office vacancies decreased slightly in the suburban Maryland submarket, reflected in the improved leasing activity at our Maryland Trade Centers which are each 85%

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leased. WRIT's retail centers have remained strong at over 99% leased at quarter end reflecting the retail market throughout the Metropolitan region. The Multifamily market showed good improvement in occupancies and rental rates. The best and most active Multifamily areas continue to be the close-in Northern Virginia submarkets and the District of Columbia. Suburban Maryland has improved over the prior quarters of this year, however, it continues to lag the other sub markets due to the continued supply and demand imbalance.

Progress continues on our ground-up development and major redevelopment projects at Rosslyn Towers, South Washington Street and Foxchase Shopping Center. Demolition has begun at South Washington Street as well as in the development area of the Foxchase Shopping Center where we expect to deliver a pad site to a large grocery store chain in the fourth quarter 2005. This tenant will begin constructing their store for an anticipated opening in late 2006 at which time rent is expected to commence.

GENERAL

During the 2005 Period we completed the following significant transactions:

- The acquisition of one Retail property, for a purchase price of $44.8 million, adding approximately 295,000 square feet of rentable retail space which was 100% leased as of the end of the 2005 Period, one Industrial property for a purchase price of $8.8 million, adding approximately 60,000 square feet of rentable industrial space which was 100.0% leased as of the end of the 2005 Period and one Office and Industrial property for a purchase price of $67.0 million, adding approximately 90,000 square feet of rentable Office space and approximately 206,000 square feet of rentable Industrial space which was 97% leased as of the end of the 2005 Period.
- The disposition of one Industrial and three Office properties, totaling approximately 480,000 square feet, for a gain of approximately $35.2 million and the recognition of a previously deferred gain of $1.9 million from the sale of an Office property in November, 2004.
- The extension and increase of our line of credit facility No. 2 until 2008 for $70 million.
- The issuance of $50.0 million of 5.05% senior unsecured notes due May 1, 2012 and $50.0 million of 5.35% senior unsecured notes due May 1, 2015, at effective yields of 5.064% and 5.359% respectively. And subsequent to September 30, 2005, reopened the series of 5.35% senior unsecured notes and issued an additional $100 million of notes.
- The investment of $11.6 million in the major development and redevelopment of several properties.
- The execution of new leases for 1,329,000 square feet of office, retail and industrial space, combined.

During the 2004 Period we completed the following significant transactions:

- The acquisition of one Industrial property, for a purchase price of $11.5 million, adding approximately 141,000 square feet of rentable space, and one Office property, for $18.5 million, adding approximately 66,000 square feet of rentable space.
- The execution of new leases for 1,328,000 square feet of office, retail and industrial space, combined.
- The execution of a new $50 million line of credit with Bank One, NA and Wells Fargo Bank, National Association that replaced the previous $25 million facility with Bank One, NA.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We believe the following critical accounting policies affect the more significant judgments and estimates used in the preparation of our consolidated financial statements. Our significant accounting policies are described in Note 2 in the Notes to the Consolidated Financial Statements.

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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 seven years. We recognize rental income and rental abatements from our residential and commercial leases when earned on a straight-line basis in accordance with SFAS No. 13, “Accounting for Leases.” We record a provision for losses on accounts receivable equal to the estimated uncollectible amounts. This estimate is based on our historical experience and a review of the current status of the company’s receivables. Percentage rents, which represent additional rents based on gross tenant sales, are recognized when tenants’ sales exceed specified thresholds.

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 we have no significant continuing involvement.

We recognize 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.

Capital Expenditures

We capitalize 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.

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.

We allocate the purchase price of acquired properties to the related physical assets and in-place leases based on their fair values, based on SFAS No. 141, “Business Combinations.” The fair values of acquired buildings are determined on an “as-if-vacant” basis considering a variety of factors, including the physical condition and quality of the buildings, estimated rental and absorption rates, estimated future cash flows and valuation assumptions consistent with current market conditions. The “as-if-vacant” fair value is allocated to land, building and tenant improvements based on property tax assessments and other relevant information obtained in connection with the acquisition of the property.

The fair value of in-place leases consists of the following components – (1) the estimated cost to us to replace the leases, including foregone rents during the period of finding a new tenant, foregone recovery of tenant pass-through expenses, tenant improvements, and other direct costs associated with obtaining a new tenant (referred to as “Tenant Origination Cost”); (2) the estimated leasing commissions associated with obtaining a new tenant (referred to as “Leasing Commissions”); (3) the above/at/below market cash flow of the leases, determined by comparing the projected cash flows of the leases in place to projected cash flows of comparable market-rate leases (referred to as “Net Lease Intangible”); and (4) the value, if any, of customer relationships, determined based on our evaluation of the specific characteristics of each tenant’s lease and our overall relationship with the tenant (referred to as “Customer Relationship Value”). The amounts used to calculate Tenant Origination Cost, Leasing Commissions and Net Lease Intangible are discounted using an interest rate which reflects the risks associated with the leases acquired. Tenant Origination Costs are included in Real Estate Assets on our balance sheet and are amortized as depreciation expense on a straight-line basis over the remaining life of the underlying leases. The remaining components, Leasing Commissions and net Lease Intangible, are included in other assets and other liabilities on our balance sheet. We have attributed no value to Customer Relationship Value as of September 30, 2005 or December 31, 2004.

Discontinued Operations

We dispose of assets (sometimes using tax-deferred exchanges) that are inconsistent with our long-term strategic or return objectives and when market conditions for sale are favorable. The proceeds from the sales are reinvested into other properties, used to fund development operations or to support other corporate needs, or are distributed to our shareholders.

We classify properties as held for sale when they meet the necessary criteria specified by SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets.” These include: senior management commits to and actively embarks upon a plan to sell the assets, the sale is expected to be completed within one year under terms usual and customary for such sales and actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Depreciation on these properties is discontinued, but operating revenues, operating expenses and interest expense continue to be recognized until the date of sale.

Under SFAS 144, revenues and expenses of properties that are either sold or classified as held for sale are treated as discontinued operations for all periods presented in the Statements of Income.

Impairment Losses on Long-Lived Assets

We recognize 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 cash flows from the operation and disposal of the property, we 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 2005 and 2004 periods.

Federal Income Taxes

We believe we have qualified as a REIT under Sections 856-860 of the Internal Revenue Code and intend to continue to qualify as such. To maintain our status as a REIT, we are required to distribute at least 90% of our ordinary taxable income to our shareholders. When selling properties, we have 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. All except approximately $3.5 million of gains on the sale of properties disposed during the 2005 Period were, or are expected to be, reinvested in replacement properties. We distributed 100% of our 2004 ordinary taxable income, and the gains from the property disposed in 2004, to shareholders.

RESULTS OF OPERATIONS

The discussion that follows is based on our consolidated results of operations for the Quarter and Period ended September 30, 2005 and 2004, respectively. The ability to compare one period to another may be significantly affected by acquisitions completed and dispositions made during those periods.

For purposes of evaluating comparative operating performance, we categorize our properties as "core", "non-core" or Discontinued Operations. A "core" property is one that was owned for the entirety of the periods being evaluated. A "non-core" property is one that was acquired during either of the periods being evaluated and is included in continuing operations. Results for properties sold or held for sale during any of the periods evaluated are classified as Discontinued Operations. Three properties were acquired during the 2005 Period and two properties were acquired during the 2004 Period. Four properties were sold in 2005 and are classified as Discontinued Operations for the 2005 Period. These four properties and one additional property, sold in November, 2004, are classified as Discontinued Operations for the 2004 Period.

To provide more insight into our operating results, our discussion is divided into two main sections: (1) Consolidated Results of Operations where we provide an overview analysis of results on a consolidated basis and (2) Net Operating Income ("NOI") where we provide a detailed analysis of core versus non-core property-level NOI results by segment. NOI is calculated as real estate rental revenue less real estate operating expenses.

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CONSOLIDATED RESULTS OF OPERATIONS

REAL ESTATE RENTAL REVENUE

Real Estate Rental Revenue is summarized as follows (all data in thousands, except percentage amounts):

	Quarter Ended September 30,				Period Ended September 30,			
	2005	2004	$ Change	% Change	2005	2004	$ Change	% Change
Minimum base rent	$ 43,525	$ 39,066	$ 4,459	11.4%	$ 125,762	$ 115,461	$ 10,301	8.9%
Recoveries from tenants	4,099	3,071	1,028	33.5%	11,544	9,048	2,496	27.6%
Parking and other tenant charges	1,315	1,109	206	18.6%	3,482	3,413	69	2.0%
	$ 48,939	$ 43,246	$ 5,693	13.2%	$ 140,788	$ 127,922	$ 12,866	10.1%

Real estate rental revenue is comprised of (1) minimum base rent, which includes rental revenues recognized on a straight-line basis, (2) revenue from the recovery of operating expenses from our tenants and (3) other revenue such as parking and termination fees.

Minimum base rent increased $4.5 million (11.4%) in the 2005 Quarter and $10.3 million (8.9%) in the 2005 Period compared to the 2004 Quarter and Period, respectively, primarily due to the two Office, one Retail and three Industrial properties acquired in 2004 and year-to-date in 2005. These acquisitions accounted for $1.6 million and $8.3 million of the increase in minimum base rent in the 2005 Quarter and Period over the 2004 Quarter and Period, respectively and $0.5 million and $1.1 million of the increase in recoveries from tenants, respectively. Total real estate revenue from core properties in the 2005 Quarter increased $1.6 million over the prior year driven by increased occupancy in the Multifamily and Retail sectors, increases in rental rate growth in the Multifamily, Retail and Industrial sectors offset by decreased occupancy in the Office sector. In the 2005 Period, real estate revenue from core properties was higher ($3.3 million) than in the 2004 Period due to the increase in occupancy in the multifamily and retail sectors and an increase in rental rates in the Multifamily, Retail and Industrial sectors.

A summary of consolidated economic occupancy by sector for properties classified as continuing operations follows:

	Quarter Ended September 30,			Period Ended September 30,		
Sector	2005	2004	Change	2005	2004	Change
Office	90.4%	90.8%	(0.4)%	89.7%	90.9%	(1.2)%
Retail	98.2%	94.6%	3.6%	97.3%	94.5%	2.8%
Multifamily	94.9%	91.4%	3.5%	93.6%	90.1%	3.5%
Industrial	94.5%	92.6%	1.9%	94.3%	92.2%	2.1%
Total	93.0%	91.7%	1.3%	92.2%	91.4%	0.8%

Economic occupancy represents actual rental revenues recognized for the period indicated as a percentage of gross potential rental revenues for that period. Percentage rents and expense reimbursements are not considered in computing either actual rental revenues or gross potential rental revenues. Our overall economic occupancy increased 130 basis points for the 2005 Quarter and 80 basis points for the 2005 Period as a result of occupancy gains in the Retail, Multifamily and Industrial sectors, partially offset by a decline in occupancy in the Office sector. Occupancy in the Multifamily sector increased due to the lease-up of units at the Ashby that were vacant for renovation in 2004. Industrial occupancy increased 190 basis points in the 2005 Quarter over the 2004 Quarter and 210 basis points in the 2005 Period over the 2004 Period due to leasing activity in the core portfolio and a combined occupancy of 99.4% in the 2005 Quarter and 97.7% in the 2005 Period for the properties acquired in 2005 (Coleman Building and Albemarle Point) and 2004 (8880 Gorman Road, for the year, and Dulles Business Park, for the quarter and year). Retail occupancy was positively impacted by completion of redevelopment activities in the fourth quarter of 2004 at Westminster Shopping Center, allowing for the move in of a large grocery anchor. Office occupancy decreased primarily due to the expiration of several leases that did not renew at 7900 Westpark and 1700 Research Boulevard in the fourth quarter of 2004.

REAL ESTATE OPERATING EXPENSES

Real estate operating expenses are summarized as follows (all data in thousands, except percentage amounts):

	Quarter Ended September 30,				Period Ended September 30,			
	2005	2004	$ Change	% Change	2005	2004	$ Change	% Change
Property operating expenses	$10,928	$ 9,713	$ 1,215	12.5%	$31,229	$28,016	$ 3,213	11.5%
Real estate taxes	3,999	3,435	564	16.4%	11,846	10,344	1,502	14.5%
	$14,927	$13,148	$ 1,779	13.5%	$43,075	$38,360	$ 4,715	12.3%

Property operating expenses include utilities, repairs and maintenance, property administration and management, operating services, common area maintenance and other operating expenses.

Real estate operating expenses were 30.5% and 30.6% of revenue in the 2005 Quarter and Period, respectively, and 30.4% and 30.0% of revenue in the 2004 Quarter and Period, respectively. The properties acquired in 2004 and 2005 accounted for $0.6 million of the $1.2 million increase in property operating expenses and $0.3 million of the $0.6 million increase in real estate taxes over the 2004 Quarter. Core real estate operating expenses increased $0.8 million as a result of higher utility costs, real estate taxes and repair and maintenance expenses.

Properties acquired in 2004 and 2005 accounted for $1.4 million of the $3.2 million increase in property operating expenses and almost $0.8 of the $1.5 million increase in real estate taxes over the 2004 Period. Core property operating expenses increased $2.5 million as a result of higher utility costs, real estate taxes, repairs and maintenance expenses.

OTHER OPERATING EXPENSES

Other operating expenses are summarized as follows (all data in thousands, except percentage amounts):

	Quarter Ended September 30,				Period Ended September 30,			
	2005	2004	$ Change	% Change	2005	2004	$ Change	% Change
Depreciation & amortization	$11,988	$10,017	$ 1,971	19.7%	$35,467	$29,027	$ 6,440	22.2%
Interest expense	9,798	8,760	1,038	11.8%	27,668	25,949	1,719	6.6%
General & administrative	2,036	1,616	420	26.0%	6,361	4,572	1,789	39.1%
	$23,822	$20,393	$ 3,429	16.8%	$69,496	$59,548	$ 9,948	16.7%

Depreciation and amortization expense increased $2.0 million (19.7%) to $12.0 million in the 2005 Quarter from $10.0 million in the 2004 Quarter and increased $6.4 million (22.2%) to $35.5 million in the 2005 Period from $29.0 million in the 2004 Period, due primarily to total acquisitions of $205.8 million and capital and tenant improvement expenditures of $57.2 million in 2004 and in the 2005 Period, combined. In the 2005 Quarter and Period, $1.6 million and $3.5 million, respectively, of the increase in depreciation and amortization expense was from properties acquired in 2005 and 2004. Accelerated depreciation related to development activities at Foxchase and South Washington Street accounted for $0.9 million for the 2005 Quarter and $2.8 million for the Period.

Interest expense increased $1.0 million to $9.8 million in the 2005 Quarter and $1.7 million to $27.7 million in the 2005 Period. The increase in interest expense for the 2005 Quarter over the 2004 Quarter was primarily due to an increase of $0.7 million in mortgage interest resulting from mortgage assumptions with certain acquisitions. The increase in interest expense for the 2005 Period over the 2004 Period is due to the increased mortgage debt described above as well as an increase in short- term borrowing on the lines of credit to fund acquisitions.

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A summary of interest expense for the Quarter and Period ended September 30, 2005 and 2004, respectively, appears below (in millions):

	Quarter Ended September 30,			Period Ended September 30,		
Debt Type	2005	2004	$ Change	2005	2004	$ Change
Notes payable	$ 6.4	$ 6.3	$ 0.1	$17.7	$18.8	$ (1.1)
Mortgages	3.0	2.5	0.5	8.8	7.2	1.6
Lines of credit	0.7	0.2	0.5	1.9	0.4	1.5
Capitalized interest	(0.3)	(0.2)	(0.1)	(0.7)	(0.5)	(0.2)
Total	$ 9.8	$ 8.8	$ 1.0	$27.7	$25.9	$ 1.8

General and administrative expenses increased to $2.0 million for the 2005 Quarter compared to $1.6 million for the 2004 Quarter, and $6.3 million for the 2005 Period compared to $4.6 million for the 2004 Period primarily due to higher compensation expense and accounting and consulting fees.

DISCONTINUED OPERATIONS

We dispose of assets that are inconsistent with our long term strategic or return objectives or where market conditions for sale are favorable. The proceeds from the sales are reinvested into other properties, used to fund development operations or support corporate needs, or distributed to our shareholders. WRIT sold the following properties during the 2005 Period:

Disposition Date	Property Name	Property Type	Rentable Square Feet	Sale Price (in thousands)	Gain on Sale
February 1, 2005	7700 Leesburg Pike	Office	147,000	$ 20,150	$ 8,527
February 1, 2005	Tycon Plaza II	Office	127,000	19,400	8,867
February 1, 2005	Tycon Plaza III	Office	137,000	27,950	14,696
September 8, 2005	Pepsi Distribution Center	Industrial	69,000	6,000	3,038
	Total 2005 Period		480,000	$ 73,500	$ 35,128

The Office properties, classified as discontinued operations effective November 2004, were sold to a single buyer for a $67.5 million contract sales price on February 1, 2005. WRIT recognized a gain on disposal of $32.1 million, in accordance with SFAS No. 66, “Accounting for Sales of Real Estate.” $31.3 million of the proceeds from the disposition were escrowed in a tax-free property exchange account and subsequently used to fund a portion of the purchase price of Frederick Crossing Shopping Center on March 23, 2005 and the Coleman Building on April 8, 2005. $31.0 million of the proceeds were used to pay down $31.0 million outstanding under Credit Facility No. 2. In September 2005 the Industrial property was sold for $6.0 million for a gain of $3.0 million. Proceeds of $5.8 million were escrowed in a tax-free exchange account. Discontinued operations for the 2005 Quarter and 2005 Period consist of the properties sold in February and September 2005. For the 2004 Quarter and 2004 Period, discontinued operations include those same properties and 8230 Boone Boulevard, which was sold on November 15, 2004. In addition there was a gain of $1.9 million recognized in the 2005 Period previously deferred from the sale of Boone Boulevard.

Discontinued operations for the 2005 Quarter and Period consist of the properties sold in February 2005 and September 2005. For the 2004 Quarter and Period, discontinued operations include those same properties and 8230 Boone Boulevard, which was sold on November 15, 2004. Operating results of the properties classified as discontinued operations are summarized as follows (in thousands):

	Quarter ended September 30,		Period ended September 30,	
	2005	2004	2005	2004
Revenues	$ (34)	$ 2,282	$ 656	$ 6,811
Property expenses	(48)	(752)	(401)	(2,402)
Depreciation and amortization	(18)	(497)	(71)	(1,481)
	$ (100)	$ 1,033	$ 184	$ 2,928

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NET OPERATING INCOME

Real estate NOI is one of the key performance measures we use to assess the results of our operations at the property level. We provide NOI as a supplement to net income calculated in accordance with accounting principles generally accepted in the United States of America ("GAAP"). NOI does not represent net income calculated in accordance with GAAP. As such, it should not be considered an alternative to net income as an indication of our operating performance. NOI is calculated as net income, less non-real estate ("other") revenue, plus interest expense, depreciation and amortization and general and administrative expenses. A reconciliation of NOI to net income is provided below.

2005 Quarter Compared to the 2004 Quarter

The following tables of selected consolidated operating data provide the basis for our discussion of NOI in the 2005 Quarter compared to the 2004 Quarter. All amounts are in thousands except percentage amounts.

	Quarter Ended September 30,			
	2005	2004	$ Change	% Change
Real Estate Rental Revenue				
Core	$ 44,615	$ 42,983	$ 1,632	3.8%
Non-core [(1)]	4,324	263	4,061	n/a
Total Real Estate Rental Revenue	$ 48,939	$ 43,246	$ 5,693	13.2%
Real Estate Expenses				
Core	$ 13,916	$ 13,091	$ 825	6.3%
Non-core [(1)]	1,013	57	956	n/a
Total Real Estate Expenses	$ 14,929	$ 13,148	$ 1,781	13.5%
Net Operating Income				
Core	$ 30,699	$ 29,892	$ 807	2.7%
Non-core [(1)]	3,311	206	3,105	n/a
Total Net Operating Income	$ 34,010	$ 30,098	$ 3,912	13.0%
Reconciliation to Net Income				
NOI	$ 34,010	$ 30,098		
Other revenue	335	59		
Interest expense	(9,798)	(8,760)		
Depreciation and amortization	(11,988)	(10,017)		
General and administrative expenses	(2,036)	(1,616)		
Discontinued operations[(2)]	2,938	1,033		
Net Income	$ 13,461	$ 10,797		

	Quarter Ended September 30,	
	2005	2004
Economic Occupancy		
Core	92.5%	91.6%
Non-core [(1)]	98.4%	98.0%
Total	93.0%	91.7%

(1) Non-core properties include:

2005 acquisitions – Frederick Crossing, Coleman Building, Albemarle Point
2004 acquisitions – Shady Grove Medical Village II, 8301 Arlington Boulevard and Dulles Business Park

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

2005 disposals – Tycon Plaza II, Tycon Plaza III, 7700 Leesburg Pike and the Pepsi Distribution Center
2004 disposals – 8230 Boone Boulevard

We recognized NOI of $34.0 million in the 2005 Quarter, which was $3.9 million or 13.0% greater than in the 2004 Quarter due largely to our acquisitions in the last twelve months. These acquired properties contributed $3.3 million in NOI in the 2005 Quarter (9.7% of total NOI).

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Core properties experienced an increase (2.7%) in NOI due to a $1.6 million increase in revenue offset somewhat by a $0.8 increase in property expenses. Real estate revenue benefited from increased occupancy and rental rates in the Multifamily, Retail and Industrial sectors offset somewhat by increased vacancy and reduced rental rates in the Office sector. The increase in core expenses was driven by the Office and Multifamily sectors, which contributed $0.3 million and $0.4 million, respectively, to the increase as a result of higher utilities, repairs and maintenance expense and real estate taxes.

Overall economic occupancy increased from 91.7% in the 2004 Quarter to 93.0% in the 2005 Quarter as core economic occupancy increased from 91.6% to 92.5%, due largely to increases in the Retail, Multifamily and Industrial sectors, offset somewhat by a 40 basis point decrease in core Office sector occupancy. As of September 30, 2005, 14.4% of the total commercial square footage leased is scheduled to expire in 2006. During the quarter, 85% of the square footage that expired was renewed. An analysis of NOI by sector follows.

Office Sector

	Quarter Ended September 30,			
	2005	2004	$ Change	% Change
Real Estate Rental Revenue				
Core	$23,196	$23,073	$ 123	0.5%
Non-core (1)	1,169	263	906	n/a
Total Real Estate Rental Revenue	$24,365	$23,336	$ 1,029	4.4%
Real Estate Expenses				
Core	$ 7,613	$ 7,302	$ 311	4.3%
Non-core (1)	335	57	278	n/a
Total Real Estate Expenses	$ 7,948	$ 7,359	$ 589	8.0%
Net Operating Income				
Core	$15,583	$15,771	$ (188)	(1.2)%
Non-core (1)	834	206	628	n/a
Total Net Operating Income	$16,417	$15,977	$ 440	2.8%
Reconciliation to Net Income				
NOI	$16,417	$15,977		
Interest expense	(1,112)	(1,146)		
Depreciation and amortization	(6,355)	(6,050)		
Discontinued operations(2)	—	979		
Net Income	$ 8,950	$ 9,760		

	Quarter Ended September 30,	
	2005	2004
Economic Occupancy		
Core	90.2%	90.7%
Non-core (1)	95.2%	98.0%
Total	90.4%	90.8%

(1) Non-core properties include:

2005 acquisitions – Albemarle Point Office Building
2004 acquisitions – Shady Grove Medical Village II and 8301 Arlington Boulevard

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

2005 disposals – Tycon Plaza II, Tycon Plaza III and 7700 Leesburg Pike
2004 disposals – 8230 Boone Boulevard

The Office sector recognized NOI of $16.4 million in the 2005 Quarter, which was $0.4 million, or 2.8%, higher than in the 2004 Quarter primarily due to the NOI contribution of the properties acquired in 2004. These properties contributed $0.6 million to the increase in NOI. Core Office sector NOI was $0.2 million (1.2%) lower than in the comparable quarter in 2004 due primarily to a $0.3 million increase in core real estate expenses offset somewhat by an increase of $0.1 million in rental revenues.

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The Core Office rental revenue was flat because rental rates were down 1.3% compared to the second quarter 2004 and occupancy was down 50 basis points. This was driven by the expiration of several leases in the fourth quarter of 2004 that were not renewed at 7900 Westpark and 1700 Research Boulevard. Core real estate expenses were higher due primarily to increased utility and real estate tax expenses as a result of supplier rate increases and higher value assessments, respectively.

Core economic occupancy decreased from 90.7% to 90.2% as a result of the aforementioned vacancies. As of September 30, 2005, 15.0% of the total Office square footage leased is scheduled to expire in 2006. During the quarter, 93% of the square footage that expired was renewed.

During the 2005 Quarter, we executed new leases for 156,300 square feet of Office space with primarily no change in rental rates.

Retail Sector

	Quarter Ended September 30,			
	2005	2004	$ Change	% Change
Real Estate Rental Revenue				
Core	$ 7,160	$6,714	$ 446	6.6%
Non-core [(1)]	1,119	—	1,119	n/a
Total Real Estate Rental Revenue	$ 8,279	$6,714	$ 1,565	23.3%
Real Estate Expenses				
Core	$ 1,513	$1,443	$ 70	4.9%
Non-core [(1)]	185	—	185	n/a
Total Real Estate Expenses	$ 1,698	$1,443	$ 255	17.7%
Net Operating Income				
Core	$ 5,647	$5,271	$ 376	7.1%
Non-core [(1)]	934	—	934	n/a
Total Net Operating Income	$ 6,581	$5,271	$ 1,310	24.9%
Reconciliation to Net Income				
NOI	$ 6,581	$5,271		
Interest Expense	(353)	—		
Depreciation and amortization	(1,871)	(926)		
Net Income	$ 4,357	$4,345		

	Quarter Ended September 30,	
	2005	2004
Economic Occupancy		
Core	97.9%	94.6%
Non-core [(1)]	100.0%	—
Total	98.2%	94.6%

(1) Non-core properties include:

2005 acquisition – Frederick Crossing

Retail sector NOI increased in the 2005 Quarter to $6.6 million from $5.3 million in the 2004 Quarter. The acquisition in March, 2005 contributed $0.9 million (14.2%) to NOI.

The increase in core NOI of $0.4 million was due to a $0.4 million increase in revenues driven a 330 basis point increase in occupancy due to the move-in of the grocery anchor tenant at Westminster Shopping Center upon completion of the center's redevelopment and a slight increase in rental rates. Core real estate expenses increased slightly due to higher real estate taxes.

As of September 30, 2005, 7.9% of the total Retail square footage leased is scheduled to expire in 2006. During the quarter, 98% of the square footage that expired was renewed.

During the 2005 Quarter, we executed new leases for 52,100 square feet of Retail space at an average rent increase of 20%.

Multifamily Sector

	Quarter Ended September 30,			
	2005	2004	$ Change	% Change
Real Estate Rental Revenue				
Core/Total	$ 7,829	$ 7,288	$ 541	7.4%
Real Estate Expenses				
Core/Total	$ 3,385	$ 3,011	$ 374	12.4%
Net Operating Income				
Core/Total	$ 4,444	$ 4,277	$ 167	3.9%
Reconciliation to Net Income				
NOI	$ 4,444	$ 4,277		
Interest expense	(986)	(1,066)		
Depreciation and amortization	(1,272)	(1,238)		
Net Income	$ 2,186	$ 1,973		

	Quarter Ended September 30,	
	2005	2004
Economic Occupancy		
Core/Total	94.9%	91.4%

Multifamily NOI was higher in the 2005 Quarter as compared to the same time period in 2004 because of a $0.5 million increase in real estate revenue offset partially by a $0.4 million increase in real estate expenses. Revenues were higher due to a 4.0% increase in rental rates that was generally portfolio-wide, and a 350 basis point increase in occupancy resulting from the completed renovation and occupancy of several units at the Ashby at McLean which were off the market in the 2004 Quarter, and higher occupancy at other properties. The increase in real estate expenses was for higher repairs and maintenance expenses and utility costs, as well as increased marketing and other administrative expenses.

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Industrial Sector

	Quarter Ended September 30,			
	2005	2004	$ Change	% Change
Real Estate Rental Revenue				
Core	$ 6,430	$ 5,908	$ 522	8.8%
Non-core [1]	2,036	—	2,036	n/a
Total Real Estate Rental Revenue	$ 8,466	$ 5,908	$ 2,558	43.3%
Real Estate Expenses				
Core	$ 1,405	$ 1,335	$ 70	5.2%
Non-core [1]	493	—	493	n/a
Total Real Estate Expenses	$ 1,898	$ 1,335	$ 563	42.2%
Net Operating Income				
Core	$ 5,025	$ 4,573	$ 452	9.9%
Non-core [1]	1,543	—	1,543	n/a
Total Net Operating Income	$ 6,568	$ 4,573	$ 1,995	43.6%
Reconciliation to Net Income				
NOI	$ 6,568	$ 4,573		
Interest expense	(506)	(250)		
Depreciation and amortization	(2,380)	(1,387)		
Discontinued operations[2]	2,938	54		
Net Income	$ 6,620	$ 2,990		

	Quarter Ended September 30,	
	2005	2004
Economic Occupancy		
Core	92.7%	92.6%
Non-core [1]	99.4%	—
Total	94.5%	92.6%

(1) Non-core properties include:

2005 acquisition – Coleman Building , Albemarle Point Industrial Buildings
2004 acquisitions – Dulles Business Park

(2) Discontinued Operations include:

2005 disposal – Pepsi Distribution Center

The Industrial sector recognized NOI of $6.6 million in the 2005 Quarter, which was $2.0 million (43.6 %) greater than in the 2004 Quarter due to a $0.5 million increase in core NOI and the acquisitions of Albemarle Point in July 2005, the Coleman Building in April 2005 and the Dulles Business Park portfolio in December 2004 which combined contributed $1.5 million (23.5%) to NOI.

Core properties experienced a $0.5 million (9.9%) increase in NOI due to a $0.5 million improvement in revenues, while real estate expenses increased slightly to $1.4 million from $1.3 million. Core revenues increased due primarily to a 4.9% growth in rental rates and a slight increase in occupancy. As of September 30, 2005, 17.7% of the total Industrial square footage leased is scheduled to expire in 2006. During the 2005 Quarter, 76.1% of the square footage that expired was renewed.

During the 2005 Quarter, we executed new leases for 234,100 square feet of industrial space at an average rent increase of 25%.

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2005 Period Compared to the 2004 Period

The following tables of selected consolidated operating data provide the basis for our discussion of NOI in the 2005 Period compared to the 2004 Period. All amounts are in thousands except percentage amounts.

	Period Ended September 30,			
	2005	2004	$ Change	% Change
Real Estate Rental Revenue				
Core	$130,122	$127,025	$ 3,097	2.4%
Non-core [1]	10,666	897	9,769	n/a
Total Real Estate Rental Revenue	$140,788	$127,922	$12,866	10.1%
Real Estate Expenses				
Core	$ 40,660	$ 38,206	$ 2,454	6.4%
Non-core [1]	2,415	154	2,261	n/a
Total Real Estate Expenses	$ 43,075	$ 38,360	$ 4,715	12.3%
Net Operating Income				
Core	$ 89,462	$ 88,819	$ 643	0.7%
Non-core [1]	8,251	743	7,508	n/a
Total Net Operating Income	$ 97,713	$ 89,562	$ 8,151	9.1%
Reconciliation to Net Income				
NOI	$ 97,713	$ 89,562		
Other revenue	655	239		
Other income from property settlement	504	—		
Interest expense	(27,668)	(25,949)		
Depreciation and amortization	(35,467)	(29,027)		
General and administrative expenses	(6,361)	(4,572)		
Discontinued operations[2]	37,195	2,928		
Net Income	$ 66,571	$ 33,181		

	Period Ended September 30,	
	2005	2004
Economic Occupancy		
Core	91.8%	91.4%
Non-core [1]	97.6%	99.9%
Total	92.2%	91.4%

(1) Non-core properties include:

2005 acquisitions – Frederick Crossing, Coleman Building and Albemarle Point
2004 acquisitions – 8880 Gorman Road, Shady Grove Medical Village II, 8301 Arlington Boulevard and Dulles Business Park

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

2005 disposals – Tycon Plaza II, Tycon Plaza III, 7700 Leesburg Pike and the Pepsi Distribution Center
2004 disposal – 8230 Boone Boulevard

We recognized NOI of $97.7 million in the 2005 Period, which was $8.2 million or 9.1% greater than in the 2004 Period due largely to our 2004 and 2005 acquisitions. These acquired properties contributed $8.3 million in NOI in the 2005 Period (8.4% of total NOI).

Core properties experienced a $0.6 million (0.7%) increase in NOI due primarily to the $3.1 million increase in revenue, which was offset somewhat by a $2.5 million increase in real estate expenses. Real estate revenue was positively impacted by the growth in rental rates and increased occupancy in the Multifamily, Industrial and Retail sectors and an increase in expense reimbursements in the Office sector. This was offset somewhat by the decrease in rental rates and occupancy in the Office sector.

The increase in core expenses was a result of increased utility costs, real estate taxes and marketing and other administrative expenses.

Overall economic occupancy increased from 91.4% in the 2004 Period to 92.2% in the 2005 Period due largely to the properties acquired in 2005 and 2004. Core economic occupancy was higher at 91.8% compared to 91.4% due largely to the combined increases in the Retail, Multifamily and Industrial occupancy, offset by a 130 basis point decrease in Office sector occupancy. During the 2005 Period, 73.6% of the square footage that expired was renewed. An analysis of NOI by sector follows.

Office Sector

	Period Ended September 30,			
	2005	2004	$ Change	% Change
Real Estate Rental Revenue				
Core	$ 68,024	$ 68,613	$ (589)	(0.9)%
Non-core (1)	2,802	263	2,539	n/a
Total Real Estate Rental Revenue	$ 70,826	$ 68,876	$ 1,950	2.8%
Real Estate Expenses				
Core	$ 22,279	$ 21,127	$ 1,152	5.5%
Non-core (1)	812	57	755	n/a
Total Real Estate Expenses	$ 23,091	$ 21,184	$ 1,907	9.0%
Net Operating Income				
Core	$ 45,745	$ 47,486	$(1,741)	(3.7)%
Non-core (1)	1,990	206	1,784	n/a
Total Net Operating Income	$ 47,735	$ 47,692	$ 43	0.1%
Reconciliation to Net Income				
NOI	$ 47,735	$ 47,692		
Interest expense	(3,449)	(3,241)		
Depreciation and amortization	(18,851)	(17,714)		
Discontinued operations(2)	34,204	2,760		
Net Income	$ 59,639	$ 29,497		

	Period Ended September 30,	
	2005	2004
Economic Occupancy		
Core	89.5%	90.8%
Non-core (1)	95.5%	98.0%
Total	89.7%	90.9%

(1) Non-core properties include:

2005 acquisitions – Albemarle Point Office Building
2004 acquisition – Shady Grove Medical Village II and 8301 Arlington Boulevard

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

2005 disposals – Tycon Plaza II, Tycon Plaza III and 7700 Leesburg Pike
2004 disposal – 8230 Boone Boulevard

The Office sector recognized NOI of $47.7 million in the 2005 Period and 2004 period due primarily to increased vacancy in our core portfolio and increased operating expenses, offset by our acquisitions of Shady Grove Medical Village II in August 2004, 8301 Arlington Boulevard in October 2004 and Albemarle Point in July 2005. These properties contributed $2.0 million to NOI (4.2% of the total).

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Core Office properties experienced a $1.7 million (3.7%) decrease in NOI due to a $1.1 million increase in real estate expenses and a $0.6 million decline in revenues. Core Office occupancy was 130 basis points lower in the 2005 Period than the 2004 Period. This was offset somewhat by an increase of $0.7 million in recoveries from tenants due to higher operating expenses. Core real estate expenses were higher due primarily to higher utility costs, repairs and maintenance expenses and real estate taxes.

Core economic occupancy for the Office sector was down to 89.5% from 90.8% and overall economic occupancy decreased from 90.9% to 89.7%. During the 2005 Period, 76.7% of the square footage that expired was renewed. This renewal rate was lower than usual due to pricing pressure in a period of low demand.

During the 2005 Period, we executed new leases for 581,400 square feet of Office space at an average rent increase of 3.7%.

Retail Sector

	Period Ended September 30,			
	2005	2004	$ Change	% Change
Real Estate Rental Revenue				
Core	$21,129	$20,283	$ 846	4.2%
Non-core [1]	2,360	—	2,360	n/a
Total Real Estate Rental Revenue	$23,489	$20,283	$ 3,206	15.8%
Real Estate Expenses				
Core	$ 4,730	$ 4,495	$ 235	5.2%
Non-core [1]	373	—	373	n/a
Total Real Estate Expenses	$ 5,103	$ 4,495	$ 608	13.5%
Net Operating Income				
Core	$16,399	$15,788	$ 611	3.9%
Non-core [1]	1,987	—	1,987	n/a
Total Net Operating Income	$18,386	$15,788	$ 2,598	16.5%
Reconciliation to Net Income				
NOI	$18,386	$15,788		
Other income from property settlement	504	—		
Interest Expense	(740)	—		
Depreciation and amortization	(6,313)	(2,762)		
Net Income	$11,837	$13,026		

	Period Ended September 30,	
	2005	2004
Economic Occupancy		
Core	97.0%	94.5%
Non-core [1]	100.0%	—
Total	97.3%	94.5%

(1) Non-core properties include:

2005 acquisitions – Frederick Crossing

The Retail sector recognized NOI of $18.4 million in the 2005 Period, which was $2.6 million (16.5%) greater than in the 2004 Period due primarily to the acquisition of Frederick Crossing in March, 2005 which contributed $2.0 million in NOI (10.8% of the total NOI), and an increase in core NOI of $0.6 million.

The increase in core NOI was due to a $0.8 million increase in rental revenues offset somewhat by an increase in real estate expenses of $0.2 million. The revenue increase was driven by increased occupancy and rental rates as well as a $0.6 million increase in expense reimbursements. This was offset somewhat by a $0.1 million decrease in percentage rent. Real estate expenses increased $0.2 million due to increased real estates taxes.

Core economic occupancy for the Retail sector increased to 97.0% from 94.5% primarily as a result of commencement of operations of the grocery anchor tenant after the development activity at Westminster. During the 2005 Period, 96.3% of the square footage that expired was renewed.

During the 2005 Period, we executed new leases for 136,100 square feet of retail space at an average rent increase of 23.6%.

Multifamily Sector

	Period Ended September 30,			
	2005	2004	$ Change	% Change
Real Estate Rental Revenue				
Core/Total	$22,867	$21,522	$ 1,345	6.2%
Real Estate Expenses				
Core/Total	$ 9,515	$ 8,717	$ 798	9.2%
Net Operating Income				
Core/Total	$13,352	$12,805	$ 547	4.3%
Reconciliation to Net Income				
NOI	$13,352	$12,805		
Interest expense	(3,112)	(3,201)		
Depreciation and amortization	(3,757)	(3,631)		
Net Income	$ 6,483	$ 5,973		

	Period Ended September 30,	
	2005	2004
Economic Occupancy		
Core/Total	93.6%	90.1%

Multifamily NOI increased $0.5 million (4.3%) due primarily to a $1.3 million increase in real estate revenue as a result of increased occupancy and increased rental rates, offset by increased real estate expenses due to increases in property marketing costs and administrative expenses as well as utility costs, repairs and maintenance expenses and real estate taxes. Revenues increased due to a 350 basis point increase in occupancy due primarily to the completed renovation and subsequent leasing of units taken off-market at The Ashby at McLean during the 2004 Period.

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Industrial Sector

	Period Ended September 30,			
	2005	2004	$ Change	% Change
Real Estate Rental Revenue				
Core	$18,102	$16,607	$ 1,495	9.0%
Non-core [(1)]	5,504	634	4,870	n/a
Total Real Estate Rental Revenue	$23,606	$17,241	$ 6,365	36.9%
Real Estate Expenses				
Core	$ 4,136	$ 3,867	$ 269	7.0%
Non-core [(1)]	1,230	97	1,133	n/a
Total Real Estate Expenses	$ 5,366	$ 3,964	$ 1,402	35.4%
Net Operating Income				
Core	$13,966	$12,740	$ 1,226	9.6%
Non-core [(1)]	4,274	537	3,737	n/a
Total Net Operating Income	$18,240	$13,277	$ 4,963	37.4%
Reconciliation to Net Income				
NOI	$18,240	$13,277		
Interest expense	(1,526)	(755)		
Depreciation and amortization	(6,220)	(3,988)		
Discontinued operations[(2)]	2,991	168		
Net Income	$13,485	$ 8,702		

	Period Ended September 30,	
	2005	2004
Economic Occupancy		
Core	92.9%	92.1%
Non-core [(1)]	97.7%	100.0%
Total	94.3%	92.2%

(1) Non-core properties include:

2005 acquisition – Coleman Building, Albemarle Point Industrial Buildings
2004 acquisitions – 8880 Gorman Road and Dulles Business Park

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

2005 disposal – Pepsi Distribution Center

The Industrial sector recognized NOI of $18.2 million in the 2005 Period, which was $5.0 million (37.4%) greater than in the 2004 Period due to a $1.2 million increase in core NOI and the acquisitions of Albemarle Point in July 2005, the Coleman Building in April 2005, 8880 Gorman Road in March 2004 and Dulles Business Park in December 2004 which together contributed $4.3 million (23.4%) of the total NOI.

Core properties experienced a $1.2 million (9.6%) increase in NOI due to a $1.5 million improvement in revenues, while real estate expenses increased $0.3 million. Core revenues increased due primarily to an 80 basis point growth in occupancy and increased rental rates. During the 2005 Period, 63.3% of the square footage that expired was renewed.

During the 2005 Period, we executed new leases for 611,800 square feet of Industrial space at an average rent increase of 12.0%.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are cash from our real estate operations and our unsecured credit facilities. As of September 30, 2005, we had approximately $12.7 million in cash and cash equivalents and $61.5 million available for borrowing under our unsecured credit facilities. In February 2005, we sold Tycon Plaza II, Tycon Plaza III and 7700 Leesburg Pike for a combined sale price of $67.5 million. We used $31.0 million of the proceeds in February 2005 to pay down credit facility borrowings, $19.5 million toward the purchase of Frederick Crossing in March 2005 and $8.3 million toward the purchase of the Coleman Building in April 2005. In late April, 2005, we paid in full the remaining amounts outstanding under our unsecured credit facilities using proceeds from two issuances of $50 million unsecured notes (for a net total of $99.3 million) at 5.05% and 5.35%, respectively.

In the 2005 Quarter our unsecured credit facilities funded the purchase of Albemarle Point for $63.0 million, the payoff of mortgages for Avondale and Woodburn, $7.5 million and $18.0 million respectively, and development costs. This left $61.5 million available for borrowing under our credit facilities.

In October 2005 we issued an additional $100.0 million of notes of the series of 5.35% senior unsecured notes due May 1, 2015, at an effective yield of 5.49%. $93.5 million of the $100.7 million proceeds (including $2.4 million of accrued interest) from the sale of these notes was used to repay borrowings under our lines of credit and the remainder may be used for the acquisition of real estate and general corporate purposes.

We derive substantially all of our revenue from tenants under leases at our properties. Our operating cash flow therefore depends materially on our ability to lease our properties to tenants, the rents that we are able to charge to our tenants, and the ability of these tenants to make their rental payments.

Our primary uses of cash are to fund distributions to shareholders, to fund capital investments in our existing portfolio of operating assets, to fund new acquisitions, redevelopment and ground-up development activities and to fund operating and administrative expenses. As a REIT, we are required to distribute at least 90% of our taxable income to our shareholders on an annual basis. We also regularly require capital to invest in our existing portfolio of operating assets in connection with large-scale renovations, routine capital improvements, deferred maintenance on properties we have recently acquired, and our leasing activities, including funding tenant improvement allowances and leasing commissions. The amounts of the leasing-related expenditures can vary significantly depending on negotiations with tenants and the current competitive leasing environment.

As we review the results of the first nine months and anticipate the business activity for the remainder of 2005, we expect to complete the year with the same significant capital requirements as previously estimated, except for tenant improvements and development costs. Therefore, for the twelve months ended, total anticipated costs are as follows:

- Funding dividends on our common shares and minority interest distributions to third party unit holders;
- Approximately $33.0 million to invest in our existing portfolio of operating assets, including approximately $8.0 million to fund tenant-related capital requirements;
- Approximately $18.0 million to invest in our development projects;
- Approximately $121.0 million to fund our expected property acquisitions;

We expect to meet our capital requirements using cash generated by our real estate operations and through borrowings on our unsecured credit facilities, additional debt or equity capital raised in the public market, possible asset dispositions or funding acquisitions of properties through property-specific mortgage debt.

We believe that we will generate sufficient cash flow from operations and have access to the capital resources necessary to fund our requirements. However, as a result of general, Greater Washington-Baltimore regional, or tenant economic downturns, unfavorable changes in the supply of competing properties, or our properties not performing as expected, we may not generate sufficient cash flow from operations or otherwise have access to capital on favorable terms, or at all. If we are unable to obtain capital from other sources, we may not be able to pay the dividend required to maintain our status as a REIT, make required principal and interest payments, make strategic acquisitions, or make necessary routine capital improvements or undertake redevelopment opportunities with respect to our existing portfolio of operating assets. In addition, if a property is mortgaged to secure payment of indebtedness and we are unable to meet mortgage payments, the holder of the mortgage could foreclose on the property, resulting in loss of income and asset value.

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

Capital Structure

We manage our capital structure to reflect a long-term investment approach, generally seeking to match the cash flow of our assets with a mix of equity and various debt instruments. We expect that our capital structure will allow us to obtain additional capital from diverse sources that could include additional equity offerings of common shares, public and private debt financings and possible asset dispositions. Our ability to raise funds through the sale of debt and equity securities is dependent on, among other things, general economic conditions, general market conditions for REITs, our operating performance, our debt rating and the current trading price of our shares. We will always analyze which source of capital is most advantageous to us at any particular point in time; however, the capital markets may not consistently be available on terms that are attractive.

Debt Financing

We generally use unsecured, corporate-level debt, including unsecured notes and our unsecured credit facilities, to meet our borrowing needs. Our total debt at September 30, 2005 is summarized as follows (in thousands):

Fixed rate mortgages	$170,393
Unsecured credit facilities	93,500
Unsecured notes payable	420,000
Total debt	$683,893

The $170.4 million in fixed rate mortgages, which includes $4.2 million in unamortized premiums due to fair value adjustments associated with the assumption of certain mortgages in connection with acquisitions, bore an effective weighted average interest rate of 5.9% at September 30, 2005 and had a weighted average maturity of 5.8 years.

Our primary external source of liquidity is our two revolving credit facilities. At September 30 we could borrow up to $155.0 million under these lines which bear interest at an adjustable spread over LIBOR based on our public debt rating. Credit Facility No. 1 is a three-year, $85.0 million unsecured credit facility expiring in July 2007. Credit Facility No. 2 is a three-year $70.0 million unsecured credit facility that expires in July 2008.

On April 26, 2005, we sold $50.05% senior unsecured notes due May 1, 2012 and $50.0 million of 5.35% senior unsecured noted due May 1, 2015 at effective yields of 5.064% and 5.359% respectively. The net proceeds from the sale of the notes of $99.3 million were used to repay borrowings under our lines of credit totaling $90.5 million and the remainder may be used for the acquisition of real estate and general corporate purposes.

On October 3, 2005, subsequent to the end of the third quarter, we reopened our series of 5.35% senior unsecured notes due May 1, 2015 and issued an additional $100 million of notes at an effective yield of 5.49%. $93.5 million of the $100.7 million proceeds (including $2.4 million of accured interest) from the sale of these notes was used to repay borrowings under our lines of credit and the remainder may be used for the acquisition of real estate and general corporate purposes.

We anticipate that over the near term, interest rate fluctuations will not have a material adverse effect on earnings. Our unsecured fixed-rate notes payable have maturities ranging from August 2006 through February 2028 (see Note 6), as follows (in thousands):

	Note Principal
7.25% notes due 2006	50,000
6.74% notes due 2008	60,000
5.05% notes due 2012	50,000
5.125% notes due 2013	60,000
5.25% notes due 2014	100,000
5.35% notes due 2015	50,000
7.25% notes due 2028	50,000
	$ 420,000

Our unsecured revolving credit facilities and the unsecured notes payable contain certain financial and non-financial covenants, discussed in greater detail in our 2004 10-K, all of which were met as of September 30, 2005.

Dividends

We pay dividends quarterly. The maintenance of these dividends is subject to various factors, including the discretion of the Board of Trustees, the ability to pay dividends under Maryland law, the availability of cash to make the necessary dividend payments and the effect of REIT distribution requirements, which require at least 90% of our taxable income to be distributed to shareholders. Dividend and distribution payments were as follows for the 2005 Quarter and 2005 Period (in thousands).

	Quarter Ended September 30,		Period Ended September 30,	
	2005	2004	2005	2004
Common dividends	$ 16,955	$ 16,401	$ 50,397	$ 48,353
Minority interest distributions	33	32	98	95
	$ 16,998	$ 16,433	$ 50,495	$ 48,448

Dividends paid for the 2005 Quarter and 2005 Period increased as a direct result of a dividend rate increase from $0.3925 per share in June 2004 to $.4025 per share in June 2005.

Acquisitions and Development

As of September 30 we had acquired one Retail, one Industrial and one Office/Industrial property in 2005 and one Industrial and one Office property in 2004 for a purchase price of $44.8 million, $8.8 million, $67.0 million, $11.5 million and $18.5 million, respectively. The Retail acquisition in 2005 was financed through the assumption of a loan in the amount of $24.3 million bearing an interest rate of 5.95% per annum, escrowed proceeds from the disposition of Tycon Plaza II, Tycon Plaza III and 7700 Leesburg Pike in February, 2005 and borrowings under credit facility No. 1. The Industrial 2005 acquisition was funded with escrowed proceeds from the aforementioned dispositions and through borrowings under Credit Facility No. 1 and the Office/Industrial acquisition in 2005 was funded with borrowings under Credit Facility No. 2 and from general corporate funds. All outstanding amounts under our credit facilities were then paid off with the proceeds of the debt issuance in April, 2005 discussed above and the subsequent debt issuance on October 3, 2005. The 2004 Industrial acquisition was financed through a line of credit advance and the Office acquisition through the assumption of a $10.1 million mortgage bearing interest at 6.98% (fair valued at $11.2 million and 5.26%) and a line of credit advance.

As of September 30, 2005, we had funded $24.3 million, in development and land costs, on two major development projects — Rosslyn Towers and South Washington Street — and one major redevelopment project at Foxchase Shopping Center. Investment during the third quarter of 2005 on these projects totaled $5.9 million compared to $1.8 million in the third quarter of 2004.

Historical Cash Flows

Consolidated cash flow information is summarized as follows (in millions):

	Period Ended September 30,		
	2005	2004	Change
Cash provided by operating activities	$ 62.3	$ 56.6	$ 5.7
Cash used in investing activities	$(61.6)	$(42.8)	$ (18.8)
Cash used in financing activities	$ (0.2)	$(16.2)	$ 16.0

Operations generated $62.3 million of net cash in the 2005 Period compared to $56.6 million of net cash generated during the comparable period in 2004. The increase in cash flow was due primarily to additional income from assets acquired in 2005 and 2004. The level of net cash provided by operating activities is also affected by the timing of payment of expenses.

Our investing activities used net cash of $61.6 million in the 2005 Period compared to the $42.8 million net cash used in the 2004 Period. This was primarily due to the purchase of Albemarle Point for $67.0 million, $8.3 million to fund the purchase of the Coleman Building and the purchase of Frederick Crossing for $44.8 million net of the assumption of a $24.3 million mortgage. This was partially offset by $66.2 million in cash proceeds ($31.3 million of the proceeds were escrowed in a restricted cash account) from the disposition of Tycon Plaza II, Tycon Plaza III and 7700 Leesburg Pike and $1.9 million from the receipt of a portion of the gain previously deferred from the November, 2004 sale of 8230 Boone Boulevard. Also, capital improvements to real estate increased $7.5 million due to increased funding for the development of Rosslyn Towers and South Washington Street and the redevelopment of Foxchase Shopping Center.

Our financing activities used net cash of $0.2 million in the 2005 Period compared to $16.2 million in the 2004 Period. $23.5 million was repaid on our lines of credit compared with $30.9 million in net borrowings in the first half of 2004 and in September 2005, two mortgages were repaid for $25.8 million. Additionally, there was a $2.0 million increase in dividends paid in the 2005 Period due to an increase in the dividend rate to $0.4025 in the 2005 Quarter from $0.3925 in the 2004 Quarter. This was offset somewhat by the proceeds of $99.0 million from the April, 2005 debt issuance of $50.0 million of seven-year, 5.05% unsecured notes and $50.0 million of ten-year, 5.35% unsecured notes (See Note 6 – Notes Payable).

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:

	Quarter Ended September 30,		Period Ended September 30,	
	2005	2004	2005	2004
Earnings to fixed charges	2.0x	2.1x	2.0x	2.1x
Debt service coverage	3.0x	3.3x	3.1x	3.3x

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

We computed the debt service coverage ratio by dividing earnings before interest income and expense, depreciation, amortization and gain on sale of real estate by interest expense and principal amortization.

FUNDS FROM OPERATIONS

Funds From Operations ("FFO") is a widely used measure of operating performance for real estate companies. We provide FFO as a supplemental measure to net income calculated in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Although FFO is a widely used measure of operating performance for equity real estate investment trusts ("REITs"), FFO does not represent net income calculated in accordance with GAAP. As such, it should not be considered an alternative to net income as an indication of our operating performance. In addition, FFO does not represent cash generated from operating activities in accordance with GAAP, nor does it represent cash available to pay distributions and should not be considered as an alternative to cash flow from operating activities, determined in accordance with GAAP as a measure of our liquidity. The National Association of Real Estate Investment Trusts, Inc. ("NAREIT") defines FFO (April, 2002 White Paper) as net income (computed in accordance with GAAP) excluding gains (or losses) from sales of property plus real estate depreciation and amortization. We consider FFO to be a standard supplemental measure for REITs because it facilitates an understanding of the operating performance of our properties without giving effect to real estate depreciation and amortization, which historically assumes that the value of real estate assets diminishes predictably over time. Since real estate values have instead historically risen or fallen with market conditions, we believe that FFO more accurately provides investors an indication of our ability to incur and service debt, make capital expenditures and fund other needs. Our FFO may not be comparable to FFO reported by other REITs. These other REITs may not define the term in accordance with the current NAREIT definition or may interpret the current NAREIT definition differently.

The following table provides the calculation of our FFO and a reconciliation of FFO to net income (in thousands):

	Quarter Ended September 30,		Period Ended September 30,	
	2005	2004	2005	2004
Net income	$ 13,461	$ 10,797	$ 66,571	$ 33,181
Adjustments:				
Other income from property settlement	—	—	(504)	—
Gain on disposal of real estate investment	(3,038)	—	(37,011)	—
Depreciation and amortization	11,988	10,017	35,467	29,027
Discontinued operations depreciation & amortization	18	499	71	1,481
FFO as defined by NAREIT	$ 22,429	$ 21,313	$ 64,594	$ 63,689

ITEM 3: QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT FINANCIAL MARKET RISK

The principal material financial market risk to which we are exposed is interest-rate risk. Our exposure to market risk for changes in interest rates relates primarily to refinancing long-term fixed rate obligations, the opportunity cost of fixed rate obligations in a falling interest rate environment and our variable rate lines of credit. We primarily enter into debt obligations to support general corporate purposes including acquisition of real estate properties, capital improvements and working capital needs. In the past we have used interest rate hedge agreements to hedge against rising interest rates in anticipation of imminent refinancing or new debt issuance.

Our interest rate risk has not changed significantly from what was disclosed in our 2004 Form 10-K.

ITEM 4: CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Securities Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer, Chief Financial Officer and Senior Vice President of Accounting, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer, Chief Financial Officer and Senior Vice President of Accounting, of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2005. Based on the foregoing, our Chief Executive Officer, Chief Financial Officer and Senior Vice President of Accounting concluded that the Trust’s disclosure controls and procedures were effective.

There have been no changes in the Company’s internal control over financial reporting (as defined by Rule 13a-15(f)) that occurred during the period covered by the report that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

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OTHER INFORMATION

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

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Item 3. Defaults Upon Senior Securities

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

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Item 5. Other Information

None

Item 6. Exhibits

(a) Exhibits

10. Management Contracts, Plans and Arrangements

(n) Employment Agreement dated October 3, 2005 with Christopher P. Mundy.

(o) Change in Control Agreement dated October 3, 2005 with Christopher P. Mundy.

12. Computation of Ratios

31. Sarbanes-Oxley Act of 2002 Section 302 Certifications

(a) Certification – Chief Executive Officer

(b) Certification – Senior Vice President

(c) Certification – Chief Financial Officer

32. Sarbanes-Oxley Act of 2002 section 906 Certification

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

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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: November 9, 2005

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (“Agreement”) is made and entered into on this 3rd day of October 2005, by and between Washington Real Estate Investment Trust, a real estate investment trust organized under the laws of the State of Maryland (the “Trust”) and Christopher P. Mundy, currently residing at 8401 Crimson Leaf Court, Potomac, MD 20854 (the “Executive”).

WHEREAS, the Executive desires to obtain employment with the Trust; and

WHEREAS, the Trust desires to employ the Executive upon the terms and conditions hereinafter provided; and

WHEREAS, the Executive knowingly and voluntarily agrees to accept employment with the Trust under such terms and conditions;

NOW, THEREFORE, in consideration of the mutual promises contained herein, and for other good and valuable consideration, the adequacy of which is hereby acknowledged, the parties agree as follows:

1. Employment

The Trust hereby employs the Executive as Executive Vice President and Chief Investment Officer and such other position(s) to which he may be promoted pursuant to the terms of this Agreement, to perform such duties as are required by and consistent with such positions and such other related duties as are reasonably assigned to him from time to time by his designated supervisor(s) and/or the Board of Trustees (the “Board”). The Executive agrees to accept such employment under the terms and conditions herein, and to devote all of his professional working time and his full and best efforts, energies and abilities to the Trust on a full-time basis. The Executive will at all times observe his duty of loyalty and care to the Trust, and will comply with all policies and procedures of the Trust and all applicable laws. It is anticipated that, subject to the Board’s approval, the Executive will be promoted to President and Chief Operating Officer (“COO”) of the Trust on or before May 31, 2006 and to President and Chief Executive Officer (“CEO”) of the Trust on or before May 31, 2007.

2. Term

The term of this Agreement will commence on October 3, 2005 and will continue for a period of five (5) years; provided that it may be terminated sooner pursuant to Section 10 below; and provided further that it shall be extended for successive one (1) year periods unless either party gives the other party notice of its intent not to renew the Agreement at least ninety (90) days prior to any expiration date (the “Term”).

3. Compensation

As compensation for the services rendered by the Executive during the Term of this Agreement, the Trust shall pay him an initial base salary of Three Hundred Seventy Thousand Dollars ($370,000.00) per annum, payable in installments in accordance with the

Trust's policy governing salary payments to executive employees generally (the "Base Salary"). The Base Salary and other aspects of the Executive's compensation shall be reviewed by the Compensation Committee of the Board and the Board itself in the event the Executive is promoted to President and Chief Operating Officer and to President and Chief Executive Officer, and thereafter on an annual basis, in the same manner as all other officers of the Trust. Effective January 1, 2006, the Executive will be eligible to participate in the Trust's Short-Term Incentive Plan at the Executive Vice President level, in accordance with the terms of that plan, as they may be amended by the Trust for all participating employees generally from time-to-time. Furthermore, effective January 1, 2006, the Executive will be eligible to participate in the Trust's Long-Term Incentive Plan at the Executive Vice President level, in accordance with the terms of that plan, as they may be amended by the Trust for all participating employees generally from time-to-time; provided that in years one (1) through five (5) of the Executive's employment, his incentive payout will be based on the average of the peer group total return for the nearest whole number of years in which the Executive has been employed (e.g, in year one (1), a one (1) year average; in year two (2), a two (2) year average, etc); and after five (5) years of employment, the incentive payout will be based on a five (5) year rolling average of the peer group total return. Notwithstanding any provisions of the Short-Term and Long-Term Incentive Plans that may state otherwise, the Executive's participation in those plans will commence on January 1, 2006. Except as specifically provided for otherwise herein, the Executive shall not be entitled to any salary or other compensation from the Trust for periods of time that he is not actively working for the Trust.

4. Benefits

The Executive will be eligible to participate in all of the employee benefit plans, programs and payroll practices offered by the Trust to its executive employees (including without limitation the Supplemental Executive Retirement Plan, if adopted by the Board), in accordance with the terms of those plans, programs and practices as they may be amended or terminated by the Trust in its discretion from time-to-time.

5. Share Grants

The Trust will grant the Executive Shares that have a market value of Five Hundred Thousand Dollars ($500,000) in two installments pursuant to the Trust's Share Grant Plan, as it may be amended by the Trust from time-to-time (the "Plan"). The first installment of Shares will be granted on October 3, 2005 ("the First Share Grant"). The First Share Grant will have a market value of Three Hundred Fifty Thousand Dollars ($350,000). The second installment of shares will be granted, assuming the Executive is promoted to President and COO on or before May 31, 2006, on the date of such promotion (the "Second Share Grant"). The Second Share Grant will have a market value of One Hundred Fifty Thousand Dollars ($150,000). The First Share Grant (and, if granted, the Second Share Grant) will vest according to the following schedule: fifty percent (50%) on the Executive's fourth anniversary of employment with the Trust, and fifty percent (50%) upon the Executive's fifth anniversary of employment with the Trust. The Executive shall be entitled to receive any dividends earned on the Shares granted by the First and Second Share Grants without regard to the vesting schedule, i.e., at the time, and in the manner, that dividends are recognized and/or paid to other shareholders pursuant to the terms of the Plan.

6. Expenses

The Trust will reimburse the Executive for all reasonable and necessary business expenses incurred by him in the performance of his duties hereunder, in accordance with its policies as they may be amended by the Trust from time-to-time, and provided they are vouchered in a form satisfactory to the Internal Revenue Service for the deduction of such expenses.

7. Compliance With Other Agreements

The Executive represents and warrants that his performance hereunder shall not conflict with any other agreements or other legal orders or constraints to which he is subject. He further represents and warrants that he will not use in his performance hereunder any information, material or documents of a former employer that are trade secrets or are otherwise confidential or proprietary to said employer, unless he has first obtained written authorization from such former employer for their possession or use.

8. Exclusive Services, Confidential Information, Business Opportunities and Non-Solicitation

(a) Exclusive Services

(i) Except as otherwise specified in subsection (iii) below, during the Term of his employment, the Executive shall at all times devote his entire time, attention, energies, efforts and skills to the business of the Trust, and shall not, directly or indirectly, engage in any other business activity, whether or not for profit, gain or other pecuniary advantages, without the express written permission of the Trust, provided that such prior permission shall not be required with respect to the Executive's charitable, eleemosynary, philanthropic or professional association activities.

(ii) Except as otherwise specified in subsection (iii) below, during the Term of his employment, the Executive shall not, without prior written permission of the Trust, directly or indirectly, whether as an officer, director, employee, agent, advisor, consultant, principal, stockholder, partner, owner or in any other capacity, on his own behalf or otherwise, in any way engage in, represent, be connected with or have a financial interest in, any business which is, or to the best of his knowledge, is about to become, engaged in real estate investment, development or finance in the geographic focus of the Trust, currently the Washington and Baltimore metropolitan areas. Notwithstanding the foregoing, the Executive shall be permitted to own passive investments (not exceeding five percent (5%) of the equity securities of any investee) in publicly-held companies, provided that the Executive shall disclose to the Trust any such investments in companies primarily engaged in real estate investment, finance or development.

(iii) During the last three years, the only business for which the Executive, directly or indirectly, has performed services as an officer, director, employee, agent, advisor, consultant, principal, stockholder, partner or in any other capacity, on his own behalf or otherwise, has been Equity Office Properties Trust ("EOP"), headquartered in Chicago, Illinois. At the time he left the employ of EOP in February 2004, the Executive served as EOP's executive vice president. The Executive presently holds shares in EOP as a passive investment.

(b) Confidential Information

Except as required by law or as necessary and authorized in the performance of his duties for the Trust, the Executive shall not at any time during or after his employment with the Trust disclose or use, directly or indirectly, any Confidential Information of the Trust or its affiliates. For the purposes of this Agreement, "Confidential Information" shall mean all information disclosed to the Executive, or known by him as a consequence of or through his employment with the Trust, where such information is not generally known in the trade or industry or was regarded or treated as confidential by the Trust, and where such information refers or relates in any manner whatsoever to the business activities, processes, services or products of the Trust or its affiliates. Such information includes, but is not limited to, business and development plans (whether contemplated, initiated or completed), development sites, business contacts, methods of operation, results of analysis, tenant and prospective tenant lists, business forecasts, financial data, costs, revenues, and similar information. Upon termination of this Agreement or request of the Trust, the Executive shall immediately return to the Trust all of its property (including without limitation all Confidential Information which is in tangible form) and all copies, excerpts or summaries thereof in his possession, custody or control.

(c) Business Opportunities

During the Term of his employment, the Executive shall promptly disclose to the Trust each business opportunity of a type which, based upon its prospects and relationship to the business of the Trust or its affiliates, the Trust might reasonably consider pursuing. In the event that the Executive's employment is terminated for any reason, the Trust or its affiliates shall have the exclusive right to participate in or undertake any such opportunity on their own behalf without any involvement by the Executive. In the event the Executive's employment is terminated for any reason, he will, within fifteen (15) days of the date of such termination, disclose to the Trust each business opportunity described above which had not previously been disclosed. If the Trust fails to participate in or undertake such opportunity within one hundred eighty (180) days of such disclosure, the Executive shall have the right to undertake or participate in such opportunity oh his own behalf or on behalf of a third party.

(d) Non-Solicitation

The Executive agrees that during the Term of his employment, and for a period of one (1) year after termination of such employment, he shall not, except in the course of his duties for the benefit of the Trust hereunder, directly or indirectly, in any capacity, for himself or any other person or entity, solicit any person or entity who then is or was in the preceding six (6) month period in an employment, consulting, contracting or business relationship with the Trust, or was solicited to be in such a relationship with the Trust, to end, curtail or refrain from entering into such a relationship with the Trust.

(e) Specific Performance

The Executive agrees that in the event of his breach of any of the provisions of this Section 8, the remedies available at law to the Trust would be inadequate and in lieu thereof or in addition thereto the Trust shall be entitled to appropriate equitable remedies, including specific performance and injunctive relief. The Executive agrees not to enter into any agreement with any third party, either written or oral, which may conflict with this Agreement, and he authorizes the Trust to make known the terms of Sections 8, 9 and 10 of this Agreement to any person or entity.

9. Conflicts of Interest

At any time while serving as an employee or trustee (or both) of the Trust, the Executive shall refrain from engaging in any activity, practice or act which conflicts with, or has the potential to conflict with, the interests of the Trust, and he shall avoid any acts or omissions which are disloyal, disruptive, competitive with or damaging to the Trust, specifically including, but not limited to, any such acts or omissions involving persons or entities referred to in Section 8(a)(iii) above. By way of example only, the Executive shall not, during the Term of his employment, directly or indirectly, in any capacity, on his own behalf or on behalf of any other person or entity: 1) participate or be involved in the actual or potential acquisition of any real property by purchasers other than the Trust except for the Executive's personal use, which real property the Trust might be interested in acquiring; 2) participate in discussions with any tenants or potential tenants concerning the actual or potential rental of property which is or might be in competition with the Trust from landlords other than the Trust; 3) divert, refer or solicit individuals whom the Trust employs or might consider employing for employment with other employers, except for employees who have been or are being terminated by the Trust involuntarily; 4) subject to the fiduciary duties which he owes to the Trust, participate or be involved in any attempt to gain control of the Trust; or 5) except as specifically permitted in Section 8(a)(ii) above, or as otherwise may be approved in writing by the Board, invest or become an owner, partner, shareholder or officer in any business enterprise which competes with the actual or intended business activities of the Trust.

10. Termination

(a) By the Trust

(i) Termination for Cause

The Trust may terminate the Executive's employment at any time for Cause, which for the purposes of this Agreements shall mean: 1) commission by the Executive of a felony or crime of moral turpitude; 2) conduct by the Executive in the performance of Employee's duties which is illegal, dishonest, fraudulent or disloyal; 3) the breach by the Executive of any fiduciary duty he owes to the Trust; 4) gross neglect of duty or poor performance which is not cured by the Executive to the reasonable satisfaction of the Trust within 30 days of the Executive's receipt of written notice from the Trust advising the Executive of said gross neglect or poor performance; or 5) the Executive's material breach of any provision of this Agreement which is not cured by the Executive to the reasonable satisfaction of the Trust within 30 days of the Executive's receipt of written notice from the Trust advising the Executive of said breach.

(ii) Termination Without Cause

The Trust may, in its sole discretion, without any Cause, terminate the Executive's employment by providing him with 30 days' prior written notice at any time prior to the expiration of the Term. In the event the Trust exercises its right of termination without Cause, and such termination does not occur within twenty-four (24) months after a Change in Control as defined in Change in Control Agreement for Executive Vice President referred to in Section 11 below and attached hereto and incorporated into this Agreement as Appendix 1, the Executive will receive the following severance benefits if he signs the Trust's standard Separation Agreement containing, among other things, a full release of all claims against the Trust: (a) the Trust shall provide the Executive with a severance benefit (payable in equal monthly installments) equal to the Base Salary the Executive would have received for twelve (12) months and payment of his annual Short-Term Incentives and Long-Term Incentives for each calendar year or partial calendar year in which the Executive receives such salary continuation (provided that no such incentives will be paid to the Executive for 2005, and in the event the Executive receives salary continuation for a partial year, the incentives will be paid on a pro-rata basis) in an amount equal to the average annual payment the Executive received during the prior three years pursuant to the Short-Term and Long-Term Incentive Plans, provided that if the Executive was employed for fewer than three years prior to termination, the bonus will be equal to the actual annual payment the Executive would have received under the Short-Term and Long-Term Incentive Plans had he remained employed during the year of termination, payable if, as and when such payments are made to other executives of the Trust; (b) the Trust will pay the full cost pursuant to the federal COBRA law for the Executive and his dependents, if applicable, to continue coverage under the Trust's group health insurance plan for eighteen (18) months or until the Executive obtains other coverage, whichever is sooner; and (c) all of the Executive's unvested Share grants will become immediately vested. If the Trust exercises its right of termination pursuant to this subparagraph (ii), the Executive shall not be entitled to the accrual or provision of any benefits other than the severance benefits described above for the period after the date of termination, including without limitation new pension contributions or new pension rights or new Share grants.

(b) Death or Disability

The Executive's employment shall be terminated in the event of his death or thirty (30) days after notice from the Trust's Board of Trustees in the event of his disability. The term "disability" shall mean inability of the Executive to perform all of the essential functions of his position hereunder as determined by the Trust for a period of 16 consecutive weeks or for an aggregate of one hundred twenty (120) work days during any twelve (12) month period by reason of illness, accident or any other physical or mental incapacity, as may be permitted by applicable law.

(c) By the Executive

The Executive may terminate this Agreement for Good Reason upon thirty (30) days' prior written notice to the Trust. For the purposes of this Section 10(c), "Good Reason" shall mean the Trust's failure to promote the Executive to President and COO on or before May 31, 2006, or to President and CEO on or before May 31, 2007, prior to any Change in Control as defined in Change in Control Agreement for Executive Vice President referred to in Section 11 below and attached hereto and incorporated into this Agreement as Appendix 1, and prior to the Executive becoming eligible for any benefits under said Change in Control Agreement. If the Executive exercises his right of termination for Good Reason because of the Trust's failure to promote the Executive to President and COO on or before May 31, 2006, the Executive will receive the following severance benefits if he signs the Trust's standard Separation Agreement containing, among other things, a full release of all claims against the Trust: (a) the Trust shall provide the Executive with a severance benefit (payable in equal monthly installments) equal to the Base Salary the Executive would have received for twelve (12) months and payment of his annual Short-Term Incentives and Long-Term Incentives for each calendar year or partial calendar year in which the Executive receives such salary continuation (provided that no such incentives will be paid to the Executive for 2005, and in the event the Executive receives salary continuation for a partial year, the incentives will be paid on a pro-rata basis) in an amount equal to the average annual payment the Executive received during the prior three years pursuant to the Short-Term and Long-Term Incentive Plans, provided that if the Executive was employed for fewer than three years prior to termination, the bonus will be equal to the actual annual payment the Executive would have received under the Short-Term and Long-Term Incentive Plans had he remained employed during the year of termination, payable if, as and when such payments are made to other executives of the Trust; (b) the Trust will pay the full cost pursuant to the federal COBRA law for the Executive and his dependents, if applicable, to continue coverage under the Trust's group health insurance plan for eighteen (18) months or until the Executive obtains other coverage, whichever is sooner; and (c) the First Share Grants (and any other Share grants) will be deemed immediately vested. If the Executive exercises his right of termination for Good Reason because of the Trust's failure to promote the Executive to President and CEO on or before May 31, 2007, the Executive will receive the following severance benefits if he signs the Trust's standard Separation Agreement containing, among other things, a full release of all claims against the Trust: (a) the Trust shall provide the Executive with a severance benefit (payable in equal monthly installments) equal to the Base Salary the Executive would have received for twelve (12) months and payment of his annual Short-Term Incentives and Long-Term Incentives for each calendar year or partial calendar year in which the Executive receives such salary continuation (provided that no such incentives will be paid to the Executive for 2005, and in the event the Executive receives salary continuation for a partial year, the incentives will be paid on a pro-rata basis) in an amount equal to the average annual payment the Executive received during the prior three years pursuant to the Short-Term and Long-Term Incentive Plans, provided that if the Executive was employed for fewer than three years prior to termination, the bonus will be equal to the actual annual payment the Executive would have received under the Short-Term and Long-Term Incentive Plans had he remained employed during the year of termination, payable if, as and when such payments are made to other executives of the Trust; (b) the Trust will pay the full cost pursuant to the federal COBRA law for the Executive and his dependents, if applicable, to continue coverage under the Trust's group health insurance plan for eighteen (18) months or until the Executive obtains other coverage, whichever is sooner; and (c) the First and Second Share Grants (and any other Share grants) will be deemed immediately vested.

The Executive may, in his sole discretion, terminate this Agreement without Good Reason upon sixty (60) days' written notice to the Trust. In the event that the Executive exercises his right of termination without Good Reason hereunder, the Trust may, at its option, at any time after receiving such notice from the Executive, relieve him of his duties and terminate this Agreement at any time prior to the expiration of said notice period. If this Agreement is terminated by the Executive or the Trust pursuant to this section, the Executive shall not be entitled to the accrual or provision of any benefits for the period following the termination date, including without limitation any of the severance benefits described in Section 10(a)(ii) or (c) above.

11. Change in Control

The parties will on this same date enter into a Change in Control Agreement for Executive Vice President in the form attached hereto and incorporated by reference as Appendix 1.

12. Arbitration

Whenever a dispute arises between the parties concerning this Agreement or any of the obligations hereunder, or the Executive's employment generally, the parties shall use their best efforts to resolve the dispute by mutual agreement. If such a dispute cannot be so resolved, it shall be submitted to arbitration before a single arbitrator to the exclusion of all other avenues of relief and adjudicated pursuant to the American Arbitration Association's Rules for Employment Disputes then in effect. The arbitration will be held in Washington, D.C. The decision of the arbitrator must be in writing and shall be final and binding on the parties, and judgment may be entered on the arbitrator's award in any court having jurisdiction thereof. The arbitrator's authority in granting relief to the Executive shall be limited to an award of compensation, benefits, Shares and unreimbursed expenses as described in Sections 3, 4, 5 and 6 above, and the arbitrator shall have no authority to award other types of damages or relief to the Executive, including but not limited to consequential or punitive damages. The arbitrator shall also have no authority to award consequential or punitive damages to the Trust for violations of this Agreement by the Executive. The expenses of the arbitration shall be borne equally by the parties, and each party shall be responsible for his or its own costs and attorneys' fees. Nothing in this Section shall be construed to derogate the Trust's right to seek legal and equitable relief in a court of competent jurisdiction as contemplated by Section 8(e) hereof.

13. Non-Waiver

It is understood and agreed that one party's failure at any time to require the performance by the other party of any of the terms, provisions, covenants or conditions hereof shall in no way affect the first party's right thereafter to enforce the same, nor shall the waiver by either party of the breach of any term, provision, covenant or condition hereof be taken or held to be a waiver of any succeeding breach.

14. Severability

In the event that any provision of this Agreement conflicts with the law under which this Agreement is to be construed, or if any such provision is held invalid or unenforceable by a court of competent jurisdiction or any arbitrator, such provision shall be deleted from this Agreement and the Agreement shall be construed to give full effect to the remaining provisions thereof.

15. Survivability

Upon termination or expiration of this Agreement, the provisions of Sections 8, 10, 11 and 12 shall nevertheless remain in full force and effect.

16. Governing Law

This Agreement shall be interpreted, construed and governed according to the laws of the State of Maryland, without regard to the conflicts of law provisions thereof.

17. Headings and Captions

The paragraph headings and captions contained in this Agreement are for convenience only and shall not be construed to define, limit or affect the scope or meaning of the provisions hereof.

18. Disclaimer of Individual Liability of Trustees and Shareholders

Each and every agreement made by the Trust in this Agreement is binding only upon the Trust and upon the Trustees of the Trust in their capacity as Trustees, and is not binding upon the Trustees of the Trust in their individual capacities or upon holders of the shares of beneficial interest in the Trust (the "Shareholders"). The Trustees of the Trust are acting herein in their representative or fiduciary capacity pursuant to the Declaration of Trust of Washington Real Estate Investment Trust dated April 5, 1996, as amended, establishing the Trust for the benefit of the Shareholders. The Shareholders shall in no way be held liable for any agreement, debt, demand or liability incurred by or under the authority of the Trustees and no such agreement, debt, demand or liability shall have any force and effect against the Shareholders or their respective successors or assigns nor shall any such agreement, debt, demand or liability have any force and effect against the Trustees individually or against their respective legal representatives, distributees or assigns. The Executive agrees for himself and his legal representatives that the Shareholders and the Trustees shall not be personally liable under this Agreement or any written agreement, undertaking or obligation made or issued on behalf of the Trust pursuant to, or in connection with, this Agreement, that the Executive will look solely to the assets of the Trust for any claim which he may have hereunder and that he shall assert no claim against the Shareholders or against the Trustees in their individual capacity.

19. Entire Agreement

This Agreement contains and represents the entire agreement of the parties and supersedes all prior agreements, representations or understandings, oral or written, express or implied, with respect to the subject matter hereof. This Agreement may not be modified or amended in any way unless in a writing signed by both the Executive and the Trust. No representation, promise or inducement has been made by either party hereto that is not embodied in this Agreement, and neither party shall be bound by or liable for any alleged representation, promise or inducement not specifically set forth herein.

20. Assignability

Neither this Agreement nor any rights or obligations hereunder may be assigned by either party without the prior written consent of the other. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, successors and assigns.

21. Notices

All notices required or permitted hereunder shall be in writing and shall be deemed properly given if delivered personally or sent by overnight courier or certified or registered mail, postage prepaid, return receipt requested, or sent by telegram, telex, telecopy or similar form of telecommunication, and shall be deemed to have been given when received. Any such notice or communication shall be addressed:

(a) if to the Trust, to Edmund B. Cronin, Jr., Washington Real Estate Investment Trust, 6110 Executive Boulevard, Suite 800, Rockville MD 20852, with a copy to: David M. Osnos, Esquire, Arent Fox PLLC, 1050 Connecticut Avenue, N.W., Washington, D.C. 20036-5339; or

(b) if to the Executive, to his last known home address on file with the Trust with a copy to________________________; or to such other address as either party shall have furnished to the other in writing.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement, to be effective as of October 3, 2005.

WASHINGTON REAL ESTATE INVESTMENT TRUST

/s/ Christopher P. Mundy	/s/ Edmund B. Cronin, Jr.
Christopher P. Mundy	Edmund B. Cronin, Jr. Chairman, President and Chief Executive Officer
October 3, 2005	October 3, 2005

CHANGE IN CONTROL AGREEMENT
FOR EXECUTIVE VICE PRESIDENT

THIS CHANGE IN CONTROL AGREEMENT ("Agreement") is made and entered into as of this 3rd day of October, 2005, by and between Washington Real Estate Investment Trust, a real estate investment trust organized under the laws of the State of Maryland (the "Trust"), and Christopher P. Mundy ("Employee").

WHEREAS, Employee currently is employed in a key position with the Trust; and

WHEREAS, the parties believe it is in their mutual best interests to reach an understanding concerning the Trust's obligations to continue Employee's compensation and certain health benefits should Employee's employment be terminated under certain conditions described herein;

NOW, THEREFORE, in consideration of the promises contained herein, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree to the following terms:

1. Definitions: For the purposes of this Agreement, the following words and phrases shall have the meanings set forth below:

A. Change in Control: "Change in Control" means an event or occurrence set forth in any one or more of subsections (i) through (iv) below (including any event or occurrence that constitutes a Change in Control under one of such subsections but is specifically exempted from another such subsection):

(i) the acquisition by an individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership of any shares of beneficial interest in the Trust if, after such acquisition, such Person beneficially owns (within the meaning of rule 13d-3 promulgated under the Exchange Act) 40% or more of either (A) the then-outstanding shares of beneficial interest in the Trust (the "Outstanding Trust Shares") or (B) the combined voting power of the then-outstanding shares of beneficial interest the Trust entitled to vote generally in the election of trustees (the "Outstanding Trust Voting Shares"); provided, however, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change in Control: (A) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Trust or any corporation controlled by the Trust, or (B) any acquisition by any corporation pursuant to a transaction which complies with clauses (A) and (B) of subsection (iii) of this Section 1(A); or

(ii) such time as the Continuing Trustees (as defined below) do not constitute a majority of the Board (or, if applicable, the Board of Directors or Trustees of a successor corporation or other entity to the Trust), where the term "Continuing Trustee" means at any date a member of the Board (A) who was a member of the Board on the date hereof or (B) who was nominated or elected subsequent to the date hereof with the approval of other Board members who themselves constitute Continuing Trustees at the time of such nomination or election; provided, however, that there shall be excluded from this clause (B) any individual whose initial assumption of office occurred as a result of an actual or threatened election contest with respect to the election or removal of trustees or other actual or threatened solicitation of proxies or consents, by or on behalf of a person other than the Board; or

(iii) the consummation of a merger, consolidation, reorganization, recapitalization or statutory share exchange involving the Trust or a sale or other disposition of all or substantially all of the assets of the Trust in one or a series of transactions (a "Business Combination"), unless, immediately following such Business Combination, each of the following two conditions is satisfied: (A) all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Trust Shares and Outstanding Trust Voting Shares immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of the then-outstanding shares of beneficial interest or stock, as the case may be, and the combined voting power of the then-outstanding shares or stock, as the case may be, entitled to vote generally in the election of trustees, or directors, as the case may be, respectively, of the resulting or acquiring corporation or other entity in such Business Combination (which shall include, without limitation, a corporation or other entity which as a result of such transaction owns the Trust or substantially all of the Trust's assets either directly or through one or more subsidiaries) (such resulting or acquiring corporation or other entity referred to herein as the "Acquiring Entity") in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Outstanding Trust Shares and Outstanding Trust Voting Shares, respectively; and (B) no Person (excluding the Acquiring Entity or any employee benefit plan (or related trust) maintained or sponsored by the Trust or by the Acquiring Entity) beneficially owns, directly or indirectly, 40% or more of the then outstanding shares of beneficial interest or stock, as the case may be, of the Acquiring Entity, or of the combined voting power of the then-outstanding shares of such corporation or other entity entitled to vote generally in the election of trustees or directors, as the case may be; or

(iv) approval by the shareholders of the Trust of a complete liquidation or dissolution of the Trust.

B. <u>Involuntarily Terminated</u>: Employee's employment will be deemed to have been involuntarily terminated due to a Change in Control if, on or after the date on which a Change in Control occurs, (i) Employee's employment is terminated by the Trust or the successor owner of the Trust without cause or (ii) Employee resigns because Employee's duties, responsibilities or compensation are diminished; provided that if a termination otherwise covered by (i) or (ii) occurs during the ninety (90) day period before the date on which a Change in Control occurs, the termination will be presumed to be due to the Change in Control unless the Trust or the successor owner of the Trust can show, through a preponderance of the evidence, that the termination did not occur because of the impending Change in Control.

C. Termination For Cause: A termination for cause shall be deemed to occur only if the Trust or the successor owner of the Trust terminates Employee's employment for any of the following reasons: 1) commission by Employee of a felony or crime of moral turpitude; 2) conduct by Employee in the performance of Employee's duties which is illegal, dishonest, fraudulent or disloyal; 3) the breach by Employee of any fiduciary duty Employee owes to the Trust; or 4) gross neglect of duty or poor performance which is not cured by Employee to the reasonable satisfaction of the Trust within 30 days of Employee's receipt of written notice from the Trust advising Employee of said gross neglect or poor performance.

2. Termination Benefits: In the event Employee's employment with the Trust or the successor owner of the Trust is involuntarily terminated due to a Change in Control but not for cause, and such termination occurs within 24 months of the Change in Control, the Trust or the successor owner shall provide Employee with the following termination benefits:

A. continuation of Employee's base salary at the rate in effect as of the termination date for a period of 24 months from the date of termination (in the event of Employee's death, said salary shall be paid to Employee's estate);

B. payment of an annual bonus for each calendar year or partial calendar year in which Employee receives salary continuation pursuant to Section 2(A) above, in an amount equal to the average annual bonus received by Employee during the three years prior to the involuntary termination, provided that, if Employee was employed for fewer than three years prior to the termination, the bonus will be based on the average of the bonuses received by Employee in the year or years Employee received a bonus; and provided further, that if Employee receives salary continuation for a partial calendar year pursuant to Section 2(A) above, the bonus will be pro-rated to reflect the number of full months Employee receives such salary continuation in such calendar year, rounded to the nearest number of months;

C. the Trust will pay the full cost for Employee to continue coverage under the Trust's group health insurance plan pursuant to the Consolidated Omnibus Budget Reconciliation Act ("COBRA") for the period of time Employee receives salary continuation pursuant to Section 2(A) above up to a maximum of 18 months or until Employee obtains other comparable coverage, whichever is sooner;

D. immediate vesting in all then unvested options granted to Employee under the Trust's Incentive Stock Option Plan and immediate vesting in all unvested accrued dividend equivalent units under the Trust's Dividend Equivalent Plan, and Employee shall have the right, in Employee's sole discretion, to exercise all or any of such options and to sell the shares acquired pursuant thereto. In the event that Employee wishes to sell Employee's shares within 60 days of the involuntary termination, the shares must first be offered to the Trust for purchase at the Trust's option at the then current fair market value. The Trust shall respond within one business day to the offer or its rights to purchase the shares shall expire. Sales occurring more than 60 days after the involuntary termination shall not be subject to this option; and

E. immediate vesting in all then unvested share grants granted to Employee under the Trust's Share Grant Plan and Employee shall have the right, in Employee's sole discretion, to sell the shares acquired pursuant thereto. In the event that Employee wishes to sell Employee's shares within 60 days of the involuntary termination, the shares must first be offered to the Trust for purchase at the Trust's option at the then current fair market value. The Trust shall respond within one business day to the offer or its rights to purchase the shares shall expire. Sales occurring more than 60 days after the involuntary termination shall not be subject to this option; and

F. if, by virtue of receipt of the Termination Benefits described above, Employee is subject to excise tax pursuant to Section 4999 of the Internal Revenue Code, the Trust or its successor owner shall make a supplemental cash payment to Employee no later than sixty (60) days after the date upon which Employee presents to the Trust or its successor owner a letter setting forth a reasonable basis upon which Employee or Employee's advisors have determined that such excise tax is applicable to Employee. The amount of such supplemental payment shall be equal to such amount as will provide Employee with funds equal to (i) the excise tax attributable to the Termination Benefits; (ii) any excise tax attributable to the supplemental payment itself; and (iii) any federal or local income taxes attributable to the supplemental payment itself, it being the intention of the parties that Employee be placed in the same position for Federal and local income tax purposes as if Section 4999 of the Internal Revenue Code had no application to Employee.

3. Mitigation: If a Change in Control occurs while Employee is employed by the Trust, and Employee's employment is involuntarily terminated as a result of the Change in Control, Employee shall have no obligation to seek other employment in order to mitigate the payment of the Termination Benefits described in paragraph 2 hereunder; provided, that should Employee continue to be employed by the Trust or the successor owner of the Trust after a Change in Control occurs, Employee's entitlement to receive the Termination Benefits described in subsections 2(A) and (B) hereunder shall be reduced for one-half of that period of time (rounded to the nearest month) that Employee continues to be thus employed after the Change in Control occurs without being involuntarily terminated. For example, should Employee continue to be thus employed for ten (10) months after the Change in Control occurs, Employee's entitlement to the Termination Benefits described in subsections 2(A) and (B) would be reduced by five (5) months. If Employee (despite the lack of obligation to seek other employment) does in fact obtain other employment, the compensation to Employee from such other employment shall not be applied as an offset to Employee's Termination Benefits described in subsections 2(A) and (B) hereunder.

4. Limitations of Agreement: Nothing in this Agreement shall be construed to require the Trust or its successor owner to continue to employ Employee for any definite period of time. Either Employee or the Trust may terminate the employment relationship at any time with or without cause, unless otherwise expressly required by law or contract, and provided that the terms of this Agreement are observed.

5. Arbitration: Any dispute or controversy arising under or in connection with this Agreement which cannot be resolved informally by the parties shall be submitted to arbitration and adjudicated in Washington, D.C. pursuant to the commercial rules (single arbitrator) of the American Arbitration Association then in effect. The decision of the arbitrator shall be final and binding on all parties hereto. Each party shall bear its own costs in any arbitration proceeding held hereunder and the parties shall share the costs of the arbitrator.

6. Severability: In the event that any provision of this Agreement conflicts with the law under which this Agreement is to be construed, or if any such provision is held invalid or unenforceable by a court of competent jurisdiction or an arbitrator, such provision shall be deleted from this Agreement and the Agreement shall be construed to give full effect to the remaining provisions thereof.

7. Governing Law: This Agreement shall be interpreted, construed and governed according to the laws of the State of Maryland, without regard to the principles of conflicts of law thereof.

8. Assignability: Neither this Agreement nor any rights or obligations hereunder may be assigned by either party without the prior written consent of the other. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors and assigns.

9. Entire Agreement: This Agreement contains and represents the entire agreement of the parties and supersedes all prior agreements, representations or understandings, oral or written, express or implied, with respect to the subject matter hereof, which are hereby terminated and of no further force or effect. This Agreement may not be modified or amended in any way unless in a writing signed by both parties.

10. Counterparts: This Agreement may be executed in one or more counterparts, each of which shall be considered an original and together which shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement, to be effective as of the day first above written.

EMPLOYEE	WASHINGTON REAL ESTATE INVESTMENT TRUST
______________________________	By: ______________________________
Print Name: ____________________	Title: ______________________________
Date: ____________________	Date: ______________________________

Exhibit 12

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

	3Q 2005	3Q 2004	YTD 2005	YTD 2004
Income from continuing operations	$10,523	$ 9,764	$29,376	$30,253
Additions:				
Fixed charges				
Interest expense	9,798	8,760	27,668	25,949
Capitalized interest	289	156	729	488
	10,087	8,916	28,397	26,437
Deductions:				
Capitalized interest	(289)	(156)	(729)	(488)
Adjusted earnings	$20,321	$18,524	$57,044	$56,202
Fixed Charges (from above)	$10,087	$ 8,916	$28,397	$26,437
Ratio of Earnings to Fixed Charges	2.01x	2.08x	2.01x	2.13x

Exhibit 31a

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 report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonable likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATE: November 9, 2005

/s/ Edmund B. Cronin, Jr.

Edmund B. Cronin, Jr.
Chief Executive Officer

Exhibit 31b

CERTIFICATION

I, Laura M. Franklin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Washington Real Estate Investment Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonable likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATE: November 9, 2005

/s/ Laura M. Franklin

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

Exhibit 31c

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 report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonable likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATE: November 9, 2005

/s/ Sara L. Grootwassink

Sara L. Grootwassink
Chief Financial Officer

Exhibit 32

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

The undersigned, the Chairman of the Board, President and Chief Executive Officer, the Senior Vice President Accounting, Administration and Corporate Secretary, and the Chief Financial Officer of Washington Real Estate Investment Trust (“WRIT”), each hereby certifies on the date hereof, that:

(a) the Quarterly Report on Form 10-Q for the quarter ended September 30, 2005 filed on the date hereof with the Securities and Exchange Commission (the “Report”) fully complies with the requirements of Section 13 (a) or 15(d) of the Securities Exchange Act of 1934; and

(b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of WRIT.

Dated: November 9, 2005

/s/ Edmund B. Cronin, Jr.

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

Dated: November 9, 2005

/s/ Laura M. Franklin

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

Dated: November 9, 2005

/s/ Sara L. Grootwassink

Sara L. Grootwassink
Chief Financial Officer