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

FORM 10-Q

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

For quarterly period ended June 30, 2017

OR

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

COMMISSION FILE NO. 1-6622

**WASHINGTON REAL ESTATE
INVESTMENT TRUST**

(Exact name of registrant as specified in its charter)

MARYLAND
(State of incorporation)

53-0261100
(IRS Employer Identification Number)

1775 EYE STREET, NW, SUITE 1000, WASHINGTON, DC 20006
(Address of principal executive office) (Zip code)

Registrant's telephone number, including area code: **(202) 774-3200**

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

Title of Each Class
Shares of Beneficial Interest

Name of exchange on which registered
New York Stock Exchange

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

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, smaller reporting company, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of July 26, 2017, 76,926,923 common shares were outstanding.

WASHINGTON REAL ESTATE INVESTMENT TRUST

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PART I
FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

The information furnished in the accompanying unaudited Consolidated Balance Sheets, Condensed Consolidated Statements of Income, Condensed Consolidated Statements of Comprehensive Income, Consolidated Statement of Equity and Consolidated Statements of Cash Flows reflects all adjustments, consisting of normal recurring items, which are, in the opinion of management, necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods. The accompanying financial statements and notes thereto should be read in conjunction with the financial statements and notes for the three years ended December 31, 2016 included in Washington Real Estate Investment Trust's 2016 Annual Report on Form 10-K.

WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES

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

	June 30, 2017 (Unaudited)	December 31, 2016
Assets		
Land	\$ 616,444	\$ 573,315
Income producing property	2,201,846	2,112,088
	2,818,290	2,685,403
Accumulated depreciation and amortization	(691,515)	(657,425)
Net income producing property	2,126,775	2,027,978
Properties under development or held for future development	46,154	40,232
Total real estate held for investment, net	2,172,929	2,068,210
Investment in real estate sold or held for sale, net	6,983	—
Cash and cash equivalents	13,237	11,305
Restricted cash	1,506	6,317
Rents and other receivables, net of allowance for doubtful accounts of \$2,274 and \$2,377, respectively	72,149	64,319
Prepaid expenses and other assets	121,005	103,468
Other assets related to properties sold or held for sale	303	—
Total assets	<u>\$ 2,388,112</u>	<u>\$ 2,253,619</u>
Liabilities		
Notes payable, net	\$ 893,763	\$ 843,084
Mortgage notes payable, net	96,934	148,540
Lines of credit	228,000	120,000
Accounts payable and other liabilities	60,165	46,967
Dividend payable	—	22,414
Advance rents	11,956	11,750
Tenant security deposits	9,263	8,802
Liabilities related to properties sold or held for sale	322	—
Total liabilities	<u>1,300,403</u>	<u>1,201,557</u>
Equity		
Shareholders' equity		
Preferred shares; \$0.01 par value; 10,000 shares authorized; no shares issued or outstanding	—	—
Shares of beneficial interest, \$0.01 par value; 100,000 shares authorized; 76,926 and 74,606 shares issued and outstanding, respectively	769	746
Additional paid in capital	1,435,994	1,368,636
Distributions in excess of net income	(357,308)	(326,047)
Accumulated other comprehensive income	6,857	7,611
Total shareholders' equity	<u>1,086,312</u>	<u>1,050,946</u>
Noncontrolling interests in subsidiaries	1,397	1,116
Total equity	<u>1,087,709</u>	<u>1,052,062</u>
Total liabilities and equity	<u>\$ 2,388,112</u>	<u>\$ 2,253,619</u>

See accompanying notes to the consolidated financial statements.

WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenue				
Real estate rental revenue	\$ 83,456	\$ 79,405	\$ 160,957	\$ 156,542
Expenses				
Real estate expenses	28,691	28,175	56,554	56,909
Depreciation and amortization	29,261	25,161	55,330	51,199
Acquisition costs	—	1,024	—	1,178
General and administrative	5,759	4,968	11,385	10,479
Casualty gain	—	(676)	—	(676)
	63,711	58,652	123,269	119,089
Other operating income				
Gain on sale of real estate	—	24,112	—	24,112
Real estate operating income	19,745	44,865	37,688	61,565
Other (expense) income				
Interest expense	(12,053)	(13,820)	(23,458)	(28,180)
Other income	48	83	125	122
Income tax benefit	107	693	107	693
	(11,898)	(13,044)	(23,226)	(27,365)
Net income	7,847	31,821	14,462	34,200
Less: Net loss attributable to noncontrolling interests in subsidiaries	17	15	36	20
Net income attributable to the controlling interests	\$ 7,864	\$ 31,836	\$ 14,498	\$ 34,220
Basic net income attributable to the controlling interests per common share	\$ 0.10	\$ 0.44	\$ 0.19	\$ 0.49
Diluted net income attributable to the controlling interests per common share	\$ 0.10	\$ 0.44	\$ 0.19	\$ 0.49
Weighted average shares outstanding – basic	76,705	71,719	75,785	70,010
Weighted average shares outstanding – diluted	76,830	71,912	75,903	70,200
Dividends declared per share	\$ 0.30	\$ 0.30	\$ 0.60	\$ 0.60

See accompanying notes to the consolidated financial statements.

WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(IN THOUSANDS)
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income	\$ 7,847	\$ 31,821	\$ 14,462	\$ 34,200
Other comprehensive loss:				
Unrealized loss on interest rate hedges	(1,489)	(1,384)	(754)	(5,059)
Comprehensive income	6,358	30,437	13,708	29,141
Less: Comprehensive loss attributable to noncontrolling interests	17	15	36	20
Comprehensive income attributable to the controlling interests	\$ 6,375	\$ 30,452	\$ 13,744	\$ 29,161

See accompanying notes to the consolidated financial statements.

WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF EQUITY
(IN THOUSANDS)
(UNAUDITED)

	Shares Issued and Out- standing	Shares of Beneficial Interest at Par Value	Additional Paid in Capital	Distributions in Excess of Net Income	Accumulated Other Comprehensive Income	Total Shareholders' Equity	Noncontrolling Interests in Subsidiaries	Total Equity
Balance, December 31, 2016	74,606	\$ 746	\$ 1,368,636	\$ (326,047)	\$ 7,611	\$ 1,050,946	\$ 1,116	\$ 1,052,062
Net income attributable to the controlling interests	—	—	—	14,498	—	14,498	—	14,498
Net loss attributable to the noncontrolling interests	—	—	—	—	—	—	(36)	(36)
Unrealized loss on interest rate hedge	—	—	—	—	(754)	(754)	—	(754)
Distributions to noncontrolling interests	—	—	—	—	—	—	(59)	(59)
Operating partnership units issued with acquisition	—	—	—	—	—	—	376	376
Dividends	—	—	—	(45,759)	—	(45,759)	—	(45,759)
Equity issuances, net of issuance costs	2,070	21	63,885	—	—	63,906	—	63,906
Shares issued under dividend reinvestment program	56	—	1,796	—	—	1,796	—	1,796
Share grants, net of share grant amortization, forfeitures and tax withholdings	194	2	1,677	—	—	1,679	—	1,679
Balance, June 30, 2017	<u>76,926</u>	<u>\$ 769</u>	<u>\$ 1,435,994</u>	<u>\$ (357,308)</u>	<u>\$ 6,857</u>	<u>\$ 1,086,312</u>	<u>\$ 1,397</u>	<u>\$ 1,087,709</u>

See accompanying notes to the consolidated financial statements.

WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES

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

	Six Months Ended June 30,	
	2017	2016
Cash flows from operating activities		
Net income	\$ 14,462	\$ 34,200
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	55,330	51,199
Provision for losses on accounts receivable	470	708
Casualty gain	—	(676)
Gain on sale of real estate	—	(24,112)
Share-based compensation expense	2,351	2,421
Deferred tax benefit	(107)	(732)
Amortization of debt premiums, discounts and related financing costs	948	1,604
Changes in operating other assets	(10,950)	(983)
Changes in operating other liabilities	2,846	(2,366)
Net cash provided by operating activities	65,350	61,263
Cash flows from investing activities		
Real estate acquisitions, net	(138,371)	(227,413)
Net cash received for sale of real estate	—	119,513
Capital improvements to real estate	(23,923)	(16,356)
Development in progress	(7,291)	(17,997)
Cash released from replacement reserve escrows, net	4,622	2,001
Insurance proceeds	—	883
Non-real estate capital improvements	(1,950)	(42)
Net cash used in investing activities	(166,913)	(139,411)
Cash flows from financing activities		
Line of credit borrowings, net	108,000	164,000
Dividends paid	(68,173)	(63,284)
Principal payments – mortgage notes payable	(51,075)	(166,216)
Proceeds from term loan	50,000	—
Payment of financing costs	(234)	(236)
Distributions to noncontrolling interests	(59)	(110)
Proceeds from dividend reinvestment program	1,796	—
Net proceeds from equity issuances	63,906	143,357
Payment of tax withholdings for restricted share awards	(666)	(809)
Net cash provided by financing activities	103,495	76,702
Net increase (decrease) in cash and cash equivalents	1,932	(1,446)
Cash and cash equivalents at beginning of period	11,305	23,825
Cash and cash equivalents at end of period	\$ 13,237	\$ 22,379
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amounts capitalized	\$ 22,670	\$ 27,154
Change in accrued capital improvements and development costs	1,090	3,472
Operating partnership units issued with acquisition	376	—

See accompanying notes to the consolidated financial statements.

WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

(UNAUDITED)

NOTE 1: NATURE OF BUSINESS

Washington Real Estate Investment Trust (“Washington REIT”), a Maryland real estate investment trust, is a self-administered equity real estate investment trust, successor to a trust organized in 1960. Our business consists of the ownership and operation of income-producing real estate properties in the greater Washington metro region. We own a diversified portfolio of office buildings, 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, among other things, required to distribute 90% of our REIT taxable income (which is, generally, our ordinary taxable income, with certain modifications), excluding any net capital gains and any deductions for dividends paid to our shareholders on an annual basis. When selling a property, we generally have the option of (a) reinvesting the sales proceeds of property sold, in a way that allows us to defer recognition of some or all taxable gain realized on the sale, (b) distributing gains to the shareholders with no tax to us or (c) treating net long-term capital gains as having been distributed to our shareholders, paying the tax on the gain deemed distributed and allocating the tax paid as a credit to our shareholders.

Generally, and subject to our ongoing qualification as a REIT, no provisions for income taxes are necessary except for taxes on undistributed taxable income and taxes on the income generated by our taxable REIT subsidiaries (“TRSs”). Our TRSs are subject to corporate federal and state income tax on their taxable income at regular statutory rates, or as calculated under the alternative minimum tax, as appropriate. As of June 30, 2017 and December 31, 2016, our TRSs had deferred tax assets of \$0.6 million and \$0.5 million, respectively, net of valuation allowances of \$2.7 million and \$2.9 million, respectively. During the 2017 Quarter, we recognized a deferred tax liability of \$0.6 million in connection with the acquisition of Watergate 600 (see note 3). As of June 30, 2017 and December 31, 2016, our TRSs had net deferred tax liabilities of \$1.0 million and \$0.4 million, respectively. The deferred tax liabilities are primarily related to temporary differences in the timing of the recognition of revenue, amortization and depreciation.

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

Significant Accounting Policies

We have prepared our consolidated financial statements using the accounting policies described in our Annual Report on Form 10-K for the year ended December 31, 2016.

Pronouncements Not Yet Adopted

In May 2017, the Financial Accounting Standards Board (the “FASB”) issued ASU 2017-09, *Compensation - Stock Compensation (Topic 718) - Scope of Modification Accounting*, which provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The new standard is effective for all entities for fiscal years beginning after December 15, 2017 and for interim periods therein. Early adoption is permitted. We do not expect the new standard to have a material impact on our consolidated financial statements.

In November 2016, the FASB issued Accounting Standards Update No. 2016-18, *Statement of Cash Flows (Topic 230) - Restricted Cash*, which requires that restricted cash and cash equivalents be included with cash and cash equivalents when reconciling beginning-of-period and end-of-period total amounts shown on the consolidated statements of cash flows. The new standard is effective for public entities for fiscal years beginning after December 15, 2017 and for interim periods therein, with early adoption permitted. We are currently evaluating the impact the new standard may have on Washington REIT’s consolidated financial statements.

In August 2016, the FASB issued Accounting Standards Update No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments*, which provides specific guidance on how cash receipts and payments should be presented and classified in the statement of cash flows for eight specific issues. The new standard is effective for public entities for fiscal years beginning after December

15, 2017 and for interim periods therein, with early adoption permitted. We are currently evaluating the impact the new standard may have on Washington REIT's consolidated financial statements.

In June 2016, the FASB issued Accounting Standards Update No. 2016-13, *Measurement of Credit Losses on Financial Instruments*, which requires financial assets measured at an amortized cost basis, including trade receivables, to be presented at the net amount expected to be collected. The new standard is effective for public entities for fiscal years beginning after December 15, 2019 and for interim periods therein with adoption one year earlier permitted. We are currently evaluating the impact the new standard may have on Washington REIT's consolidated financial statements.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02"), which amends existing accounting standards for lease accounting, including by requiring lessees to recognize most leases on the balance sheet and making certain changes to lessor accounting. The new standard is effective for public entities for fiscal years beginning after December 15, 2018 and for interim periods therein with early adoption permitted. Upon adoption, for leases in which we are the lessor, the lease contract will be separated into lease and non-lease components in accordance with the provisions outlined within ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"). The lease component of the contract will be recognized on a straight-line basis in accordance with ASU 2016-02, while the non-lease component will be recognized under the provisions of ASU 2014-09. For lease contracts with a duration of more than one year in which we are the lessee, the present value of future lease payments will be recognized on our balance sheet as a right-of-use asset and a corresponding lease liability. Also, only direct leasing costs may be capitalized under the new standard, while current accounting standards allow for the capitalization of indirect leasing costs. We are currently evaluating the impact ASU 2016-02 may have on Washington REIT's consolidated financial statements.

In June 2014, the FASB issued ASU 2014-09, which creates a single source of revenue guidance. The new standard provides accounting guidance for all revenue arising from contracts with customers and affects all entities that enter into contracts to provide goods or services to their customers (unless the contracts are in the scope of other U.S. generally accepted accounting principles ("GAAP") requirements, such as the leasing literature). The guidance also provides a model for the measurement and recognition of gains and losses on the sale of certain nonfinancial assets, such as property and equipment, including real estate. The new standard is effective for public entities for fiscal years beginning after December 15, 2017 and for interim periods therein. Early adoption is permitted for public entities beginning after December 15, 2016. We intend to adopt the new standard using the modified retrospective method. Upon adoption of ASU 2016-02, the majority of our revenue will be subject to the allocation provisions outlined within the revenue standard. We are currently evaluating the specific implementation requirements for allocating the consideration within our contracts in accordance with ASU 2014-09. We do not expect the new standard to have a material impact on the measurement and recognition of gains and losses on the sale of properties.

Principles of Consolidation and Basis of Presentation

The accompanying unaudited consolidated financial statements include the consolidated accounts of Washington REIT, our majority-owned subsidiaries and entities in which Washington REIT has a controlling interest, including where Washington REIT has been determined to be a primary beneficiary of a variable interest entity ("VIE"). See note 3 for additional information on the property for which there is a noncontrolling interest. All intercompany balances and transactions have been eliminated in consolidation.

We have prepared the accompanying unaudited financial statements pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with 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, 2016.

Within these notes to the financial statements, we refer to the three months ended June 30, 2017 and June 30, 2016 as the "2017 Quarter" and the "2016 Quarter," respectively and the six months ended June 30, 2017 and June 30, 2016 as the "2017 Period" and "2016 Period," respectively.

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

NOTE 3: REAL ESTATE

Acquisition

Our current strategy is focused on properties inside the Washington metro region’s Beltway, near major transportation nodes and in areas with strong employment drivers and superior growth demographics. We seek to upgrade our portfolio with acquisitions as appropriate opportunities arise. We acquired the following property during the 2017 Quarter (the “2017 acquisition”):

Acquisition Date	Property	Type	Net Rentable Square Feet	Contract Purchase Price (In thousands)
April 4, 2017	Watergate 600	Office	289,000	\$ 135,000

The results of operations from the 2017 acquisition are included in the consolidated statements of income from the acquisition date and are as follows (in thousands):

	Three and Six Months Ended June 30, 2017
Real estate rental revenue	\$ 4,902
Net income	964

We accounted for the acquisition of Watergate 600 as an asset acquisition. Accordingly, we capitalized \$2.8 million of costs directly associated with the acquisition. We measured the value of the acquired physical assets (land and building), in-place leases (tenant origination costs, leasing commissions, absorption costs and lease intangible assets/liabilities), and any other liabilities by allocating the total cost of the acquisition on a relative fair value basis.

We have recorded the total cost of the 2017 acquisition as follows (in thousands):

Land	\$ 45,981
Building	66,241
Tenant origination costs	12,084
Leasing commissions/absorption costs	23,161
Lease intangible assets	498
Lease intangible liabilities	(9,585)
Deferred tax liability	(560)
Total	<u>\$ 137,820</u>

The weighted remaining average life for the 2017 acquisition components above, other than land, building and deferred tax liability, are 92 months for tenant origination costs, 84 months for leasing commissions/absorption costs, 19 months for net lease intangible assets and 97 months for net lease intangible liabilities.

The difference in the total contract purchase price of \$135.0 million for the 2017 acquisition and cash paid for the acquisition per the consolidated statements of cash flows of \$138.4 million is primarily due to capitalized acquisition-related costs (\$2.8 million) and a net credit to the buyer for certain expenditures (\$1.0 million), partially offset by the issuance of 12,124 operating partnership units (“Operating Partnership Units”) as part of the consideration (\$0.4 million). The Operating Partnership Units are units in WashREIT Watergate 600 OP LP, a consolidated subsidiary of Washington REIT. These Operating Partnership Units may be redeemed for either cash equal to the fair market value of a share of Washington REIT common stock at the time of redemption (based on a 20-day average price) or, at the option of Washington REIT, one registered or unregistered share of Washington REIT common stock. In connection with the 2017 acquisition, we granted registration rights to the two contributors of the Watergate 600 property relating to the resale of any shares issued upon exchange of Operating Partnership Units pursuant to a shelf registration

statement that we have an obligation to make available to the contributors approximately one year after the issuance of the Operating Partnership Units.

Development/Redevelopment

We have properties under development/redevelopment and held for current or future development as of June 30, 2017. In the office segment, we have a redevelopment project at the Army Navy Building, an office property in Washington, DC, to upgrade its common areas and add significant amenities in order to make the property more competitive within its sub-market. As of June 30, 2017, we had invested \$4.1 million in the redevelopment and have placed \$3.4 million of the project into service. We have substantially completed the additional amenities and expect to place the remainder of the project, consisting of upgrades to common areas, into service during the remainder of 2017.

In the multifamily segment, we have the Trove, a multifamily development adjacent to The Wellington, and own land held for future multifamily development adjacent to Riverside Apartments. As of June 30, 2017, we had invested \$23.8 million and \$18.3 million, including the costs of acquired land, in the Trove and the development adjacent to Riverside Apartments, respectively.

In the retail segment, we currently have a redevelopment project to add rentable space at Spring Valley Village. As of June 30, 2017, we had invested \$1.6 million in the redevelopment.

Variable Interest Entity

In June 2011, we executed a joint venture operating agreement with a real estate development company to develop The Maxwell, a mid-rise multifamily property at 650 North Glebe Road in Arlington, Virginia. Major construction activities at The Maxwell ended during December 2014, and the building became available for occupancy during the first quarter of 2015. Washington REIT is the 90% owner of the joint venture. The real estate development company owns 10% of the joint venture and was responsible for the development and construction of the property.

We have determined that The Maxwell joint venture is a VIE primarily based on the fact that the equity investment at risk is not sufficient to permit the entity to finance its activities without additional financial support. We also determined that Washington REIT was the primary beneficiary of the VIE due to the fact that Washington REIT was determined to have a controlling financial interest in the entity. In January 2016, Washington REIT exercised its right to purchase at par The Maxwell's construction loan from the original third-party lender. Upon the purchase, the construction loan became an intercompany loan payable from the consolidated VIE to Washington REIT that is eliminated in consolidation.

As of June 30, 2017 and December 31, 2016, The Maxwell's assets were as follows (in thousands):

	June 30, 2017	December 31, 2016
Land	\$ 12,851	\$ 12,851
Income producing property	37,955	37,949
Accumulated depreciation and amortization	(5,689)	(4,571)
Other assets	536	456
	<u>\$ 45,653</u>	<u>\$ 46,685</u>

As of June 30, 2017 and December 31, 2016, The Maxwell's liabilities were as follows (in thousands):

	June 30, 2017	December 31, 2016
Mortgage notes payable ⁽¹⁾	\$ 31,690	\$ 31,869
Accounts payable and other liabilities	199	186
Tenant security deposits	89	99
	<u>\$ 31,978</u>	<u>\$ 32,154</u>

⁽¹⁾The mortgage notes payable balances as of June 30, 2017 and December 31, 2016 are eliminated in consolidation due to the purchase of the loan by Washington REIT in January 2016.

Properties Sold and Held for Sale

We intend to hold our properties for investment with a view to long-term appreciation, to engage in the business of acquiring, developing and owning our properties, and to make occasional sales of the properties that no longer meet our long-term strategy

or return objectives and where market conditions for sale are favorable. The proceeds from the sales may be reinvested into other properties, used to fund development operations or to support other corporate needs, or distributed to our shareholders. Depreciation on these properties is discontinued when classified as held for sale, but operating revenues, other operating expenses and interest continue to be recognized until the date of sale.

During the 2017 Quarter, we executed a purchase and sale agreement for the sale of Walker House, a multifamily property in Gaithersburg, Maryland. We expect to close on this sale during 2017. We determined Walker House met the criteria for classification as held for sale as of June 30, 2017. There can be no assurances that this purchase and sale agreement will close on time or at all.

We sold the following properties in 2016:

Disposition Date	Property Name	Segment	Number of Units/ Rentable Square Feet	Contract Sales Price (in thousands)	Gain on Sale (in thousands)
May 26, 2016	Dulles Station II ⁽¹⁾	Office	N/A	\$ 12,100	\$ 527
June 27, 2016	Maryland Office Portfolio Transaction I ⁽²⁾	Office	692,000	111,500	23,585
September 22, 2016	Maryland Office Portfolio Transaction II ⁽³⁾	Office	491,000	128,500	77,592
		Total 2016	1,183,000	\$ 252,100	\$ 101,704

⁽¹⁾ Land held for future development and an interest in a parking garage.

⁽²⁾ Maryland Office Portfolio Transaction I consists of 6110 Executive Boulevard, 600 Jefferson Plaza, Wayne Plaza and West Gude Drive.

⁽³⁾ Maryland Office Portfolio Transaction II consists of 51 Monroe Street and One Central Plaza.

While the sale of the Maryland Office Portfolio, in the aggregate, constituted an individually significant disposition, the Maryland Office Portfolio does not qualify for presentation and disclosure as a discontinued operation as it does not represent a strategic shift in our operations. Real estate rental revenue and net income for the Maryland Office Portfolio for the three and six months ended June 30, 2017 and 2016 are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Real estate rental revenue	\$ —	\$ 8,147	\$ —	\$ 16,577
Net income	—	4,176	—	6,902

We do not have significant continuing involvement in the operations of the disposed properties.

NOTE 4: MORTGAGE NOTES PAYABLE

In February 2017, we prepaid without penalty the remaining \$49.6 million of the mortgage note secured by the Army Navy Building.

NOTE 5: UNSECURED LINES OF CREDIT PAYABLE

We have a \$600.0 million unsecured revolving credit agreement (“Revolving Credit Facility”) that matures in June 2019, unless extended pursuant to one or both of the two six months extension options. The Revolving Credit Facility has an accordion feature, which we utilized a portion of in September 2015, as described below, that allows us to increase the facility to \$1.0 billion, subject to the extent the lenders agree to provide additional revolving loan commitments or term loans. In September 2015, we entered into a \$150.0 million unsecured term loan (“2015 Term Loan”) by executing a portion of the accordion feature under the Revolving Credit Facility. The 2015 Term Loan has a 5.5 year term and currently has an interest rate of one month LIBOR plus 110 basis points, based on Washington REIT’s current unsecured debt ratings. We entered into two interest rate swaps to effectively fix the interest rate at 2.7% (see note 7).

The Revolving Credit Facility bears interest at a rate of either one month LIBOR plus a margin ranging from 0.875% to 1.55% or the base rate plus a margin ranging from 0.0% to 0.55% (in each case depending upon Washington REIT’s credit rating). The base rate is the highest of the administrative agent’s prime rate, the federal funds rate plus 0.50% and the LIBOR market index rate plus 1.0%. In addition, the Revolving Credit Facility requires the payment of a facility fee ranging from 0.125% to 0.30% (depending on Washington REIT’s credit rating) on the \$600.0 million committed capacity, without regard to usage. As of June 30, 2017, the interest rate on the facility is one month LIBOR plus 1.00% and the facility fee is 0.20%.

The amount of the Revolving Credit Facility’s unsecured line of credit unused and available at June 30, 2017 is as follows (in thousands):

Committed capacity	\$	600,000
Borrowings outstanding		(228,000)
Unused and available	\$	<u>372,000</u>

We executed borrowings and repayments on the Revolving Credit Facility during the 2017 Period as follows (in thousands):

	<u>Revolving Credit Facility</u>	
Balance at December 31, 2016	\$	120,000
Borrowings		239,000
Repayments		(131,000)
Balance at June 30, 2017	\$	<u>228,000</u>

NOTE 6: NOTES PAYABLE

During 2016, we entered into a seven year, \$150.0 million unsecured term loan (“2016 Term Loan”) maturing on July 21, 2023 with a deferred draw period of up to six months commencing on July 22, 2016. The 2016 Term Loan bears interest at a rate of either LIBOR plus a margin ranging from 1.50% to 2.45% or the base rate plus a margin ranging from 0.5% to 1.45% (in each case depending upon Washington REIT’s credit rating). The base rate is the highest of the administrative agent’s prime rate, the federal funds rate plus 0.50% and one-month LIBOR plus 1.0%. The 2016 Term Loan currently has an interest rate of one month LIBOR plus 165 basis points, based on Washington REIT’s current unsecured debt ratings. We borrowed \$100.0 million on the term loan in the fourth quarter of 2016, and borrowed the remaining \$50.0 million during the first quarter of 2017. We have also previously entered into forward interest rate swaps commencing on March 31, 2017 to effectively fix the interest rate on the 2016 Term Loan at 2.9% (see note 7).

NOTE 7: DERIVATIVE INSTRUMENTS

On September 15, 2015, we entered into two interest rate swap arrangements with a total notional amount of \$150.0 million to swap the floating interest rate under the 2015 Term Loan (see note 5) to an all-in fixed interest rate of 2.7% starting on October 15, 2015 and extending until the maturity of the 2015 Term Loan on March 15, 2021. On July 22, 2016, we entered into two forward interest rate swap arrangements with a total notional amount of \$150.0 million to swap the floating interest rate under the 2016 Term Loan (see note 6) to an all-in fixed interest rate of 2.9% starting on March 31, 2017 and extending until the maturity of the 2016 Term Loan on July 21, 2023.

The interest rate swaps qualify as cash flow hedges and are recorded at fair value in accordance with GAAP, based on discounted cash flow methodologies and observable inputs. We record the effective portion of changes in fair value of the cash flow hedges in other comprehensive income (loss). The resulting unrealized gain (loss) on the effective portions of the cash flow hedges was the only activity in other comprehensive income (loss) during the periods presented in our consolidated financial statements. We assess the effectiveness of our cash flow hedges both at inception and on an ongoing basis. The cash flow hedges were effective for the 2017 Quarter and 2017 Period and 2016 Quarter and 2016 Period, and therefore hedge ineffectiveness did not impact earnings during the 2017 Quarter and 2017 Period and 2016 Quarter and 2016 Period.

The fair values of the interest rate swaps as of June 30, 2017 and December 31, 2016, are as follows (in thousands):

Derivative Instrument	Aggregate Notional Amount	Effective Date	Maturity Date	<u>Fair Value</u>	
				<u>Asset Derivatives</u>	
				June 30, 2017	December 31, 2016
Interest rate swaps	\$ 150,000	October 15, 2015	March 15, 2021	\$ 578	\$ 417
Interest rate swaps	150,000	March 31, 2017	July 21, 2023	6,279	7,194
	<u>\$ 300,000</u>			<u>\$ 6,857</u>	<u>\$ 7,611</u>

We record interest rate swaps on our consolidated balance sheets with prepaid expenses and other assets when in a net asset position and with accounts payable and other liabilities when in a net liability position. The interest rate swaps have been effective since inception. The net gains or losses on the effective swaps are recognized in other comprehensive income (loss), as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Unrealized loss on interest rate hedges	\$ (1,489)	\$ (1,384)	\$ (754)	\$ (5,059)

Amounts reported in accumulated other comprehensive loss related to derivatives will be reclassified to interest expense as interest payments are made on our variable-rate debt. During the next twelve months, we estimate that an additional \$0.2 million will be reclassified as an increase to interest expense.

We have agreements with each of our derivative counterparties that contain a provision whereby we could be declared in default on our derivative obligations if repayment of the underlying indebtedness is accelerated by the lender due to our default on the indebtedness. As of June 30, 2017, the fair value of derivatives is in a net asset position of \$6.9 million, which includes accrued interest but excludes any adjustment for nonperformance risk. As of June 30, 2017, we have not posted any collateral related to these agreements.

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

NOTE 8: FAIR VALUE DISCLOSURES

Assets and Liabilities Measured at Fair Value

For assets and liabilities measured at fair value on a recurring basis, quantitative disclosures about the fair value measurements are required to be disclosed separately for each major category of assets and liabilities, as follows:

Level 1: Quoted prices in active markets for identical assets

Level 2: Significant other observable inputs

Level 3: Significant unobservable inputs

The only assets or liabilities we had at June 30, 2017 and December 31, 2016 that are recorded at fair value on a recurring basis are the assets held in the Supplemental Executive Retirement Plan ("SERP"), which primarily consist of investments in mutual funds, and the interest rate swaps (see note 7).

We base the valuations related to the SERP on assumptions derived from significant other observable inputs and accordingly these valuations fall into Level 2 in the fair value hierarchy.

The valuation of the interest rate swaps is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each interest rate swap. This analysis reflects the contractual terms of the interest rate swaps, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash payments (or receipts) and the discounted expected variable cash receipts (or payments). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. To comply with the provisions of ASC 820, we incorporate credit valuation adjustments in the fair value measurements to appropriately reflect both our own nonperformance risk and the respective counterparty's nonperformance risk. These credit valuation adjustments were concluded to not be significant inputs for the fair value calculations for the periods presented. In adjusting the fair value of our derivative contracts for the effect of nonperformance risk, we have considered the impact of netting and any applicable credit enhancements, such as the posting of collateral, thresholds, mutual puts and guarantees. The valuation of interest rate swaps fall into Level 2 in the fair value hierarchy.

The fair values of these assets and liabilities at June 30, 2017 and December 31, 2016 were as follows (in thousands):

	June 30, 2017				December 31, 2016			
	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3
Assets:								
SERP	\$ 1,593	\$ —	\$ 1,593	\$ —	\$ 1,407	\$ —	\$ 1,407	\$ —
Interest rate swaps	\$ 6,857	\$ —	\$ 6,857	\$ —	\$ 7,611	\$ —	\$ 7,611	\$ —

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 June 30, 2017 may differ significantly from the amounts presented.

Following is a summary of significant methodologies used in estimating fair values and a schedule of fair values at June 30, 2017 and December 31, 2016.

Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents and restricted cash include 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 (Level 1 inputs).

Notes Receivable

We acquired a note receivable ("2445 M Street note") in 2008 with the purchase of 2445 M Street. We estimate the fair value of the 2445 M Street note based on a discounted cash flow methodology using market discount rates (Level 3 inputs).

Debt

Mortgage notes payable consist of instruments in which certain of our real estate assets are used for collateral. We estimate the fair value of the mortgage notes payable 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 or loans with similar characteristics. Lines of credit payable consist of our bank facility which we use for various purposes including working capital, acquisition funding and capital improvements. The lines of credit advances and term loans with floating interest rates are priced at a specified rate plus a spread. We estimate the market value based on a comparison of the spreads of the advances to market given the adjustable base rate. We estimate the fair value of the notes payable 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. We classify these fair value measurements as Level 3 as we use significant unobservable inputs and management judgment due to the absence of quoted market prices.

As of June 30, 2017 and December 31, 2016, the carrying values and estimated fair values of our financial instruments were as follows (in thousands):

	June 30, 2017		December 31, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and cash equivalents	\$ 13,237	\$ 13,237	\$ 11,305	\$ 11,305
Restricted cash	1,506	1,506	6,317	6,317
2445 M Street note receivable	2,096	2,324	2,089	2,173
Mortgage notes payable, net	96,934	100,130	148,540	149,997
Lines of credit	228,000	228,000	120,000	120,000
Notes payable, net	893,763	925,915	843,084	873,516

NOTE 9: STOCK BASED COMPENSATION

Washington REIT maintains short-term (“STIP”) and long-term (“LTIP”) incentive plans that allow for stock-based awards to officers and non-officer employees. Stock based awards are provided to officers and non-officer employees, as well as trustees, under the Washington Real Estate Investment Trust 2016 Omnibus Incentive Plan which allows for awards in the form of restricted shares, restricted share units, options and other awards up to an aggregate of 2,400,000 shares over the ten-year period in which the plan will be in effect. Restricted share units are converted into shares of our stock upon full vesting through the issuance of new shares.

Total Compensation Expense

Total compensation expense recognized in the consolidated financial statements for all outstanding share based awards was \$1.2 million and \$0.9 million for the 2017 Quarter and 2016 Quarter, respectively, and \$2.4 million and \$2.4 million for the 2017 Period and 2016 Period, respectively.

Restricted Share Awards

The total fair values of restricted share awards vested was \$2.0 million and \$2.5 million for the 2017 Period and 2016 Period, respectively.

The total unvested restricted share awards at June 30, 2017 was 356,093 shares, which had a weighted average grant date fair value of \$30.85 per share. As of June 30, 2017, the total compensation cost related to unvested restricted share awards was \$8.3 million, which we expect to recognize over a weighted average period of 39 months.

NOTE 10: EARNINGS PER COMMON SHARE

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

We also determine “Diluted earnings per share” as the more dilutive of the two-class method or the treasury stock method with respect to the unvested restricted share awards. We further evaluate any other potentially dilutive securities at the end of the period and adjust the basic earnings per share calculation for the impact of those securities that are dilutive. Our diluted earnings per share calculation includes the dilutive impact of our share based awards with performance conditions prior to the grant date and awards with market conditions under the contingently issuable method. The diluted earnings per share calculation also considers the Operating Partnership Units issued in connection with the 2017 acquisition, which were not dilutive for any of the periods presented.

The computations of basic and diluted earnings per share for the three and six months ended June 30, 2017 and 2016 were as follows (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Numerator:				
Net income	\$ 7,847	\$ 31,821	\$ 14,462	\$ 34,200
Net loss attributable to noncontrolling interests in subsidiaries	17	15	36	20
Allocation of earnings to unvested restricted share awards	(107)	(99)	(184)	(155)
Adjusted net income attributable to the controlling interests	<u>\$ 7,757</u>	<u>\$ 31,737</u>	<u>\$ 14,314</u>	<u>\$ 34,065</u>
Denominator:				
Weighted average shares outstanding – basic	76,705	71,719	75,785	70,010
Effect of dilutive securities:				
Operating partnership units	11	—	6	—
Employee restricted share awards	114	193	112	190
Weighted average shares outstanding – diluted	<u>76,830</u>	<u>71,912</u>	<u>75,903</u>	<u>70,200</u>
Basic net income attributable to the controlling interests per common share	<u>\$ 0.10</u>	<u>\$ 0.44</u>	<u>\$ 0.19</u>	<u>\$ 0.49</u>
Diluted net income attributable to the controlling interests per common share	<u>\$ 0.10</u>	<u>\$ 0.44</u>	<u>\$ 0.19</u>	<u>\$ 0.49</u>

NOTE 11: SEGMENT INFORMATION

We have three reportable segments: office, multifamily and retail. Office properties provide office space for various types of businesses and professions. Multifamily properties provide rental housing for individuals and families throughout the greater Washington metro region. Retail properties are typically grocery store-anchored neighborhood centers that include other small shop tenants or regional power centers with several junior box tenants.

We evaluate performance based upon net 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 tables present revenues, net operating income, capital expenditures and total assets for the three and six months ended June 30, 2017 and 2016 from these segments, and reconcile net operating income of reportable segments to net income attributable to the controlling interests as reported (in thousands):

	Three Months Ended June 30, 2017				
	Office	Retail	Multifamily	Corporate and Other	Consolidated
Real estate rental revenue	\$ 44,109	\$ 15,512	\$ 23,835	\$ —	\$ 83,456
Real estate expenses	15,853	3,597	9,241	—	28,691
Net operating income	\$ 28,256	\$ 11,915	\$ 14,594	\$ —	\$ 54,765
Depreciation and amortization					(29,261)
General and administrative					(5,759)
Interest expense					(12,053)
Other income					48
Income tax benefit					107
Net income					7,847
Less: Net loss attributable to noncontrolling interests in subsidiaries					17
Net income attributable to the controlling interests					\$ 7,864
Capital expenditures	\$ 5,864	\$ 62	\$ 6,561	\$ 1,375	\$ 13,862
Total assets	\$ 1,241,618	\$ 344,523	\$ 766,972	\$ 34,999	\$ 2,388,112

	Three Months Ended June 30, 2016				
	Office	Retail	Multifamily	Corporate and Other	Consolidated
Real estate rental revenue	\$ 43,737	\$ 15,080	\$ 20,588	\$ —	\$ 79,405
Real estate expenses	16,594	3,684	7,897	—	28,175
Net operating income	\$ 27,143	\$ 11,396	\$ 12,691	\$ —	\$ 51,230
Depreciation and amortization					(25,161)
Acquisition costs					(1,024)
General and administrative					(4,968)
Interest expense					(13,820)
Other income					83
Gain on sale of real estate					24,112
Income tax benefit					693
Casualty gain					676
Net income					31,821
Less: Net loss attributable to noncontrolling interests in subsidiaries					15
Net income attributable to the controlling interests					\$ 31,836
Capital expenditures	\$ 5,854	\$ 3,588	\$ 2,198	\$ 29	\$ 11,669
Total assets	\$ 1,151,041	\$ 352,094	\$ 769,592	\$ 33,724	\$ 2,306,451

Six Months Ended June 30, 2017

	Office	Retail	Multifamily	Corporate and Other	Consolidated
Real estate rental revenue	\$ 82,136	\$ 31,217	\$ 47,604	\$ —	\$ 160,957
Real estate expenses	30,267	7,460	18,827	—	56,554
Net operating income	\$ 51,869	\$ 23,757	\$ 28,777	\$ —	\$ 104,403
Depreciation and amortization					(55,330)
General and administrative					(11,385)
Interest expense					(23,458)
Other income					125
Income tax benefit					107
Net income					14,462
Less: Net loss attributable to noncontrolling interests in subsidiaries					36
Net income attributable to the controlling interests					\$ 14,498
Capital expenditures	\$ 10,819	\$ 246	\$ 12,858	\$ 1,950	\$ 25,873

Six Months Ended June 30, 2016

	Office	Retail	Multifamily	Corporate and Other	Consolidated
Real estate rental revenue	\$ 87,555	30,460	\$ 38,527	\$ —	\$ 156,542
Real estate expenses	33,669	8,090	15,150	—	56,909
Net operating income	53,886	\$ 22,370	\$ 23,377	\$ —	\$ 99,633
Depreciation and amortization					(51,199)
Acquisition costs					(1,178)
General and administrative					(10,479)
Interest expense					(28,180)
Other income					122
Gain on sale of real estate					24,112
Income tax benefit					693
Casualty gain					676
Net income					34,200
Less: Net loss attributable to noncontrolling interests in subsidiaries					20
Net income attributable to the controlling interests					\$ 34,220
Capital expenditures	\$ 8,025	\$ 4,131	\$ 4,200	\$ 42	\$ 16,398

NOTE 12: SHAREHOLDERS' EQUITY

On June 23, 2015, we entered into four separate equity distribution agreements (collectively, the "Equity Distribution Agreements") with each of Wells Fargo Securities, LLC, BNY Mellon Capital Markets, LLC, Citigroup Global Markets Inc. and RBC Capital Markets, LLC relating to the issuance of up to \$200.0 million of our common shares from time to time. Issuances of our common shares are made at market prices prevailing at the time of issuance. We may use net proceeds from the issuance of common shares under this program for general corporate purposes, including, without limitation, working capital, the acquisition, renovation, expansion, improvement, development or redevelopment of income producing properties or the repayment of debt. During the 2017 Quarter, we issued 1.1 million common shares under the Equity Distribution Agreements at an average price of \$31.55 per share, raising \$33.9 million in net proceeds. During the 2017 Period, we issued 2.1 million common shares under the Equity Distribution Agreements at an average price of \$31.44 per share, raising \$63.9 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. During the 2017 Quarter, we issued 21,499 common shares under this program at a weighted average

price of \$31.95 per share, raising \$0.7 million in net proceeds. During the 2017 Period, we issued 0.1 million common shares under the dividend reinvestment program at a weighted average price of \$32.03 per share, raising \$1.8 million in net proceeds.

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, 2016 filed with the Securities and Exchange Commission on February 21, 2017.

We refer to the three months ended June 30, 2017 and June 30, 2016 as the "2017 Quarter" and the "2016 Quarter," respectively, and the six months ended June 30, 2017 and June 30, 2016 as the "2017 Period" and "2016 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 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 risks associated with ownership of real estate in general and our real estate assets in particular; (h) the effects of changes in federal government spending; (i) the supply of competing properties; (j) the ability to maintain an effective system of internal controls; (k) compliance with applicable laws, including those concerning the environment and access by persons with disabilities; (l) governmental or regulatory actions and initiatives; (m) terrorist attacks or actions; (n) weather conditions and natural disasters; (o) failure to qualify as a REIT; (p) the availability of and our ability to attract and retain qualified personnel; (q) uncertainty in our ability to continue to pay dividends at the current rates; and (r) other factors discussed under the caption "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2016 filed with the Securities and Exchange Commission on February 21, 2017. We undertake no obligation to update our forward-looking statements or risk factors to reflect new information, future events, or otherwise.

General

Introductory Matters

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

- *Overview.* Discussion of our business outlook, operating results, investment activity, financing activity and capital requirements to provide context for the remainder of MD&A.
- *Results of Operations.* Discussion of our financial results comparing the 2017 Quarter to the 2016 Quarter and the 2017 Period to the 2016 Period.
- *Liquidity and Capital Resources.* Discussion of our financial condition and analysis of changes in our capital structure and cash flows.
- *Funds From Operations.* Calculation of NAREIT Funds From Operations ("NAREIT FFO"), a non-GAAP supplemental measure to net income.
- *Critical Accounting Policies and Estimates.* Descriptions of accounting policies that reflect significant judgments and estimates used in the preparation of our consolidated financial statements.

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

- *Net operating income ("NOI"),* calculated as real estate rental revenue less real estate expenses excluding depreciation and amortization and general and administrative expenses. NOI is a non-GAAP supplemental measure to net income.
- *NAREIT FFO,* calculated as set forth below under the caption "Funds from Operations."
- *Ending occupancy,* calculated as occupied square footage as a percentage of total square footage as of the last day of that period.
- *Leased percentage,* calculated as the percentage of available physical net rentable area leased for our office and retail segments and percentage of apartments leased for our multifamily segment.

- *Rental rates.*
- *Leasing activity, including new leases, renewals and expirations.*

For purposes of evaluating comparative operating performance, we categorize our properties as “same-store”, “non-same-store” or discontinued operations. A “same-store” property is one that was owned for the entirety of 2017 and the prior year, and excludes properties under redevelopment or development and properties purchased or sold at any time during 2017 or the prior year. A “non-same-store” property is one that was acquired, under redevelopment or development, or placed into service during 2017 or the prior year. We define redevelopment properties as those for which we expect to spend significant development and construction costs on existing or acquired buildings pursuant to a formal plan which has a current impact on operating results, occupancy and the ability to lease space with the intended result of a higher economic return on the property. Properties under redevelopment or development are included with the non-same-store properties beginning in the period during which redevelopment or development activities commence. We consider properties to no longer be under redevelopment or development upon substantial completion of redevelopment or development activities, and the earlier of achieving 90% occupancy or two years after substantial completion.

Overview

Business Outlook

Our revenues are derived primarily from the ownership and operation of income-producing properties in the greater Washington metro region. As of June 30, 2017, we owned a diversified portfolio of 50 properties, totaling approximately 6.3 million square feet of commercial space and 4,480 multifamily units, and land held for development. These 50 properties consisted of 20 office properties, 16 retail centers and 14 multifamily properties.

Operating Results

Net income attributable to the controlling interests, NOI and NAREIT FFO for the three months ended June 30, 2017 and 2016 were as follows (in thousands):

	Three Months Ended June 30,		\$ Change	% Change
	2017	2016		
Net income attributable to the controlling interests	\$ 7,864	\$ 31,836	\$ (23,972)	(75.3)%
NOI ⁽¹⁾	\$ 54,765	\$ 51,230	\$ 3,535	6.9 %
NAREIT FFO ⁽²⁾	\$ 37,108	\$ 32,870	\$ 4,238	12.9 %

⁽¹⁾ See page 26 of the MD&A for a reconciliation of NOI to net income.

⁽²⁾ See page 36 of the MD&A for a reconciliation of NAREIT FFO to net income.

The lower net income attributable to the controlling interests is primarily due to gains on sale of real estate during the 2016 Quarter (\$24.1 million); higher depreciation and amortization expenses (\$4.1 million) and higher general and administrative expenses (\$0.8 million); a casualty gain (\$0.7 million) in the 2016 Quarter; and a higher income tax benefit (\$0.6 million) in the 2016 Quarter, partially offset by higher NOI (\$3.5 million), lower interest expense (\$1.8 million) and lower acquisition costs (\$1.0 million).

The increase in NOI is primarily due to higher NOI from same-store properties (\$3.7 million) and the Watergate 600 (\$3.4 million) and Riverside Apartments (\$1.6 million) acquisitions, partially offset by the property sales during 2016 (\$5.0 million). The higher same-store NOI is explained in further detail beginning on page 26 (Results of Operations - 2017 Quarter Compared to 2016 Quarter). Same-store ending occupancy increased to 93.3% as of June 30, 2017, from 90.8% one year ago, primarily due to higher occupancy in the office segment.

The higher NAREIT FFO is primarily attributable to the higher NOI (\$3.5 million), lower interest expense (\$1.8 million) and lower acquisition costs (\$1.0 million), partially offset by higher general and administrative expenses (\$0.8 million), a casualty gain (\$0.7 million) in the 2016 Quarter and a higher income tax benefit (\$0.6 million) in the 2016 Quarter.

Investment Activity

Significant investment transactions during the 2017 Period included the following:

- The acquisition of Watergate 600, which we refer to as the 2017 acquisition, a 289,000 net rentable square foot office building in Washington, DC, for a contract purchase price of \$135.0 million in a transaction that was structured to include the issuance of 12,124 operating partnership units in WashREIT Watergate 600 OP LP, a consolidated subsidiary of Washington REIT (“Operating Partnership Units”), representing \$0.4 million of the purchase price. We incurred \$2.8 million of acquisition costs related to this transaction.

Financing Activity

Significant financing transactions during the 2017 Period included the following:

- The prepayment at par of the remaining \$49.6 million of the mortgage note secured by the Army Navy Building in February 2017.
- The draw of the remaining \$50.0 million on the seven year, \$150 million unsecured term loan agreement maturing on July 21, 2023. We used the borrowing to refinance maturing secured debt.
- The issuance of approximately 2.1 million common shares under our ATM program at an average price to the public of \$31.44 per share, for net proceeds of approximately \$63.9 million.

As of June 30, 2017, the interest rate on the Revolving Credit Facility was one month LIBOR plus 1.00% and the facility fee was 0.20%. As of July 26, 2017, our Revolving Credit Facility has a borrowing capacity of \$376.0 million.

Capital Requirements

We do not have any other debt maturities during 2017. We expect to have additional capital requirements as set forth on page 33 (Liquidity and Capital Resources - Capital Requirements).

Results of Operations

The discussion that follows is based on our consolidated results of operations for the 2017 Quarter and 2017 Period and 2016 Quarter and 2016 Period. The ability to compare one period to another is significantly affected by acquisitions completed and dispositions made during 2016 and 2017 (see note 3 to the consolidated financial statements).

Net Operating Income

NOI is a non-GAAP measure calculated as real estate rental revenue less real estate expenses excluding depreciation and amortization and general and administrative expenses. 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 or income from continuing operations, in either case calculated in accordance with GAAP. As such, it should not be considered an alternative to these measures as an indication of our operating performance. A reconciliation of NOI to net income follows.

2017 Quarter Compared to 2016 Quarter

The following tables reconcile NOI to net income (loss) attributable to the controlling interests and provide the basis for our discussion of our consolidated results of operations and NOI in the 2017 Quarter compared to the 2016 Quarter. All amounts are in thousands, except percentage amounts.

	Same-Store				Non-Same-Store						All Properties			
	2017	2016	\$ Change	% Change	Acquisitions (1)		Development/Redevelopment (2)		Dispositions (3)		2017	2016	\$ Change	% Change
					2017	2016	2017	2016	2017	2016				
Real estate rental revenue	\$ 69,097	\$ 64,633	\$ 4,464	6.9%	\$ 10,333	\$ 2,485	\$ 4,026	\$ 4,140	\$ —	\$ 8,147	\$ 83,456	\$ 79,405	\$ 4,051	5.1 %
Real estate expenses	23,340	22,581	759	3.4%	3,702	868	1,649	1,621	—	3,105	28,691	28,175	516	1.8 %
NOI	\$ 45,757	\$ 42,052	\$ 3,705	8.8%	\$ 6,631	\$ 1,617	\$ 2,377	\$ 2,519	\$ —	\$ 5,042	\$ 54,765	\$ 51,230	\$ 3,535	6.9 %
Reconciliation to net income attributable to the controlling interests:														
Depreciation and amortization											(29,261)	(25,161)	(4,100)	16.3 %
Acquisition costs											—	(1,024)	1,024	(100.0)%
General and administrative expenses											(5,759)	(4,968)	(791)	15.9 %
Casualty gain											—	676	(676)	(100.0)%
Gain on sale of real estate											—	24,112	(24,112)	(100.0)%
Interest expense											(12,053)	(13,820)	1,767	(12.8)%
Other income											48	83	(35)	(42.2)%
Income tax benefit											107	693	(586)	(84.6)%
Net income											7,847	31,821	(23,974)	(75.3)%
Less: Net loss attributable to noncontrolling interests											17	15	2	13.3 %
Net income attributable to the controlling interests											\$ 7,864	\$ 31,836	\$ (23,972)	(75.3)%

(1) Acquisitions:
2017 Office – Watergate 600
2016 Multifamily – Riverside Apartments

(2) Development/redevelopment properties:
Office redevelopment properties – Army Navy Building and Braddock Metro Center

(3) Dispositions (classified as continuing operations):
2016 Office – 6110 Executive Boulevard, 600 Jefferson Plaza, Wayne Plaza, West Gude Drive, 51 Monroe Street and One Central Plaza

Real Estate Rental Revenue

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 in the same quarter that we established the receivable, which include 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.

Real estate rental revenue for same-store properties for the three months ended June 30, 2017 and 2016 was as follows (in thousands):

	Three Months Ended June 30,			
	2017	2016	\$ Change	% Change
Minimum base rent	\$ 57,340	\$ 54,330	\$ 3,010	5.5%
Recoveries from tenants	8,543	7,408	1,135	15.3%
Provision for doubtful accounts	(453)	(92)	(361)	392.4%
Lease termination fees	532	149	383	257.0%
Parking and other tenant charges	3,135	2,838	297	10.5%
Total same-store real estate rental revenue	\$ 69,097	\$ 64,633	\$ 4,464	6.9%

- *Minimum base rent*: Increase primarily due to higher occupancy (\$2.9 million) and rental rates (\$0.4 million), partially offset by higher rent abatements (\$0.3 million).
- *Recoveries from tenants*: Increase primarily due to higher periodic settlements of tenant recoveries (\$0.8 million) and higher reimbursements for real estate taxes (\$0.2 million).

- *Provision for doubtful accounts*: Increase primarily due to higher provisions in the retail (\$0.3 million) and office (\$0.1 million) segments. A portion of the higher provisions were attributable to reserves for reimbursements (\$0.1 million).
- *Lease termination fees*: Increase primarily due to higher fees in the office segment (\$0.4 million).
- *Parking and other tenant charges*: Increase primarily due to higher parking income (\$0.2 million).

Real estate rental revenue from same-store properties by segment was as follows (in thousands):

	Three Months Ended June 30,			
	2017	2016	\$ Change	% Change
Office	\$ 35,181	\$ 31,450	\$ 3,731	11.9%
Multifamily	18,404	18,103	301	1.7%
Retail	15,512	15,080	432	2.9%
Total same-store real estate rental revenue	\$ 69,097	\$ 64,633	\$ 4,464	6.9%

- *Office*: Increase primarily due to higher occupancy (\$2.8 million), higher periodic settlements of tenant recoveries (\$0.7 million) and higher lease termination fees (\$0.4 million), partially offset by higher rent abatements (\$0.4 million).
- *Multifamily*: Increase primarily due to higher rental rates (\$0.3 million).
- *Retail*: Increase primarily due to higher periodic settlements of tenant recoveries (\$0.4 million).

Real estate rental revenue from acquisitions increased due to the acquisitions of Watergate 600 (\$4.9 million) in the 2017 Quarter and of Riverside Apartments (\$2.9 million) in the 2016 Quarter.

Real estate rental revenue from development/redevelopment properties decreased primarily due to lower occupancy (\$0.3 million) at Army Navy Building, which is under redevelopment.

Ending occupancy represents occupied square footage indicated as a percentage of total square footage as of the last day of that period. Ending occupancy by segment for the 2017 Quarter and 2016 Quarter was as follows:

Segment	June 30, 2017			June 30, 2016			Increase (decrease)		
	Same-Store	Non-Same-Store	Total	Same-Store	Non-Same-Store	Total	Same-Store	Non-Same-Store	Total
Office	93.0%	92.4%	92.9%	86.9%	89.5%	87.5%	6.1 %	2.9 %	5.4 %
Multifamily	95.1%	94.6%	94.9%	94.2%	95.3%	94.4%	0.9 %	(0.7)%	0.5 %
Retail	91.4%	N/A	91.4%	92.1%	N/A	92.1%	(0.7)%	N/A	(0.7)%
Total	93.3%	93.6%	93.4%	90.8%	92.5%	91.1%	2.5 %	1.1 %	2.3 %

- *Office*: The increase in same-store ending occupancy was primarily due to higher ending occupancy at Silverline Center and 1775 Eye Street, partially offset by lower ending occupancy at Monument II.
- *Multifamily*: The increase in same-store ending occupancy was primarily due to higher ending occupancy at The Wellington and The Ashby.
- *Retail*: The decrease in ending occupancy was primarily due to lower ending occupancy at Frederick Crossing, Centre at Hagerstown and Gateway Overlook, partially offset by higher ending occupancy at Bradlee Shopping Center and Chevy Chase Metro Plaza.

During the 2017 Quarter, we executed new and renewal leases in our office and retail segments as follows:

	Square Feet (in thousands)	Average Rental Rate (per square foot)	% Rental Rate Increase (Decrease)	Leasing Costs ⁽¹⁾ (per square foot)	Free Rent (weighted average months)	Retention Rate
Office	215	\$ 33.82	(10.4)%	\$ 72.18	10.9	62.6%
Retail	152	26.44	24.3 %	17.24	2.1	65.7%
Total	367	30.82	(0.7)%	49.36	7.9	64.0%

⁽¹⁾ Consists of tenant improvements and leasing commissions.

Real Estate Expenses

Real estate expenses as a percentage of revenue for the 2017 Quarter and 2016 Quarter were 34.4% and 35.5%, respectively.

Real estate expenses from same-store properties by segment were as follows (in thousands):

	Three Months Ended June 30,		\$ Change	% Change
	2017	2016		
Office	\$ 12,705	\$ 11,868	\$ 837	7.1 %
Multifamily	7,038	7,029	9	0.1 %
Retail	3,597	3,684	(87)	(2.4)%
Total same-store real estate expenses	\$ 23,340	\$ 22,581	\$ 759	3.4 %

- *Office*: Increase primarily due to higher real estate tax (\$0.4 million), repairs and maintenance (\$0.2 million), custodial (\$0.1 million) and administrative (\$0.1 million) expenses.
- *Multifamily*: Small increase primarily due to higher real estate taxes (\$0.1 million), partially offset by lower utilities expenses (\$0.1 million).
- *Retail*: Decrease primarily due to lower bad debt expense (\$0.2 million), partially offset by higher real estate tax expense (\$0.1 million).

Other Income and Expenses

Depreciation and Amortization: Increase primarily due to the Watergate 600 (\$2.2 million) and Riverside Apartments (\$0.9 million) acquisitions, and higher depreciation at same-store properties (\$2.0 million), partially offset by dispositions (\$0.9 million). The higher same-store depreciation and amortization is primarily due to amortization of leasing commissions and depreciation of the redevelopment work at Silverline Center.

Acquisition Costs: The acquisition costs in 2016 are related to the acquisition of Riverside Apartments during the 2016 Quarter. We capitalized the costs associated with the acquisition of Watergate 600 in the 2017 Quarter due to accounting for the transaction as an asset acquisition in accordance with the adoption of ASU No. 2017-01, *Business Combinations (Topic 805) - Clarifying the Definition of a Business*.

Casualty gain: The casualty gain in the 2016 Quarter represents the gain recognized upon the receipt of insurance proceeds related to damage from a fire at Bethesda Hill Towers during the first quarter of 2015 that damaged four units.

Gain on sale of real estate: Decrease due to completion of the sales of Dulles Station II, 6110 Executive Boulevard, 51 Monroe Street, 600 Jefferson Plaza and West Gude during the 2016 Quarter.

General and Administrative Expenses: Increase primarily due to a higher estimate of short-term incentive compensation (\$0.4 million) and higher share-based compensation (\$0.4 million) primarily due to a higher volume of forfeitures during the 2016 Quarter.

Interest Expense: Interest expense by debt type for the three months ended June 30, 2017 and 2016 was as follows (in thousands):

Debt Type	Three Months Ended June 30,		\$ Change	% Change
	2017	2016		
Notes payable	\$ 9,405	\$ 8,289	\$ 1,116	13.5 %
Mortgage notes payable	1,168	4,223	(3,055)	(72.3)%
Lines of credit	1,709	1,473	236	16.0 %
Capitalized interest	(229)	(165)	(64)	38.8 %
Total	\$ 12,053	\$ 13,820	\$ (1,767)	(12.8)%

- *Notes payable*: Increase primarily due to executing the \$150.0 million term loan in 2016, which has a floating interest rate effectively fixed at 2.9% by interest rate swaps. We borrowed \$100.0 million on the term loan in the fourth quarter of 2016, and borrowed the remaining \$50.0 million during the first quarter of 2017.
- *Mortgage notes payable*: Decrease primarily due to the repayment of the mortgage notes secured by John Marshall II, 3801 Connecticut Avenue, Bethesda Hill Apartments, Walker House Apartments, 2445 M Street and the Army Navy Building in 2017 and 2016.

- *Lines of credit*: Increase primarily due to a weighted average interest rate of 2.0% during the 2017 Quarter, as compared to 1.4% during the 2016 Quarter.
- *Capitalized interest*: Increase primarily due to capitalization of interest on spending related to the Trove, the multifamily development adjacent to The Wellington.

Income tax benefit: The income tax benefit in the 2016 Quarter resulted from a reduction of the valuation allowance on a deferred tax asset at one of our taxable REIT subsidiaries (TRSs) due to a net operating loss as a result of the sale of Dulles Station II. We further reduced the valuation allowance in the 2017 Quarter due to an increase in anticipated income at the TRS. We have concluded that there is sufficient positive evidence as of June 30, 2017 that it is more likely than not that a portion of the deferred tax asset related to the net operating loss is realizable.

2017 Period Compared to 2016 Period

The following tables reconcile NOI to net income attributable to the controlling interests and provide the basis for our discussion of our consolidated results of operations and NOI in the 2017 Period compared to the 2016 Period. All amounts are in thousands, except percentage amounts.

	Non-Same-Store													
	Same-Store				Acquisitions ⁽¹⁾		Development/Redevelopment ⁽²⁾		Dispositions ⁽³⁾ (continuing operations)		All Properties			
	2017	2016	\$ Change	% Change	2017	2016	2017	2016	2017	2016	2017	2016	\$ Change	% Change
Real estate rental revenue	\$ 137,140	\$ 128,684	\$ 8,456	6.6%	\$ 15,846	\$ 2,485	\$ 7,971	\$ 8,796	\$ —	\$ 16,577	\$ 160,957	\$ 156,542	\$ 4,415	2.8%
Real estate expenses	47,118	46,529	589	1.3%	6,144	868	3,292	3,254	—	6,258	56,554	56,909	(355)	(0.6)%
NOI	\$ 90,022	\$ 82,155	\$ 7,867	9.6%	\$ 9,702	\$ 1,617	\$ 4,679	\$ 5,542	\$ —	\$ 10,319	\$ 104,403	\$ 99,633	\$ 4,770	4.8%
Reconciliation to net income attributable to the controlling interests:														
Depreciation and amortization											(55,330)	(51,199)	(4,131)	8.1%
Acquisition costs											—	(1,178)	1,178	(100.0)%
General and administrative expenses											(11,385)	(10,479)	(906)	8.6%
Casualty gain											—	676	(676)	(100.0)%
Gain on sale of real estate											—	24,112	(24,112)	(100.0)%
Interest expense											(23,458)	(28,180)	4,722	(16.8)%
Other income											125	122	3	2.5%
Income tax benefit											107	693	(586)	84.6%
Net income											14,462	34,200	(19,738)	(57.7)%
Less: Net loss attributable to noncontrolling interests											36	20	16	80.0%
Net income attributable to the controlling interests											\$ 14,498	\$ 34,220	\$ (19,722)	(57.6)%

(1) Acquisitions:
2017 Office – Watergate 600
2016 Multifamily – Riverside Apartments

(2) Development/redevelopment properties:
Office redevelopment properties – Army Navy Building and Braddock Metro Center

(3) Dispositions (classified as continuing operations):
2016 Office – 6110 Executive Boulevard, 600 Jefferson Plaza, Wayne Plaza, West Gude Drive, 51 Monroe Street and One Central Plaza

Real Estate Rental Revenue

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 in the same quarter that we established the receivable, which include 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.

Real estate rental revenue for same-store properties for the six months ended June 30, 2017 and 2016 was as follows (in thousands):

	Six Months Ended June 30,			
	2017	2016	\$ Change	% Change
Minimum base rent	\$ 114,400	\$ 107,882	\$ 6,518	6.0%
Recoveries from tenants	16,187	15,317	870	5.7%
Provision for doubtful accounts	(708)	(452)	(256)	(56.6)%
Lease termination fees	1,189	279	910	326.2%
Parking and other tenant charges	6,072	5,658	414	7.3%
Total same-store real estate rental revenue	\$ 137,140	\$ 128,684	\$ 8,456	6.6%

- *Minimum base rent:* Increase primarily due to higher occupancy (\$6.2 million) and rental rates (\$0.8 million), partially offset by higher abatements (\$0.7 million).

- *Recoveries from tenants*: Increase primarily due to higher periodic settlements of tenant recoveries (\$0.8 million) and higher reimbursements for real estate taxes (\$0.3 million), partially offset by lower reimbursements for current year common area maintenance expenses (\$0.2 million) due to lower snow removal expenses.
- *Provision for doubtful accounts*: Increase primarily due to higher provisions in the retail segment (\$0.2 million). A portion of the higher provisions were attributable to reserves for reimbursements (\$0.1 million).
- *Lease termination fees*: Increase primarily due to higher fees in the office segment (\$0.9 million).
- *Parking and other tenant charges*: Increase primarily due to higher parking income (\$0.3 million).

Real estate rental revenue from same-store properties by segment was as follows (in thousands):

	Six Months Ended June 30,		\$ Change	% Change
	2017	2016		
Office	\$ 69,263	\$ 62,182	\$ 7,081	11.4%
Multifamily	36,660	36,042	618	1.7%
Retail	31,217	30,460	757	2.5%
Total same-store real estate rental revenue	\$ 137,140	\$ 128,684	\$ 8,456	6.6%

- *Office*: Increase primarily due to higher occupancy (\$5.7 million), lease termination fees (\$0.9 million), periodic settlements of tenant recoveries (\$0.5 million), rental rates (\$0.3 million) and parking income (\$0.2 million) and lower amortization of intangible lease assets (\$0.2 million), partially offset by higher rent abatements (\$1.0 million).
- *Multifamily*: Increase primarily due to higher rental rates (\$0.5 million) and occupancy (\$0.1 million).
- *Retail*: Increase primarily due to higher periodic settlements of tenant recoveries (\$0.5 million), occupancy (\$0.4 million) and rental rates (\$0.2 million), partially offset by higher provisions for bad debt (\$0.2 million) and lower percentage rent (\$0.2 million).

Real estate rental revenue from acquisitions increased due to the acquisitions of Watergate 600 (\$4.9 million) in the 2017 Period and Riverside Apartments (\$8.5 million) in the 2016 Period.

Real estate rental revenue from development/redevelopment properties decreased primarily due to lower occupancy (\$1.1 million) at Army Navy Building, which is under redevelopment.

During the 2017 Period, we executed new and renewal leases in our office and retail segments as follows:

	Square Feet (in thousands)	Average Rental Rate (per square foot)	% Rental Rate Increase	Leasing Costs ⁽¹⁾ (per square foot)	Free Rent (weighted average months)	Retention Rate
Office	355	\$ 41.75	5.1%	\$ 87.89	11.2	67.9%
Retail	208	29.26	21.0%	14.60	1.5	63.9%
Total	563	37.20	9.2%	60.80	8.3	66.1%

⁽¹⁾ Consists of tenant improvements and leasing commissions.

Real Estate Expenses

Real estate expenses as a percentage of revenue for the 2017 Period and 2016 Period were 35.1% and 36.4%, respectively.

Real estate expenses from same-store properties by segment were as follows (in thousands):

	Six Months Ended June 30,		\$ Change	% Change
	2017	2016		
Office	\$ 25,476	\$ 24,157	\$ 1,319	5.5%
Multifamily	14,182	14,282	(100)	(0.7)%
Retail	7,460	8,090	(630)	(7.8)%
Total same-store real estate expenses	\$ 47,118	\$ 46,529	\$ 589	1.3%

- *Office*: Increase primarily due to higher real estate tax (\$0.5 million), administrative (\$0.3 million), custodial (\$0.2 million) and repairs and maintenance (\$0.1 million) expenses.
- *Multifamily*: Decrease primarily due to lower utilities (\$0.2 million) and snow removal (\$0.1 million) expenses, partially offset by higher real estate taxes (\$0.2 million).

- *Retail*: Decrease primarily due to lower snow removal (\$0.3 million), bad debt (\$0.3 million), utilities (\$0.1 million) and legal (\$0.1 million) expenses, partially offset by higher real estate taxes (\$0.3 million).

Other Income and Expenses

Depreciation and Amortization: Increase primarily due to the Watergate 600 (\$2.2 million) and Riverside Apartments (\$2.7 million) acquisitions and higher depreciation at same-store properties (\$3.4 million), partially offset by dispositions (\$3.5 million) and lower depreciation at Army Navy Building (\$0.6 million). The higher same-store depreciation and amortization is primarily due to amortization of leasing commissions and depreciation of the redevelopment work at Silverline Center.

Acquisition Costs: The acquisition costs in 2016 are related to the acquisition of Riverside Apartments during the 2016 Period. We capitalized the costs associated with the acquisition of Watergate 600 in the 2017 Period due to accounting for the transaction as an asset acquisition in accordance with the adoption of ASU No. 2017-01, *Business Combinations (Topic 805) - Clarifying the Definition of a Business*.

General and Administrative Expenses: Increase primarily due to a higher estimate of short-term incentive compensation (\$0.8 million).

Casualty gain: The casualty gain in the 2016 Period represents the gain recognized upon the receipt of insurance proceeds related to damage from a fire at Bethesda Hill Towers during the first quarter of 2015 that damaged four units.

Gain on sale of real estate: Decrease due to completion of the sales of Dulles Station II, 6110 Executive Boulevard, 51 Monroe Street, 600 Jefferson Plaza and West Gude during the 2016 Period.

Interest Expense: Interest expense by debt type for the six months ended June 30, 2017 and 2016 were as follows (in thousands):

Debt Type	Six Months Ended June 30,		\$ Change	% Change
	2017	2016		
Notes payable	\$ 18,596	\$ 16,582	\$ 2,014	12.1 %
Mortgage notes payable	2,488	9,209	(6,721)	(73.0)%
Lines of credit	2,819	2,677	142	5.3 %
Capitalized interest	(445)	(288)	(157)	54.5 %
Total	\$ 23,458	\$ 28,180	\$ (4,722)	(16.8)%

- *Notes payable*: Increase primarily due to executing the \$150.0 million term loan in 2016, which has a floating interest rate effectively fixed at 2.9% by interest rate swaps. We borrowed \$100.0 million on the term loan in the fourth quarter of 2016, and borrowed the remaining \$50.0 million during the first quarter of 2017.
- *Mortgage notes payable*: Decrease primarily due to the repayment of the mortgage notes secured by John Marshall II, 3801 Connecticut Avenue, Bethesda Hill Apartments, Walker House Apartments, 2445 M Street and the Army Navy Building in 2017 and 2016.
- *Lines of credit*: Increase primarily due to a weighted average interest rate of 1.9% during the 2017 Period, as compared to 1.5% during the 2016 Period.
- *Capitalized interest*: Increase primarily due to capitalization of interest on spending related to the Trove, the multifamily development adjacent to The Wellington.

Income tax benefit: The income tax benefit in the 2016 Period resulted from a reduction of the valuation allowance on a deferred tax asset at one of our taxable REIT subsidiaries due to a net operating loss as a result of the sale of Dulles Station II. We further reduced the valuation allowance in the 2017 Period due to an increase in anticipated income at the TRS. We have concluded that there is sufficient positive evidence as of June 30, 2017 that it is more likely than not that a portion of the deferred tax asset related to the net operating loss is realizable.

Liquidity and Capital Resources

Capital Requirements

As of the end of the second quarter of 2017, we summarize our full-year 2017 capital requirements as follows:

- Funding dividends and distributions to our shareholders;
- \$49.6 million to repay a secured note during the first quarter of 2017;
- Approximately \$80 - \$85 million to invest in our existing portfolio of operating assets, including approximately \$35 - \$40 million to fund tenant-related capital requirements and leasing commissions;
- Approximately \$30 - \$35 million to invest in our development and redevelopment projects; and
- Funding for potential property acquisitions during 2017, offset by proceeds from potential property dispositions.

Debt Financing

Our total debt at June 30, 2017 and December 31, 2016 was as follows (in thousands):

	June 30, 2017	December 31, 2016
Mortgage notes payable	\$ 93,410	\$ 144,485
Lines of credit	228,000	120,000
Notes payable	900,000	850,000
	1,221,410	1,114,485
Premiums and discounts, net	2,052	2,383
Debt issuance costs, net	(4,765)	(5,244)
Total	\$ 1,218,697	\$ 1,111,624

Mortgage Notes Payable

At June 30, 2017, our mortgage notes payable bore an effective weighted average fair value interest rate of 4.5% and had an estimated weighted average maturity of 3.9 years. We may either initiate secured mortgage debt or assume mortgage debt from time-to-time in conjunction with property acquisitions.

Our mortgage notes contain covenants with which we must comply. Failure to comply with any of the covenants under our mortgage 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 June 30, 2017, we were in compliance with our mortgage notes covenants.

Lines of Credit and Term Loan

Our primary source of liquidity is our Revolving Credit Facility, a \$600.0 million unsecured credit agreement that matures in June 2019, unless extended pursuant to one or both of the two six-month extension options. The Revolving Credit Facility has an accordion feature that allows us to increase the facility to \$1.0 billion, subject to the extent the lenders agree to provide additional revolving loan commitments or term loans. In September 2015, we entered into a \$150.0 million unsecured term loan by exercising a portion of the accordion feature under the Revolving Credit Facility (as discussed below). The \$600.0 million committed capacity of the unsecured line of credit under the Revolving Credit Facility was not changed as a result of the incurrence of the term loan. The Revolving Credit Facility bears interest at a rate of either one month LIBOR plus a margin ranging from 0.875% to 1.55% (depending on our credit rating) or the base rate plus a margin ranging from 0.0% to 0.55% (based upon our credit rating). The base rate is the highest of the administrative agent's prime rate, the federal funds rate plus 0.50% and the one month LIBOR market index rate plus 1.0%. In addition, the Revolving Credit Facility requires the payment of a facility fee ranging from 0.125% to 0.30% (depending on our credit rating) on the \$600.0 million committed capacity, without regard to usage. As of June 30, 2017, the interest rate on the facility is one month LIBOR plus 1.00% and the facility fee is 0.20%. We had \$228.0 million in borrowings outstanding as of June 30, 2017.

During the third quarter of 2015, we executed a \$150.0 million unsecured term loan by exercising a portion of the accordion feature under the Revolving Credit Facility. The term loan has a 5.5 year term scheduled to mature on March 15, 2021 and currently has an interest rate of one month LIBOR plus 110 basis points, based on our current unsecured debt ratings. We entered into two interest rate swap arrangements with a total notional amount of \$150.0 million to swap the floating interest rate under the term loan to an all-in fixed interest rate of 2.7% starting on October 15, 2015 and extending until the maturity of the term loan on March 15, 2021.

The Revolving Credit Facility contains financial and other covenants with which we must comply. Failure to comply with any of the covenants under the Revolving Credit Facility or other debt instruments could result in a default under one or more of our debt instruments. This could cause our lenders to accelerate the timing of payments and could therefore have a material adverse effect on our business, operations, financial condition and liquidity. In addition, our ability to draw on the Revolving Credit Facility or incur other unsecured debt in the future could be restricted by the loan covenants. As of June 30, 2017, we were in compliance with our loan covenants.

Notes Payable

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

During the third quarter of 2016, we entered into a seven year, \$150.0 million unsecured term loan (“2016 Term Loan”) maturing on July 21, 2023 with a deferred draw period of up to six months commencing on July 22, 2016. The 2016 Term Loan bears interest at a rate of either LIBOR plus a margin ranging from 1.50% to 2.45% or the base rate plus a margin ranging from 0.5% to 1.45% (in each case depending upon our credit rating). The base rate is the highest of the administrative agent’s prime rate, the federal funds rate plus 0.50% and one-month LIBOR plus 1.0%. The 2016 Term Loan currently has an interest rate of one month LIBOR plus 165 basis points, based on our current unsecured debt ratings. We borrowed \$100.0 million on the term loan in the fourth quarter of 2016, and borrowed the remaining \$50.0 million during the 2017 Quarter. We used the proceeds to refinance maturing secured debt. We also entered into forward interest rate swaps commencing on March 31, 2017 to effectively fix the interest rate on the 2016 Term Loan at 2.9% (see note 7 to the consolidated financial statements).

Our unsecured notes contain covenants with which we must comply. 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 June 30, 2017, we were in compliance with our unsecured notes covenants. In addition, our ability to draw on our Revolving Credit Facility or incur other unsecured debt in the future could be restricted by our unsecured note covenants.

From time to time, we may 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.

Common Equity

We have authorized for issuance 100.0 million common shares, of which 76.9 million shares were outstanding at June 30, 2017.

On June 23, 2015, we entered into four separate equity distribution agreements (collectively, the “Equity Distribution Agreements”) with each of Wells Fargo Securities, LLC, BNY Mellon Capital Markets, LLC, Citigroup Global Markets Inc. and RBC Capital Markets, LLC relating to the issuance of up to \$200.0 million of our common shares from time to time. Issuances of our common shares are made at market prices prevailing at the time of issuance. We may use net proceeds from the issuance of common shares under this program for general corporate purposes, including, without limitation, working capital, the acquisition, renovation, expansion, improvement, development or redevelopment of income producing properties or the repayment of debt. During the 2017 Period, we issued 2.1 million common shares under the Equity Distribution Agreements at an average price of \$31.44 per share, raising \$63.9 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. During the 2017 Period, we issued 56,269 common shares under this program at a weighted average price of \$32.03 per share, raising \$1.8 million in net proceeds.

Preferred Equity

Washington REIT’s board of trustees can, at its discretion, authorize the issuance of up to 10.0 million preferred shares. The ability to issue preferred equity provides Washington REIT an additional financing tool that may be used to raise capital for future acquisitions or other business purposes. As of June 30, 2017, no preferred shares had been issued.

Dividends

We currently declare dividends quarterly at a rate of \$0.30 per share. The maintenance of our dividend level is subject to various factors reviewed by the board of trustees in its discretion. These factors include our results of operations, the availability of cash and the REIT distribution requirements, which require at least 90% of our REIT taxable income to be distributed to shareholders on an annual basis. When setting the dividend level, our board of trustees looks in particular at trends in our level of funds from operations, together with associated recurring capital improvements, tenant improvements, leasing commissions and incentives, and adjustments to straight-line rents to reflect cash rents received.

Our dividend and distribution payments for the six months ended June 30, 2017 and 2016 are as follows (in thousands):

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2017	2016	\$	%	2017	2016	\$	%
Common dividends	\$ 23,152	\$ 22,147	\$ 1,005	4.5%	\$ 68,173	\$ 63,284	\$ 4,889	7.7 %
Distributions to noncontrolling interests	23	19	4	21.1%	59	110	(51)	(46.4)%
	<u>\$ 23,175</u>	<u>\$ 22,166</u>	<u>\$ 1,009</u>	<u>4.6%</u>	<u>\$ 68,232</u>	<u>\$ 63,394</u>	<u>\$ 4,838</u>	<u>7.6 %</u>

Dividends paid during the 2017 Quarter and 2017 Period increased primarily due to the issuance of 6.2 million common shares during 2016 and 2.1 million common shares during 2017.

Historical Cash Flows

Cash flows from operations are an important factor in our ability to sustain our dividend at its current rate. If our cash flows from operations were to decline significantly from current levels, we may have to reduce our dividend. Consolidated cash flow information is summarized as follows (in thousands):

	Six Months Ended June 30,		Change	
	2017	2016	\$	%
Net cash provided by operating activities	\$ 65,350	\$ 61,263	\$ 4,087	6.7 %
Net cash used in investing activities	(166,913)	(139,411)	(27,502)	(19.7)%
Net cash provided by financing activities	103,495	76,702	26,793	(34.9)%

Cash provided by operating activities increased primarily due to the the acquisitions of Riverside Apartments and Watergate 600 and lower interest payments, partially offset by sale of the 6110 Executive Boulevard, 51 Monroe Street, 600 Jefferson Plaza and West Gude.

Cash used in investing activities increased primarily due to proceeds from properties sold in the 2016 Period, partially offset by lower expenditures on acquisitions in the 2017 Period.

Cash provided by financing activities increased primarily due to paying off a larger volume of mortgage notes in the 2016 Period and drawing the remaining \$50.0 million on a term loan during the 2017 Period, partially offset by lower proceeds from equity issuances and lower net borrowing on our Revolving Credit Facility during the 2017 Period.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements as of June 30, 2017 that are reasonably likely to have a current or future material effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Funds From Operations

NAREIT FFO is a widely used measure of operating performance for real estate companies. We provide NAREIT FFO as a supplemental measure to net income calculated in accordance with GAAP. Although NAREIT FFO is a widely used measure of operating performance for REITs, NAREIT 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, NAREIT 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. In its April, 2002 White Paper, the National Association of Real Estate Investment Trusts, Inc. ("NAREIT") defines NAREIT FFO as net income (computed in accordance with GAAP) excluding gains (or losses) associated with sales of properties, impairments of depreciable real estate, and real estate depreciation and amortization. We consider NAREIT FFO to be a standard supplemental measure for REITs because it facilitates an understanding of the operating performance of our properties without giving effect to real estate depreciation and amortization, which historically assumes that the value of real estate assets diminishes predictably over time. Since real estate values have instead historically risen or fallen with market conditions, we believe that NAREIT FFO more accurately provides investors an indication of our ability to incur and service debt, make capital expenditures and fund other needs. Our NAREIT FFO may not be comparable to FFO reported by other REITs. These other REITs may not define the term in accordance with the current NAREIT definition or may interpret the current NAREIT definition differently.

The following table provides the calculation of our NAREIT FFO and a reconciliation of NAREIT FFO to net income for the three months ended June 30, 2017 and 2016 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income	\$ 7,847	\$ 31,821	\$ 14,462	\$ 34,200
Adjustments:				
Depreciation and amortization	29,261	25,161	55,330	51,199
Net gain on sale of depreciable real estate	—	(24,112)	—	(24,112)
NAREIT FFO	\$ 37,108	\$ 32,870	\$ 69,792	\$ 61,287

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. We discuss the most critical estimates in our Annual Report on Form 10-K for the year ended December 31, 2016 filed with the Securities and Exchange Commission on February 21, 2017.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

The table below presents principal, interest and related weighted average fair value interest rates by year of maturity, with respect to debt outstanding on June 30, 2017.

	2017	2018	2019	2020	2021	Thereafter	Total	Fair Value
(In thousands)								
Unsecured fixed rate debt ⁽¹⁾								
Principal	\$ —	\$ —	\$ —	\$ 250,000	\$ 150,000	\$ 500,000	\$ 900,000	\$ 925,915
Interest payments	\$ 18,112	\$ 36,224	\$ 36,224	\$ 36,224	\$ 20,786	\$ 42,204	\$ 189,774	
Interest rate on debt maturities	—%	—%	—%	5.1%	2.7%	4.0%	4.1%	
Unsecured variable rate debt								
Principal	\$ —	\$ —	\$ 228,000	\$ —	\$ —	\$ —	\$ 228,000	\$ 228,000
Variable interest rate on debt maturities	—%	—%	2.2%	—%	—%	—%	2.0%	
Mortgages								
Principal amortization ⁽²⁾ (30 year schedule)	\$ 1,496	\$ 3,135	\$ 33,909	\$ 2,659	\$ 2,829	\$ 49,382	\$ 93,410	\$ 100,130
Interest payments	\$ 2,616	\$ 5,089	\$ 3,627	\$ 3,046	\$ 2,876	\$ 727	\$ 17,981	
Weighted average interest rate on principal amortization	4.9%	4.9%	5.3%	4.7%	4.7%	3.9%	4.5%	

⁽¹⁾Includes two separate \$150.0 million term loans with a floating interest rates that are effectively fixed at 2.7% and 2.9% by interest rate swap arrangements.

⁽²⁾Excludes net discounts of \$3.8 million and net unamortized debt issuance costs of \$0.3 million at June 30, 2017.

On September 15, 2015, we entered into two interest rate swap arrangements with a total notional amount of \$150.0 million to swap the floating interest rate under our new \$150.0 million term loan to an all-in fixed interest rate of 2.7% starting on October 15, 2015 and extending until the maturity of the term loan on March 15, 2021. On July 22, 2016, we entered into two forward interest rate swap arrangements with a total notional amount of \$150.0 million to swap the floating interest rate under the 2016 Term Loan (see note 6 to the consolidated financial statements) to an all-in fixed interest rate of 2.9%, starting on March 31, 2017 and extending until the maturity of the 2016 Term Loan on July 21, 2023 (see note 7 to the consolidated financial statements).

We entered into the interest rate swap arrangements designated and qualifying as cash flow hedges to reduce our exposure to the variability in future cash flows attributable to changes in interest rates. Derivative instruments expose us to credit risk in the event of non-performance by the counterparty under the terms of the interest rate hedge agreement. We believe that we minimize our credit risk on these transactions by dealing with major, creditworthy financial institutions. As part of our ongoing control procedures, we monitor the credit ratings of counterparties and our exposure to any single entity, thus minimizing our credit risk concentration. The following table sets forth information pertaining to interest rate swap contracts in place as of June 30, 2017 and December 31, 2016 and their respective fair values (dollars in thousands):

Notional Amount	Fixed Rate	Floating Index Rate	Effective Date	Expiration Date	Fair Value as of:	
					June 30, 2017	December 31, 2016
\$ 75,000	1.6190%	One-Month LIBOR	10/15/2015	3/15/2021	\$ 303	\$ 224
75,000	1.6260%	One-Month LIBOR	10/15/2015	3/15/2021	275	193
100,000	1.2050%	One-Month LIBOR	3/31/2017	7/21/2023	4,168	4,775
50,000	1.2075%	One-Month LIBOR	3/31/2017	7/21/2023	2,111	2,419
\$ 300,000					\$ 6,857	\$ 7,611

We enter into debt obligations primarily to support general corporate purposes including acquisition of real estate properties, capital improvements and working capital needs.

As the majority of our outstanding debt is long-term, fixed rate debt, our interest rate risk has not changed significantly from what was disclosed in our Annual Report on Form 10-K for the year ended December 31, 2016 filed with the Securities and Exchange Commission on February 21, 2017. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Debt Financing.”

ITEM 4: CONTROLS AND PROCEDURES

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

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer and Controller, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer and Controller concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

There have been no changes in Washington REIT’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, Washington REIT’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

On April 4, 2017, our consolidated subsidiary, WashREIT Watergate 600 OP LP (“Watergate 600 OP”) issued a total of 12,124 Operating Partnership Units to the two contributors of the Watergate 600 property as part of the 2017 acquisition of that property. Under the Watergate 600 OP partnership agreement, each partnership unit held by the limited partners of Watergate 600 OP may be redeemed for either cash equal to the fair market value of a share of Washington REIT common stock at the time of redemption (based on a 20-day average price) or, at the option of Washington REIT, one share of Washington REIT common stock. The Operating Partnership Units were issued to the contributors of the Watergate 600 property and were issued in reliance upon an exemption from registration pursuant to Section 4(a)(2) under the Securities Act of 1933, as amended, which exempts transactions by an issuer not involving any public offering. This issuance was not a “public offering” because only two contributors were involved in the transaction, we did not engage in a general solicitation or advertising in connection with such issuance or transaction and we have not offered securities to the public in connection with such issuance and transaction.

ITEM 3: DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4: MINE SAFETY DISCLOSURES

None.

ITEM 5: OTHER INFORMATION

None.

ITEM 6: EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File Number	Exhibit	Filing Date	
3.1	Articles of Amendment to the Washington Real Estate Investment Trust Articles of Amendment and Restatement	8-K	001-06622	3.1	6/7/2017	
3.2	Amended and Restated Bylaws of Washington Real Estate Investment Trust, as adopted on February 8, 2017					X
10.1*	Change in control agreement dated July 21, 2017 with Taryn D. Fielder					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 Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act					X
31.3	Certification of the Chief Accounting Officer pursuant to Rule 13a-14(a) of the Exchange Act					X
32	Certification of the Chief Executive Officer, Chief Financial Officer and Chief Accounting 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 June 30, 2017 formatted in eXtensible Business Reporting Language (“XBRL”): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income (Loss), (iv) Consolidated Statement of Equity, (v) the Consolidated Statements of Cash Flows, and (vi) notes to these consolidated financial statements					X

* Management contracts or compensation plans or arrangements in which trustees or executive officers are eligible to participate.

SIGNATURES

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

WASHINGTON REAL ESTATE INVESTMENT TRUST

/s/ Paul T. McDermott

Paul T. McDermott
President and Chief Executive Officer

/s/ Stephen E. Riffie

Stephen E. Riffie
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

/s/ W. Drew Hammond

W. Drew Hammond
Vice President, Chief Accounting Officer and Controller
(Principal Accounting Officer)

DATE: July 31, 2017

**WASHINGTON REAL ESTATE INVESTMENT TRUST
AMENDED AND RESTATED BYLAWS, AS AMENDED**

ADOPTED MAY 17, 2011

ARTICLE I

OFFICES

Section 1. PRINCIPAL OFFICE. The principal office of the Trust in the State of Maryland shall be located at such place as the Board of Trustees may designate.

Section 2. ADDITIONAL OFFICES. The Trust may have additional offices, including a principal executive office, at such places as the Board of Trustees may from time to time determine or the business of the Trust may require.

ARTICLE II

MEETINGS OF SHAREHOLDERS

Section 1. PLACE. All meetings of shareholders shall be held at the principal executive office of the Trust or at such other place as shall be set in accordance with these Bylaws and stated in the notice of the meeting.

Section 2. ANNUAL MEETING. An annual meeting of shareholders for the election of Trustees and the transaction of any business within the powers of the Trust shall be held on the date and at the time and place set by the Board of Trustees.

Section 3. SPECIAL MEETINGS.

(a) General. Either the chairman of the board, the chief executive officer, the president or the Board of Trustees may call a special meeting of shareholders. Except as provided in subsection (b)(4) of this Section 3, a special meeting of shareholders shall be held on the date and at the time and place set by the chairman of the board, chief executive officer, president or Board of Trustees, whoever has called the meeting. Subject to subsection (b) of this Section 3, a special meeting of shareholders shall also be called by the secretary of the Trust to act on any matter that may properly be considered at a meeting of shareholders upon the written request of shareholders entitled to cast not less than a majority of all the votes entitled to be cast on such matter at such meeting.

(b) Shareholder-Requested Special Meetings. (1) Any shareholder of record seeking to have shareholders request a special meeting shall, by sending written notice to the secretary (the "**Record Date Request Notice**") by registered mail, return receipt requested, request the Board of Trustees to fix a record date to determine the shareholders entitled to request a special meeting (the "**Request Record Date**"). The Record Date Request Notice (A) shall set forth the purpose of the meeting and the matters proposed to be acted on at it, (B) shall be signed by one or more shareholders of record as of the date of signature (or their agents duly authorized in a writing accompanying the Record Date Request Notice), (C) shall bear the date of signature of each such shareholder (or such agent) and (D) shall set forth all information relating to (i) each such shareholder, (ii) each individual whom the shareholder proposes to nominate for election or reelection as a Trustee and (iii) each matter proposed to be acted on at the meeting, in each case that would be required to be disclosed in connection with the solicitation of proxies for the election of Trustees or the election of each such individual, as applicable, in an election contest (even if an election contest is not involved), or would otherwise be required in connection with such a solicitation, in each case pursuant to Regulation 14A (or any successor provision) under the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (the "**Exchange Act**"). Upon receiving the Record Date Request Notice, the Board of Trustees may fix a Request Record Date. The Request Record Date shall not precede, and shall not be more than ten days after, the close of business on the date on which the resolution fixing the Request Record Date is adopted by the Board of Trustees. If the Board of Trustees, within ten days after the date on which a valid Record Date Request Notice is received, fails to adopt a resolution fixing the Request Record Date, the Request

Record Date shall be the close of business on the tenth day after the first date on which a Record Date Request Notice is received by the secretary.

(2) In order for any shareholder to request a special meeting to act on any matter that may properly be considered at a meeting of shareholders, one or more written requests for a special meeting (collectively, the “**Special Meeting Request**”) signed by shareholders of record (or their agents duly authorized in a writing accompanying the request) as of the Request Record Date entitled to cast not less than a majority of all of the votes entitled to be cast on such matter at such meeting (the “**Special Meeting Percentage**”) shall be delivered to the secretary. In addition, the Special Meeting Request shall (a) set forth the purpose of the meeting and the matters proposed to be acted on at it (which shall be limited to those lawful matters set forth in the Record Date Request Notice received by the secretary), (b) bear the date of signature of each such shareholder (or such agent) signing the Special Meeting Request, (c) set forth (i) the name and address, as they appear in the Trust’s books, of each shareholder signing such request (or on whose behalf the Special Meeting Request is signed), (ii) the class, series and number of all shares of beneficial interest of the Trust which are owned beneficially or of record by each such shareholder, and (iii) the nominee holder for, and number of, shares of beneficial interest of the Trust owned beneficially but not of record by such shareholder, (d) be sent to the secretary by registered mail, return receipt requested, and (e) be received by the secretary within 60 days after the Request Record Date. Any requesting shareholder (or agent duly authorized in a writing accompanying the revocation of the Special Meeting Request) may revoke his, her or its request for a special meeting at any time by written revocation delivered to the secretary.

(3) The secretary shall inform the requesting shareholders of the reasonably estimated cost of preparing and mailing or delivering the notice of the meeting (including the Trust’s proxy materials). The secretary shall not be required to call a special meeting upon shareholder request and such meeting shall not be held unless, in addition to the documents required by paragraph (2) of this Section 3(b), the secretary receives payment of such reasonably estimated cost prior to the preparation and mailing or delivery of such notice of the meeting.

(4) In the case of any special meeting called by the secretary upon the request of shareholders (a “**Shareholder-Requested Meeting**”), such meeting shall be held at such place, date and time as may be designated by the Board of Trustees; provided, however, that the date of any Shareholder-Requested Meeting shall be not more than 90 days after the record date for such meeting (the “**Meeting Record Date**”); and provided further that if the Board of Trustees fails to designate, within ten days after the date that a valid Special Meeting Request is actually received by the secretary (subject to the penultimate sentence of Section 3(b)(6) below) (the “**Delivery Date**”), a date and time for a Shareholder-Requested Meeting, then such meeting shall be held at 2:00 p.m., local time, on the 90th day after the Meeting Record Date or, if such 90th day is not a Business Day (as defined below), on the first preceding Business Day; and provided further that in the event that the Board of Trustees fails to designate a place for a Shareholder-Requested Meeting within ten days after the Delivery Date, then such meeting shall be held at the principal executive office of the Trust. In fixing a date for a Shareholder-Requested Meeting, the Board of Trustees may consider such factors as it deems relevant, including, without limitation, the nature of the matters to be considered, the facts and circumstances surrounding any request for the meeting and any plan of the Board of Trustees to call an annual meeting or a special meeting. In the case of any Shareholder-Requested Meeting, if the Board of Trustees fails to fix a Meeting Record Date that is a date within 30 days after the Delivery Date, then the close of business on the 30th day after the Delivery Date shall be the Meeting Record Date. The Board of Trustees may revoke the notice for any Shareholder-Requested Meeting in the event that the requesting shareholders fail to comply with the provisions of paragraph (3) of this Section 3(b).

(5) If written revocations of the Special Meeting Request have been delivered to the secretary and the result is that shareholders of record (or their agents duly authorized in writing), as of the Request Record Date, entitled to cast less than the Special Meeting Percentage have delivered, and not revoked, requests for a special meeting on the matter to the secretary, then: (i) if the notice of meeting has not already been delivered, the secretary shall refrain from delivering the notice of the meeting and instead send to all requesting shareholders who have not revoked such requests written notice of any revocation of a request for a special meeting on the matter, or (ii) if the notice of meeting has been delivered, the secretary may send to all requesting shareholders who have not revoked requests for a special meeting on the matter written notice of any revocation of a request for the special meeting as well as either (x) written notice of the Trust’s intention to revoke the notice of the meeting, if such notice is sent at any time before ten days before the commencement of the meeting, or (y) written notice of the intent of the chairman of the meeting

to adjourn the meeting without action on the matter. If a notice is given pursuant to clause (ii) of the immediately preceding sentence, then in accordance with said clause (ii) either (A) the secretary may revoke the notice of the meeting at any time before ten days before the commencement of the meeting or (B) the chairman of the meeting may call the meeting to order and adjourn the meeting without acting on the matter. Any request for a special meeting received after a revocation by the secretary of a notice of a meeting shall be considered a request for a new special meeting.

(6) Either the chairman of the board, the chief executive officer, the president or the Board of Trustees may appoint regionally or nationally recognized independent inspectors of elections to act as the agent of the Trust for the purpose of promptly performing a ministerial review of the validity of any purported Special Meeting Request received by the secretary. For the purpose of permitting the inspectors to perform such review, no such purported Special Meeting Request shall be deemed to have been received by the secretary until the earlier of (i) five Business Days after actual receipt by the secretary of such purported request and (ii) such date as the independent inspectors certify to the Trust that the valid requests received by the secretary represent, as of the Request Record Date, shareholders of record entitled to cast not less than the Special Meeting Percentage. Nothing contained in this paragraph (6) shall in any way be construed to suggest or imply that the Trust or any shareholder shall not be entitled to contest the validity of any request, whether during or after such five Business Day period, or to take any other action (including, without limitation, the commencement, prosecution or defense of any litigation with respect thereto, and the seeking of injunctive relief in such litigation).

(7) For purposes of these Bylaws, “**Business Day**” shall mean any day other than a Saturday, a Sunday or a day on which banking institutions in the State of Maryland are authorized or obligated by law or executive order to close.

Section 4. **NOTICE.** Not less than ten nor more than 90 days before each meeting of shareholders, the secretary shall give to each shareholder entitled to vote at such meeting, as well as to each shareholder not entitled to vote who is entitled to notice of the meeting, notice in writing or by electronic transmission stating the time and place of the meeting and, in the case of a special meeting or as otherwise may be required by any statute, the purpose for which the meeting is called, by mail, by presenting it to such shareholder personally, by leaving it at the shareholder’s residence or usual place of business, by electronic transmission or by any other means permitted by Maryland law. If mailed, such notice shall be deemed to be given when deposited in the United States mail addressed to the shareholder at the shareholder’s address as it appears on the records of the Trust, with postage thereon prepaid. If transmitted electronically, such notice shall be deemed to be given when transmitted to the shareholder by an electronic transmission to any address or number of the shareholder at which the shareholder receives electronic transmissions. The Trust may give a single notice to all shareholders who share an address, which single notice shall be effective as to any shareholder at such address, unless such shareholder objects to receiving such single notice or revokes a prior consent to receiving such single notice. Failure to give notice of any meeting to one or more shareholders, or any irregularity in such notice, shall not affect the validity of any meeting fixed in accordance with this Article II or the validity of any proceedings at any such meeting.

Subject to Section 12(a) of this Article II, any business of the Trust may be transacted at an annual meeting of shareholders without being specifically designated in the notice, except such business as is required by any statute to be stated in such notice. No business shall be transacted at a special meeting of shareholders except as specifically designated in the notice. The Trust may postpone or cancel a meeting of shareholders by making a “**public announcement**” (as defined in Section 12(c)(3) of this Article II) of such postponement or cancellation prior to the meeting. Notice of the date, time and place to which the meeting is postponed shall be given not less than ten days prior to such date and otherwise in the manner set forth in this section.

Section 5. **ORGANIZATION AND CONDUCT.** Every meeting of shareholders shall be conducted by an individual appointed by the Board of Trustees to be chairman of the meeting or, in the absence of such appointment or appointed individual, by the chairman of the board or, in the case of a vacancy in the office or absence of the chairman of the board, by one of the following officers present at the meeting in the following order: the vice chairman of the board, if there is one, the chief executive officer, the president, the vice presidents in their order of rank and seniority, the secretary, or, in the absence of such officers, a chairman chosen by the shareholders by the vote of a majority of the votes cast by shareholders present in person or by proxy. The secretary, or, in the secretary’s absence, an assistant secretary, or, in the absence of both the secretary and assistant secretaries, an individual

appointed by the Board of Trustees, or, in the absence of such appointment, an individual appointed by the chairman of the meeting, shall act as secretary. In the event that the secretary presides at a meeting of shareholders, an assistant secretary, or, in the absence of all assistant secretaries, an individual appointed by the Board of Trustees or the chairman of the meeting, shall record the minutes of the meeting. The order of business and all other matters of procedure at any meeting of shareholders shall be determined by the chairman of the meeting. The chairman of the meeting may prescribe such rules, regulations and procedures and take such action as, in the discretion of the chairman and without any action by the shareholders, are appropriate for the proper conduct of the meeting, including, without limitation, (a) restricting admission to the time set for the commencement of the meeting; (b) limiting attendance at the meeting to shareholders of record of the Trust, their duly authorized proxies and such other individuals as the chairman of the meeting may determine; (c) limiting participation at the meeting on any matter to shareholders of record of the Trust entitled to vote on such matter, their duly authorized proxies and other such individuals as the chairman of the meeting may determine; (d) limiting the time allotted to questions or comments; (e) determining when and for how long the polls should be opened and when the polls should be closed; (f) maintaining order and security at the meeting; (g) removing any shareholder or any other individual who refuses to comply with the meeting procedures, rules or guidelines set forth by the chairman of the meeting; (h) concluding a meeting or recessing or adjourning the meeting to a later date and time and at a place announced at the meeting; and (i) complying with any state and local laws and regulations concerning safety and security. Unless otherwise determined by the chairman of the meeting, meetings of shareholders shall not be required to be held in accordance with the rules of parliamentary procedure.

Section 6. **QUORUM.** At any meeting of shareholders, the presence in person or by proxy of shareholders entitled to cast a majority of all the votes entitled to be cast at such meeting on any matter shall constitute a quorum; but this section shall not affect any requirement under any statute or the Declaration of Trust of the Trust (the “**Declaration of Trust**”) for the vote necessary for the approval of any matter. If such quorum is not established at any meeting of the shareholders, the chairman of the meeting may adjourn the meeting *sine die* or from time to time to a date not more than 120 days after the original record date without notice other than announcement at the meeting. At such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified.

The shareholders present either in person or by proxy, at a meeting which has been duly called and at which a quorum has been established, may continue to transact business until adjournment, notwithstanding the withdrawal from the meeting of enough shareholders to leave fewer than would be required to establish a quorum.

Section 7. **VOTING.** A nominee for Trustee shall be elected as a Trustee only if such nominee receives the affirmative vote of a majority of the total votes cast for and against such nominee at a meeting of shareholders duly called and at which a quorum is present. However, Trustees shall be elected by a plurality of votes cast at a meeting of shareholders duly called and at which a quorum is present for which (i) the secretary of the Trust receives notice that a shareholder has nominated an individual for election as a Trustee in compliance with the requirements of advance notice of shareholder nominees for Trustee set forth in Article II, Section 12 of these Bylaws, and (ii) such nomination has not been withdrawn by such shareholder on or before the close of business on the tenth day before the date of filing of the definitive proxy statement of the Trust with the Securities and Exchange Commission, and, as a result of which, the number of nominees is greater than the number of Trustees to be elected at the meeting. Each share may be voted for as many individuals as there are Trustees to be elected and for whose election the share is entitled to be voted. A majority of the votes cast at a meeting of shareholders duly called and at which a quorum is present shall be sufficient to approve any other matter which may properly come before the meeting, unless more than a majority of the votes cast is required by statute or by the Declaration of Trust. Unless otherwise provided by statute or by the Declaration of Trust, each outstanding share of beneficial interest, regardless of class, shall be entitled to one vote on each matter submitted to a vote at a meeting of shareholders. Voting on any question or in any election may be viva voce unless the chairman of the meeting shall order that voting be by ballot or otherwise.

Section 8. **PROXIES.** A holder of record of shares of beneficial interest of the Trust may cast votes in person or by proxy executed by the shareholder or by the shareholder’s duly authorized agent in any manner permitted by law. Such proxy (and, if requested by the secretary, evidence of authorization of such proxy) shall be filed with the secretary before or at the meeting. No proxy shall be valid more than eleven months after its date, unless otherwise provided in the proxy.

Section 9. VOTING OF SHARES BY CERTAIN HOLDERS. Shares of beneficial interest of the Trust registered in the name of a corporation, partnership, trust, limited liability company or other entity, if entitled to be voted, may be voted by the president or a vice president, general partner, trustee or managing member thereof, as the case may be, or a proxy appointed by any of the foregoing individuals, unless some other person who has been appointed to vote such shares pursuant to a bylaw or a resolution of the governing body of such corporation or other entity or agreement of the partners of a partnership presents a certified copy of such bylaw, resolution or agreement, in which case such person may vote such shares. Any trustee or fiduciary may vote shares of beneficial interest registered in the name of such person in the capacity of such trustee or fiduciary, either in person or by proxy.

Shares of beneficial interest of the Trust directly or indirectly owned by it shall not be voted at any meeting and shall not be counted in determining the total number of outstanding shares entitled to be voted at any given time, unless they are held by it in a fiduciary capacity, in which case they may be voted and shall be counted in determining the total number of outstanding shares at any given time.

The Board of Trustees may adopt by resolution a procedure by which a shareholder may certify in writing to the Trust that any shares of beneficial interest registered in the name of the shareholder are held for the account of a specified person other than the shareholder. The resolution shall set forth (i) the class of shareholders who may make the certification, (ii) the purpose for which the certification may be made, (iii) the form of certification, (iv) the information to be contained in it, (v) if the certification is with respect to a record date, the time after the record date within which the certification must be received by the Trust, and (vi) any other provisions with respect to the procedure which the Board of Trustees considers necessary or desirable. On receipt by the Trust of such certification, the person specified in the certification shall be regarded as, for the purposes set forth in the certification, the shareholder of record of the specified shares of beneficial interest in place of the shareholder who makes the certification.

Section 10. INSPECTORS. The Board of Trustees or the chairman of the meeting may appoint, before or at the meeting, one or more inspectors for the meeting and any successor to the inspector. Except as otherwise provided by the chairman of the meeting, the inspectors, if any, shall (i) determine the number of shares of beneficial interest represented at the meeting in person or by proxy and the validity and effect of proxies, (ii) receive and tabulate all votes, ballots or consents, (iii) report such tabulation to the chairman of the meeting, (iv) hear and determine all challenges and questions arising in connection with the right to vote, and (v) do such acts as are proper to fairly conduct the election or vote. Each such report shall be in writing and signed by the inspector or by a majority of them if there is more than one inspector acting at such meeting. If there is more than one inspector, the report of a majority shall be the report of the inspectors. The report of the inspector or inspectors on the number of shares represented at the meeting and the results of the voting shall be prima facie evidence thereof.

Section 11. REPORTS TO SHAREHOLDERS. The president or some other executive officer designated by the Board of Trustees shall prepare annually a full and correct statement of the affairs of the Trust, which shall include a balance sheet and a financial statement of operations for the preceding fiscal year. The statement of affairs shall be submitted at the annual meeting of the shareholders and, within 20 days after the annual meeting of shareholders, placed on file at the principal office of the Trust.

Section 12. ADVANCE NOTICE OF SHAREHOLDER NOMINEES FOR TRUSTEE AND OTHER SHAREHOLDER PROPOSALS

(a) Annual Meetings of Shareholders. (1) Nominations of individuals for election to the Board of Trustees and the proposal of other business to be considered by the shareholders may be made at an annual meeting of shareholders (i) pursuant to the Trust's notice of meeting, (ii) by or at the direction of the Board of Trustees or (iii) by any shareholder of the Trust who was a shareholder of record both at the time of giving of notice by the shareholder as provided for in paragraph (2) of this Section 12(a) and at the time of the annual meeting, who is entitled to vote at the meeting in the election of each individual so nominated by such shareholder or on such other business proposed by such shareholder (whichever or both is/are applicable) and who has complied with this Section 12(a).

(2) For any nomination or other business to be properly brought before an annual meeting by a shareholder pursuant to clause (iii) of paragraph (a)(1) of this Section 12, the shareholder must have given timely notice thereof in writing to the secretary of the Trust and any such other business must otherwise be a proper matter for action by the

shareholders. To be timely, a shareholder's notice shall set forth all information required under this Section 12 and shall be delivered to the secretary at the principal executive office of the Trust not earlier than the 150th day nor later than 5:00 p.m., Eastern Time, on the 120th day prior to the first anniversary of the date of the proxy statement (as defined in Section 12(c)(3) of this Article II) for the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced or delayed by more than 30 days from the first anniversary of the date of the preceding year's annual meeting, notice by the shareholder to be timely must be so delivered not earlier than the 150th day prior to the date of such annual meeting and not later than 5:00 p.m., Eastern Time, on the later of the 120th day prior to the date of such annual meeting, as originally convened, or the tenth day following the day on which public announcement of the date of such meeting is first made. The public announcement of a postponement or adjournment of an annual meeting shall not commence a new time period for the giving of a shareholder's notice as described above.

(3) Such shareholder's notice shall set forth:

(i) as to each individual whom the shareholder proposes to nominate for election or reelection as a Trustee (each, a **Proposed Nominee**"), all information relating to the Proposed Nominee that would be required to be disclosed in connection with the solicitation of proxies for the election of the Proposed Nominee as a Trustee in an election contest (even if an election contest is not involved), or would otherwise be required in connection with such solicitation, in each case pursuant to Regulation 14A (or any successor provision) under the Exchange Act;

(ii) as to any other business that the shareholder proposes to bring before the meeting, a description of such business, the shareholder's reasons for proposing such business at the meeting and any material interest in such business of such shareholder and any Shareholder Associated Person (as defined below), individually or in the aggregate, including any anticipated benefit to the shareholder or the Shareholder Associated Person therefrom;

(iii) as to the shareholder giving the notice, any Proposed Nominee and any Shareholder Associated Person,

(A) the class, series and number of all shares of beneficial interest or other securities of the Trust or any affiliate thereof (collectively, the **Company Securities**"), if any, which are owned (beneficially or of record) by such shareholder, Proposed Nominee or Shareholder Associated Person, the date on which each such Company Security was acquired and the investment intent of such acquisition, and any short interest (including any opportunity to profit or share in any benefit from any decrease in the price of such stock or other security) in any Company Securities of any such person;

(B) the nominee holder for, and number of, any Company Securities owned beneficially but not of record by such shareholder, Proposed Nominee or Shareholder Associated Person;

(C) whether and the extent to which such shareholder, Proposed Nominee or Shareholder Associated Person, directly or indirectly (through brokers, nominees or otherwise), is subject to or during the last six months has engaged in any hedging, derivative or other transaction or series of transactions or entered into any other agreement, arrangement or understanding (including any short interest, any borrowing or lending of securities or any proxy or voting agreement), the effect or intent of which is to (I) manage risk or benefit of changes in the price of Company Securities for such shareholder, Proposed Nominee or Shareholder Associated Person or (II) increase or decrease the voting power of such shareholder, Proposed Nominee or Shareholder Associated Person in the Trust or any affiliate thereof disproportionately to such person's economic interest in the Company Securities; and

(D) any substantial interest, direct or indirect (including, without limitation, any existing or prospective commercial, business or contractual relationship with the Trust), by security holdings or otherwise, of such shareholder, Proposed Nominee or Shareholder Associated Person, in the Trust or any affiliate thereof, other than an interest arising from the ownership of Company Securities where such shareholder, Proposed Nominee or Shareholder Associated Person receives no extra or special benefit not shared on a *pro rata* basis by all other holders of the same class or series;

(iv) as to the shareholder giving the notice, any Shareholder Associated Person with an interest or ownership referred to in clauses (ii) or (iii) of this paragraph (3) of this Section 12(a) and any Proposed Nominee,

(A) the name and address of such shareholder, as they appear on the Trust's share ledger, and the current name and business address, if different, of each such Shareholder Associated Person and any Proposed Nominee, and

(B) the investment strategy or objective, if any, of such shareholder and each such Shareholder Associated Person who is not an individual and a copy of the prospectus, offering memorandum or similar document, if any, provided to investors or potential investors in such shareholder and each such Shareholder Associated Person;

(v) the name and address of any person who contacted or was contacted by the shareholder giving the notice or any Shareholder Associated Person about the Proposed Nominee or other business proposal prior to the date of such shareholder's notice; and

(vi) to the extent known by the shareholder giving the notice, the name and address of any other shareholder supporting the Proposed Nominee or the proposal of other business on the date of such shareholder's notice.

(4) Such shareholder's notice shall, with respect to any Proposed Nominee, be accompanied by a certificate executed by the Proposed Nominee (i) certifying that such Proposed Nominee (a) is not, and will not become, a party to any agreement, arrangement or understanding with any person or entity other than the Trust in connection with service or action as a Trustee that has not been disclosed to the Trust and (b) will serve as a Trustee of the Trust if elected; and (ii) attaching a completed Proposed Nominee questionnaire (which questionnaire shall be provided by the Trust, upon request, to the shareholder providing the notice and shall include all information relating to the Proposed Nominee that would be required to be disclosed in connection with the solicitation of proxies for the election of the Proposed Nominee as a Trustee in an election contest (even if an election contest is not involved), or would otherwise be required in connection with such solicitation in each case pursuant to Regulation 14A (or any successor provision) under the Exchange Act and the rules thereunder, or would be required pursuant to the rules of any national securities exchange or over-the-counter market).

(5) Notwithstanding anything in this subsection (a) of this Section 12 to the contrary, in the event that the number of Trustees to be elected to the Board of Trustees is increased, and there is no public announcement of such action at least 130 days prior to the first anniversary of the date of the proxy statement (as defined in Section 12(c)(3) of this Article II) for the preceding year's annual meeting, a shareholder's notice required by this Section 12(a) shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the secretary at the principal executive office of the Trust not later than 5:00 p.m., Eastern Time, on the tenth day following the day on which such public announcement is first made by the Trust.

(6) For purposes of this Section 12, "**Shareholder Associated Person**" of any shareholder shall mean (i) any person acting in concert with such shareholder, (ii) any beneficial owner of shares of beneficial interest of the Trust owned of record or beneficially by such shareholder (other than a shareholder that is a depository) and (iii) any person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such shareholder or Shareholder Associated Person.

(b) Special Meetings of Shareholders. Only such business shall be conducted at a special meeting of shareholders as shall have been brought before the meeting pursuant to the Trust's notice of meeting. Nominations of individuals for election to the Board of Trustees may be made at a special meeting of shareholders at which Trustees are to be elected only (i) by or at the direction of the Board of Trustees, (ii) by a shareholder that has requested that a special meeting be called for the purpose of electing Trustees in compliance with Section 3 of this Article II and that has supplied the information required by Section 3 of this Article II about each individual whom the shareholder proposes to nominate for election as a Trustee or (iii) provided that the special meeting has been called in accordance with Section 3 of this Article II for the purpose of electing Trustees, by any shareholder of the Trust who is a shareholder of record both at the time of giving of notice provided for in this Section 12 and at the time of the special meeting, who is entitled to vote at the meeting in the election of each individual so nominated by such shareholder and who has complied with the notice procedures set forth in this Section 12. In the event the Trust calls a special meeting of shareholders for the purpose of electing one or more individuals to the Board of Trustees, any shareholder may nominate an individual or individuals (as the case may be) for election as a Trustee as specified in the Trust's notice of meeting if the shareholder's notice, containing the information required by paragraph (a)(3) of this Section 12, is delivered to the secretary at the principal executive office of the Trust not earlier than the 120th day prior to such special meeting and not later than 5:00 p.m., Eastern Time, on the later of the 90th day prior to such

special meeting or the tenth day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Trustees to be elected at such meeting. The public announcement of a postponement or adjournment of a special meeting shall not commence a new time period for the giving of a shareholder's notice as described above.

(c) General. (1) If information submitted pursuant to this Section 12 by any shareholder proposing a nominee for election as a Trustee or any proposal for other business at a meeting of shareholders shall be inaccurate in any material respect, such information may be deemed not to have been provided in accordance with this Section 12. Any such submitting shareholder shall notify the Trust of any inaccuracy or change (within two Business Days of becoming aware of such inaccuracy or change) in any such information. Upon written request by the secretary or the Board of Trustees, any such shareholder shall provide, within five Business Days of delivery of such request (or such other period as may be specified in such request), (A) written verification, satisfactory, in the discretion of the Board of Trustees or any authorized officer of the Trust, to demonstrate the accuracy of any information submitted by the shareholder pursuant to this Section 12 and (B) a written update of any information (including, if requested by the Trust, written confirmation by such shareholder that it continues to intend to bring such nomination or other business proposal before the meeting) submitted by the shareholder pursuant to this Section 12 as of an earlier date. If a shareholder fails to provide such written verification or written update within such period, the information as to which written verification or a written update was requested may be deemed not to have been provided in accordance with this Section 12.

(2) Only such individuals who are nominated in accordance with this Section 12 shall be eligible for election by shareholders as Trustees, and only such business shall be conducted at a meeting of shareholders as shall have been brought before the meeting in accordance with this Section 12. The chairman of the meeting shall have the power to determine whether a nomination or any other business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with this Section 12.

(3) For purposes of this Section 12, **'the date of the proxy statement'** shall have the same meaning as "the date of the company's proxy statement released to shareholders" as used in Rule 14a-8(c) promulgated under the Exchange Act, as interpreted by the Securities and Exchange Commission from time to time. **"Public announcement"** shall mean disclosure (A) in a press release reported by the Dow Jones News Service, Associated Press, Business Wire, PR Newswire or other widely circulated news or wire service or (B) in a document publicly filed by the Trust with the Securities and Exchange Commission pursuant to the Exchange Act.

(4) Notwithstanding the foregoing provisions of this Section 12, a shareholder shall also comply with all applicable requirements of state law and of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 12. Nothing in this Section 12 shall be deemed to affect any right of a shareholder to request inclusion of a proposal in, or the right of the Trust to omit a proposal from, the Trust's proxy statement pursuant to Rule 14a-8 (or any successor provision) under the Exchange Act. Nothing in this Section 12 shall require disclosure of revocable proxies received by the shareholder or Shareholder Associated Person pursuant to a solicitation of proxies after the filing of an effective Schedule 14A by such shareholder or Shareholder Associated Person under Section 14(a) of the Exchange Act.

Section 13. CONTROL SHARE ACQUISITION ACT. Notwithstanding any other provision of the Declaration of Trust or these Bylaws, Title 3, Subtitle 7 of the Maryland General Corporation Law (the "**MGCL**") (or any successor statute) shall not apply to any acquisition by any person of shares of beneficial interest of the Trust. This section may be repealed, in whole or in part, at any time, whether before or after an acquisition of control shares and, upon such repeal, may, to the extent provided by any successor bylaw, apply to any prior or subsequent control share acquisition.

Section 14. SHAREHOLDERS' CONSENT IN LIEU OF MEETING. Any action required or permitted to be taken at any meeting of shareholders may be taken without a meeting (a) if a unanimous consent setting forth the action is given in writing or by electronic transmission by each shareholder entitled to vote on the matter and filed with the minutes of proceedings of the shareholders or (b) if the action is advised, and submitted to the shareholders for approval, by the Board of Trustees and a consent in writing or by electronic transmission of shareholders entitled to cast not less than the minimum number of votes that would be necessary to authorize or take the action at a meeting

of shareholders is delivered to the Trust in accordance with the Maryland REIT Law (the "MRL"). The Trust shall give notice of any action taken by less than unanimous consent to each shareholder not later than ten days after the effective time of such action.

ARTICLE III

TRUSTEES

Section 1. GENERAL POWERS. The business and affairs of the Trust shall be managed under the direction of its Board of Trustees.

Section 2. NUMBER, TENURE, QUALIFICATIONS AND RESIGNATION. At any regular meeting or at any special meeting called for that purpose, a majority of the entire Board of Trustees may establish, increase or decrease the number of Trustees, provided that the number thereof shall never be less than the minimum number required by the MRL, nor more than 11, and further provided that the tenure of office of a Trustee shall not be affected by any decrease in the number of Trustees. The Trustees shall be individuals of full age and not under any legal disability. No individual shall be nominated for election as a Trustee or elected to fill a vacancy on the Board of Trustees after such individual's 72nd birthday unless the Board of Trustees shall have made a determination that it is in the best interests of the Trust for such person to be nominated for election as a Trustee or elected to fill such vacancy. In case of failure to elect Trustees at the designated time, the Trustees holding over shall continue to serve as Trustees until their successors are elected and qualify. Any Trustee of the Trust may resign at any time by delivering his or her resignation to the Board of Trustees, the chairman of the board or the secretary. Any resignation shall take effect immediately upon its receipt or at such later time specified in the resignation. The acceptance of a resignation shall not be necessary to make it effective unless otherwise stated in the resignation. In order to communicate to the Trust notice of a decision to resign, retire or refuse to stand for re-election as a Trustee, the Trustee desiring to make such communication shall do so by written notice to the secretary.

Section 3. ANNUAL AND REGULAR MEETINGS. An annual meeting of the Board of Trustees shall be held immediately after and at the same place as the annual meeting of shareholders, no notice other than this Bylaw being necessary. In the event such meeting is not so held, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the Board of Trustees. The Board of Trustees may provide, by resolution, the time and place for the holding of regular meetings of the Board of Trustees without other notice than such resolution.

Section 4. SPECIAL MEETINGS. Special meetings of the Board of Trustees may be called by or at the request of the chairman of the board, the chief executive officer, the president or a majority of the Trustees then in office. The person or persons authorized to call special meetings of the Board of Trustees may fix any place as the place for holding any special meeting of the Board of Trustees called by them. The Board of Trustees may provide, by resolution, the time and place for the holding of special meetings of the Board of Trustees without other notice than such resolution.

Section 5. NOTICE. Notice of any special meeting of the Board of Trustees shall be delivered personally or by telephone, electronic mail, facsimile transmission, courier or United States mail to each Trustee at his or her business or residence address. Notice by personal delivery, telephone, electronic mail or facsimile transmission shall be given at least 24 hours prior to the meeting. Notice by courier shall be given at least two days prior to the meeting. Notice by United States mail shall be given at least three days prior to the meeting. Telephone notice shall be deemed to be given when the Trustee or his or her agent is personally given such notice in a telephone call to which the Trustee or his or her agent is a party. Electronic mail notice shall be deemed to be given upon transmission of the message to the electronic mail address given to the Trust by the Trustee. Facsimile transmission notice shall be deemed to be given upon completion of the transmission of the message to the number given to the Trust by the Trustee and receipt of a completed answer-back indicating receipt. Notice by courier shall be deemed to be given when deposited with or delivered to a courier properly addressed. Notice by United States mail shall be deemed to be given when deposited in the United States mail properly addressed, with postage thereon prepaid. Neither the business to be transacted at, nor the purpose of, any annual, regular or special meeting of the Board of Trustees need be stated in the notice, unless specifically required by statute or these Bylaws.

Section 6. QUORUM. A majority of the Trustees shall constitute a quorum for transaction of business at any meeting of the Board of Trustees, provided that, if less than a majority of such Trustees is present at such meeting, a majority of the Trustees present may adjourn the meeting from time to time without further notice, and provided further that if, pursuant to applicable law, the Declaration of Trust or these Bylaws, the vote of a majority or other percentage of a particular group of Trustees is required for action, a quorum must also include a majority or such other percentage of such group.

The Trustees present at a meeting which has been duly called and at which a quorum has been established may continue to transact business until adjournment, notwithstanding the withdrawal from the meeting of enough Trustees to leave fewer than required to establish a quorum.

Section 7. VOTING. The action of a majority of the Trustees present at a meeting at which a quorum is present shall be the action of the Board of Trustees, unless the concurrence of a greater proportion is required for such action by applicable law, the Declaration of Trust or these Bylaws. If enough Trustees have withdrawn from a meeting to leave fewer than required to establish a quorum, but the meeting is not adjourned, the action of the majority of that number of Trustees necessary to constitute a quorum at such meeting shall be the action of the Board of Trustees, unless the concurrence of a greater proportion is required for such action by applicable law, the Declaration of Trust or these Bylaws.

Section 8. ORGANIZATION. At each meeting of the Board of Trustees, the chairman of the board or, in the absence of the chairman, the vice chairman of the board, if any, shall act as chairman of the meeting. In the absence of both the chairman and vice chairman of the board, the chief executive officer or, in the absence of the chief executive officer, the president, or, in the absence of the president, a Trustee chosen by a majority of the Trustees present, shall act as chairman of the meeting. The secretary or, in his or her absence, an assistant secretary of the Trust or, in the absence of the secretary and all assistant secretaries, an individual appointed by the chairman of the meeting, shall act as secretary of the meeting.

Section 9. TELEPHONE MEETINGS. Trustees may participate in a meeting by means of a conference telephone or other communications equipment if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means shall constitute presence in person at the meeting.

Section 10. CONSENT BY TRUSTEES WITHOUT A MEETING. Any action required or permitted to be taken at any meeting of the Board of Trustees may be taken without a meeting, if a consent in writing or by electronic transmission to such action is given by a majority of the Trustees and is filed with the minutes of proceedings of the Board of Trustees; provided, however, that if the concurrence of a greater proportion is required for such action by applicable law, the Declaration of Trust or these Bylaws, any such consent must be given by such proportion of the Board of Trustees.

Section 11. VACANCIES. If for any reason any or all the Trustees cease to be Trustees, such event shall not terminate the Trust or affect these Bylaws or the powers of the remaining Trustees hereunder. Except as may be provided by the Board of Trustees in setting the terms of any class or series of preferred shares of beneficial interest, any vacancy on the Board of Trustees may be filled by a majority of the remaining Trustees, even if the remaining Trustees do not constitute a quorum, unless the vacancy occurring through removal has already been filled by the shareholders acting pursuant to the provisions of Section 8.2 of the Declaration of Trust. Any Trustee elected to fill a vacancy shall serve for the remainder of the full term of the class in which the vacancy occurred and until a successor is elected and qualifies.

Section 12. COMPENSATION. Trustees shall not receive any stated salary for their services as Trustees but, by resolution of the Trustees, may receive compensation per year and/or per meeting and/or per visit to real property or other facilities owned or leased by the Trust and for any service or activity they performed or engaged in as Trustees. Trustees may be reimbursed for expenses of attendance, if any, at each annual, regular or special meeting of the Board of Trustees or of any committee thereof and for their expenses, if any, in connection with each property visit and any other service or activity they perform or engage in as Trustees; but nothing herein contained shall be construed to preclude any Trustees from serving the Trust in any other capacity and receiving compensation therefor.

Section 13. RELIANCE. Each Trustee and officer of the Trust shall, in the performance of his or her duties with respect to the Trust, be entitled to rely on any information, opinion, report or statement, including any financial statement or other financial data, prepared or presented (a) by an officer or employee of the Trust whom the Trustee or officer reasonably believes to be reliable and competent in the matters presented, (b) by a lawyer, certified public accountant or other person, as to any matter which the Trustee or officer reasonably believes to be within the person's professional or expert competence, or (c) with respect to a Trustee, by a committee of the Board of Trustees on which the Trustee does not serve, as to any matter within its designated authority, if the Trustee reasonably believes the committee to merit confidence.

Section 14. RATIFICATION. The Board of Trustees or the shareholders may ratify and make binding on the Trust any action or inaction by the Trust or its officers to the extent that the Board of Trustees or the shareholders could have originally authorized the matter. Moreover, any action or inaction questioned in any shareholders' derivative proceeding or any other proceeding on the ground of lack of authority, defective or irregular execution, adverse interest of a Trustee, officer or shareholder, non-disclosure, miscomputation, the application of improper principles or practices of accounting or otherwise, may be ratified, before or after judgment, by the Board of Trustees or by the shareholders, and if so ratified, shall have the same force and effect as if the questioned action or inaction had been originally duly authorized, and such ratification shall be binding upon the Trust and its shareholders and shall constitute a bar to any claim or execution of any judgment in respect of such questioned action or inaction.

Section 15. CERTAIN RIGHTS OF TRUSTEES. A Trustee who is not also an officer of the Trust shall have no responsibility to devote his or her full time to the affairs of the Trust. Any Trustee or officer, in his or her personal capacity or in a capacity as an affiliate, employee, or agent of any other person, or otherwise, may have business interests and engage in business activities similar to, in addition to or in competition with those of or relating to the Trust.

ARTICLE IV

COMMITTEES

Section 1. NUMBER, TENURE AND QUALIFICATIONS. The Board of Trustees may appoint from among its members an Executive Committee, an Audit Committee, a Compensation Committee, a Corporate Governance and Nominating Committee, a Finance Committee and one or more other committees, composed of one or more Trustees, to serve at the pleasure of the Board of Trustees.

Section 2. POWERS. The Board of Trustees may delegate to committees appointed under Section 1 of this Article any of the powers of the Board of Trustees.

Section 3. MEETINGS. Notice of committee meetings shall be given in the same manner as notice for special meetings of the Board of Trustees. A majority of the members of the committee shall constitute a quorum for the transaction of business at any meeting of the committee. The act of a majority of the committee members present at a meeting shall be the act of such committee. The Board of Trustees may designate a chairman of any committee, and such chairman, or, in the absence of a chairman, any two members of any committee (if there are at least two members of the committee), may fix the time and place of its meeting unless the Board of Trustees shall otherwise provide. If any member of any such committee is absent from a meeting of such committee, the members thereof present, whether or not they constitute a quorum, may appoint another Trustee to act in the place of such absent member.

Section 4. TELEPHONE MEETINGS. Members of a committee of the Board of Trustees may participate in a meeting by means of a conference telephone or other communications equipment if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means shall constitute presence in person at the meeting.

Section 5. CONSENT BY COMMITTEES WITHOUT A MEETING. Any action required or permitted to be taken at any meeting of a committee of the Board of Trustees may be taken without a meeting if a consent in writing or by electronic transmission to such action is given by each member of the committee and is filed with the minutes of

proceedings of such committee. Notwithstanding the foregoing, the Finance Committee may act without a meeting if a consent in writing or by electronic transmission to such action is given by a majority of the members of such committee and is filed with the minutes of proceedings of such committee.

Section 6. VACANCIES. Subject to the provisions hereof, the Board of Trustees shall have the power at any time to change the membership of any committee, to fill any vacancy, to designate an alternate member to replace any absent or disqualified member or to dissolve any such committee.

ARTICLE V

OFFICERS

Section 1. GENERAL PROVISIONS. The officers of the Trust shall include a president, a secretary and a treasurer and may include a chairman of the board, a vice chairman of the board, a chief executive officer, one or more vice presidents, a chief operating officer, a chief financial officer, one or more assistant secretaries and one or more assistant treasurers. In addition, the Board of Trustees may from time to time elect such other officers with such powers and duties as it shall deem necessary or desirable. The officers of the Trust shall be elected annually by the Board of Trustees, except that the chief executive officer may from time to time appoint one or more vice presidents (other than vice presidents designated as executive vice president or senior vice president), managing directors, assistant secretaries, assistant treasurers and/or other officers. Each officer shall serve until his or her successor is elected and qualifies or until his or her death, or his or her resignation or removal in the manner hereinafter provided. Any two or more offices except president and vice president may be held by the same person. Election of an officer or agent shall not of itself create contract rights between the Trust and such officer or agent.

Section 2. REMOVAL AND RESIGNATION. Any officer or agent of the Trust may be removed, with or without cause, by the Board of Trustees if in its judgment the best interests of the Trust would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Any officer of the Trust may resign at any time by delivering his or her resignation to the Board of Trustees, the chairman of the board, the chief executive officer, the president or the secretary. Any resignation shall take effect immediately upon its receipt or at such later time specified in the resignation. The acceptance of a resignation shall not be necessary to make it effective unless otherwise stated in the resignation. Such resignation shall be without prejudice to the contract rights, if any, of the Trust.

Section 3. VACANCIES. A vacancy in any office may be filled by the Board of Trustees for the balance of the term.

Section 4. CHIEF EXECUTIVE OFFICER. The Board of Trustees may designate a chief executive officer. The chief executive officer shall have general responsibility for implementation of the policies of the Trust, as determined by the Board of Trustees, and for the management of the business and affairs of the Trust. He or she may execute any deed, mortgage, bond, contract or other instrument, except in cases where the execution thereof shall be expressly delegated by the Board of Trustees or by these Bylaws to some other officer or agent of the Trust or shall be required by law to be otherwise executed; and in general shall perform all duties incident to the office of chief executive officer and such other duties as may be prescribed by the Board of Trustees from time to time.

Section 5. CHIEF OPERATING OFFICER. The Board of Trustees may designate a chief operating officer. The chief operating officer shall have the responsibilities and duties as determined by the Board of Trustees or the chief executive officer.

Section 6. CHIEF FINANCIAL OFFICER. The Board of Trustees may designate a chief financial officer. The chief financial officer shall have the responsibilities and duties as determined by the Board of Trustees or the chief executive officer.

Section 7. CHIEF ACCOUNTING OFFICER. The Board of Trustees may designate a chief accounting officer. The chief accounting officer shall have the responsibilities and duties as determined by the Board of Trustees or the chief executive officer.

Section 8. CHAIRMAN OF THE BOARD. The Board of Trustees may designate from among its members a chairman of the board, who shall not, solely by reason of these Bylaws, be an officer of the Trust. The Board of Trustees may designate the chairman of the board as an executive or non-executive chairman. The chairman of the board shall preside over the meetings of the Board of Trustees and, pursuant to Section 5 of Article II of these Bylaws, over the meetings of shareholders at which he or she shall be present. The chairman of the board shall perform such other duties as may be assigned to him or her by the Board of Trustees.

Section 9. PRESIDENT. In the absence of a chief executive officer, the president shall in general supervise and control all of the business and affairs of the Trust. In the absence of a designation of a chief operating officer by the Board of Trustees, the president shall be the chief operating officer. He or she may execute any deed, mortgage, bond, contract or other instrument, except in cases where the execution thereof shall be expressly delegated by the Board of Trustees or by these Bylaws to some other officer or agent of the Trust or shall be required by law to be otherwise executed; and in general shall perform all duties incident to the office of president and such other duties as may be prescribed by the Board of Trustees from time to time.

Section 10. VICE PRESIDENTS. In the absence of the president or in the event of a vacancy in such office, the vice president (or in the event there be more than one vice president, the vice presidents in the order designated at the time of their election or, in the absence of any designation, then in the order of their election) shall perform the duties of the president and when so acting shall have all the powers of and be subject to all the restrictions upon the president; and shall perform such other duties as from time to time may be assigned to such vice president by the chief executive officer, the president or the Board of Trustees. The Board of Trustees may designate one or more vice presidents as executive vice president, senior vice president, or vice president for particular areas of responsibility.

Section 11. MANAGING DIRECTOR. The Board of Trustees may elect one or more managing directors. The managing director (or in the event there be more than one managing director, the managing directors) shall perform such duties as from time to time may be assigned to such managing director by the chief executive officer, the president or the Board of Trustees. The Board of Trustees may designate one or more managing directors as managing directors for particular areas of responsibility.

Section 12. SECRETARY. The secretary shall (a) keep the minutes of the proceedings of the shareholders, the Board of Trustees and committees of the Board of Trustees in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (c) be custodian of the trust records and of the seal of the Trust; (d) keep a register of the post office address of each shareholder which shall be furnished to the secretary by such shareholder; (e) have general charge of the share transfer books of the Trust; and (f) in general perform such other duties as from time to time may be assigned to him or her by the chief executive officer, the president or the Board of Trustees.

Section 13. TREASURER. The treasurer shall have the custody of the funds and securities of the Trust, shall keep full and accurate accounts of receipts and disbursements in books belonging to the Trust, shall deposit all moneys and other valuable effects in the name and to the credit of the Trust in such depositories as may be designated by the Board of Trustees and in general perform such other duties as from time to time may be assigned to him or her by the chief executive officer, the president or the Board of Trustees. In the absence of a designation of a chief financial officer by the Board of Trustees, the treasurer shall be the chief financial officer of the Trust.

The treasurer shall disburse the funds of the Trust as may be ordered by the Board of Trustees, taking proper vouchers for such disbursements, and shall render to the president and Board of Trustees, at the regular meetings of the Board of Trustees or whenever it may so require, an account of all his or her transactions as treasurer and of the financial condition of the Trust.

Section 14. ASSISTANT SECRETARIES AND ASSISTANT TREASURERS. The assistant secretaries and assistant treasurers, in general, shall perform such duties as shall be assigned to them by the secretary or treasurer, respectively, or by the chief executive officer, the president or the Board of Trustees.

Section 15. COMPENSATION. The compensation of the officers shall be fixed from time to time by or under the authority of the Board of Trustees and no officer shall be prevented from receiving such compensation by reason of the fact that he or she is also a Trustee.

ARTICLE VI

CONTRACTS, CHECKS AND DEPOSITS

Section 1. CONTRACTS. The Board of Trustees may authorize any officer or agent to enter into any contract or to execute and deliver any instrument in the name of and on behalf of the Trust and such authority may be general or confined to specific instances. Any agreement, deed, mortgage, lease or other document shall be valid and binding upon the Trust when duly authorized or ratified by action of the Board of Trustees and executed by an authorized person. Notwithstanding the foregoing, the Chief Executive Officer or the President may, or upon his written authorization may authorize any other officer of the Trust to, enter into, execute and deliver any agreement, contract or other document, in the name and on behalf of the Trust, as may be necessary or appropriate to enable the Trust to carry on its ordinary course of business, including, without limitation, lease agreements, easements and vendor, supplier and other commercial contracts.

Section 2. CHECKS AND DRAFTS. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Trust shall be signed by such officer or agent of the Trust in such manner as shall from time to time be determined by the Board of Trustees.

Section 3. DEPOSITS. All funds of the Trust not otherwise employed shall be deposited or invested from time to time to the credit of the Trust as the Board of Trustees, the chief executive officer, the president, the chief financial officer, the chief accounting officer or any other officer designated by the Board of Trustees may determine.

ARTICLE VII

SHARES

Section 1. CERTIFICATES. Except as may be otherwise provided by the Board of Trustees, shareholders of the Trust are not entitled to certificates representing the shares of beneficial interest held by them. In the event that the Trust issues shares of beneficial interest represented by certificates, such certificates shall be in such form as prescribed by the Board of Trustees or a duly authorized officer, shall contain the statements and information required by the MRL and shall be signed by the officers of the Trust in the manner permitted by the MRL. In the event that the Trust issues shares of beneficial interest without certificates, to the extent then required by the MRL, the Trust shall provide to the record holders of such shares a written statement of the information required by the MRL to be included on share certificates. There shall be no differences in the rights and obligations of shareholders based on whether or not their shares are represented by certificates.

Section 2. TRANSFERS. All transfers of shares shall be made on the books of the Trust, by the holder of the shares, in person or by his or her attorney, in such manner as the Board of Trustees or any officer of the Trust may prescribe and, if such shares are certificated, upon surrender of certificates duly endorsed. The issuance of a new certificate upon the transfer of certificated shares is subject to the determination of the Board of Trustees that such shares shall no longer be represented by certificates. Upon the transfer of any uncertificated shares, to the extent then required by the MRL, the Trust shall provide to the record holders of such shares a written statement of the information required by the MRL to be included on share certificates.

The Trust shall be entitled to treat the holder of record of any share of beneficial interest as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share or on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise expressly provided by the laws of the State of Maryland.

Notwithstanding the foregoing, transfers of shares of any class or series of beneficial interest will be subject in all respects to the Declaration of Trust and all of the terms and conditions contained therein.

Section 3. REPLACEMENT CERTIFICATE. Any officer of the Trust may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Trust and alleged to have been lost, destroyed, stolen or mutilated, upon the making of an affidavit of that fact by the person claiming the certificate to be lost, destroyed, stolen or mutilated; provided, however, if such shares have ceased to be certificated, no new certificate shall be issued unless requested in writing by such shareholder and the Board of Trustees has determined that such certificates may be issued. Unless otherwise determined by an officer of the Trust, the owner of such lost, destroyed, stolen or mutilated certificate or certificates, or his or her legal representative, shall be required, as a condition precedent to the issuance of a new certificate or certificates, to give the Trust a bond in such sums as it may direct as indemnity against any claim that may be made against the Trust.

Section 4. FIXING OF RECORD DATE. The Board of Trustees may set, in advance, a record date for the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or determining shareholders entitled to receive payment of any dividend or the allotment of any other rights, or in order to make a determination of shareholders for any other proper purpose. Such date, in any case, shall not be prior to the close of business on the day the record date is fixed and shall be not more than 90 days and, in the case of a meeting of shareholders, not less than ten days, before the date on which the meeting or particular action requiring such determination of shareholders of record is to be held or taken.

When a record date for the determination of shareholders entitled to notice of and to vote at any meeting of shareholders has been set as provided in this section, such record date shall continue to apply to the meeting if adjourned or postponed, except if the meeting is adjourned or postponed to a date more than 120 days after the record date originally fixed for the meeting, in which case a new record date for such meeting may be determined as set forth herein.

Section 5. SHARE LEDGER. The Trust shall maintain at its principal office or at the office of its counsel, accountants or transfer agent, an original or duplicate share ledger containing the name and address of each shareholder and the number of shares of each class held by such shareholder.

Section 6. FRACTIONAL SHARES; ISSUANCE OF UNITS. The Board of Trustees may authorize the Trust to issue fractional shares or authorize the issuance of scrip, all on such terms and under such conditions as it may determine. Notwithstanding any other provision of the Declaration of Trust or these Bylaws, the Board of Trustees may issue units consisting of different securities of the Trust. Any security issued in a unit shall have the same characteristics as any identical securities issued by the Trust, except that the Board of Trustees may provide that for a specified period securities of the Trust issued in such unit may be transferred on the books of the Trust only in such unit.

ARTICLE VIII

ACCOUNTING YEAR

The Board of Trustees shall have the power, from time to time, to fix the fiscal year of the Trust by a duly adopted resolution.

ARTICLE IX

DISTRIBUTIONS

Section 1. AUTHORIZATION. Dividends and other distributions upon the shares of beneficial interest of the Trust may be authorized by the Board of Trustees, subject to the provisions of law and the Declaration of Trust. Dividends and other distributions may be paid in cash, property or shares of beneficial interest of the Trust, subject to the provisions of law and the Declaration of Trust.

Section 2. CONTINGENCIES. Before payment of any dividends or other distributions, there may be set aside out of any assets of the Trust available for dividends or other distributions such sum or sums as the Board of Trustees may from time to time, in its absolute discretion, think proper as a reserve fund for contingencies, for equalizing

dividends, for repairing or maintaining any property of the Trust or for such other purpose as the Board of Trustees shall determine, and the Board of Trustees may modify or abolish any such reserve.

ARTICLE X

INVESTMENT POLICY AND PROHIBITED INVESTMENTS AND ACTIVITIES

Section 1. INVESTMENT POLICY. Subject to the provisions of the Declaration of Trust, the Board of Trustees may from time to time adopt, amend, revise or terminate any policy or policies with respect to investments by the Trust as it shall deem appropriate in its sole discretion.

Section 2. PROHIBITED INVESTMENTS AND ACTIVITIES. Notwithstanding anything to the contrary in the Declaration of Trust, the Trust will not, without the approval of a majority of the disinterested Trustees, (i) acquire from or sell to any Trustee, officer or employee of the Trust, or any corporation, partnership, joint venture, trust, employee benefit plan or other enterprise in which a Trustee, officer or employee of the Trust owns directly or indirectly more than a one percent interest or any affiliate of any of the foregoing, any assets or other property, (ii) make any loan to or borrow from any of the foregoing persons or (iii) engage in any other transaction with any of the foregoing persons. Each such transaction will be in all respects on such terms as are, at the time of the transaction and under the circumstances then prevailing, fair and reasonable to the Trust.

ARTICLE XI

SEAL

Section 1. SEAL. The Board of Trustees may authorize the adoption of a seal by the Trust. The seal shall contain the name of the Trust and the year of its formation and the words "Formed Maryland." The Board of Trustees may authorize one or more duplicate seals and provide for the custody thereof.

Section 2. AFFIXING SEAL. Whenever the Trust is permitted or required to affix its seal to a document, it shall be sufficient to meet the requirements of any law, rule or regulation relating to a seal to place the word "(SEAL)" adjacent to the signature of the person authorized to execute the document on behalf of the Trust.

ARTICLE XII

INDEMNIFICATION AND ADVANCE OF EXPENSES

To the maximum extent permitted by Maryland law in effect from time to time, the Trust shall indemnify and, without requiring a preliminary determination of the ultimate entitlement to indemnification, shall pay or reimburse reasonable expenses in advance of final disposition of a proceeding to (a) any individual who is a present or former shareholder, Trustee or officer of the Trust and who is made or threatened to be made a party to the proceeding by reason of his or her status as a present or former shareholder, Trustee or officer or (b) any individual who, while a Trustee or officer of the Trust and at the request of the Trust, serves or has served as a trustee, director, officer, member, manager or partner of another corporation, real estate investment trust, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise and who is made or threatened to be made a party to the proceeding by reason of his or her service in that capacity. The rights to indemnification and advance of expenses provided by the Declaration of Trust and these Bylaws shall vest immediately upon election of a Trustee or officer. The Trust may, with the approval of its Board of Trustees, provide such indemnification and advance for expenses to an individual who served a predecessor of the Trust in any of the capacities described in (a) or (b) above and to any employee or agent of the Trust or a predecessor of the Trust. The indemnification and payment or reimbursement of expenses provided in these Bylaws shall not be deemed exclusive of or limit in any way other rights to which any person seeking indemnification or payment or reimbursement of expenses may be or may become entitled under any bylaw, resolution, insurance, agreement or otherwise.

Neither the amendment nor repeal of this Article, nor the adoption or amendment of any other provision of the Declaration of Trust or these Bylaws inconsistent with this Article, shall apply to or affect in any respect the

applicability of the preceding paragraph with respect to any act or failure to act which occurred prior to such amendment, repeal or adoption.

ARTICLE XIII

WAIVER OF NOTICE

Whenever any notice of a meeting is required to be given pursuant to the Declaration of Trust or these Bylaws or pursuant to applicable law, a waiver thereof in writing or by electronic transmission, given by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Neither the business to be transacted at nor the purpose of any meeting need be set forth in the waiver of notice of such meeting, unless specifically required by statute. The attendance of any person at any meeting shall constitute a waiver of notice of such meeting, except where such person attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting has not been lawfully called or convened.

ARTICLE XIV

AMENDMENT OF BYLAWS

The Bylaws of the Trust may be altered, amended or repealed, and new Bylaws adopted, by the affirmative vote of a majority of the entire Board of Trustees or, by the shareholders, by the affirmative vote of a majority of all the votes entitled to be cast on the matter.

ARTICLE XV

MISCELLANEOUS

All references to the Declaration of Trust shall include all amendments and supplements thereto and any other documents filed with and accepted for record by the State Department of Assessments and Taxation related thereto.

* * * * *

Last amendment approved: February 8, 2017

**CHANGE IN CONTROL AGREEMENT FOR
SENIOR VICE PRESIDENT, GENERAL COUNSEL AND CORPORATE SECRETARY**

THIS CHANGE IN CONTROL AGREEMENT (“Agreement”), with an effective date of March 29, 2017, is made and entered into by and between Washington Real Estate Investment Trust, a real estate investment trust organized under the laws of the State of Maryland (the “Trust”), and Taryn D. Fielder (“Employee”).

WHEREAS, Employee is employed in a key position with the Trust as Senior Vice President, General Counsel and Corporate Secretary; and

WHEREAS, subject to the terms and conditions of this Agreement, the Trust has agreed to continue Employee’s compensation and certain health benefits for a period of time should Employee’s employment be terminated under certain conditions described herein;

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

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

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

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

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

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

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

B. Involuntarily Terminated. Employee's employment will be deemed to have been involuntarily terminated due to a Change in Control only if, on or after the date on which a Change in Control occurs, (i) Employee's employment is terminated by the Trust or the successor owner of the Trust without cause or (ii) Employee resigns because Employee's duties, responsibilities or compensation are materially diminished, provided (A) Employee gives written notice to the Trust within thirty (30) days following the

diminution or receipt of notice of the diminution of his objection to the diminution, (B) the Trust fails to remedy the diminution within thirty (30) days following Employee's written notice, and (C) Employee terminates his or her employment within thirty (30) days following the Trust's failure to remedy the diminution; provided that if a termination otherwise covered by (i) or (ii) occurs during the ninety (90) day period before the date on which a Change in Control occurs, the termination will be presumed to be due to the Change in Control unless the Trust or the successor owner of the Trust can show, through a preponderance of the evidence, that the termination did not occur because of the impending Change in Control.

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

2. Termination Benefits. In the event Employee's employment with the Trust or the successor owner of the Trust is involuntarily terminated due to a Change in Control but not for cause, and such termination occurs within 24 months following the Change in Control or within ninety (90) days before the Change in Control as specified in Section 1(B), the Trust or the successor owner shall provide Employee with the following termination benefits:

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

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

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

D. immediate vesting in all then unvested options granted to Employee under the Trust's 2016 Omnibus Long-Term Incentive Plan or other plan under which such grants have been made by the Trust to Employee (the "Omnibus Plan") and immediate vesting in all unvested accrued dividend equivalent units under the Omnibus Plan, and Employee shall have the right, in Employee's sole discretion, to exercise all or any of such options and to sell the shares acquired pursuant thereto. In the event that Employee wishes to sell Employee's shares within 60 days of the involuntary termination, the shares must first be offered to the Trust for purchase at the Trust's option at the then current fair market value. The Trust shall respond within one business day to the offer or its rights to purchase the shares shall expire. Sales occurring more than 60 days after the involuntary termination shall not be subject to this option;

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

F. if, by virtue of receipt of the Termination Benefits described above and any other payments in the nature of compensation, Employee is subject to excise tax pursuant to Section 4999 of the Internal Revenue Code (the "Code"), the Termination Benefits shall be reduced to the minimum extent necessary to avoid imposition of the excise tax, but only if such reduction would result in Employee retaining a greater amount after taking into account the excise tax that would be owed if no such reduction were made. If such reduction is required to be made, the Termination Benefits shall be reduced in such manner as required so as not to give rise to there being deemed to be more than one time or form of payment of any amount that constitutes nonqualified deferred compensation under Code Section 409A. To that end (i) to the extent permissible under Code Section 409A, such reductions shall be made so that the latest payments in time are reduced first, starting with payments under Section 2(B) until those payments have been eliminated if necessary, then payments under Section 2(A) until those payments have been eliminated if necessary, and ending with payments under Section 2(C) (if the payments under Section 2(C) are taxable payments) until those payments have been eliminated if necessary, or (ii) to the extent that is not permissible under Code Section 409A, the reductions shall be made ratably from each payment under Sections 2(B), 2(A), and 2(C) (if the payments under Section 2(C) are taxable payments). To the extent that the reduction of payments in Section 2(B), 2(A) and 2(C) is not sufficient to avoid imposition of the excise tax, then after making such reductions, accelerated vesting shall be reduced, starting with the vesting that otherwise would occur latest in time, first under Section 2(E) until accelerated vesting has been eliminated under that Section if necessary and last, accelerated vesting under Section 2(D) until accelerated vesting has been eliminated under that Section if necessary. Any reduction of payments or accelerated vesting required under Section 2(F) shall occur only to the minimum extent necessary to avoid imposition of the excise tax.

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

4. Code Section 409A. It is intended that this Agreement and the payments hereunder will, to the fullest extent possible, be exempt from Code Section 409A, and the Agreement shall be interpreted to that end to the fullest extent possible. In this regard, it is intended that, to the extent possible, the maximum amount of severance pay possible be exempt from Code Section 409A as separation pay upon involuntary separation from service under Treas. Regs. Section 1.409A-1(b)(9)(iii). However, to the extent that any payment or benefit (or portion thereof) provided pursuant to this Agreement is determined to be subject to Code Section 409A, this Agreement shall be interpreted in a manner that complies with Code Section 409A to the fullest extent possible. In furtherance of the foregoing provisions:

- A.** the payments in Section 2(A) will commence on the next regular payroll date following termination of employment;
 - B.** the payment of each average annual bonus amount in Section 2(B) will be made in the year following each calendar year or partial calendar year in which Employee receives salary continuation in Section 2(A), by no later than the fifteenth day of the third month thereof;
 - C.** the payments in Section 2(C) will commence as of termination of employment and will be made on a monthly basis; and
 - D.** the reductions required in Section 3 shall be made in such manner as required so as not to give rise to there being deemed to be more than one time or form of payment of any amount that constitutes nonqualified deferred compensation under Code Section 409A. To that end, to the extent permissible under Code Section 409A, the reductions required in Section 3 shall be first made from each payment that would otherwise be paid latest in time in Sections 2(A) and 2(B), or to the extent that is not permissible under Code Section 409A, the reductions shall be made ratably from each payment under Sections 2(A) and 2(B) that constitutes nonqualified deferred compensation.
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If payment or provision of any amount or benefit hereunder at the time specified in this Agreement would subject such amount or benefit to any tax under Code Section 409A, the payment or provision of such amount or benefit shall be postponed to the earliest commencement date on which the payment or the provision of such amount or benefit could be made without incurring such tax (including paying any severance that is delayed in a lump sum upon the earliest possible payment date which is consistent with Code Section 409A). A termination of employment shall not be deemed to have occurred for purposes of this Agreement, unless such termination is also a "separation from service" within the meaning of Code Section 409A. For purposes of this Agreement, references to a "termination," "termination of employment" or like terms shall mean such "separation from service." Notwithstanding anything to the contrary in this Agreement, if at the time of Employee's separation from service from the Trust, the Trust has shares which are publicly-traded on an established securities market and Employee is a "specified employee" within the meaning of Code Section 409A, then no payment, compensation, benefit or entitlement payable or provided to the Employee in connection with his separation from service that is determined, in whole or in part, to constitute a payment of nonqualified deferred compensation within the meaning of Code Section 409A shall be paid or provided to Employee before the earlier of (A) Employee's death or (B) the day that is six (6) months after the date of his separation from service date (the "New Payment Date"). The aggregate of any payments, compensation, benefits and entitlements that otherwise would have been paid to Employee during the period between the date of his separation from service date and the New Payment Date shall be paid to Employee in a lump sum on such New Payment Date. Thereafter, any payments, compensation, benefits and entitlements that remain outstanding as of the day immediately following the New Payment Date shall be paid without delay over the time period originally scheduled, in accordance with the terms of this Agreement. With regard to any provision herein that provides for reimbursement of expenses that are not excluded from Employee's taxable income and are nonqualified deferred compensation subject to Section 409A, then except as otherwise permitted by Section 409A (i) the right to reimbursement shall not be subject to liquidation or exchange for another benefit; (ii) the amount of expenses eligible for reimbursement provided during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year; and (iii) such payments shall be made, as soon as practicable, but in any case on or before the last day of Employee's taxable year following the taxable year in which the expense was incurred.

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

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

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

8. **Governing Law.** This Agreement shall be interpreted, construed and governed according to the laws of the District of Columbia, without regard to the principles of conflicts of law thereof.

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

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

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

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement.

EMPLOYEE

WASHINGTON REAL ESTATE
INVESTMENT TRUST

/s/ Taryn D. Fielder

Print Name: Taryn D. Fielder

Date: July 21, 2017

By: /s/ Paul T. McDermott

Name & Title: Paul T. McDermott, President & CEO

Date: July 21, 2017

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

Earnings to fixed charges ratio:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income	\$ 7,847	\$ 31,821	\$ 14,462	\$ 34,200
Additions:				
Fixed charges				
Interest expense	12,053	13,820	23,458	28,180
Capitalized interest	229	165	445	288
	12,282	13,985	23,903	28,468
Deductions:				
Capitalized interest	(229)	(165)	(445)	(288)
Net loss attributable to noncontrolling interests	17	15	36	20
Adjusted earnings	19,917	45,656	37,956	62,400
Fixed charges (from above)	\$ 12,282	\$ 13,985	\$ 23,903	\$ 28,468
Ratio of earnings to fixed charges	1.62	3.26 ⁽¹⁾	1.59	2.19 ⁽¹⁾

⁽¹⁾ The earnings to fixed charges ratios for the three and six months ended June 30, 2016 include gain on sale of real estate of \$24.1 million.

CERTIFICATION

I, Paul T. McDermott, certify that:

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

DATE: July 31, 2017

/s/ Paul T. McDermott

Paul T. McDermott
Chief Executive Officer

CERTIFICATION

I, Stephen E. Riffée, certify that:

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

DATE: July 31, 2017

/s/ Stephen E. Riffée

Stephen E. Riffée

Chief Financial Officer

(Principal Financial Officer)

CERTIFICATION

I, W. Drew Hammond, certify that:

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

DATE: July 31, 2017

/s/ W. Drew Hammond

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

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

The undersigned, the President and Chief Executive Officer, the Chief Financial Officer and Chief Accounting Officer of Washington Real Estate Investment Trust (“Washington REIT”), each hereby certifies on the date hereof, that:

- (a) the Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 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 Washington REIT.

DATE: July 31, 2017

/s/ Paul T. McDermott

Paul T. McDermott
Chief Executive Officer

DATE: July 31, 2017

/s/ Stephen E. Riffie

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

DATE: July 31, 2017

/s/ W. Drew Hammond

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