UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For quarterly period ended September 30, 2010

OR

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

COMMISSION FILE NO. 1-6622

WASHINGTON REAL ESTATE INVESTMENT TRUST
(Exact name of registrant as specified in its charter)

MARYLAND	**53-0261100**
(State of incorporation)	**(IRS Employer Identification Number)**

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

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

Title of Each Class	Name of exchange on which registered
Shares of Beneficial Interest	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☒ NO ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐

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

As of November 2, 2010, 64,097,186 common shares were outstanding.

WASHINGTON REAL ESTATE INVESTMENT TRUST

INDEX

Part I: Financial Information		Page
Item 1.	Consolidated Financial Statements (Unaudited)	3
	Consolidated Balance Sheets	4
	Condensed Consolidated Statements of Income	5
	Consolidated Statement of Changes in Shareholders' Equity	6
	Consolidated Statements of Cash Flows	7
	Notes to Financial Statements	8
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	20
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	50
Item 4.	Controls and Procedures	50
Part II: Other Information		
Item 1.	Legal Proceedings	51
Item 1A.	Risk Factors	51
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	51
Item 3.	Defaults upon Senior Securities	51
Item 4.	(Removed and Reserved)	51
Item 5.	Other Information	51
Item 6.	Exhibits	52
	Signatures	53

PART I
FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

The information furnished in the accompanying unaudited Consolidated Balance Sheets, Statements of Income, Statement of Changes in Shareholders' Equity and Statements of Cash Flows reflects all adjustments, consisting of normal recurring items, which are, in the opinion of management, necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods. The accompanying financial statements and notes thereto should be read in conjunction with the financial statements and notes for the three years ended December 31, 2009 included in WRIT's 2009 Annual Report on Form 10-K.

WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES

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

	September 30, 2010	December 31, 2009
Assets		
Land	$ 418,195	$ 408,779
Income producing property	1,951,606	1,886,408
	2,369,801	2,295,187
Accumulated depreciation and amortization	(529,716)	(468,291)
Net income producing property	1,840,085	1,826,896
Development in progress	26,103	25,031
Total real estate held for investment, net	1,866,188	1,851,927
Investment in real estate sold or held for sale, net	—	14,289
Cash and cash equivalents	262,413	11,203
Restricted cash	19,858	19,170
Rents and other receivables, net of allowance for doubtful accounts of $7,977 and $6,433, respectively	56,218	50,441
Prepaid expenses and other assets	106,302	97,605
Other assets related to properties sold or held for sale	—	590
Total assets	$ 2,310,979	$2,045,225
Liabilities		
Notes payable	$ 930,201	$ 688,912
Mortgage notes payable	381,109	405,451
Lines of credit	100,000	128,000
Accounts payable and other liabilities	54,137	52,580
Advance rents	10,969	11,103
Tenant security deposits	9,703	9,668
Other liabilities related to properties sold or held for sale	—	448
Total liabilities	1,486,119	1,296,162
Equity		
Shareholders' equity		
Shares of beneficial interest; $0.01 par value; 100,000 shares authorized: 64,093 and 59,811 shares issued and outstanding, respectively	642	599
Additional paid in capital	1,074,308	944,825
Distributions in excess of net income	(251,964)	(198,412)
Accumulated other comprehensive income (loss)	(1,906)	(1,757)
Total shareholders' equity	821,080	745,255
Noncontrolling interests in subsidiaries	3,780	3,808
Total equity	824,860	749,063
Total liabilities and shareholders' equity	$ 2,310,979	$2,045,225

See accompanying notes to the financial statements.

WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Revenue				
Real estate rental revenue	$ 76,274	$ 74,987	$227,865	$227,163
Expenses				
Real estate expenses	25,152	25,573	76,710	77,547
Depreciation and amortization	24,278	23,484	71,459	69,620
General and administrative	3,153	3,518	10,455	9,931
	52,583	52,575	158,624	157,098
Real estate operating income	23,691	22,412	69,241	70,065
Other income (expense)				
Interest expense	(17,100)	(18,224)	(51,178)	(57,221)
Other income (expense)	301	(54)	423	120
Gain from non-disposal activities	4	62	4	62
Gain (loss) on extinguishment of debt, net	(238)	(133)	(280)	6,931
	(17,033)	(18,349)	(51,031)	(50,108)
Income from continuing operations	6,658	4,063	18,210	19,957
Discontinued operations:				
Gain on sale of real estate	—	5,147	7,942	11,821
Income from operations of properties held for sale	—	393	792	1,867
Net income	6,658	9,603	26,944	33,645
Less: Net income attributable to noncontrolling interests in subsidiaries	(33)	(53)	(109)	(154)
Net income attributable to the controlling interests	$ 6,625	$ 9,550	$ 26,835	$ 33,491
Basic net income attributable to the controlling interests per share				
Continuing operations	$ 0.11	$ 0.07	$ 0.29	$ 0.35
Discontinued operations, including gain on sale of real estate	—	0.09	0.14	0.25
Net income attributable to the controlling interests per share	$ 0.11	$ 0.16	$ 0.43	$ 0.60
Diluted net income attributable to the controlling interests per share				
Continuing operations	$ 0.10	$ 0.07	$ 0.29	$ 0.35
Discontinued operations, including gain on sale of real estate	—	0.09	0.14	0.25
Net income attributable to the controlling interests per share	$ 0.10	$ 0.16	$ 0.43	$ 0.60
Weighted average shares outstanding – basic	62,894	58,556	61,332	55,936
Weighted average shares outstanding – diluted	63,055	58,571	61,460	55,940
Dividends declared and paid per share	$ 0.4325	$ 0.4325	$ 1.2975	$ 1.2975

See accompanying notes to the financial statements.

WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(IN THOUSANDS)
(UNAUDITED)

	Shares	Shares of Beneficial Interest at Par Value	Additional Paid in Capital	Distributions in Excess of Net Income Attributable to the Controlling Interests	Accumulated Other Comprehensive Income	Total Shareholders' Equity	Noncontrolling Interests in Subsidiaries	Total Equity
Balance, December 31, 2009	59,811	$ 599	$ 944,825	$ (198,412)	$ (1,757)	$ 745,255	$ 3,808	$749,063
Comprehensive income:								
Net income attributable to the controlling interests	—	—	—	26,835	—	26,835	—	26,835
Net income attributable to noncontrolling interests	—	—	—	—	—	—	109	109
Change in fair value of interest rate hedge	—	—	—		(149)	(149)	—	(149)
Total comprehensive income	—	—	—	—	—	26,686	109	26,795
Distributions to noncontrolling interests	—	—	—	—	—	—	(137)	(137)
Dividends	—	—	—	(80,387)	—	(80,387)	—	(80,387)
Equity offerings, net of issuance costs	3,965	40	118,028	—	—	118,068	—	118,068
Shares issued under Dividend Reinvestment Program	131	1	3,923	—	—	3,924	—	3,924
Share options exercised	160	2	3,870	—	—	3,872	—	3,872
Share grants, net of share grant amortization and forfeitures	26	—	3,662	—	—	3,662	—	3,662
Balance, September 30, 2010	64,093	$ 642	$1,074,308	$ (251,964)	$ (1,906)	$ 821,080	$ 3,780	$824,860

See accompanying notes to the financial statements.

WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES

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

	Nine Months Ended September 30,	
	2010	2009
Cash flows from operating activities		
Net income	$ 26,944	$ 33,645
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization, including amounts in discontinued operations	71,555	70,499
Provision for losses on accounts receivable	3,319	5,202
Amortization of share grants, net	3,969	2,640
Amortization of debt premiums, discounts and related financing costs	4,576	5,436
Gain on sale of real estate	(7,942)	(11,821)
Loss (gain) on extinguishment of debt, net	280	(6,931)
Changes in operating other assets	(18,872)	(12,616)
Changes in operating other liabilities	(348)	(4,732)
Net cash provided by operating activities	83,481	81,322
Cash flows from investing activities		
Real estate acquisitions, net	(68,000)	(19,877)
Net cash received for sale of real estate	22,204	32,658
Capital improvements to real estate	(14,569)	(19,040)
Development in progress	(1,174)	(1,725)
Non-real estate capital improvements	(256)	(208)
Net cash provided by (used in) investing activities	(61,795)	(8,192)
Cash flows from financing activities		
Line of credit borrowings	62,800	90,000
Line of credit repayments	(90,800)	(151,000)
Dividends paid	(80,387)	(74,194)
Distributions to noncontrolling interests	(137)	(143)
Proceeds from dividend reinvestment program	3,924	1,158
Proceeds from mortgage notes payable	—	37,500
Principal payments – mortgage notes payable	(24,870)	(52,928)
Financing costs	(2,101)	(786)
Net proceeds from debt offering	247,998	—
Net proceeds from equity offerings	118,068	161,092
Notes payable repayments, including penalties for early extinguishment	(8,843)	(88,600)
Net proceeds from exercise of share options	3,872	16
Net cash provided by (used in) financing activities	229,524	(77,885)
Net increase (decrease) in cash and cash equivalents	251,210	(4,755)
Cash and cash equivalents at beginning of year	11,203	11,874
Cash and cash equivalents at end of period	$262,413	$ 7,119
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amounts capitalized	$ 46,078	$ 52,315

See accompanying notes to the financial statements.

WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2010
(UNAUDITED)

NOTE 1: NATURE OF BUSINESS

Washington Real Estate Investment Trust ("We" or "WRIT"), 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 metro region. We own a diversified portfolio of office buildings, medical office buildings, industrial/flex centers, multifamily buildings and retail centers.

Federal Income Taxes

We believe that 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 90% of our ordinary taxable income to our shareholders. When selling properties, we have the option of (a) reinvesting the sales proceeds of properties sold, allowing for a deferral of income taxes on the sale, (b) paying out capital gains to the shareholders with no tax to WRIT or (c) 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.

Generally, no provisions for income taxes are necessary except for taxes on undistributed REIT taxable income and taxes on the income generated by our taxable REIT subsidiaries ("TRS"). Our TRS is subject to corporate federal and state income tax on its taxable income at regular statutory rates. Our TRS has net operating loss carryforwards available of approximately $5.0 million. These carryforwards begin to expire in 2028. We have considered estimated future taxable income and have determined that there were no income tax provisions or material net deferred income tax items for our TRS for the quarters and periods ended September 30, 2010 and 2009.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Significant Accounting Policies

We have prepared our consolidated financial statements using the accounting policies described in our Annual Report on Form 10-K for the year ended December 31, 2009.

Basis of Presentation

The accompanying unaudited consolidated 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 U.S. generally accepted accounting principles ("GAAP") have been condensed or omitted pursuant to those rules and regulations, although we believe that the disclosures made are adequate to make the information presented not misleading. In addition, in the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the results for the periods presented have been included. These unaudited financial statements should be read in conjunction with the financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2009.

Within these notes to the financial statements, we refer to the three months ended September 30, 2010 and September 30, 2009 as the "2010 Quarter" and the "2009 Quarter", respectively, and the nine months ended September 30, 2010 and September 30, 2009 as the "2010 Period" and the "2009 Period", respectively.

Use of Estimates in the Financial Statements

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

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation due to the reclassification of certain properties as discontinued operations (see note 3 to the consolidated financial statements).

NOTE 3: REAL ESTATE ACQUISITIONS AND DISCONTINUED OPERATIONS

Acquisitions

WRIT acquired two office buildings at Quantico Corporate Center in Stafford, Virginia during the 2010 Period:

Acquisition Date	Property Name	Property Type	Rentable Square Feet	Purchase Price (in thousands)
June 3, 2010	925 and 1000 Corporate Drive	Office	271,000	$68,000

The results of operations from these acquired properties are included in the income statement as of their acquisition date.

Discontinued Operations

WRIT sold the following properties during 2009 and the 2010 Period:

Disposition Date	Property	Type	Rentable Square Feet	Contract Purchase Price (In thousands)	Gain on Sale (In thousands)
May 13, 2009	Avondale	Multifamily	170,000	$ 19,800	$ 6,700
July 23, 2009	Tech 100 Industrial Park	Industrial	166,000	10,500	4,100
July 31, 2009	Brandywine Center	Office	35,000	3,300	1,000
November 13, 2009	Crossroads Distribution Center	Industrial	85,000	4,400	1,500
		2009 Total	456,000	$ 38,000	$ 13,300
June 18, 2010	Parklawn Portfolio[1]	Office/ Industrial	229,000	$ 23,400	$ 7,900
		2010 Total	229,000	$ 23,400	$ 7,900

[1] *The Parklawn Portfolio is comprised of three office properties (Parklawn Plaza, Lexington Building and Saratoga Building) and one industrial property (Charleston Business Center).*

We settled each of the above sales in cash in full at closing, and met the criteria to recognize in full the gain on sale of real estate during the period in which each sale was executed.

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

	Quarters Ended September 30,		Periods Ended September 30,	
	2010	2009	2010	2009
Revenues	$—	$1,031	$1,672	$ 4,965
Property expenses	—	(433)	(784)	(2,219)
Depreciation and amortization	—	(205)	(96)	(879)
	$—	$ 393	$ 792	$ 1,867

Operating income (loss) by each property classified as discontinued operations is summarized below (in thousands):

Property	Segment	Quarters Ended September 30, 2010	Quarters Ended September 30, 2009	Periods Ended September 30, 2010	Periods Ended September 30, 2009
Avondale	Multifamily	$—	$—	$—	$ 392
Tech 100 Industrial Park	Industrial	—	23	—	261
Brandywine Center	Office	—	16	—	85
Crossroads Distribution Center	Industrial	—	7	—	79
Parklawn Plaza	Office	—	22	132	90
Lexington Building	Office	—	47	65	102
Saratoga Building	Office	—	97	225	371
Charleston Business Center	Industrial	—	181	370	487
		$—	$ 393	$792	$1,867

NOTE 4: MORTGAGE NOTES PAYABLE

On July 12, 2010 we repaid without penalty a $21.7 million mortgage note payable secured by The Crescent and The Ridges.

NOTE 5: UNSECURED LINES OF CREDIT PAYABLE

As of September 30, 2010, we maintained a $75.0 million unsecured line of credit (“Credit Facility No. 1”) maturing in June 2011 and a $262.0 million unsecured line of credit (“Credit Facility No. 2”) maturing in November 2011 after the exercise of a one year extension during the 2010 Quarter. The amounts of these lines of credit unused and available at September 30, 2010 are as follows (in millions):

	Credit Facility No. 1	Credit Facility No. 2
Committed capacity	$ 75.0	$ 262.0
Borrowings outstanding	—	(100.0)
Letters of credit issued	(0.8)	(0.9)
Unused and available	$ 74.2	$ 161.1

We executed borrowings and repayments on the unsecured lines of credit during the 2010 Quarter as follows (in millions):

	Credit Facility No. 1	Credit Facility No. 2
Balance at June 30, 2010	$ 7.0	$ 100.0
Borrowings	21.8	—
Repayments	(28.8)	—
Balance at September 30, 2010	$ —	$ 100.0

During the 2010 Quarter, we borrowed $21.8 million on Credit Facility No. 1 to fund the repayment of a mortgage note (see note 4 to the consolidated financial statements). We repaid $28.8 million using proceeds from the equity issued under our sales agency financing agreement.

NOTE 6: NOTES PAYABLE

During the 2010 Quarter, we repurchased $7.6 million of our 3.875% convertible notes at 100.25% of par, resulting in a net loss on extinguishment of debt of $0.2 million, net of unamortized debt costs and debt discounts. During the 2010 Period, we repurchased $8.8 million of our 3.875% convertible notes at 100.1% of par, resulting in a net loss on extinguishment of $0.3 million, net of unamortized debt costs and debt discounts. As of September 30, 2010 and December 31, 2009, the contractual amount outstanding on the convertible notes was $125.5 million and $134.3 million, respectively.

On September 30, 2010, we issued $250.0 million of 4.95% unsecured notes due October 1, 2020. The notes bear an effective interest rate of 5.053%. Our net proceeds were $245.8 million. Subsequent to the end of the 2010 Quarter, we used the proceeds to repurchase $122.8 million of our outstanding 3.875% convertible notes due in 2026 and $56.1 million of our 5.95% senior notes due in 2011 (see note 13 to the consolidated financial statements). We may use the remaining proceeds to repay borrowings under our lines of credit or for general corporate purposes.

NOTE 7: SHARE OPTIONS AND GRANTS

Total compensation expense recognized in the consolidated financial statements for all share based awards, including share grants, restricted share units and performance share units, in the 2010 and 2009 Quarters and Periods was (in thousands):

	Quarters Ended September 30,		Periods Ended September 30,	
	2010	2009	2010	2009
Stock Based Compensation Expense	$1,311	$1,136	$4,299	$2,640

Options

The 150,890 options outstanding at September 30, 2010, all of which are exercisable, have exercise prices between $21.34 and $33.09, with a weighted-average exercise price of $26.56 and a weighted average remaining contractual life of 2.2 years. The aggregate intrinsic value of outstanding exercisable shares at September 30, 2010 was $0.8 million. In the 2010 Quarter and Period, the aggregate intrinsic value of options exercised was minimal and $0.8 million, respectively, and the aggregate intrinsic value of options forfeited in the 2010 Quarter and Period was minimal. There were no options exercised or forfeited in the 2009 Quarter or Period.

Share Grants

The total fair value of shares vested during the 2010 Period is $27,000. As of September 30, 2010, the total compensation cost related to non-vested share awards not yet recognized was $12,700, which we expect to recognize over a weighted average period of five months.

Restricted Share Units

The total fair value of restricted share units vested during the 2010 Period is $265,300. The value of unvested restricted share units at September 30, 2010 was $3.8 million, which we expect to recognize as compensation cost over a weighted average period of 41 months. The unamortized value of restricted share units expected to be awarded in December 2010 is $0.9 million, which we expect to recognize as compensation cost over a weighted average period of 40 months.

Performance Share Units

The total fair value of performance share units vested during the 2010 Period is $22,300. As of September 30, 2010, the future expected expense related to performance share units with performance conditions, estimated based on the probable number of performance share units expected to vest under the current plan, totaled $2.5 million, which we expect to recognize as compensation cost over a weighted average period of 20 months. As of September 30, 2010, the future expected expense related to performance share units with market conditions, totaled $0.9 million, which we expect to recognize over a weighted average period of 23 months.

NOTE 8: FAIR VALUE DISCLOSURES

Financial Assets and Liabilities Measured at Fair Value

For assets and liabilities measured at fair value on a recurring basis, quantitative disclosures about the fair value measurements are required to be disclosed separately for each major category of assets and liabilities. The only assets or liabilities we had at September 30, 2010 and December 31, 2009 that are recorded at fair value on a recurring basis are the assets held in the Supplemental Executive Retirement Program (“SERP”) and the interest rate hedge contracts. We base the valuations related to these items on assumptions derived from significant other observable inputs and accordingly these valuations fall into Level 2 in the fair value hierarchy. The fair values of these assets and liabilities at September 30, 2010 and December 31, 2009 are as follows (in millions):

	September 30, 2010				December 31, 2009			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:								
SERP	$ 1.5	$ —	$ 1.5	$ —	$ 1.1	$ —	$ 1.1	$ —
Liabilities:								
Derivatives	$ 1.9	$ —	$ 1.9	$ —	$ 1.8	$ —	$ 1.8	$ —

Financial Assets and Liabilities Not Measured at Fair Value

The following disclosures of estimated fair value were determined by management using available market information and established valuation methodologies, including discounted cash flow. Many of these estimates involve significant judgment. The estimated fair value disclosed may not necessarily be indicative of the amounts we could realize on disposition of the financial instruments. The use of different market assumptions or estimation methodologies could have an effect on the estimated fair value amounts. In addition, fair value estimates are made at a point in time and thus, estimates of fair value subsequent to September 30, 2010 may differ significantly from the amounts presented.

Below is a summary of significant methodologies used in estimating fair values and a schedule of fair values at September 30, 2010.

Cash and Cash Equivalents

Cash and cash equivalents includes cash and commercial paper with original maturities of less than 90 days, which are valued at the carrying value, which approximates fair value due to the short maturity of these instruments.

Notes Receivable

The fair value of the notes is estimated based on quotes for debt with similar terms and characteristics or a discounted cash flow methodology using market discount rates if reliable quotes are not available.

Mortgage Notes Payable

Mortgage notes payable consist of instruments in which certain of our real estate assets are used for collateral. The fair value of the mortgage notes payable is estimated by discounting the contractual cash flows at a rate equal to the relevant treasury rates (with respect to the timing of each cash flow) plus credit spreads estimated through independent comparisons to real estate assets with similar characteristics.

Lines of Credit Payable

Lines of credit payable consist of bank facilities which we use for various purposes including working capital, acquisition funding or capital improvements. The lines of credit advances are priced at a specified rate plus a spread. The carrying value of the lines of credit payable is estimated to be market value given the adjustable rate of these borrowings.

Notes Payable

The fair value of the notes payable is estimated by discounting the contractual cash flows at a rate equal to the relevant treasury rates (with respect to the timing of each cash flow) plus credit spreads derived using the relevant securities' market prices.

	September 30, 2010		December 31, 2009	
(in thousands)	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and cash equivalents, including restricted cash	$282,271	$282,271	$ 30,373	$ 30,373
2445 M Street note receivable	$ 6,967	$ 8,130	$ 7,157	$ 8,995
Mortgage notes payable	$381,109	$414,669	$405,451	$406,982
Lines of credit payable	$100,000	$100,000	$128,000	$128,000
Notes payable	$930,201	$972,480	$688,912	$693,620

NOTE 9: DERIVATIVE INSTRUMENTS

In February 2008, we entered into an interest rate swap with a notional amount of $100 million that qualified as a cash flow hedge. This interest rate swap expired in February 2010. In May 2009, we entered into a forward interest rate swap with a notional amount of $100 million that qualifies as a cash flow hedge. We enter into interest rate swaps to manage our exposure to variable rate interest risk. We do not purchase derivatives for speculation. We record our cash flow hedges at fair value in accordance with GAAP, based on various discounted cash flow methodologies and observable inputs. We record the effective portion of changes in fair value of cash flow hedges in other comprehensive income. This change in fair value of cash flow hedges is the only activity in other comprehensive income (loss) during the periods presented in our consolidated financial statements. We record the ineffective portion of changes in fair value of cash flow hedges in earnings in the period affected. We assess the effectiveness of our cash flow hedges both at inception and on an ongoing basis. We deemed the hedges to be effective for the 2010 and 2009 Quarters and Periods, as applicable.

The fair value and balance sheet locations of the interest rate swaps as of September 30, 2010 and December 31, 2009 are as follows (in millions):

	September 30, 2010	December 31, 2009
	Fair Value	Fair Value
Accounts payable and other liabilities	$ 1.9	$ 1.8

The interest rate swaps have been effective since inception. The gain or loss on the effective swaps is recognized in other comprehensive income, as follows (in millions):

	Quarters Ended September 30,		Periods Ended September 30,	
	2010	2009	2010	2009
	Fair Value	Fair Value	Fair Value	Fair Value
Change in other comprehensive income (loss)	$ 0.0	$ (0.3)	$ (0.1)	$ 0.3

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

NOTE 10: EARNINGS PER COMMON SHARE

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

We also determine "Diluted earnings per share" under the two-class method with respect to the unvested restricted share awards. We further evaluate any other potentially dilutive securities at the end of the period and adjust the basic earnings per share calculation for the impact of those securities that are dilutive. Our diluted earnings per share calculation includes the dilutive impact of employee stock options based on the treasury stock method and our performance share units under the contingently issuable method. The diluted earnings per share calculation also considers our operating partnership units and 3.875% convertible notes under the if-converted method. The operating partnership units and 3.875% convertible notes were anti-dilutive for the 2010 and 2009 Quarters and Periods, and are not included in our earnings per share calculations.

The following table sets forth the computation of basic and diluted earnings per share (amounts in thousands; except per share data):

	Quarter Ended September 30, 2010		
	Income (Numerator)	Weighted Average Shares (Denominator)	Per Share Amount
Basic earnings:			
Income from continuing operations	$ 6,658	62,894	$ 0.11
Less: Net income attributable to noncontrolling interests	(33)		
Allocation of undistributed earnings to unvested restricted share awards and units	(21)		
Adjusted income from continuing operations attributable to the controlling interests	6,604	62,894	0.11
Income from discontinued operations, including gain on sale of real estate	—		—
Adjusted net income attributable to the controlling interests	6,604	62,894	0.11
Effect of dilutive securities:			
Employee stock options and performance share units	—	161	
Diluted earnings:			
Adjusted income from continuing operations attributable to the controlling interests	6,604	63,055	0.10
Income from discontinued operations, including gain on sale of real estate	—		—
Adjusted net income attributable to the controlling interests	$ 6,604	63,055	$ 0.10

	Quarter Ended September 30, 2009		
	Income (Numerator)	Weighted Average Shares (Denominator)	Per Share Amount
Basic earnings:			
Income from continuing operations	$ 4,063	58,556	$ 0.07
Less: Net income attributable to noncontrolling interests	(53)		
Allocation of undistributed earnings to unvested restricted share awards and units	(17)		
Adjusted income from continuing operations attributable to the controlling interests	3,993	58,556	0.07
Income from discontinued operations, including gain on sale of real estate	5,540	58,556	0.09
Adjusted net income attributable to the controlling interests	9,533	58,556	0.16
Effect of dilutive securities:			
Employee stock options and performance share units	—	15	
Diluted earnings:			
Adjusted income from continuing operations attributable to the controlling interests	3,993	58,571	0.07
Income from discontinued operations, including gain on sale of real estate	5,540	58,571	0.09
Adjusted net income attributable to the controlling interests	$ 9,533	58,571	$ 0.16

WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
SEPTEMBER 30, 2010
(UNAUDITED)

	Period Ended September 30, 2010		
	Income (Numerator)	Weighted Average Shares (Denominator)	Per Share Amount
Basic earnings:			
Income from continuing operations	$ 18,210	61,332	$ 0.30
Less: Net income attributable to noncontrolling interests	(109)		
Allocation of undistributed earnings to unvested restricted share awards and units	(97)		
Adjusted income from continuing operations attributable to the controlling interests	18,004	61,332	0.29
Income from discontinued operations	8,734	61,332	0.14
Adjusted net income attributable to the controlling interests	26,738	61,332	0.43
Effect of dilutive securities:			
Employee stock options and performance share units	—	128	
Diluted earnings:			
Adjusted income from continuing operations attributable to the controlling interests	18,004	61,460	0.29
Income from discontinued operations, including gain on sale of real estate	8,734	61,460	0.14
Adjusted net income attributable to the controlling interests	$ 26,738	61,460	$ 0.43

	Period Ended September 30, 2009		
	Income (Numerator)	Weighted Average Shares (Denominator)	Per Share Amount
Basic earnings:			
Income from continuing operations	$ 19,957	55,936	$ 0.36
Less: Net income attributable to noncontrolling interests	(154)		
Allocation of undistributed earnings to unvested restricted share awards and units	(99)		
Adjusted income from continuing operations attributable to the controlling interests	19,704	55,936	0.35
Income from discontinued operations, including gain on sale of real estate	13,688	55,936	0.25
Adjusted net income attributable to the controlling interests	33,392	55,936	0.60
Effect of dilutive securities:			
Employee stock options and performance share units		4	
Diluted earnings:			
Adjusted income from continuing operations attributable to the controlling interests	19,704	55,940	0.35
Income from discontinued operations, including gain on sale of real estate	13,688	55,940	0.25
Adjusted net income attributable to the controlling interests	$ 33,392	55,940	$ 0.60

NOTE 11: SEGMENT INFORMATION

We have five reportable segments: office, medical office, retail, multifamily and industrial/flex properties. Office buildings provide office space for various types of businesses and professions. Medical office buildings provide offices and facilities for a variety of medical services. Retail centers are typically neighborhood grocery store or drug store anchored retail centers. Multifamily properties provide rental housing for individuals and families throughout the Washington metropolitan area. Industrial/flex centers are used for flex-office, warehousing, services and distribution type facilities.

We evaluate performance based upon operating income from the combined properties in each segment. Our reportable operating segments are consolidations of similar properties. GAAP requires that segment disclosures present the measure(s) used by the chief operating decision maker for purposes of assessing segments' performance. Net operating income is a key measurement of our segment profit and loss. Net operating income is defined as segment real estate rental revenue less segment real estate expenses.

The following table presents revenues and net operating income for the 2010 and 2009 Quarters from these segments, and reconciles net operating income of reportable segments to net income as reported (in thousands):

	Quarter Ended September 30, 2010						
	Office	Medical Office	Retail	Multifamily	Industrial/ Flex	Corporate and Other	Consolidated
Real estate rental revenue	$ 34,443	$ 10,993	$ 9,865	$ 12,434	$ 8,539	$ —	$ 76,274
Real estate expenses	12,479	3,635	2,028	4,798	2,212	—	25,152
Net operating income	$ 21,964	$ 7,358	$ 7,837	$ 7,636	$ 6,327	$ —	$ 51,122
Depreciation and amortization							(24,278)
Interest expense							(17,100)
General and administrative							(3,153)
Other income (expense)							301
Gain from non-disposal activities							4
Gain (loss) on extinguishment of debt							(238)
Net income							6,658
Less: Net income attributable to noncontrolling interests							(33)
Net income attributable to the controlling interests							$ 6,625
Capital expenditures	$ 2,925	$ 676	$ 896	$ 548	$ 452	$ 92	$ 5,589
Total assets	$964,235	$356,115	$224,707	$ 231,855	$ 240,822	$293,245	$2,310,979

	Quarter Ended September 30, 2009						
	Office	Medical Office	Retail	Multifamily	Industrial/Flex	Corporate and Other	Consolidated
Real estate rental revenue	$ 32,912	$ 11,099	$ 10,182	$ 11,833	$ 8,961	$ —	$ 74,987
Real estate expenses	11,861	3,832	2,517	4,964	2,399	—	25,573
Net operating income	$ 21,051	$ 7,267	$ 7,665	$ 6,869	$ 6,562	$ —	$ 49,414
Depreciation and amortization							(23,484)
Interest expense							(18,224)
General and administrative							(3,518)
Other income (expense)							(54)
Gain from non-disposal activities							62
Gain (loss) on extinguishment of debt, net							(133)
Gain on sale of real estate							5,147
Income from discontinued operations							393
Net income							9,603
Less: Net income attributable to noncontrolling interests							(53)
Net income attributable to the controlling interests							$ 9,550
Capital expenditures	$ 2,844	$ 1,126	$ 714	$ 303	$ 797	$ 67	$ 5,851
Total assets	$931,489	$359,656	$228,404	$ 243,889	$ 256,911	$38,048	$2,058,397

	Period Ended September 30, 2010						
	Office	Medical Office	Retail	Multifamily	Industrial/Flex	Corporate and Other	Consolidated
Real estate rental revenue	$100,744	$ 33,695	$ 30,566	$ 36,192	$ 26,668	$ —	$ 227,865
Real estate expenses	35,271	11,190	7,877	14,425	7,947	—	76,710
Net operating income	$ 65,473	$ 22,505	$ 22,689	$ 21,767	$ 18,721	$ —	$ 151,155
Depreciation and amortization							(71,459)
Interest expense							(51,178)
General and administrative							(10,455)
Other income (expense)							423
Gain from non-disposal activities							4
Loss on extinguishment of debt, net							(280)
Gain on sale of real estate							7,942
Income from discontinued operations							792
Net income							26,944
Less: Net income attributable to noncontrolling interests							(109)
Net income attributable to the controlling interests							$ 26,835
Capital expenditures	$ 8,049	$ 3,398	$ 1,101	$ 1,279	$ 742	$ 256	$ 14,825

	Period Ended September 30, 2009						
	Office	Medical Office	Retail	Multifamily	Industrial/ Flex	Corporate and Other	Consolidated
Real estate rental revenue	$99,776	$33,617	$30,995	$ 34,606	$ 28,169	$ —	$ 227,163
Real estate expenses	36,024	11,331	7,955	14,549	7,688	—	77,547
Net operating income	$63,752	$22,286	$23,040	$ 20,057	$ 20,481	$ —	$ 149,616
Depreciation and amortization							(69,620)
Interest expense							(57,221)
General and administrative							(9,931)
Other income (expense)							120
Gain from non-disposal activities							62
Gain on extinguishment of debt, net							6,931
Gain on sale of real estate							11,821
Income from discontinued operations							1,867
Net income							33,645
Less: Net income attributable to noncontrolling interests							(154)
Net income attributable to the controlling interests							$ 33,491
Capital expenditures	$10,329	$ 3,283	$ 1,218	$ 1,881	$ 2,329	$ 208	$ 19,248

NOTE 12: SHAREHOLDERS' EQUITY

During the fourth quarter of 2009, we entered into a sales agency financing agreement with BNY Mellon Capital Markets, LLC relating to the issuance and sale of up to $250.0 million of our common shares from time to time over a period of no more than 36 months, replacing a previous agreement made during the third quarter of 2008. Sales under this program of our common shares are made at market prices prevailing at the time of sale. We used the net proceeds from the sale of common shares under this program for the repayment of borrowings under our lines of credit, acquisitions, and general corporate purposes. We executed issuances under this program as follows (in thousands, except for weighted average issue price):

	2010 Quarter	2010 Period
Common shares issued	1,668	3,965
Weighted average issue price	$ 30.98	$ 30.20
Net proceeds	$ 50,991	$ 118,068

We have a dividend reinvestment program, whereby shareholders may use their dividends and optional cash payments to purchase common shares. The common shares sold under this program may either be common shares issued by us or common shares purchased in the open market. We use the net proceeds under this program for general corporate purposes. We executed issuances under this program as follows (in thousands, except for weighted average issue price):

	2010 Quarter	2010 Period
Common shares issued	44	131
Weighted average issue price	$ 31.39	$ 30.02
Net proceeds	$ 1,370	$ 3,924

NOTE 13: SUBSEQUENT EVENTS

Subsequent to the end of the 2010 Quarter, we closed on repurchases totaling $122.8 million of our 3.875% convertible notes at 102.75% of par and $56.1 million of our 5.95% senior notes at 103.75% of par. The estimated loss on extinguishment of debt for these transactions is $9.0 million.

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

The following discussion should be read in conjunction with our consolidated financial statements and the notes thereto appearing in Item 1 of this report and the more detailed information contained in our Annual Report on Form 10-K for the year ended December 31, 2009 filed with the Securities and Exchange Commission on February 26, 2010.

We refer to the three months ended September 30, 2010 and September 30, 2009 as the "2010 Quarter" and the "2009 Quarter", respectively, and to the nine months ended September 30, 2010 and September 30, 2009 as the "2010 Period" and "2009 Period", respectively.

Forward-Looking Statements

This Form 10-Q contains forward-looking statements which involve risks and uncertainties. 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. We claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for these statements. The following important factors, in addition to those discussed elsewhere in this Form 10-Q, could affect our future results and could cause those results to differ materially from those expressed in the forward-looking statements: (a) the effect of the recent credit and financial market conditions; (b) the availability and cost of capital; (c) fluctuations in interest rates; (d) the economic health of our tenants; (e) the timing and pricing of lease transactions; (f) the economic health of the greater Washington metro region, or other markets we may enter; (g) the effects of changes in Federal government spending; (h) the supply of competing properties; (i) consumer confidence; (j) unemployment rates; (k) consumer tastes and preferences; (l) our future capital requirements; (m) inflation; (n) compliance with applicable laws, including those concerning the environment and access by persons with disabilities; (o) governmental or regulatory actions and initiatives; (p) changes in general economic and business conditions; (q) terrorist attacks or actions; (r) acts of war; (s) weather conditions; (t) the effects of changes in capital available to the technology and biotechnology sectors of the economy, and (u) other factors discussed under the caption "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2009 filed with the Securities and Exchange Commission on February 26, 2010. We undertake no obligation to update our forward-looking statements or risk factors to reflect new information, future events, or otherwise.

General

Introductory Matters

We provide our Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") in addition to the accompanying consolidated financial statements and notes to assist readers in understanding our results of operations and financial condition. We organize the MD&A as follows:

- *Overview.* Discussion of our business, operating results, investment activity and cash requirements, and summary of our significant transactions to provide context for the remainder of MD&A.
- *Critical Accounting Policies and Estimates.* Descriptions of accounting policies that reflect significant judgments and estimates used in the preparation of our consolidated financial statements.
- *Results of Operations.* Discussion of our financial results comparing the 2010 Quarter to the 2009 Quarter and the 2010 Period to the 2009 Period.
- *Liquidity and Capital Resources.* Discussion of our financial condition and analysis of changes in our capital structure and cash flows.

When evaluating our financial condition and operating performance, we focus on the following financial and non-financial indicators:

- Net operating income ("NOI"), calculated as real estate rental revenue less real estate expenses excluding depreciation and amortization, interest expense and general and administrative expenses. NOI is a non-GAAP supplemental measure to net income.
- Funds From Operations ("FFO"), calculated as set forth below under the caption "Funds from Operations." FFO is a non-GAAP supplemental measure to net income.

- Economic occupancy ("occupancy"), calculated as actual real estate rental revenue recognized for the period indicated as a percentage of gross potential real estate rental revenue for that period. We determine gross potential real estate rental revenue by valuing occupied units or square footage at contract rates and vacant units or square footage at market rates for comparable properties. We do not consider percentage rents and expense reimbursements in computing economic occupancy percentages.
- Leased percentage, calculated as the percentage of available physical net rentable area leased for our commercial segments and percentage of apartments leased for our multifamily segment.
- Rental rates.
- Leasing activity, including new leases, renewals and expirations.

Overview

Business

Our revenues are derived primarily from the ownership and operation of income-producing properties in the greater Washington metro region. As of September 30, 2010, we owned a diversified portfolio of 88 properties, totaling approximately 10.9 million square feet of commercial space and 2,540 multifamily units, and land held for development. These 88 properties consisted of 26 office properties, 19 industrial/flex properties, 18 medical office properties, 14 retail centers and 11 multifamily properties.

We have a fundamental strategy of regional focus and diversification by property type. During the 2010 Period we acquired two fully-leased office buildings totaling approximately 271,000 square feet at Quantico Corporate Center in Stafford, Virginia and sold Parklawn Plaza, the Lexington Building, the Saratoga Building and Charleston Business Center (collectively, the "Parklawn Portfolio"). These purchase and sale transactions are consistent with our strategy in recent years of upgrading our portfolio by selling lower quality properties and acquiring or developing higher quality properties that are inside the Beltway, near major transportation nodes or associated with Base Realignment and Closure ("BRAC") initiatives or other significant employment drivers in the greater metro area. We will seek to continue to upgrade our portfolio as opportunities arise. However, market conditions may limit our ability to acquire or sell properties at attractive prices in the future.

Operating Results

Real estate rental revenue, NOI, net income and FFO for the 2010 and 2009 Quarters were as follows (in thousands):

	2010 Quarter	2009 Quarter	Change
Real estate rental revenue	$76,274	$74,987	$ 1,287
NOI [(1)]	$51,122	$49,414	$ 1,708
Net income attributable to the controlling interests	$ 6,625	$ 9,550	$(2,925)
FFO [(2)]	$30,899	$28,030	$ 2,869

(1) See page 30 of the MD&A for reconciliations of NOI to net income.
(2) See page 49 of the MD&A for reconciliations of FFO to net income.

Real estate rental revenue increased by $1.3 million in the 2010 Quarter as compared to the 2009 Quarter due to the acquisition of Quantico Corporate Center during the second quarter of 2010 and higher occupancy and rental rates in the multifamily segment. These were partially offset by higher vacancy in the rest of the portfolio. The $1.7 million increase in NOI reflects the higher real estate rental revenue as well as lower real estate taxes caused by lower assessments on our properties.

The increase in FFO reflects the increase in NOI as well as a $1.1 million decrease in interest expense. Net income decreased by $2.9 million due to a $5.1 million gain on sale of real estate during the 2009 Quarter. The lower interest expense results from the paydowns of a $50.0 million mortgage note and a portion of our 3.875% convertible notes during 2009 and 2010 using the proceeds from equity issuances and property sales, as well as prepaying the $100.0 million term loan using lower interest borrowings on our lines of credit.

We believe our declines in occupancy reflect the economic conditions of the Washington metro area, as recovery from the national economic recession has been slow. According to Delta Associates/Transwestern Commercial Services ("Delta"), the area's unemployment rate was 6.3% at July 2010, an increase from 6.2% one year prior. Delta has stated that it expects the recovery from the recession to be slow during the balance of 2010 and into early 2011.

Investment and Sales Activity

While we did not acquire or sell any properties during the 2010 Quarter, we are currently exploring the marketplace for potential acquisitions. We will also continue to explore the sale of other properties in our portfolio, including assets where we expect slower cash flow growth.

Cash Requirements

During the 2009 Quarter, we prepaid without penalty a $21.7 million mortgage note payable using proceeds from our lines of credit.

On September 30, 2010, we issued $250.0 million of 4.95% unsecured notes due October 1, 2020. The notes bear an effective interest rate of 5.053%. Our net proceeds were $245.8 million. Subsequent to the end of the 2010 Quarter, we completed a tender offer for our 5.95% senior notes due in 2011 that resulted in the repurchase of $56.1 million of those notes. We also completed a tender offer for our 3.875% convertible notes puttable at par in 2011 that resulted in the repurchase of $122.8 million of those notes.

Net of these repurchases, our total remaining debt maturities for the balance of 2010 and 2011 are $1.1 million and $209.9 million, respectively. We currently expect to pay the remaining 2011 maturities with some combination of proceeds from new debt, property sales and equity issuances.

Significant Transactions

We summarize below our significant transactions during the 2010 and 2009 Periods:

2010 Period

- The acquisition of two office buildings for $68.0 million, adding approximately 271,000 square feet, which were 100% leased at the end of the 2010 Period.
- The disposition of the Parklawn Portfolio, consisting of three office properties and one industrial property, for a contract sales price of $23.4 million and a gain on sale of $7.9 million.
- The issuance of $250.0 million of 4.95% unsecured notes due October 1, 2020, with net proceeds of $245.8 million. The notes bear an effective interest rate of 5.053%.
- The repurchase of $8.8 million of our 3.875% convertible notes at 100.1% of par, resulting in a net loss on extinguishment of debt of $0.3 million.
- The issuance of 4.0 million common shares at a weighted average price of $30.20 under our sales agency financing agreement, raising $118.1 million in net proceeds.
- The execution of new leases for 1.2 million square feet of commercial space (excluding first generation leases at recently-built properties), with an average rental rate increase of 13.4% over expiring leases.

2009 Period

- The completion of a public offering of 5.25 million common shares priced at $21.40 per share, raising $107.5 million in net proceeds.
- The disposition of one multifamily property for a contract sales price of $19.75 million and a gain on sale of $6.7 million.
- The disposition of one industrial property, Tech 100, for a contract sales price of $10.5 million and a gain on sale of $4.1 million.

- The disposition of one office property, Brandywine Center, for a contract sales price of $3.3 million and a gain on sale of $1.0 million.
- The acquisition of one newly constructed medical office building for $19.9 million, adding approximately 87,400 square feet.
- The prepayment of 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, with no prepayment penalties.
- The execution of an agreement to modify our $100.0 million term loan with Wells Fargo Bank, National Association to extend the maturity date from February 19, 2010 to November 1, 2011. This agreement also increased the interest rate on the term loan from LIBOR plus 150 basis points to LIBOR plus 275 basis points.
- The repurchase of $101.6 million of our 3.875% convertible notes at 80% to 95.8% of par, resulting in a net gain on extinguishment of debt of $6.9 million.
- The issuance of 2.0 million common shares at a weighted average price of $27.37 under our sales agency financing agreement, raising $53.8 million in net proceeds.
- The execution of one mortgage note of approximately $37.5 million at a fixed rate of 5.37%, secured by the Kenmore Apartments.
- The execution of new leases for 1.1 million square feet of commercial space, with an average rental rate increase of 11.8% over expiring leases.

Critical Accounting Policies and Estimates

We base the discussion and analysis of our financial condition and results of operations upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an on-going basis, we evaluate these estimates, including those related to estimated useful lives of real estate assets, estimated fair value of acquired leases, cost reimbursement income, bad debts, contingencies and litigation. We base the estimates on historical experience and on various other assumptions that we believe 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. We cannot assure you that actual results will not differ from those estimates.

We believe the following critical accounting estimates are the most critical to aid in fully understanding our reported financial results, and they require our most difficult, subjective or complex judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain.

Allowance for Doubtful Accounts

We recognize rental income and rental abatements from our multifamily and commercial leases when earned on a straight-line basis over the lease term. We record a provision for losses on accounts receivable equal to the estimated uncollectible amounts. We base this estimate on our historical experience and a monthly review of the current status of our receivables. We consider factors such as the age of the receivable, the payment history of our tenants and our assessment of our tenants' ability to perform under their lease obligations, among other things. In addition to rents due currently, accounts receivable include amounts representing minimal rental income accrued on a straight-line basis to be paid by tenants over the remaining term of their respective leases. Our estimate of uncollectible accounts is subject to revision as these factors change and is sensitive to the impact of economic and market conditions on tenants.

Real Estate

We record acquired or assumed assets, including physical assets and in-place leases, and liabilities, based on their fair values. We record goodwill when the purchase price exceeds the fair value of the assets and liabilities acquired. We determine the estimated fair values of the assets and liabilities in accordance with current GAAP fair value provisions. We determine the fair

values of acquired buildings 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. We allocate the “as-if-vacant” fair value 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 – (a) the estimated cost to us to replace the leases, including foregone rents during the period of finding a new tenant and foregone recovery of tenant pass-throughs (referred to as “absorption cost”), (b) the estimated cost of tenant improvements, and other direct costs associated with obtaining a new tenant (referred to as “tenant origination cost”); (c) estimated leasing commissions associated with obtaining a new tenant (referred to as “leasing commissions”); (d) 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 (e) 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”).

We discount the amounts used to calculate net lease intangibles using an interest rate which reflects the risks associated with the leases acquired. We include tenant origination costs in income producing property on our balance sheet and amortize the tenant origination costs as depreciation expense on a straight-line basis over the useful life of the asset, which is typically the remaining life of the underlying leases. We classify leasing commissions and absorption costs as other assets and amortize leasing commissions and absorption costs as amortization expense on a straight-line basis over the remaining life of the underlying leases. We classify above market net lease intangible assets as other assets and amortize net lease intangible assets on a straight-line basis as a decrease to real estate rental revenue over the remaining term of the underlying leases. We classify below market net lease intangible liabilities as other liabilities and amortize net lease intangible liabilities on a straight-line basis as an increase to real estate rental revenue over the remaining term of the underlying leases. Should a tenant terminate its lease, we write off the unamortized portion of the tenant origination cost (if it has no future value), leasing commissions, absorption costs and net lease intangible associated with that lease.

We capitalize interest costs incurred on borrowing obligations while qualifying assets are being readied for their intended use. We amortize capitalized interest 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 and held for sale, development assets or land held for future development, if 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 and estimated undiscounted cash flows associated with future development expenditures. 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 value. The estimated fair value would be calculated in accordance with current GAAP fair value provisions.

Stock Based Compensation

We initially measure compensation expense for restricted performance-based share units at fair value at the grant date as payouts are probable, and we re-measure compensation expense at subsequent reporting dates until all of the award’s key terms and conditions are known and a vesting has occurred. The number of restricted performance-based share units that actually vest may differ significantly from our estimates. We amortize such performance-based share units to expense over the performance period.

We measure compensation expense for performance-based share units with market conditions based on the grant date fair value, as determined using a Monte Carlo simulation. We amortize the expense ratably over the requisite service period, regardless of whether the market conditions are achieved and the awards ultimately vest.

We estimate forfeitures for unvested stock based compensation based on historical pre-vesting employee forfeiture patterns. We ultimately adjust our pre-vesting forfeiture assumptions to actual forfeiture rates, so changes in forfeiture assumptions would not affect the expense ultimately recognized over the vesting period. Estimated forfeitures are reassessed each reporting period based on historical experience and current projections for the future.

Federal Income Taxes

Generally, no provisions for income taxes are necessary except for taxes on undistributed REIT taxable income and taxes on the income generated by our taxable REIT subsidiaries (“TRS”). Our TRS is subject to corporate federal and state income tax on its taxable income at regular statutory rates. Our TRS has net operating loss carryforwards that begin to expire in 2028. We have considered estimated future taxable income and have determined that there were no income tax provisions or material net deferred income tax items for our TRS.

Results of Operations

The discussion that follows is based on our consolidated results of operations for the 2010 and 2009 Quarters and Periods. 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 and is included in continuing operations. A "non-core" property is one that was acquired or placed into service 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.

To provide more insight into our operating results, we divide our discussion into two main sections: (a) the consolidated results of operations section, in which we provide an overview analysis of results on a consolidated basis, and (b) the net operating income ("NOI") section, in which we provide a detailed analysis of core and non-core NOI results by segment.

Consolidated Results of Operations

Real Estate Rental Revenue

Real estate rental revenue for properties classified as continuing operations is summarized as follows (all data in thousands except percentage amounts):

	Quarters Ended September 30,				Periods Ended September 30,			
			Change				Change	
	2010	2009	$	%	2010	2009	$	%
Minimum base rent	$67,435	$65,527	$1,908	2.9%	$198,495	$196,347	$ 2,148	1.1%
Recoveries from tenants	7,162	8,059	(897)	(11.1%)	24,939	27,117	(2,178)	(8.0%)
Provisions for doubtful accounts	(1,208)	(1,450)	242	16.7%	(4,075)	(4,378)	303	6.9%
Lease termination fees	75	355	(280)	(78.9%)	523	815	(292)	(35.8%)
Parking and other tenant charges	2,810	2,496	314	12.6%	7,983	7,262	721	9.9%
	$76,274	$74,987	$1,287	1.7%	$227,865	$227,163	$ 702	0.3%

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

Minimum Base Rent: Minimum base rent increased by $1.9 million in the 2010 Quarter as compared to the 2009 Quarter due primarily to the acquisition of Quantico Corporate Center ($2.1 million), partially offset by a $0.2 million decrease in minimum base rent from core properties. The $0.2 million decrease at core properties was due to lower occupancy ($2.0 million), partially offset by higher rental rates ($1.8 million).

Minimum base rent increased by $2.1 million in the 2010 Period as compared to the 2009 Period due primarily to acquisitions and the lease-up of our development properties ($3.9 million), partially offset by a $1.7 million decrease in minimum base rent from core properties. The $1.7 million decrease at core properties was due to lower occupancy ($4.7 million) and higher rent abatements ($0.3 million), partially offset by higher rental rates ($3.6 million).

Recoveries from Tenants: Recoveries from tenants decreased by $0.9 million in the 2010 Quarter as compared to the 2009 Quarter due to lower common area maintenance reimbursements ($0.6 million) and lower real estate tax reimbursements ($0.3 million). A driver of our lower common area maintenance reimbursements was lower overall occupancy in our portfolio.

Recoveries from tenants decreased by $2.2 million in the 2010 Period as compared to the 2009 Period due to lower real estate tax reimbursements ($1.8 million) caused by lower property assessments across the portfolio and lower utility reimbursements ($0.7 million). These were offset by higher reimbursements from non-core properties ($0.3 million). A driver of our lower utility reimbursements was lower overall occupancy in our portfolio.

Provisions for Doubtful Accounts: Provisions for doubtful accounts decreased by $0.2 million in the 2010 Quarter as compared to the 2009 Quarter due to lower provisions in the industrial segment.

Provisions for doubtful accounts decreased by $0.3 million in the 2010 Period as compared to the 2009 Period due to lower provisions in the industrial segment ($0.5 million). This was partially offset by higher provisions in the retail ($0.1 million) and medical office ($0.1 million) segments.

Lease Termination Fees: Lease termination fees decreased by $0.3 million in the 2010 Quarter as compared to the 2009 Quarter due to fewer terminations in the office and industrial segments.

Lease termination fees decreased by $0.3 million in the 2010 Period as compared to the 2009 Period due to fewer terminations in the office, industrial and medical office segments.

Parking and Other Tenant Charges: Parking and other tenant charges increased by $0.3 million in 2010 Quarter as compared to the 2009 Quarter due to higher antenna rent ($0.1 million) from new rental contracts in the multifamily and office segments, as well as higher parking income ($0.1 million) in the office segment.

Parking and other tenant charges increased by $0.7 million in 2010 Period as compared to the 2009 Period due primarily to higher antenna rent ($0.4 million) caused by the execution of new rental contracts in the multifamily and office segments.

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

	Quarters Ended September 30,			Periods Ended September 30,		
	2010	2009	Change	2010	2009	Change
Office	90.1%	92.9%	(2.8%)	91.3%	93.2%	(1.9%)
Medical Office	90.3%	96.0%	(5.7%)	90.8%	96.2%	(5.4%)
Retail	91.7%	94.0%	(2.3%)	91.7%	94.7%	(3.0%)
Multifamily	95.6%	93.9%	1.7%	94.5%	90.6%	3.9%
Industrial	83.0%	89.6%	(6.6%)	83.6%	90.4%	(6.8%)
Total	90.3%	93.3%	(3.0%)	90.9%	93.0%	(2.1%)

We calculate economic occupancy as actual real estate rental revenue recognized for the period indicated as a percentage of gross potential real estate rental revenue for that period. We determine gross potential real estate rental revenue by valuing occupied units or square footage at contract rates and vacant units or square footage at market rates for comparable properties. We do not consider percentage rents and expense reimbursements in computing economic occupancy percentages.

Our overall economic occupancy decreased to 90.3% in the 2010 Quarter from 93.3% in the 2009 Quarter and to 90.9% in the 2010 Period from 93.0% in the 2009 Period, due to lower occupancy across the office, medical office, retail and industrial segments, partially offset by higher multifamily occupancy.

A detailed discussion of occupancy by sector can be found in the NOI section.

Real Estate Expenses

Real estate expenses for properties classified as continuing operations are summarized as follows (all data in thousands except percentage amounts):

	Quarters Ended September 30,				Periods Ended September 30,			
			Change				Change	
	2010	2009	$	%	2010	2009	$	%
Property operating expenses	$17,462	$17,504	$ (42)	(0.2%)	$53,943	$53,254	$ 689	1.3%
Real estate taxes	7,690	8,069	(379)	(4.7%)	22,767	24,293	(1,526)	(6.3%)
	$25,152	$25,573	$(421)	(1.6%)	$76,710	$77,547	$ (837)	(1.1%)

Real estate expenses as a percentage of revenue were 33.0% and 33.7% for the 2010 Quarter and Period, respectively, and 34.1% and 34.1% for the 2009 Quarter and Period, respectively.

Property Operating Expenses: Property operating expenses include utilities, repairs and maintenance, property administration and management, operating services, common area maintenance, property insurance, bad debt and other operating expenses.

Property operating expenses were substantially unchanged in the 2010 Quarter as compared to the 2009 Quarter as larger recoveries of bad debt ($0.4 million) were offset by operating expenses from acquisition properties ($0.5 million).

Property operating expenses increased $0.7 million in the 2010 Period as compared to the 2009 Period due primarily to higher snow removal costs ($1.8 million) across the portfolio caused by severe snow storms during the first quarter of 2010, as well as higher expenses related to acquisition and development properties ($1.1 million). These were partially offset by lower utilities costs ($1.1 million) and larger recoveries of bad debt ($1.3 million) at core properties.

Real Estate Taxes: Real estate taxes decreased $0.4 million in the 2010 Quarter as compared to the 2009 Quarter due to the lower assessments across the portfolio.

Real estate taxes decreased $1.5 million in the 2010 Period as compared to the 2009 Period due to the lower assessments across the portfolio.

Other Operating Expenses

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

	Quarters Ended September 30,				Periods Ended September 30,			
			Change				Change	
	2010	2009	$	%	2010	2009	$	%
Depreciation and amortization	$24,278	$23,484	$ 794	3.4%	$ 71,459	$ 69,620	$ 1,839	2.6%
Interest expense	17,100	18,224	(1,124)	(6.2%)	51,178	57,221	(6,043)	(10.6%)
General and administrative	3,153	3,518	(365)	(10.4%)	10,455	9,931	524	5.3%
	$44,531	$45,226	$ (695)	(1.5%)	$133,092	$136,772	$(3,680)	(2.7%)

Depreciation and Amortization: Depreciation and amortization expense increased by $0.8 million in the 2010 Quarter as compared to the 2009 Quarter due to acquisition properties ($1.3 million).

Depreciation and amortization expense increased by $1.8 million in the 2010 Period as compared to the 2009 Period due primarily to acquisition properties.

Interest Expense: A summary of interest expense by debt type for the 2010 and 2009 Quarters and Periods appears below (in millions, except percentage amounts):

	Quarters Ended September 30,				Periods Ended September 30,			
			Change				Change	
	2010	2009	$	%	2010	2009	$	%
Notes payable	$10.2	$11.9	$(1.7)	(14.3%)	$30.7	$36.9	$ (6.2)	(16.8%)
Mortgages	6.1	6.3	(0.2)	(3.2%)	18.4	20.4	(2.0)	(9.8%)
Lines of credit/short-term note payable	0.9	0.3	0.6	200.0%	2.9	0.9	2.0	222.2%
Capitalized interest	(0.1)	(0.3)	0.2	66.7%	(0.8)	(1.0)	0.2	20.0%
Total	$17.1	$18.2	$(1.1)	(6.0%)	$51.2	$57.2	($ 6.0)	(10.5%)

Interest expense decreased $1.1 million in the 2010 Quarter compared to the 2009 Quarter due primarily to the prepayment of our $100.0 million term loan ($1.5 million in lower interest) in December 2009, the repayment of mortgage notes payable ($0.2 million in lower interest) during 2009 and 2010, and the repurchases of our convertible notes payable ($0.3 million in lower interest) during 2009 and 2010. These were partially offset by higher interest on our unsecured lines of credit ($0.6 million), which we used to finance the prepayment of the $100.0 million term loan.

Interest expense decreased $6.0 million in the 2010 Period compared to the 2009 Period due primarily to the prepayment of our $100.0 million term loan ($4.0 million in lower interest) in December 2009, the prepayment of mortgage notes payable ($2.0 million in lower interest) during 2009 and 2010, and the repurchases of our convertible notes payable ($2.2 million in lower interest) during 2009 and 2010. These were partially offset by higher interest on our unsecured lines of credit ($2.0 million), which we used to finance the prepayment of the $100.0 million term loan.

General and Administrative Expense: General and administrative expense decreased by $0.4 million in the 2010 Quarter as compared to the 2009 Quarter due primarily to an increase in the allocation of general and administrative costs to operating properties.

General and administrative expense increased by $0.5 million in the 2010 Period as compared to the 2009 Period due primarily to higher incentive compensation expense ($1.6 million), partially offset by an increase in the allocation of general and administrative costs to operating properties ($0.8 million).

Discontinued Operations

We dispose of assets (sometimes using tax-deferred exchanges) that no longer meet our long-term strategy or return objectives and where market conditions for sale are favorable. The proceeds from the sales may be reinvested into other properties, used to fund development operations or to support other corporate needs, or distributed to our shareholders.

Properties we sold during 2009 and the 2010 Period are as follows:

Disposition Date	Property	Type	Rentable Square Feet	Contract Purchase Price (In thousands)
May 13, 2009	Avondale	Multifamily	170,000	$ 19,800
July 23, 2009	Tech 100 Industrial Park	Industrial	166,000	10,500
July 31, 2009	Brandywine Center	Office	35,000	3,300
November 13, 2009	Crossroads Distribution Center	Industrial	85,000	4,400
		2009 Total	456,000	$ 38,000
June 18, 2010	Parklawn Portfolio[1]	Office/Industrial	229,000	$ 23,400
		2010 Total	229,000	$ 23,400

[1] *The Parklawn Portfolio is comprised of three office properties (Parklawn Plaza, Lexington Building and Saratoga Building) and one industrial property (Charleston Business Center).*

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

	Quarters Ended September 30,				Periods Ended September 30,			
			Change				Change	
	2010	2009	$	%	2010	2009	$	%
Revenues	$—	$1,031	$(1,031)	—	$1,672	$ 4,965	$(3,293)	(66.3%)
Property expenses	—	(433)	433	—	(784)	(2,219)	1,435	64.7%
Depreciation and amortization	—	(205)	205	—	(96)	(879)	783	89.1%
Total	$—	$ 393	$ (393)	—	$ 792	$ 1,867	$(1,075)	(57.6%)

Income from operations of properties sold or held for sale decreased by $0.4 million and $1.1 million for the 2010 Quarter and Period, respectively, due to sale of the Parklawn Portfolio during the 2010 and the sales of Avondale, Tech 100 Industrial Park, Brandywine Center and Crossroads Distribution Center during 2009.

Net Operating Income

NOI is the primary performance measure we use to assess the results of our operations at the property level. We believe that NOI is useful as a performance measure because, when compared across periods, NOI reflects the impact on operations of trends in occupancy rates, rental rates and operating costs on an unleveraged basis, providing perspective not immediately apparent from net income. NOI excludes certain components from net income in order to provide results more closely related to a property's results of operations. For example, interest expense is not necessarily linked to the operating performance of a real estate asset. In addition, depreciation and amortization, because of historical cost accounting and useful life estimates, may distort operating performance at the property level. As a result of the foregoing, we provide NOI as a supplement to net income calculated in accordance with GAAP. NOI does not represent net income 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 real estate rental revenue less real estate expenses excluding depreciation and amortization and general and administrative expenses. A reconciliation of NOI to net income follows.

2010 Quarter Compared to 2009 Quarter

The following tables of selected operating data provide the basis for our discussion of NOI in 2010 compared to 2009. All amounts are in thousands except percentage amounts.

	Quarters Ended September 30,			
	2010	2009	$ Change	% Change
Real Estate Rental Revenue				
Core	$ 74,125	$ 74,987	$ (862)	(1.1%)
Non-core (1)	2,149	—	2,149	—
Total real estate rental revenue	$ 76,274	$ 74,987	$ 1,287	1.7%
Real Estate Expenses				
Core	$ 24,436	$ 25,493	$(1,057)	(4.1%)
Non-core (1)	716	80	636	795.0%
Total real estate expenses	$ 25,152	$ 25,573	$ (421)	(1.6%)
NOI				
Core	$ 49,689	$ 49,494	$ 195	0.4%
Non-core (1)	1,433	(80)	1,513	1,891.3%
Total NOI	$ 51,122	$ 49,414	$ 1,708	3.5%
Reconciliation to Net Income				
NOI	$ 51,122	$ 49,414		
Other income (expense)	301	(54)		
Interest expense	(17,100)	(18,224)		
Depreciation and amortization	(24,278)	(23,484)		
General and administrative expenses	(3,153)	(3,518)		
Gain from non-disposal activities	4	62		
Gain on sale of real estate	—	5,147		
Gain (loss) on extinguishment of debt	(238)	(133)		
Discontinued operations (2)	—	393		
Net income	6,658	9,603		
Less: Net income attributable to noncontrolling interests	(33)	(53)		
Net income attributable to the controlling interests	$ 6,625	$ 9,550		

	Quarters Ended September 30,	
Economic Occupancy	2010	2009
Core	90.7%	93.3%
Non-core (1)	80.5%	0.0%
Total	90.3%	93.3%

(1) Non-core properties include:

2010 acquisitions – Quantico Corporate Center (925 and 1000 Corporate Drive)
2009 acquisition – Lansdowne Medical Office Building

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

2010 dispositions – Parklawn Plaza, Saratoga Building, Lexington Building and Charleston Business Center
2009 dispositions – Tech 100 Industrial Park, Brandywine Center and Crossroads Distribution Center

Real estate rental revenue increased by $1.3 million in the 2010 Quarter as compared to the 2009 Quarter due primarily to the acquisition of Quantico Corporate Center ($2.1 million), partially offset by a $0.9 million decrease in real estate rental revenues from core properties. The $0.9 million decrease at core properties was due to lower occupancy ($2.0 million) and lower expense reimbursements ($0.9 million), partially offset by higher rental rates ($1.8 million) and lower bad debt ($0.2 million).

Real estate expenses decreased by $0.4 million in the 2010 Quarter as compared to the 2009 Quarter due to lower real estate taxes on core properties ($0.5 million) caused by lower assessments and higher recoveries of bad debt ($0.4 million). These were offset by a $0.6 million increase in our non-core portfolio attributable to our acquisitions.

Core economic occupancy decreased to 90.7% in the 2010 Quarter from 93.3% in the 2009 Quarter, as decreases in the office, medical office, retail and industrial segments were partially offset by higher occupancy in the multifamily segment. Non-core economic occupancy increased to 80.5% in the 2010 Quarter from 0.0% in the 2009 Quarter, reflecting the acquisition of the fully-occupied Quantico Corporate Center during 2010. Lansdowne Medical Office Building, which was vacant upon acquisition during the 2009 Quarter, was 15.5% leased as of the end of the 2010 Quarter. During the 2010 Quarter, 53.2% of the commercial square footage expiring was renewed as compared to 69.8% in the 2009 Quarter, excluding properties sold or classified as held for sale. During the 2010 Quarter, we executed new leases (excluding first generation leases at recently-built properties) for 330,200 commercial square feet at an average rental rate of $24.08 per square foot, an increase of 6.8%, with average tenant improvements and leasing costs of $11.42 per square foot.

An analysis of NOI by segment follows.

Office Segment:

	Quarters Ended September 30,			
	2010	2009	$ Change	% Change
Real Estate Rental Revenue				
Core	$32,308	$32,912	$ (604)	(1.8%)
Non-core [1]	2,135	—	2,135	—
Total real estate rental revenue	$34,443	$32,912	$ 1,531	4.7%
Real Estate Expenses				
Core	$11,899	$11,861	$ 38	0.3%
Non-core [1]	580	—	580	—
Total real estate expenses	$12,479	$11,861	$ 618	5.2%
NOI				
Core	$20,409	$21,051	$ (642)	(3.0%)
Non-core [1]	1,555	—	1,555	—
Total NOI	$21,964	$21,051	$ 913	4.3%

Economic Occupancy	2010	2009
Core	89.4%	92.9%
Non-core [1]	100.0%	—
Total	90.1%	92.9%

[1] Non-core properties include:

2010 acquisitions – Quantico Corporate Center (925 and 1000 Corporate Drive)

Real estate rental revenue in the office segment increased by $1.5 million in the 2010 Quarter as compared to the 2009 Quarter due to the acquisition of Quantico Corporate Center ($2.1 million), partially offset by a decrease in real estate rental revenue from core properties ($0.6 million). The $0.6 million decrease at core properties was due to lower occupancy ($1.2 million) and lower common area maintenance reimbursements ($0.4 million), partially offset by higher rental rates ($0.8 million) and lower bad debt ($0.2 million).

Real estate expenses in the office segment increased by $0.6 million in the 2010 Quarter as compared to the 2009 Quarter due primarily to the acquisition of Quantico Corporate Center.

Core economic occupancy decreased to 89.4% in the 2010 Quarter from 92.9% in the 2009 Quarter, driven by lower occupancy at Monument II, 2000 M Street, and 7900 Westpark Drive. These were partially offset by higher economic occupancy at One Central Plaza. The non-core economic occupancy of 100% reflects the acquisition of the fully-leased Quantico Corporate Center during 2010. During the 2010 Quarter, 26.4% of the square footage that expired was renewed compared to 51.4% in the 2009 Quarter, excluding properties sold or classified as held for sale. The retention rate for the 2010 Quarter was impacted by the non-renewal of a large tenant at Monument II. During the 2010 Quarter, we executed new leases (excluding first generation leases) for 103,400 square feet of office space at an average rental rate of $28.29 per square foot, an increase of 2.3%, with average tenant improvements and leasing costs of $20.10 per square foot.

Medical Office Segment:

	Quarters Ended September 30,			
	2010	2009	$ Change	% Change
Real Estate Rental Revenue				
Core	$10,979	$11,099	$ (120)	(1.1%)
Non-core (1)	14	—	14	—
Total real estate rental revenue	$10,993	$11,099	$ (106)	(1.0%)
Real Estate Expenses				
Core	$ 3,499	$ 3,752	$ (253)	(6.7%)
Non-core (1)	136	80	56	70.0%
Total real estate expenses	$ 3,635	$ 3,832	$ (197)	(5.1%)
NOI				
Core	$ 7,480	$ 7,347	$ 133	1.8%
Non-core (1)	(122)	(80)	(42)	(52.5%)
Total NOI	$ 7,358	$ 7,267	$ 91	1.3%

Economic Occupancy	2010	2009
Core	94.8%	96.0%
Non-core (1)	2.0%	0.0%
Total	90.3%	96.0%

(1) Non-core properties include:

2009 acquisition – Lansdowne Medical Office Building

Real estate rental revenue in the medical office segment decreased by $0.1 million in 2010 Quarter as compared to the 2009 Quarter due to lower occupancy ($0.2 million), higher bad debt ($0.1 million) and lower real estate tax reimbursements ($0.1 million), partially offset by higher rental rates ($0.4 million).

Real estate expenses in the medical office segment decreased by $0.2 million in the 2010 Quarter as compared to the 2009 Quarter due to lower real estate taxes ($0.1 million), lower electricity rates ($0.1 million) and recoveries of bad debt ($0.1 million) in the core portfolio. These were partially offset by expenses from Lansdowne Medical Office Building ($0.1 million).

Core economic occupancy decreased to 94.8% in the 2010 Quarter from 96.0% in the 2009 Quarter, driven by lower occupancy at Shady Grove Medical II and Ashburn Farm Office Park. The non-core economic occupancy of 2.0% for the 2010 Quarter reflects Lansdowne Medical Office Building, which was 15.5% leased at the end of the 2010 Quarter. During the 2010 Quarter, 90.2% of the square footage that expired was renewed compared to 62.2% in the 2009 Quarter. During the 2010 Quarter, we executed new leases (excluding first generation leases) for 70,400 square feet of medical office space at an average rental rate of $34.94, an increase of 15.0%, with average tenant improvements and leasing costs of $17.36 per square foot.

Retail Segment:

	Quarters Ended September 30,			
	2010	2009	$ Change	% Change
Real Estate Rental Revenue				
Total	$9,865	$10,182	$ (317)	(3.1%)
Real Estate Expenses				
Total	$2,028	$ 2,517	$ (489)	(19.4%)
NOI				
Total	$7,837	$ 7,665	$ 172	2.2%

Economic Occupancy	2010	2009
Total	91.7%	94.0%

Real estate rental revenue in the retail segment decreased by $0.3 million in the 2010 Quarter as compared to the 2009 Quarter due to lower occupancy ($0.2 million), higher bad debt ($0.1 million) and lower real estate tax reimbursements ($0.1 million). These were offset by higher rental rates ($0.1 million).

Real estate expenses in the retail segment decreased by $0.5 million in the 2010 Quarter as compared to the 2009 Quarter due to lower legal fees ($0.2 million), the recovery of bad debt ($0.2 million) and lower real estate taxes ($0.1 million).

Economic occupancy decreased to 91.7% in the 2010 Quarter from 94.0% in the 2009 Quarter, driven by lower occupancy at Frederick Crossing, Montgomery Village Center and Frederick County Square. During the 2010 Quarter, 33.8% of the square footage that expired was renewed compared to 30.3% in the 2009 Quarter. During the 2010 Quarter, we executed new leases for 52,500 square feet of retail space at an average rental rate of $30.57, an increase of 17.5%, with average tenant improvements and leasing costs of $2.73 per square foot.

Multifamily Segment:

	Quarters Ended September 30,			
	2010	2009	$ Change	% Change
Real Estate Rental Revenue				
Total	$12,434	$11,833	$ 601	5.1%
Real Estate Expenses				
Total	$ 4,798	$ 4,964	$ (166)	(3.3%)
NOI				
Total	$ 7,636	$ 6,869	$ 767	11.2%

Economic Occupancy	2010	2009
Total	95.6%	93.9%

Real estate rental revenue in the multifamily segment increased by $0.6 million in the 2010 Quarter as compared to the 2009 Quarter due primarily to higher occupancy ($0.2 million), higher rental rates ($0.1 million) and lower abatements ($0.1 million).

Real estate expenses in the multifamily segment decreased by $0.2 million in the 2010 Quarter as compared to the 2009 Quarter due primarily to lower real estate taxes ($0.1 million).

Economic occupancy increased to 95.6% in the 2010 Quarter from 93.9% in the 2009 Quarter, driven by higher occupancy at the Kenmore and Bethesda Hill Apartments.

Industrial Segment:

	Quarters Ended September 30,			
	2010	2009	$ Change	% Change
Real Estate Rental Revenue				
Total	$8,539	$8,961	$ (422)	(4.7%)
Real Estate Expenses				
Total	$2,212	$2,399	$ (187)	(7.8%)
NOI				
Total	$6,327	$6,562	$ (235)	(3.6%)

Economic Occupancy	2010	2009
Total	83.0%	89.6%

Real estate rental revenue in the industrial segment decreased by $0.4 million in the 2010 Quarter as compared to the 2009 Quarter due primarily to lower occupancy ($0.6 million), lower common area maintenance reimbursements ($0.2 million) and lower real estate tax reimbursements ($0.1 million) and lower lease termination fees ($0.1 million), partially offset by higher rental rates ($0.4 million) and lower bad debt ($0.2 million).

Real estate expenses in the industrial segment decreased by $0.2 million in the 2010 Quarter as compared to the 2009 Quarter due primarily to lower real estate taxes ($0.1 million) caused by lower property assessments.

Economic occupancy decreased to 83.0% in the 2010 Quarter from 89.6% in the 2009 Quarter, driven by lower occupancy at Fullerton Business Center, NVIP I&II and Albemarle. During the 2010 Quarter, 87.4% of the square footage that expired was renewed compared to 92.4% in the 2009 Quarter, excluding properties sold or classified as held for sale. During the 2010 Quarter, we executed new leases for 103,800 square feet of industrial space at an average rental rate of $9.23, a decrease of 10.9%, with average tenant improvements and leasing costs of $3.13 per square foot.

2010 Period Compared to 2009 Period

The following tables of selected operating data provide the basis for our discussion of NOI in 2010 compared to 2009. All amounts are in thousands except percentage amounts.

	Periods Ended September 30,			
	2010	2009	$ Change	% Change
Real Estate Rental Revenue				
Core	$215,727	$219,193	$(3,466)	(1.6%)
Non-core (1)	12,138	7,970	4,168	52.3%
Total real estate rental revenue	$227,865	$227,163	$ 702	0.3%
Real Estate Expenses				
Core	$ 71,607	$ 73,657	$(2,050)	(2.8%)
Non-core (1)	5,103	3,890	1,213	31.2%
Total real estate expenses	$ 76,710	$ 77,547	$ (837)	(1.1%)
NOI				
Core	$144,120	$145,536	$(1,416)	(1.0%)
Non-core (1)	7,035	4,080	2,955	72.4%
Total NOI	$151,155	$149,616	$ 1,539	1.0%
Reconciliation to Net Income				
NOI	$151,155	$149,616		
Other income (expense)	423	120		
Interest expense	(51,178)	(57,221)		
Depreciation and amortization	(71,459)	(69,620)		
General and administrative expenses	(10,455)	(9,931)		
Gain from non-disposal activities	4	62		
Gain (loss) on extinguishment of debt	(280)	6,931		
Gain on sale of real estate	7,942	11,821		
Discontinued operations (2)	792	1,867		
Net income	26,944	33,645		
Less: Net income attributable to noncontrolling interests	(109)	(154)		
Net income attributable to the controlling interests	$ 26,835	$ 33,491		

	Periods Ended September 30,	
Economic Occupancy	2010	2009
Core	91.3%	93.5%
Non-core (1)	84.2%	83.4%
Total	90.9%	93.0%

(1) Non-core properties include:

Multifamily development properties – Clayborne Apartments and Bennett Park
Office development property – Dulles Station, Phase I
2010 acquisitions – Quantico Corporate Center (925 and 1000 Corporate Drive)
2009 acquisition – Lansdowne Medical Office Building

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

2010 dispositions – Parklawn Plaza, Saratoga Building, Lexington Building and Charleston Business Center
2009 dispositions – Avondale, Tech 100 Industrial Park, Brandywine Center and Crossroads Distribution Center

Real estate rental revenue decreased by $0.7 million in the 2010 Period as compared to the 2009 Period due to a $4.2 million increase from non-core properties caused by the acquisition of Quantico Corporate Center ($2.8 million) and the lease-up of our development properties ($1.3 million), partially offset by a $3.5 million decrease from core properties. The $3.5 million decrease at core properties was due to lower occupancy ($4.7 million), lower real estate tax reimbursements ($1.8 million), lower utilities reimbursements ($0.7 million) and higher rental abatements ($0.3 million), partially offset by higher rental rates ($3.6 million) and higher antenna rent ($0.4 million).

Real estate expenses decreased by $0.8 million in the 2010 Period as compared to the 2009 Period due to lower core portfolio utilities costs ($1.1 million) caused by lower electricity rates, lower core portfolio real estate taxes ($1.6 million) caused by lower assessments and recoveries of bad debt ($1.3 million). These were offset by higher snow removal costs ($1.8 million) caused by severe snow storms during the first quarter of 2010, as well as higher real estate expenses from acquisitions ($1.0 million) and development properties ($0.2 million).

Core economic occupancy decreased to 91.3% in the 2010 Period from 93.5% in the 2009 Period, as decreases in the office, medical office, retail and industrial segments were partially offset by higher occupancy in the multifamily segment. Non-core economic occupancy increased to 84.2% in the 2010 Period from 83.4% in 2009 Period due to the completion of lease-up for our development properties in the office and multifamily segments and the acquisition of the fully-leased Quantico Corporate Center. These were partially offset by the acquisition of the vacant Lansdowne Medical Office Building during 2009, which was 15.5% leased as of the end of the 2010 Period. During the 2010 Period, 56.1% of the commercial square footage expiring was renewed as compared to 72.3% in the 2009 Period, excluding properties sold or classified as held for sale. During the 2010 Period, we executed new leases (excluding first generation leases at recently-built properties) for 1,245,200 commercial square feet at an average rental rate of $23.90 per square foot, an increase of 13.4%, with average tenant improvements and leasing costs of $18.54 per square foot.

An analysis of NOI by segment follows.

Office Segment:

	Periods Ended September 30,			
	2010	2009	$ Change	% Change
Real Estate Rental Revenue				
Core	$ 94,638	$96,838	$(2,200)	(2.3%)
Non-core (1)	6,106	2,938	3,168	107.8%
Total real estate rental revenue	$100,744	$99,776	$ 968	1.0%
Real Estate Expenses				
Core	$ 33,079	$34,932	$(1,853)	(5.3%)
Non-core (1)	2,192	1,092	1,100	100.7%
Total real estate expenses	$ 35,271	$36,024	$ (753)	(2.1%)
NOI				
Core	$ 61,559	$61,906	$ (347)	(0.6%)
Non-core (1)	3,914	1,846	2,068	112.0%
Total NOI	$ 65,473	$63,752	$ 1,721	2.7%

Economic Occupancy	2010	2009
Core	91.0%	93.5%
Non-core (1)	95.2%	87.3%
Total	91.3%	93.2%

(1) Non-core properties include:

Development property – Dulles Station, Phase I
2010 acquisitions – Quantico Corporate Center

Real estate rental revenue in the office segment increased by $1.0 million in the 2010 Period as compared to the 2009 Period due to the acquisition of Quantico Corporate Center ($2.8 million) and the lease-up of Dulles Station, Phase I ($0.4 million), partially offset by a $2.2 million decrease in real estate rental revenue from core properties. The $2.2 million at core properties was due to lower occupancy ($2.4 million), lower real estate tax reimbursements ($0.8 million), lower common area maintenance reimbursements ($0.8 million) and higher rent abatements ($0.3 million), partially offset by higher rental rates ($2.2 million).

Real estate expenses in the office segment decreased by $0.8 million in the 2010 Period as compared to the 2009 Period due primarily to lower utilities ($0.7 million) caused by lower electricity rates, higher recoveries of bad debt ($0.9 million) and lower real estate taxes ($0.6 million) caused by lower assessments. Non-core real estate expenses increased by $1.1 million due to the acquisition of Quantico Corporate Center ($0.7 million) and the lease-up of Dulles Station, Phase II ($0.4 million).

Core economic occupancy decreased to 91.0% in the 2010 Period from 93.5% in the 2009 Period, driven by lower occupancy at Monument II, 2000 M Street and 7900 Westpark. These were partially offset by higher economic occupancy at One Central Plaza. Non-core economic occupancy increased to 95.2% from 87.3%, reflecting the completion of the lease-up of Dulles Station, Phase I and the acquisition of the fully-leased Quantico Corporate Center. During the 2010 Period, 45.2% of the square footage that expired was renewed compared to 64.6% in the 2009 Period, excluding properties sold or classified as held for sale. During the 2010 Period, we executed new leases (excluding first generation leases) for 451,600 square feet of office space at an average rental rate of $30.53 per square foot, an increase of 9.1%, with average tenant improvements and leasing costs of $34.20 per square foot.

Medical Office Segment:

	Periods Ended September 30,			
	2010	2009	$ Change	% Change
Real Estate Rental Revenue				
Core	$33,670	$33,617	$ 53	0.2%
Non-core (1)	25	—	25	—
Total real estate rental revenue	$33,695	$33,617	$ 78	0.2%
Real Estate Expenses				
Core	$10,803	$11,251	$ (448)	(4.0%)
Non-core (1)	387	80	307	383.8%
Total real estate expenses	$11,190	$11,331	$ (141)	1.2%
NOI				
Core	$22,867	$22,366	$ 501	2.2%
Non-core (1)	(362)	(80)	(282)	(352.5%)
Total NOI	$22,505	$22,286	$ 219	1.0%

Economic Occupancy	2010	2009
Core	95.4%	96.2%
Non-core (1)	1.2%	0.0%
Total	90.8%	96.2%

(1) Non-core properties include:

2009 acquisition – Lansdowne Medical Office Building

Real estate rental revenue in the medical office segment increased by $0.1 million in 2010 Period as compared to the 2009 Period due primarily to higher rental rates ($0.9 million), offset by lower real estate tax reimbursements ($0.5 million) and lower occupancy ($0.3 million).

Real estate expenses in the medical office segment decreased by $0.1 million in the 2010 Period as compared to the 2009 Period due to lower core utilities expense ($0.3 million) caused by lower electricity rates and lower real estate taxes ($0.4 million) caused by lower assessments, offset by the expenses contributed by the 2009 acquisition, Lansdowne Medical Office Building ($0.3 million), as well as higher snow removal costs ($0.2 million) caused by severe snow storms during the first quarter of 2010.

Core economic occupancy decreased to 95.4% in the 2010 Period from 96.2% in the 2009 Period, driven by higher vacancy at Ashburn Farm Office Park and Alexandria Professional Center. The non-core economic occupancy of 1.2% for the 2010 Period reflects Lansdowne Medical Office Building, which was 15.5% leased as of the end of the 2010 Period. During the 2010 Period, 76.1% of the square footage that expired was renewed compared to 64.6% in the 2009 Period. During the 2010 Period, we executed new leases (excluding first generation leases) for 186,400 square feet of medical office space at an average rental rate of $37.79, an increase of 19.8%, with average tenant improvements and leasing costs of $25.68 per square foot.

Retail Segment:

	Periods Ended September 30,			
	2010	2009	$ Change	% Change
Real Estate Rental Revenue				
Total	$30,566	$30,995	$ (429)	(1.4%)
Real Estate Expenses				
Total	$ 7,877	$ 7,955	$ (78)	(1.0%)
NOI				
Total	$22,689	$23,040	$ (351)	(1.5%)

Economic Occupancy	2010	2009
Total	91.7%	94.7%

Real estate rental revenue in the retail segment decreased by $0.4 million in the 2010 Period as compared to the 2009 Period due to lower occupancy ($0.9 million) and higher bad debt ($0.1 million), offset by higher rental rates ($0.3 million) and higher common area maintenance reimbursements ($0.4 million). Higher recoverable snow removal costs related to severe snow storms during the first quarter of 2010 caused the increase in common area maintenance reimbursements.

Real estate expenses in the retail segment decreased by $0.1 million in the 2010 Period as compared to the 2009 Period due to lower legal fees ($0.5 million) and lower real estate taxes ($0.1 million), offset by higher snow removal costs ($0.6 million).

Economic occupancy decreased to 91.7% in the 2010 Period from 94.7% in the 2009 Period, driven by lower occupancy at Frederick Crossing, Montgomery Village Center and Frederick County Square. During the 2010 Period, 70.1% of the square footage that expired was renewed compared to 54.5% in the 2009 Period. During the 2010 Period, we executed leases for 172,200 square feet of retail space at an average rental rate of $21.16, an increase of 8.8%, with average tenant improvements and leasing costs of $5.42 per square foot.

Multifamily Segment:

	Periods Ended September 30,			
	2010	2009	$ Change	% Change
Real Estate Rental Revenue				
Core	$30,185	$29,574	$ 611	2.1%
Non-core [1]	6,007	5,032	975	19.4%
Total real estate rental revenue	$36,192	$34,606	$ 1,586	4.6%
Real Estate Expenses				
Core	$11,901	$11,831	$ 70	0.6%
Non-core [1]	2,524	2,718	(194)	(7.1%)
Total real estate expenses	$14,425	$14,549	$ (124)	(0.9%)
NOI				
Core	$18,284	$17,743	$ 541	3.0%
Non-core [1]	3,483	2,314	1,169	50.5%
Total NOI	$21,767	$20,057	$ 1,710	8.5%

Economic Occupancy	2010	2009
Core	94.8%	92.7%
Non-core [1]	92.7%	80.5%
Total	94.5%	90.6%

(1) Non-core properties include:

Development properties – Clayborne Apartments and Bennett Park

Real estate rental revenue in the multifamily segment increased by $1.6 million in the 2010 Period as compared to the 2009 Period due primarily to the lease-up of the development properties, which contributed $1.0 million of the increase. Real estate rental revenue from core properties increased by $0.6 million due primarily to higher occupancy ($0.6 million) and lower rent abatements ($0.2 million), offset by lower rental rates ($0.2 million).

Real estate expenses in the multifamily segment decreased by $0.1 million in the 2010 Period as compared to the 2009 Period due to lower real estate taxes ($0.2 million) offset by higher snow removal costs ($0.2 million) caused by severe snow storms during the 2010 Period.

Core economic occupancy increased to 94.8% in the 2010 Period from 92.7% in the 2009 Period, driven by higher occupancy at the Ashby at McLean, Country Club Towers and the Kenmore. Non-core economic occupancy increased to 92.7% from 80.5%, reflecting the completion of lease-up at Bennett Park and Clayborne Apartments.

Industrial Segment:

	Periods Ended September 30,			
	2010	2009	$ Change	% Change
Real Estate Rental Revenue				
Total	$26,668	$28,169	$(1,501)	(5.3%)
Real Estate Expenses				
Total	$ 7,947	$ 7,688	$ 259	3.4%
NOI				
Total	$18,721	$20,481	$(1,760)	(8.6%)

Economic Occupancy	2010	2009
Total	83.6%	90.4%

Real estate rental revenue in the industrial segment decreased by $1.5 million in the 2010 Period as compared to the 2009 Period due primarily to lower occupancy ($1.8 million) and lower real estate tax reimbursements ($0.5 million). These were offset by lower bad debt ($0.5 million) and higher rental rates ($0.4 million).

Real estate expenses in the industrial segment increased by $0.3 million in the 2010 Period as compared to the 2009 Period due primarily to higher snow removal costs ($0.7 million) caused by severe snow storms during the first quarter of 2010, offset by lower real estate taxes ($0.4 million) due to lower property assessments.

Economic occupancy decreased to 83.6% in the 2010 Period from 90.4% in the 2009 Period, driven by higher vacancy at Fullerton Business Center, Northern Virginia Industrial Park and Albemarle. During the 2010 Period, 53.4% of the square footage that expired was renewed compared to 84.4% in the 2009 Period, excluding properties sold or classified as held for sale. During the 2010 Period, we executed new leases for 435,000 square feet of industrial space at an average rental rate of $12.14, an increase of 20.9%, with average tenant improvements and leasing costs of $4.42 per square foot.

Liquidity and Capital Resources

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 secured and unsecured 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 common shares. We analyze which source of capital we believe to be most advantageous to us at any particular point in time. However, the capital markets may not consistently be available on terms that we consider attractive. In particular, as a result of the recent economic downturn and turmoil in the capital markets, investor interest in securities issued by REIT's, both debt and equity, remains unpredictable. During certain periods in the recent past, debt capital was essentially unavailable for extended periods of time. While debt markets have materially improved, we cannot predict if the improvement is sustainable.

We currently expect that our potential sources of liquidity for acquisitions, development, expansion and renovation of properties, and operating and administrative expenses, may include:

- Cash flow from operations;
- Borrowings under our unsecured credit facilities or other short-term facilities;
- Issuances of our equity securities and/or common units in our operating partnership;
- Proceeds from long-term secured or unsecured debt financings;
- Investment from joint venture partners; and
- Net proceeds from the sale of assets.

During 2010, we expect that we will have modest capital requirements, including the following items. There can be no assurance that our capital requirements will not be materially higher or lower than these expectations.

- Funding dividends on our common shares and noncontrolling interest distributions to third party unit holders;
- Approximately $35.0 - $45.0 million to invest in our existing portfolio of operating assets, including approximately $20.0 - $25.0 million to fund tenant-related capital requirements and leasing commissions;
- Approximately $5.0 million to fund first generation tenant-related capital requirements and leasing commissions;
- Approximately $3.0 million to invest in our development projects; and
- Approximately $70.0 - $200.0 million to fund our expected property acquisitions.

We currently 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 market conditions in the greater Washington metro region, economic downturns affecting the ability to attract and retain tenants, unfavorable fluctuations in interest rates or our share price, unfavorable changes in the supply of competing properties, or our properties not performing as expected, we may not generate sufficient cash flow from operations or otherwise have access to capital on favorable terms, or at all. As a result, if we are unable to obtain capital from other sources, we may need to alter our capital spending plans which may limit our future growth. If we are unable to obtain capital, 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 re-development opportunities with respect to our existing portfolio of operating assets.

Debt Financing

We generally use secured or unsecured, corporate-level debt, including mortgages, unsecured notes and our unsecured credit facilities, to meet our borrowing needs. Long-term, we generally use fixed rate debt instruments in order to match the returns from our real estate assets. We also utilize variable rate debt for short-term financing purposes. At times, our mix of variable and fixed rate debt may not suit our needs. At those times, we may use derivative financial instruments including interest rate swaps and caps, forward interest rate options or interest rate options in order to assist us in managing our debt mix. We may either hedge our variable rate debt to give it an effective fixed interest rate or hedge fixed rate debt to give it an effective variable interest rate.

Our total debt at September 30, 2010 and December 31, 2009 is summarized as follows (in thousands):

	September 30, 2010	December 31, 2009
Fixed rate mortgages	$ 381,109	$ 405,451
Unsecured credit facilities	100,000	128,000
Unsecured notes payable	930,201	688,912
	$ 1,411,310	$1,222,363

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

Mortgage Debt

At September 30, 2010, our $381.1 million in fixed rate mortgages, which includes a net $6.9 million in unamortized discounts due to fair value adjustments, bore an effective weighted average fair value interest rate of 5.9% and had a weighted average maturity of 5.1 years. We may either initiate secured mortgage debt or assume mortgage debt from time-to-time in conjunction with property acquisitions.

On July 12, 2010 we repaid without penalty a $21.7 million mortgage note payable secured by The Crescent and The Ridges.

Unsecured Credit Facilities

Our primary source of liquidity is our two revolving credit facilities. We can borrow up to $337.0 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 four-year, $75.0 million unsecured credit facility expiring in June 2011, and may be extended for one year at our option. We had no borrowings outstanding and $0.8 million in letters of credit issued as of September 30, 2010, related to Credit Facility No. 1. Borrowings under the facility bear interest at our option of LIBOR plus a spread based on the credit rating on our publicly issued debt or the higher of SunTrust Bank’s prime rate and the Federal Funds Rate in effect plus 0.5%. The interest rate spread is currently 42.5 basis points. All outstanding advances are due and payable upon maturity in June 2011, and may be extended for one year at our option. Interest only payments are due and payable generally on a monthly basis. In addition, we pay a facility fee based on the credit rating of our publicly issued debt which currently equals 0.15% per annum of the $75.0 million committed capacity, without regard to usage. Rates and fees may be adjusted up or down based on changes in our senior unsecured credit ratings.

Credit Facility No. 2 is a four-year $262.0 million unsecured credit facility expiring in November 2011, after exercising a one year extension during the 2010 Quarter. We had $100.0 million outstanding and $0.9 million in letters of credit issued as of September 30, 2010, related to Credit Facility No. 2. Advances under this agreement bear interest at our option of LIBOR plus a spread based on the credit rating of our publicly issued debt or the higher of Wells Fargo Bank’s prime rate and the Federal Funds Rate in effect on that day plus 0.5%. The interest rate spread is currently 42.5 basis points. The $100.0 million outstanding balance was used to prepay the $100 million term loan on December 1, 2009. An interest rate swap fixes the interest rate at 2.525% (2.10% plus 42.5 basis points) through the interest rate swap’s maturity date of November 1, 2011. Due to our extension during the 2010 Quarter, all outstanding advances are due and payable upon maturity in November 2011. Interest only payments are due and payable generally on a monthly basis. Credit Facility No. 2 requires us to pay the lender a facility fee on the total commitment of 0.15% per annum. These fees are payable quarterly.

Our unsecured credit facilities contain financial and other covenants with which we must comply. Some of these covenants include:

- A minimum tangible net worth;
- A maximum ratio of total liabilities to gross asset value, calculated using an estimate of fair market value of our assets;
- A maximum ratio of secured indebtedness to gross asset value, calculated using an estimate of fair market value of our assets;
- A minimum ratio of annual EBITDA (earnings before interest, taxes, depreciation and amortization) to fixed charges, including interest expense;
- A minimum ratio of unencumbered asset value, calculated using a fair value of our assets, to unsecured indebtedness;
- A minimum ratio of net operating income from our unencumbered properties to unsecured interest expense; and
- A maximum ratio of permitted investments to gross asset value, calculated using an estimate of fair market value of our assets.

Failure to comply with any of the covenants under our unsecured credit facilities or other debt instruments could result in a default under one or more of our debt instruments. This could cause our lenders to accelerate the timing of payments and would therefore have a material adverse effect on our business, operations, financial condition and liquidity. In addition, our ability to draw on our unsecured credit facilities or incur other unsecured debt in the future could be restricted by the loan covenants. As of September 30, 2010, we were in compliance with our loan covenants.

We anticipate that in the near term we may rely to a greater extent upon our unsecured credit facilities and potentially maintain balances on our unsecured credit facilities for longer periods than has been our historical practice. To the extent that we maintain larger balances on our unsecured credit facilities or maintain balances on our unsecured credit facilities for longer periods, adverse fluctuations in interest rates could have a material adverse effect on earnings.

Unsecured Notes

We generally issue unsecured notes to fund our real estate assets long-term. In issuing future unsecured notes, we generally seek to ladder the maturities of our debt to mitigate exposure to interest rate risk in any particular future year.

Depending upon market conditions, opportunities to issue unsecured notes on attractive terms may not be available. During periods in the recent past, unsecured notes were essentially unavailable for extended periods of time. While debt markets have materially improved, it is difficult to predict if the improvement is sustainable.

Our unsecured notes have maturities ranging from June 2011 through February 2028, as follows (in thousands):

	September 30, 2010 Note Principal
5.95% notes due 2011	$ 150,000
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	150,000
4.95% notes due 2020	250,000
3.875% notes due 2026[1]	125,495
7.25% notes due 2028	50,000
	$ 935,495

[1] On or after September 20, 2011, we may redeem the convertible notes at a redemption price equal to the principal amount of the notes plus any accrued and unpaid interest, if any, up to, but excluding, the purchase date. In addition, on September 15, 2011, September 15, 2016 and September 15, 2021 or following the occurrence of certain change in control transactions, holders of these notes may require us to repurchase the notes for an amount equal to the principal amount of the notes plus any accrued and unpaid interest thereon.

Our unsecured notes contain covenants with which we must comply. These include:

- Limits on our total indebtedness;
- Limits on our secured indebtedness;
- Limits on our required debt service payments; and
- Maintenance of a minimum level of unencumbered assets.

Failure to comply with any of the covenants under our unsecured notes could result in a default under one or more of our debt instruments. This could cause our debt holders to accelerate the timing of payments and would therefore have a material adverse effect on our business, operations, financial condition and liquidity. As of September 30, 2010, we were in compliance with our unsecured notes covenants.

During the 2010 Period, we repurchased $8.8 million of our 3.875% convertible notes at 100.1% of par, resulting in a net loss on extinguishment of debt of $0.3 million, net of unamortized debt costs and debt discounts.

On September 30, 2010, we issued $250.0 million of 4.95% unsecured notes due October 1, 2020. The notes bear an effective interest rate of 5.053%. Our net proceeds were $245.8 million. Subsequent to the end of the 2010 Quarter, we used the proceeds to repurchase $122.8 million of our outstanding 3.875% convertible notes due in 2026 and $56.1 million our 5.95% senior notes due in 2011 (see note 13 to the consolidated financial statements). We may use the remaining proceeds to repay borrowings under our lines of credit or for general corporate purposes.

We may from time to time seek to repurchase and cancel our outstanding notes through open market purchases, privately negotiated transactions or otherwise. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

Common Equity

We have authorized for issuance 100.0 million common shares, of which 64.1 million shares were outstanding at September 30, 2010.

During the fourth quarter of 2009, we entered into a sales agency financing agreement with BNY Mellon Capital Markets, LLC relating to the issuance and sale of up to $250.0 million of our common shares from time to time over a period of no more than 36 months, replacing a previous agreement made during the third quarter of 2008. Sales of our common shares are made at market prices prevailing at the time of sale. Net proceeds for the sale of common shares under this program are used for the repayment of borrowings under our lines of credit, acquisitions, and general corporate purposes. For the 2010 Quarter, we issued 1.7 million common shares at a weighted average price of $30.98 under this program, raising $51.0 million in net proceeds. For the 2010 Period, we issued 4.0 million common shares at a weighted average price of $30.20 under this program, raising $118.1 million in net proceeds.

We have a dividend reinvestment program, whereby shareholders may use their dividends and optional cash payments to purchase common shares. The common shares sold under this program may either be common shares issued by us or common shares purchased in the open market. We use net proceeds under this program for general corporate purposes. For the 2010 Quarter, we issued 43,662 common shares at a weighted average price of $31.39 per share, raising $1.4 million in net proceeds. For the 2010 Period, we issued 131,132 common shares at a weighted average price of $30.02 per share, raising $3.9 million in net proceeds.

Dividends

We pay dividends quarterly. The maintenance of these dividends is subject to various factors, including the discretion of our Board of Trustees, our results of operations, 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.

The table below details our dividend and distribution payments for the 2010 and 2009 Quarters and Periods (in thousands).

	Quarters Ended September 30,				Periods Ended September 30,			
			Change				Change	
	2010	2009	$	%	2010	2009	$	%
Common dividends	$27,647	$25,764	$1,883	7.3%	$80,387	$74,194	$6,193	8.3%
Distributions to noncontrolling interests	46	48	(2)	(4.2%)	137	143	(6)	(4.2%)
	$27,693	$25,812	$1,881	7.3%	$80,524	$74,337	$6,187	8.3%

Dividends paid for the 2010 Quarter and Period as compared to the 2009 Quarter and Period increased due primarily to the issuance of 4.0 million common shares under our sales agency financing agreement during 2010.

Cash flows from operations are an important factor in our ability to sustain our dividend at its current rate. If our cash flows from operations were to decline significantly, we may have to borrow on our lines of credit to sustain the dividend rate or reduce our dividend.

Historical Cash Flows

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

	Periods Ended September 30,			
			Change	
	2010	2009	$	%
Net cash provided by (used in) operating activities	$ 83.5	$ 81.3	$ 2.2	2.7%
Net cash provided by (used in) investing activities	$ (61.8)	$ (8.2)	$ (53.6)	(653.7%)
Net cash provided by (used in) financing activities	$229.5	$(77.9)	$307.4	394.6%

Our operating activities generated $83.5 million of net cash in the 2010 Period, a small increase from $81.3 million in the 2009 Period that is primarily attributable to the acquisition of Quantico Corporate Center during 2010.

Our investing activities used net cash of $61.8 million in the 2010 Period compared to $8.2 million in the 2009 Period. The cash used by investing activities during the 2010 Period was primarily due to the acquisition of Quantico Corporate Center ($68.0 million) and capital improvements ($14.6 million), partially offset by the sale of the Parklawn Portfolio ($22.2 million).

Our financing activities provided net cash of $229.5 million in the 2010 Period as compared to using $77.9 million in the 2009 Period. The increase in cash provided by financing activities was primarily due to the issuance of $250.0 million of 4.95% unsecured notes during the 2010 Quarter.

Ratios of Earnings to Fixed Charges and Debt Service Coverage

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

	Quarters Ended September 30,		Periods Ended September 30,	
	2010	2009	2010	2009
Earnings to fixed charges	1.4x	1.2x	1.3x	1.3x
Debt service coverage	2.7x	2.4x	2.6x	2.4x

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 attributable to the controlling interests plus fixed charges, less capitalized interest. Fixed charges consist of interest expense, including amortized costs of debt issuance, and interest costs capitalized.

We computed the debt service coverage ratio by dividing Adjusted EBITDA (which is earnings before interest expense, taxes, depreciation, amortization, gain on sale of real estate, gain/loss from the extinguishment of debt and gain/loss on non-disposal activities) by interest expense and principal amortization. We believe that Adjusted EBITDA is appropriate for use in our debt service coverage ratio because it provides an estimate of the cash available to pay down long term debt. Adjusted EBITDA

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. A reconciliation of Adjusted EBITDA to net income attributable to the controlling interests is in Exhibit 12 – Computation of Ratios.

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 GAAP. Although FFO is a widely used measure of operating performance for 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 for the periods shown (in thousands):

	Quarters Ended September 30,		Periods Ended September 30,	
	2010	2009	2010	2009
Net income attributable to the controlling interests	$ 6,625	$ 9,550	$26,835	$ 33,491
Adjustments				
Depreciation and amortization	24,278	23,484	71,459	69,620
Discontinued operations depreciation and amortization	—	205	96	879
Gain on non-disposal activities	(4)	(62)	(4)	(62)
Gain on sale of real estate	—	(5,147)	(7,942)	(11,821)
FFO as defined by NAREIT	$30,899	$28,030	$90,444	$ 92,107

ITEM 3: QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

The principal material financial market risk to which we are exposed is interest-rate risk. Our exposure to market risk for changes in interest rates relates primarily to refinancing long-term fixed rate obligations, the opportunity cost of fixed rate obligations in a falling interest rate environment and our variable rate 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.

As the majority of our outstanding debt is long-term, fixed rate debt, our interest rate risk has not changed significantly from what was disclosed in our 2009 Annual Report on Form 10-K. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Debt Financing.”

ITEM 4: CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Securities Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer, Chief Financial Officer and Executive 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 Executive Vice President of Accounting, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, our Chief Executive Officer, Chief Financial Officer and Executive Vice President of Accounting concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

There have been no changes in WRIT’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, WRIT’s internal control over financial reporting.

PART II
OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS

None.

ITEM 1A: RISK FACTORS

None.

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

None.

ITEM 3: DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4: (REMOVED AND RESERVED)

ITEM 5: OTHER INFORMATION

None.

ITEM 6: EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File Number	Exhibit	Filing Date	
4.30	Form of 4.95% Senior Notes due October 1, 2020	8-K	001-06622	4.1	9/30/2010	
4.31	Officers' Certificate establishing the terms of the 4.95% Senior Notes due October 1, 2020	8-K	001-06622	4.2	9/30/2010	
10.30	Amended and Restated Deferred Compensation Plan for Directors effective October 22, 2010					X
12	Computation of Ratios					X
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended ("the Exchange Act")					X
31.2	Certification of the Executive Vice President – Accounting and Administration pursuant to Rule 13a-14(a) of the Exchange Act					X
31.3	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act					X
32	Certification of the Chief Executive Officer, Executive Vice President – Accounting and Administration and Chief Financial Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101	The following materials from our Quarterly Report on Form 10–Q for the quarter ended September 30, 2010 formatted in eXtensible Business Reporting Language ("XBRL"): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Shareholders' Equity, (iv) the Consolidated Statements of Cash Flows, and (v) notes to these consolidated financial statements, tagged as blocks of text					X

SIGNATURES

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

WASHINGTON REAL ESTATE INVESTMENT TRUST

/S/ GEORGE F. MCKENZIE

George F. McKenzie
President and Chief Executive Officer

/S/ LAURA M. FRANKLIN

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

/S/ WILLIAM T. CAMP

William T. Camp
Executive Vice President and Chief Financial Officer

DATE: November 4, 2010

WASHINGTON REAL ESTATE INVESTMENT TRUST

DEFERRED COMPENSATION PLAN FOR DIRECTORS

(As Amended and Restated, Effective October 27, 2010)

TABLE OF CONTENTS

		Page
ARTICLE 1	PURPOSE; EFFECTIVE DATE	1
1.1	Purpose	1
ARTICLE 2	DEFINITIONS	1
2.1	Account	1
2.2	Beneficiary	1
2.3	Board	1
2.4	Change in Control	2
2.5	Committee	2
2.6	Company	2
2.7	Deferral Commitment	2
2.8	Deferral Period	3
2.9	Determination Date	3
2.10	Director	3
2.11	Earnings	3
2.12	Fees	3
2.13	Form of Payment Designation	3
2.14	Participant	4
2.15	Plan	4
2.16	Plan Benefit	4
2.17	Plan Year	4
2.18	Retirement	4
2.19	RSU	4
2.20	Separation from Service	4
2.21	Share	4
2.22	Stock Award	4
ARTICLE 3	PARTICIPATION AND DEFERRAL COMMITMENTS	5
3.1	Eligibility and Participation	5
3.2	Form of Deferral	5

3.3	Commitment Limited by Termination	6
3.4	Modification of Deferral Commitment	6
ARTICLE 4	DEFERRED COMPENSATION ACCOUNT	6
4.1	Account	6
4.2	Determination of Accounts	6
4.3	Vesting of Accounts and RSUs	6
4.4	Statement of Accounts and RSUs	7
ARTICLE 5	PLAN BENEFITS	7
5.1	Benefits Upon Termination/Separation from Service	7
5.2	Death Benefit	7
5.3	Form of Payment	7
5.4	Valuation and Settlement	8
5.5	Payment to Guardian	8
ARTICLE 6	BENEFICIARY DESIGNATION	9
6.1	Beneficiary Designation	9
6.2	Changing Beneficiary	9
6.3	No Beneficiary Designation	9
6.4	Effect of Payment	9
ARTICLE 7	ADMINISTRATION	10
7.1	Committee; Duties	10
7.2	Agents	10
7.3	Binding Effect of Decisions	10
7.4	Indemnity of Committee	10
7.5	Election of Committee After Change in Control	10
ARTICLE 8	CLAIMS PROCEDURE	11
8.1	Claim	11
8.2	Denial of Claim	11
8.3	Review of Claim	11
8.4	Final Decision	11
ARTICLE 9	AMENDMENT AND TERMINATION OF PLAN	12
9.1	Amendment	12
9.2	Company’s Right to Terminate	12

ARTICLE 10	MISCELLANEOUS	13
10.1	Unfunded Plan	13
10.2	Company Obligation	13
10.3	Unsecured General Creditor	13
10.4	Trust Fund	13
10.5	Nonassignability	14
10.6	Not a Contract of Employment	14
10.7	Protective Provisions	14
10.8	Governing Law	14
10.9	Validity	14
10.10	Notice	14
10.11	Successors	15
10.12	Section 409A of the Code	15

WASHINGTON REAL ESTATE INVESTMENT TRUST

DEFERRED COMPENSATION PLAN FOR DIRECTORS

(AS AMENDED AND RESTATED)

ARTICLE 1

PURPOSE; EFFECTIVE DATE

1.1 Purpose

The purpose of this restated Deferred Compensation Plan for Directors is to provide current tax planning opportunities to Board Members of the Company.

1.2 Effective Date

The Plan was originally effective as of December 1, 2000. The Plan, as amended and restated, is effective October 27, 2010.

ARTICLE 2

DEFINITIONS

For the purposes of this Plan, the following terms shall have the meanings indicated, unless the context clearly indicates otherwise:

2.1 Account

"Account" means the account maintained by the Company to measure and determine the amounts to be paid to a Participant under the Plan. The maintenance of these Accounts is for recordkeeping purposes only and shall not require any segregation of assets.

2.2 Beneficiary

"Beneficiary" means the person, persons or entity as designated by the Participant, entitled under Article VI to receive any Plan Benefits payable after the Participant's death.

2.3 Board

"Board" means the Board of Directors of the Company.

2.4 Change in Control

"Change in Control" means an occasion upon which (i) any 'person' (as such term is used in Section 13(d) and 14(d) of the Securities Exchange Act of 1934, as now in effect or as hereafter amended ('Exchange Act')) other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation controlled by the Company, acquires (either directly and/or through becoming the 'beneficial owner' (as defined in Rule 13d-3 under the Exchange Act)), directly or indirectly, securities of the Company representing 40% or more of the combined voting power of the Company's then outstanding securities (or has acquired securities representing 40% or more of the combined voting power of the Company's then outstanding securities during the 12-month period ending on the date of the most recent acquisition of Company securities by such person); or (ii) during any period of twelve (12) consecutive months (not including any period prior to the adoption of this Plan), individuals who at the beginning of such period constitute the Board and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in clauses (i) or (iii) of this Paragraph) whose election by the Board or nomination for election by the Company's shareholders was approved by a vote of at least a majority of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or (iii) any of (a) the Company consummates a merger, consolidation, reorganization, recapitalization or statutory share exchange (a 'Business Combination'), other than a Business Combination which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 50% of the combined voting power and at least 50% of the combined total fair market value of the securities of the Company or such surviving entity outstanding immediately after such Business Combination, (b) the Company's shareholders approve a plan of complete liquidation of the Company, or (c) the Company completes the sale or other disposition of all or substantially all of its assets in one or a series of transactions."

2.5 Committee

"Committee" means the committee appointed by the Board to administer the Plan pursuant to Article VII. The initial Committee so designated by the Board shall be the Administrative Committee.

2.6 Company

"Company" means Washington Real Estate Investment Trust, a Maryland corporation, and directly or indirectly affiliated subsidiary corporations, any other affiliate designated by the Board, or any successor to the business thereof.

2.7 Deferral Commitment

"Deferral Commitment" means a commitment made by a Participant to defer a percentage of Fees pursuant to Article III or to defer a percentage of an annual Stock Award pursuant to Article III. The Deferral Commitment shall apply to each installment of Fees

otherwise payable to a Participant and to each grant of an annual Stock Award otherwise payable to a Participant. A Deferral Commitment shall remain in effect until amended or revoked as provided under Section 3.2.

2.8 Deferral Period

"Deferral Period" means each calendar year. The initial Deferral Period, however, shall be January 1, 2001 through and including December 31, 2001.

2.9 Determination Date

"Determination Date" means the last day of each calendar month.

2.10 Director

"Director" means a member of the Board of Washington Real Estate Investment Trust.

2.11 Earnings

"Earnings" means, with respect to the portion of a Director's Account associated with Fees deferred pursuant to Article III, a rate of interest. The rate shall be the yield on 10-year U.S. Treasury Securities as of January 1 of the Plan Year. Such rate may be changed to any other rate approved by the Board as of any subsequent January 1. With respect to an annual Stock Award which has been deferred and converted into RSUs pursuant to Article III, 'Earnings' means an amount of cash equivalent to the aggregate amount of dividends as of the date such dividends are declared which would have been paid on a number of Shares equal to the number of whole RSUs outstanding during the time period in question. Such cash equivalent amount shall be credited to the Account as of the date on which corresponding dividends are paid on actual Shares. The balance of each Participant's Account attributable to dividends credited to such Account under this Section 2.11 shall in turn be credited with Earnings in future calendar quarters in the same manner as Earnings are credited to fees, as of the last day of each calendar quarter and at such other times as the Committee may determine in its discretion.

2.12 Fees

"Fees" means the Directors' fees otherwise payable to the Participant by the Company.

2.13 Form of Payment Designation

"Form of Payment Designation" means the form prescribed by the Committee and completed by the Participant, indicating the chosen form of payment for benefits payable under this Plan, as elected by the Participant.

2.14 Participant

"Participant" means any Director who is eligible, pursuant to Section 3.1, to participate in this Plan, and who has elected to defer Fees or an annual Stock Award under this Plan.

2.15 Plan

"Plan" means this Deferred Compensation Plan for Directors as amended from time to time.

2.16 Plan Benefit

"Plan Benefit" means the benefit payable to the Participant as calculated in Article V.

2.17 Plan Year

"Plan Year" means the consecutive twelve (12) month period ending on each December 31.

2.18 Retirement

"Retirement" means termination of Directors' duties with the Trust on the date the Participant attains age seventy (70).

2.19 RSU

"RSU" means a Restricted Share Unit, [issued under the authority of the Share Grant Plan, or any successor of such plan,] which has a value equal to the value of one Share.

2.20 Separation from Service

"Separation from Service" means the definition set forth in Treas. Reg. § 1.409A-1(h).

2.21 Share

"Share" means a share of beneficial interest in WRIT that is publicly traded on the New York Stock Exchange.

2.22 Stock Award

"Stock Award" means the annual award which is otherwise paid to a Director in December by the Company.

ARTICLE 3

PARTICIPATION AND DEFERRAL COMMITMENTS

3.1 Eligibility and Participation.

(a) **Eligibility**. Eligibility to participate in the Plan shall be limited to individuals who are Directors.

(b) **Participation**. A Director's participation in the Plan shall be effective upon election to the Board of Directors of the Company and completion and submission of a Deferral Commitment and a Form of Payment Designation to the Committee by the thirtieth (30th) day of the second (2nd) month immediately preceding the beginning of the Deferral Period. Such Deferral Commitment and Form of Payment Designation shall remain in effect with respect to each succeeding Deferral Period, until such time as another Deferral Commitment is filed with the Committee as described in Section 3.2(b) below.

(c) **Part-Year Participation**. When an individual first becomes eligible to participate during a Deferral Period, a Deferral Commitment may be submitted to the Committee within thirty (30) days after the Committee notifies the individual of eligibility to participate. Such Deferral Commitment will be effective only with regard to Fees earned following submission of the Deferral Commitment to the Committee.

3.2 Form of Deferral

A Participant may elect a Deferral Commitment as follows:

(a) **Form of Deferral Commitment**. A Deferral Commitment may apply to each installment of Fees otherwise payable by the Company to a Participant during the Deferral Period. The Deferral Commitment may provide that all or any portion of such deferred Fees be credited to the Participant's Account. In addition, and if so elected by the Participant, a Deferral Commitment may also cause a designated percentage or flat dollar amount of Fees and/or a designated percentage or flat dollar amount of the annual Stock Award, which would otherwise have been paid to the Participant in December by the Company, to be converted into RSUs having a fair market value equal to the value of the number of whole Shares which the Participant has elected to so convert. Any excess amount representing the value of less than a whole Share shall be credited to the Participant's Account and treated in the same manner as a deferred Fee for all purposes of this Plan.

(b) **Period of Commitment**. Once a Participant has made a Deferral Commitment, that Commitment shall remain in effect for that Deferral Period and shall remain in effect for all future Deferral Periods unless revoked or amended in writing by the Participant and delivered to the Committee no later than November 30 of the year preceding the Deferral Period for which it is in intended to be effective.

3.3 Commitment Limited by Termination

If a Participant terminates from the Board of the Company prior to the end of the Deferral Period, the Deferral Period shall end as of the date of termination.

3.4 Modification of Deferral Commitment

A Deferral Commitment shall be irrevocable by the Participant during a Deferral Period.

ARTICLE 4

DEFERRED COMPENSATION ACCOUNT

4.1 Account

For recordkeeping purposes only, an Account shall be maintained for each Participant and shall be subject to periodic credits and adjustments as described herein. The Account shall be a book-keeping device utilized for the sole purpose of determining the benefits payable under the Plan and shall not constitute a separate fund of assets.

4.2 Determination of Accounts

Each Account as of each Determination Date shall consist of the balance of the Account as of the immediately preceding Determination Date, adjusted as follows:

(a) **New Deferrals**. The Account shall be increased by any deferred Fees credited since such Determination Date, any amount treated as a divided equivalent amount under Section 2.11 and any amount reflecting a portion of a deferred Fee or Stock Award that was not converted into a RSU under Section 3.2(a). RSUs issued to a Participant shall be recorded in the Plan's files but shall not be treated as an addition to a Participant's Account.

(b) **Distributions**. The Account shall be reduced by any benefits distributed to the Participant since such immediately preceding Determination Date.

(c) **Earnings.** The Account shall be increased by the Earnings on the average daily balance in the Account since such immediately preceding Determination Date.

4.3 Vesting of Accounts and RSUs

A Participant shall be one hundred percent (100%) vested at all times in the amount of Fees elected to be deferred under this Plan and Earnings thereon credited to the Participant's Account, in all RSUs issued to the Participant and in any associated dividends deemed attributable to such RSUs (which dividends shall also be credited to the Participant's Account).

4.4 Statement of Accounts and RSUs

The Committee shall give to each Participant a statement showing the balances in the Participant's Account and the outstanding number of RSUs both on an annual basis and at such times as may be determined by the Committee.

ARTICLE 5

PLAN BENEFITS

5.1 Benefits Upon Termination/Separation from Service

If a Participant terminates as a Director for the Board of the Company and (with respect to any portion of a Participant's Account which is subject to Section 409A) incurs a Separation from Service for any reason other than death, the Company shall pay the Participant benefits equal to the full balance in the Participant's Account and all outstanding RSUs.

5.2 Death Benefit

Upon the death of the Participant, the Company shall pay to the Participant's Beneficiary an amount determined as follows:

(a) If the Participant dies prior to termination as a Director for the Board of the Company (including Retirement), the amount payable under this paragraph shall be in lieu of any other benefit payment under this Plan and shall equal the Participant's Account and all outstanding RSUs.

(b) If the Participant dies after termination or Retirement as a Director for the Board of the Company, the amount payable shall be equal to the remaining unpaid balance of the Participant's Account and all outstanding RSUs.

5.3 Form of Payment

Retirement, termination and death benefits, both benefits attributable to a Participant's Account as well as benefits attributable to a Participant's RSUs, shall be paid in the form of benefit as provided below, specified by the Participant in the Form of Payment Designation unless the benefit is based on a "small account" as defined in Subsection (c) below. Payments shall commence no later than sixty (60) days after all information necessary to calculate the benefit amount has been received by the Company following the date of Retirement, termination, or death. The Form of Payment Designation selected in (a) or (b) below shall be for the entire Account as well as all RSUs. If upon termination or Retirement, the Participant's most recent election as to the form of payment was made within one (1) year of such termination or Retirement, then the prior election shall be used to determine the form of payment. The forms of benefit payment associated with the Account and RSUs are:

(a) A lump-sum amount which is equal to (i) the Account and (ii) all RSUs issued to the Participant; or

(b) Equal annual installments which are equal to (i) the Account and (ii) all RSUs, both amortized over a period of up to five (5), ten (10), fifteen (15) or twenty (20) years.

Earnings on the unpaid balance of the Account in connection with payments made on an installment basis shall be equal to the average rate of Earnings which would have been applicable on the Account over the thirty-six (36) months immediately preceding the commencement of benefit payments. In the event that a Participant dies prior to receipt of all installments payable in connection with an elected installment payment method, the Beneficiary of the remaining payments may request the Committee to accelerate the payment of some or all of the remaining installments. The Committee may consider any such request in its sole discretion but shall not be bound to grant any such request.

(c) Small Account. If the aggregate value of (i) the Participant's Account and (ii) all RSUs issued to the Participant is under fifty thousand dollars ($50,000) on the Valuation Date as defined in Section 5.5, the benefit shall be paid in a lump sum. Notwithstanding the above and with respect to distributions involving RSUs, Shares shall be distributed in an amount equal to the number of RSUs associated with such distributions.

5.4 Valuation and Settlement

The last day of the month in which the Participant terminates, or dies shall be the Valuation Date. The amount of any lump sum payment and the initial amount of installments shall be based on the value of the Participant's Account balance and RSUs on the Valuation Date. The date on which a lump sum is paid or the date on which installments commence shall be the settlement date. The settlement date shall be no more than sixty-five (65) days after the Valuation Date. All payments shall be made as of the first (1st) day of the month.

5.5 Payment to Guardian

If a Plan Benefit is otherwise payable to a minor or a person declared incompetent or to a person incapable of handling the disposition of property, the Committee may direct payment to the guardian, legal representative or person having the care and custody of such minor, incompetent or person. The Committee may require proof of incompetency, minority, incapacity or guardianship as it may deem appropriate prior to distribution. Such distribution shall completely discharge the Committee and Company from all liability with respect to such benefit.

ARTICLE 6

BENEFICIARY DESIGNATION

6.1 Beneficiary Designation

Each Participant shall have the right, at any time, to designate one (1) or more persons or entities as Beneficiary (both primary as well as secondary) to whom benefits under this Plan shall be paid in the event of Participant's death prior to complete distribution of the Participant's Account balance. Each Beneficiary designation shall be in a written form prescribed by the Committee and shall be effective only when filed with the Committee during the Participant's lifetime.

6.2 Changing Beneficiary

Any Beneficiary designation may be changed by an unmarried Participant without the consent of the previously named Beneficiary by the filing of a new Beneficiary designation with the Committee. [**A married Participant's Beneficiary designation may be changed by a Participant with the consent of the Participant's spouse as provided for in Section 6.1 above, by the filing of a new Beneficiary designation with the Committee**. TBD with Client] The filing of a new designation shall cancel all designations previously filed.

6.3 No Beneficiary Designation

If any Participant fails to designate a Beneficiary in the manner provided above, if the designation is void, or if the Beneficiary designated by a deceased Participant dies before the Participant or before complete distribution of the Participant's benefits, the Participant's Beneficiary shall be the person in the first of the following classes in which there is a survivor:

(a) The Participant's surviving spouse;

(b) The Participant's children in equal shares, except that if any of the children predeceases the Participant but leaves issue surviving, then such issue shall take, by right of representation, the share the deceased child would have taken if living;

(c) The Participant's estate.

6.4 Effect of Payment

Payment to the Beneficiary shall completely discharge the Company's obligations under this Plan.

ARTICLE 7

ADMINISTRATION

7.1 Committee; Duties

This Plan shall be administered by the Committee, which shall consist of not less than three (3) persons appointed by the Board, except after a Change in Control as provided in Section 7.5 below. The Committee shall have the authority to make, amend, interpret and enforce all appropriate rules and regulations for the administration of the Plan and decide or resolve any and all questions, including interpretations of the Plan, as may arise in such administration. A majority vote of the Committee members shall control any decision. Members of the Committee may be Participants under this Plan.

7.2 Agents

The Committee may, from time to time, employ agents and delegate to them such administrative duties as it sees fit, and may from time to time consult with counsel who may be counsel to the Company.

7.3 Binding Effect of Decisions

The decision or action of the Committee with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final, conclusive and binding upon all persons having any interest in the Plan.

7.4 Indemnity of Committee

The Company shall indemnify and hold harmless the members of the Committee against any and all claims, loss, damage, expense or liability arising from any action or failure to act with respect to this Plan on account of such member’s service on the Committee, except in the case of gross negligence or willful misconduct.

7.5 Election of Committee After Change in Control

After a Change in Control, vacancies on the Committee shall be filled by majority vote of the remaining Committee members and Committee members may be removed only by such a vote. If no Committee members remain, a new Committee shall be elected by majority vote of the Participants in the Plan immediately preceding such Change in Control. No amendment shall be made to Article VII or other Plan provisions regarding Committee authority with respect to the Plan without prior approval by the Committee.

ARTICLE 8

CLAIMS PROCEDURE

8.1 Claim

Any person or entity claiming a benefit, requesting an interpretation or ruling under the Plan (hereinafter referred to as "Claimant"), or requesting information under the Plan shall present the request in writing to the Committee, which shall respond in writing as soon as practicable.

8.2 Denial of Claim

If the claim or request is denied, the written notice of denial shall state:

(a) The reasons for denial, with specific reference to the Plan provisions on which the denial is based;

(b) A description of any additional material or information required and an explanation of why it is necessary; and

(c) An explanation of the Plan's claim review procedure.

8.3 Review of Claim

Any Claimant whose claim or request is denied or who has not received a response within sixty (60) days may request a review by notice given in writing to the Committee. Such request must be made within sixty (60) days after receipt by the Claimant of the written notice of denial, or in the event Claimant has not received a response sixty (60) days after receipt by the Committee of Claimant's claim or request. The claim or request shall be reviewed by the Committee which may, but shall not be required to, grant the Claimant a hearing. On review, the Claimant may have representation, examine pertinent documents, and submit issues and comments in writing.

8.4 Final Decision

The decision on review shall normally be made within sixty (60) days after the Committee's receipt of Claimant's claim or request. If an extension of time is required for a hearing or other special circumstances, the Claimant shall be notified and the time limit shall be one hundred twenty (120) days. The decision shall be in writing and shall state the reasons and the relevant Plan provisions. All decisions on review shall be final and bind all parties concerned.

ARTICLE 9

AMENDMENT AND TERMINATION OF PLAN

9.1 Amendment

The Board may at any time amend the Plan by written instrument, notice of which is given to all Participants and to Beneficiaries receiving installment payments, subject to the following:

(a) Preservation of Account Balance. No amendment shall reduce the amount accrued in any Account or the outstanding amount of any RSUs to the date such notice of the amendment is given.

(b) Changes in Earnings Rate. No amendment shall reduce, either prospectively or retroactively, the rate of Earnings to be credited to the amount already accrued in a Participant's Account and any Fees or other additions to be credited to the Account under Deferral Commitments already in effect on that date.

The Board may also effectuate an amendment to the Plan through a written Board resolution which shall be viewed as part of this Plan. If such resolution applies to fewer then all Participants and Beneficiaries, then only those Participants and Beneficiaries who are directly affected by such resolution need be given notice of such resolution.

9.2 Company's Right to Terminate

The Board may at any time partially or completely terminate the Plan if, in its judgment, the tax, accounting or other effects of the continuance of the Plan, or potential payments thereunder would not be in the best interests of Company.

(a) Partial Termination. The Board may partially terminate the Plan by instructing the Committee not to accept any additional Deferral Commitments. If such a partial termination occurs, the Plan shall continue to operate and be effective with regard to Deferral Commitments entered into prior to the effective date of such partial termination.

(b) Complete Termination. The Board may completely terminate the Plan by instructing the Committee not to accept any additional Deferral Commitments, and by terminating all ongoing Deferral Commitments. In the event of complete termination, the Plan shall cease to operate and Company shall pay out each Account. Payment shall be made as a lump sum or in equal monthly installments, based on the Account balance, provided, however, that in the event of a complete termination of the Plan subsequent to a Change in Control, payment of the entire Account in a lump sum will be made no more than thirty (30) days subsequent to the effective date of such complete termination. Notwithstanding the above, the payment of any portion of an Account which is subject to Section 409A may not be accelerated except in compliance with the provisions of Treas. Reg. Section 1.409A-3(j)(4)(ix) or such other events and conditions which may be permitted in generally applicable guidelines published in the Internal Revenue Bulletin. The Board reserves any discretion to distribute benefits in accordance with the requirements of such regulations and/or such guidelines

Earnings shall continue to be credited on the unpaid balance in each Account. Earnings on the unpaid balance shall be equal to the average rate of Earnings which would have been applicable on the Account over the thirty-six (36) months immediately preceding the partial or complete termination.

ARTICLE 10

MISCELLANEOUS

10.1 Unfunded Plan

This Plan is an unfunded plan maintained primarily to provide deferred compensation benefits for a select group of "management or highly-compensated employees" within the meaning. of Sections 201, 301 and 401 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and therefore is exempt from the provisions of Parts 2, 3 and 4 of Title I of ERISA. Accordingly, the Board may terminate the Plan and make no further benefit payments or remove certain employees as Participants if it is determined by the United States Department of Labor, a court of competent jurisdiction, or an opinion of counsel that the Plan constitutes an employee pension benefit plan within the meaning of Section 3(2) of ERISA (as currently in effect or hereafter amended) which is not so exempt.

10.2 Company Obligation

The obligation to make benefit payments to any Participant under the Plan shall be an obligation solely of the Company.

10.3 Unsecured General Creditor

Except as provided in Section 10.4, Participants and Beneficiaries shall be unsecured general creditors, with no secured or preferential right to any assets of Company or any other party for payment of benefits under this Plan. Any property held by Company for the purpose of generating the cash flow for benefit payments shall remain its general, unpledged and unrestricted assets. Company's obligation under the Plan shall be an unfunded and unsecured promise to pay money in the future.

10.4 Trust Fund

Company shall be responsible for the payment of all benefits provided under the Plan. At its discretion, Company may establish one (1) or more Trusts, with such Trustees as the Board may approve, for the purpose of providing for the payment of such benefits. Although such a Trust shall be irrevocable, its assets shall be held for payment of all of Company's general creditors in the event of insolvency. To the extent any benefits provided under the Plan are paid from any such Trust, Company shall have no further obligation to pay them. If not paid from the Trust, such benefits shall remain the obligation of Company.

10.5 Nonassignability

Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are, expressly declared to be unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

10.6 Not a Contract of Employment

This Plan shall not constitute a contract of employment between Company and the Participant. Nothing in this Plan shall give a Participant the right to be retained in the service of Company or to interfere with the right of Company to discipline or discharge a Participant at any time.

10.7 Protective Provisions

A Participant will cooperate with Company by furnishing any and all information requested by Company, in order to facilitate the payment of benefits hereunder, and by taking such physical examinations as Company may deem necessary and taking such other action as may be requested by Company.

10.8 Governing Law

The provisions of this Plan shall be construed and interpreted according to the laws of the State of Maryland, except as preempted by federal law.

10.9 Validity

If any provision of this Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced as if such illegal and invalid provision had never been inserted herein.

10.10 Notice

Any notice required or permitted under the Plan shall be sufficient if in writing and hand delivered or sent by registered or certified mail. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification. Mailed notice to the Committee shall be directed to the Company's address. Mailed notice to a Participant or Beneficiary shall be directed to the individual's last known address in Company's records.

10.11 Successors

The provisions of this Plan shall bind and inure to the benefit of Company and its successors and assigns. The term successors as used herein shall include any corporate or other business entity which shall, whether by merger, consolidation, purchase or otherwise acquire all or substantially all of the business and assets of Company, and successors of any such corporation or other business entity.

10.12 Section 409A of the Code

To the extent that such requirements are applicable, the Plan is intended to comply with the requirements of Section 409A and shall be interpreted and administered in accordance with that intent. If any provision of the Plan would otherwise conflict with or frustrate this intent, that provision will be interpreted and deemed amended so as to avoid the conflict. The nature of any such amendment shall be determined by the Board. Notwithstanding the above, if the Participant qualifies as a "specified employee," as defined in Treas. Reg. Section 1.409A-1(i), incurs a Separation from Service for any reason other than death and becomes entitled to a distribution under the Plan, then to the extent required by Section 409A, no distribution otherwise payable to the Participant during the first six (6) months after the date of such Separation from Service, shall be paid to the Participant until the date which is one day after the date which is six (6) months after the date of such separation from service (or, if earlier, the date of the Participant's death).

WASHINGTON REAL ESTATE INVESTMENT TRUST

By: /s/ Laura M. Franklin
Laura M. Franklin
EVP and Corporate Secretary

Dated: October 22, 2010

WASHINGTON REAL ESTATE INVESTMENT TRUST
Computation of Ratios
(In thousands)

Earnings to fixed charges ratio:

	Q3 2010	Q3 2009	YTD 2010	YTD 2009
Income from continuing operations	$ 6,658	$ 4,063	$ 18,210	$ 19,957
Additions:				
Fixed charges				
Interest expense	17,100	18,224	51,178	57,221
Capitalized interest	83	345	775	1,003
	17,183	18,569	51,953	58,224
Deductions:				
Capitalized interest	(83)	(345)	(775)	(1,003)
Net income attributable to noncontrolling interests	(33)	(53)	(109)	(154)
Adjusted earnings	$23,725	$22,234	$ 69,279	$ 77,024
Fixed charges (from above)	$17,183	$18,569	$ 51,953	$ 58,224
Ratio of Earnings to Fixed Charges	1.38	1.20	1.33	1.32

Debt service coverage ratio:

	Q3 2010	Q3 2009	YTD 2010	YTD 2009
Net income attributable to the controlling interests	$ 6,625	$ 9,550	$ 26,835	$ 33,491
Additions:				
Interest expense	17,100	18,224	51,178	57,221
Real estate depreciation and amortization	24,278	23,689	71,555	70,499
Non-real estate depreciation	277	293	823	904
	41,655	42,206	123,556	128,624
Deductions:				
Gain on sale of real estate	—	(5,147)	(7,942)	(11,821)
Loss (gain) on extinguishment of debt	238	133	280	(6,931)
Gain from non-disposal activities	(4)	(62)	(4)	(62)
Adjusted EBITDA	$48,514	$46,680	$142,725	$143,301
Debt service				
Interest expense	$17,100	$18,224	$ 51,178	$ 57,221
Principal amortization	997	1,035	3,187	2,929
	$18,097	$19,259	$ 54,365	$ 60,150
Debt service coverage ratio	2.68	2.42	2.63	2.38

Exhibit 31.1

CERTIFICATION

I, George F. McKenzie, 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 4, 2010

/s/ George F. McKenzie

George F. McKenzie
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Laura M. Franklin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Washington Real Estate Investment Trust;
2. Based on my knowledge, this 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 4, 2010

/s/ Laura M. Franklin

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

Exhibit 31.3

CERTIFICATION

I, William T. Camp, 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 4, 2010

/s/ William T. Camp

William T. Camp
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 President and Chief Executive Officer, the Executive 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, 2010 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 4, 2010

/s/ George F. McKenzie

George F. McKenzie
President & CEO

Dated: November 4, 2010

/s/ Laura M. Franklin

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

Dated: November 4, 2010

/s/ William T. Camp

William T. Camp
Chief Financial Officer