
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR QUARTER ENDED SEPTEMBER 30, 2003 COMMISSION FILE NO. 1-6622

WASHINGTON REAL ESTATE INVESTMENT TRUST

(Exact name of registrant as specified in its charter)

MARYLAND

(State or other jurisdiction of incorporation or organization)

53-0261100

(IRS Employer Identification Number)

6110 EXECUTIVE BOULEVARD, SUITE 800, ROCKVILLE, MARYLAND 20852

(Address of principal executive office)

(Zip code)

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

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

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

SHARES OF BENEFICIAL INTEREST AT OCTOBER 31, 2003 39,354,055

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

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

[Table of Contents](#)

WASHINGTON REAL ESTATE INVESTMENT TRUST

INDEX

	<u>Page</u>
Part I: Financial Information	
Item 1. Financial Statements (Unaudited)	
Consolidated Balance Sheets	3
Condensed Consolidated Statements of Income	4
Consolidated Statement of Changes in Shareholders' Equity	5
Consolidated Statements of Cash Flows	6
Notes to Financial Statements	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	20
Item 3. Qualitative and Quantitative Disclosures about Financial Market Risk	27
Item 4. Controls and Procedures	28
Part II: Other Information	
Item 1. Legal Proceedings	29
Item 2. Changes in Securities and Use of Proceeds	29
Item 3. Defaults upon Senior Securities	29
Item 4. Submission of Matters to a Vote of Security Holders	29
Item 5. Other Information	29
Item 6. Exhibits and Reports on Form 8-K	29
Signatures	31

Part I

FINANCIAL INFORMATION

The information furnished in the accompanying Consolidated Balance Sheets, Statements of Income, Statement of Changes in Shareholders' Equity and Statements of Cash Flows reflects all adjustments, consisting of normal recurring items, which are, in the opinion of management, necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods. The accompanying financial statements and notes thereto should be read in conjunction with the financial statements and notes for the three years ended December 31, 2002 included in the Trust's 2002 Annual Report on Form 10-K filed with the Securities and Exchange Commission.

[Table of Contents](#)

Part I
Item I. Financial Statements
WASHINGTON REAL ESTATE INVESTMENT TRUST
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share amounts)

	(Unaudited) September 30, 2003	December 31, 2002
Assets		
Land	\$ 203,878	\$ 169,045
Building	763,148	684,657
Total real estate, at cost	967,026	853,702
Accumulated depreciation	(168,524)	(146,912)
Total investment in real estate, net	798,502	706,790
Cash and cash equivalents	5,968	13,076
Rents and other receivables, net of allowance for doubtful accounts of \$2,345 and \$2,188, respectively	17,266	14,072
Prepaid expenses and other assets	25,412	22,059
Total Assets	\$ 847,148	\$ 755,997
Liabilities		
Accounts payable and other liabilities	14,369	14,661
Advance rents	4,833	4,409
Tenant security deposits	6,276	6,495
Mortgage notes payable	92,909	86,951
Lines of credit/short-term note payable	132,500	50,750
Notes payable	275,000	265,000
	525,887	428,266
Minority interest	1,618	1,554
Shareholders' Equity		
Shares of beneficial interest; \$.01 par value; 100,000 shares authorized; 39,354 and 39,168 shares issued and outstanding at September 30, 2003 and December 31, 2002, respectively	394	392
Additional paid-in capital	332,261	328,797
Retained earnings (deficit)	(12,171)	(2,554)
Deferred compensation on restricted shares	(841)	(458)
Total Shareholders' Equity	319,643	326,177
Total Liabilities and Shareholders' Equity	\$ 847,148	\$ 755,997

See accompanying notes to financial statements

[Table of Contents](#)

WASHINGTON REAL ESTATE INVESTMENT TRUST
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Revenue				
Real estate rental revenue	\$ 41,109	\$ 38,324	\$ 119,551	\$ 113,903
Other income	102	177	342	552
	<u>41,211</u>	<u>38,501</u>	<u>119,893</u>	<u>114,455</u>
Expenses				
Real estate expenses	12,426	11,453	35,264	32,779
Interest expense	7,401	7,068	22,029	20,838
Depreciation and amortization	9,101	7,303	25,419	21,305
General and administrative	1,296	1,034	3,692	3,505
	<u>30,224</u>	<u>26,858</u>	<u>86,404</u>	<u>78,427</u>
Income from continuing operations	10,987	11,643	33,489	36,028
Discontinued operations:				
Loss from operations of property disposed	—	—	—	(82)
Gain on property disposed	—	—	—	3,838
	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,756</u>
Net income	<u>\$ 10,987</u>	<u>\$ 11,643</u>	<u>\$ 33,489</u>	<u>\$ 39,784</u>
Per share information based on the weighted average of shares outstanding				
Shares – Basic	39,311	39,134	39,242	39,030
Shares – Diluted	39,529	39,358	39,426	39,265
Income from continuing operations – Basic and Diluted	<u>\$ 0.28</u>	<u>\$ 0.30</u>	<u>\$ 0.85</u>	<u>\$ 0.92</u>
Net income per share – Basic	<u>\$ 0.28</u>	<u>\$ 0.30</u>	<u>\$ 0.85</u>	<u>\$ 1.02</u>
Net income per share – Diluted	<u>\$ 0.28</u>	<u>\$ 0.30</u>	<u>\$ 0.85</u>	<u>\$ 1.01</u>
Dividends paid per share	<u>\$ 0.3725</u>	<u>\$ 0.3525</u>	<u>\$ 1.0975</u>	<u>\$ 1.0375</u>

See accompanying notes to financial statements

WASHINGTON REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR NINE MONTHS ENDED SEPTEMBER 30, 2003
(In thousands)
(Unaudited)

	<u>Shares</u>	<u>Par Value</u>	<u>Deferred Compensation</u>	<u>Additional Paid in Capital</u>	<u>Retained Earnings (deficit)</u>	<u>Shareholders' Equity</u>
Balance, December 31, 2002	39,168	\$ 392	\$ (458)	\$ 328,797	\$ (2,554)	\$ 326,177
Net income	—	—	—	—	33,489	33,489
Dividends	—	—	—	—	(43,106)	(43,106)
Share Options Exercised	167	2	—	2,964	—	2,966
Share Grants	19	—	(383)	500	—	117
Balance, September 30, 2003	<u>39,354</u>	<u>\$ 394</u>	<u>\$ (841)</u>	<u>\$ 332,261</u>	<u>\$ (12,171)</u>	<u>\$ 319,643</u>

See accompanying notes to financial statements

[Table of Contents](#)

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

	(Unaudited) Nine Months Ended September 30,	
	2003	2002
Cash Flow From Operating Activities		
Net income	\$ 33,489	\$ 39,784
Adjustments to reconcile net income to net cash provided by operating activities		
Gain on sale of real estate	—	(3,838)
Depreciation and amortization	25,419	21,317
Provision for losses on accounts receivable	1,236	1,024
Share grants	161	110
Changes in other assets	(9,373)	(6,955)
Changes in other liabilities	(680)	(493)
Net cash provided by operating activities	50,252	50,949
Cash Flow From Investing Activities		
Real estate acquisitions, net*	(91,306)	(58,074)
Capital improvements to real estate	(16,079)	(19,793)
Non-real estate capital improvements	(89)	(146)
Net cash received for sale of real estate	—	5,813
Net cash used in investing activities	(107,474)	(72,200)
Cash Flow From Financing Activities		
Line of credit/short-term note payable borrowings	132,500	53,750
Line of credit/short-term note payable repayments	(50,750)	—
Senior note repayments	(50,000)	—
Dividends paid	(43,106)	(40,545)
Principal payments – mortgage notes payable	(865)	(7,529)
Net proceeds from debt offering	59,369	—
Net proceeds from the exercise of share options	2,966	4,952
Net cash provided by financing activities	50,114	10,628
Net decrease in cash and cash equivalents	(7,108)	(10,623)
Cash and cash equivalents, beginning of period	13,076	26,441
Cash and cash equivalents, end of period	\$ 5,968	\$ 15,818
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 24,888	\$ 22,816

Non-cash Transactions:

* On January 24, 2003, WRIT purchased Fullerton Industrial Center for an acquisition cost of \$10.6 million. WRIT assumed a mortgage in the amount of \$6.6 million, fair valued at \$6.8 million, and paid the balance in cash. The \$6.6 million of assumed mortgage is not included in the \$91.9 million amount shown as 2003 acquisitions or in amount shown as proceeds from debt offering.

See accompanying notes to financial statements

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

NOTE 1: NATURE OF BUSINESS

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

Federal Income Taxes

WRIT has qualified as a Real Estate Investment Trust (REIT) under Sections 856-860 of the Internal Revenue Code and intends to continue to qualify as such. To maintain its status as a REIT, the company is required to distribute 90% of its ordinary taxable income to its shareholders. The company has the option of (i) reinvesting the sale price of properties sold, allowing for a deferral of income taxes on the sale, (ii) paying out capital gains to the shareholders with no tax to the company or (iii) treating the capital gains as having been distributed to the shareholders, paying the tax on the gain deemed distributed and allocating the tax paid as a credit to the shareholders. The company distributed all of its 2002 ordinary taxable income to its shareholders. Gain on sale of the property disposed during 2002 was reinvested in replacement properties, therefore no capital gains were distributed to shareholders during this period. Accordingly, no provision for income taxes was necessary.

NOTE 2: ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations, although WRIT believes that the disclosures made are adequate to make the information presented not misleading. In addition, in the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. These unaudited financial statements should be read in conjunction with the financial statements and notes included in WRIT's Annual Report on Form 10-K for the year ended December 31, 2002.

Revenue Recognition

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

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

[Table of Contents](#)

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

Minority Interest

WRIT entered into an operating agreement with a member of the entity which previously owned Northern Virginia Industrial Park in conjunction with the acquisition of this property in May 1998. This resulted in a minority ownership interest in this property based upon defined company ownership units at the date of purchase. The operating agreement was amended and restated in 2002 resulting in a reduced minority ownership percentage interest. WRIT accounts for this activity by allocating the minority owner's percentage ownership interest of the net income of the property to minority interest included in general and administrative expenses of the Trust, thereby reducing net income. Quarterly distributions are made to the minority owner equal to the quarterly dividend per share for each ownership unit.

Deferred Financing Costs

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

Deferred Leasing Costs

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

Real Estate and Depreciation

Buildings are depreciated on a straight-line basis over estimated useful lives ranging from 28 to 50 years. All capital improvement expenditures associated with replacements, improvements, or major repairs to real property are depreciated using the straight-line method over their estimated useful lives ranging from 3 to 30 years. All tenant improvements are amortized over the shorter of the useful life of the improvements or the term of the related tenant lease. Maintenance and repair costs are charged to expense as incurred.

In accordance with SFAS 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," WRIT recognizes impairment losses on long-lived assets used in operations when indicators of impairment are present and the net undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. If such carrying amount is in excess of the estimated operating cash flows of the property, WRIT would recognize an impairment loss equivalent to an amount required to adjust the carrying amount to the estimated fair market value. There were no property impairments recognized during the three, six or nine months ended September 30, 2003 and September 30, 2002. In accordance with SFAS No. 66, "Accounting for Sales of Real Estate," sales are recognized at closing only when sufficient down payments have been obtained, possession and other attributes of ownership have been transferred to the buyer and the Trust has no significant continuing involvement. The gain or loss resulting from the sale of properties is included in net income at the time of sale.

Cash and Cash Equivalents

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

[Table of Contents](#)

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

Stock Based Compensation

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

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

Pro-forma Information	For the three months ended September 30,		For the nine months ended September 30,	
	2003	2002	2003	2002
(In thousands, except per share data)				
Net income ¹ , as reported	\$ 10,987	\$ 11,643	\$ 33,489	\$ 39,784
Stock-based employee compensation expense determined under fair value based method	(189)	(219)	(566)	(658)
Pro-forma net income	\$ 10,798	\$ 11,424	\$ 32,923	\$ 39,126
Earnings per share:				
Basic – as reported	\$ 0.28	\$ 0.30	\$ 0.85	\$ 1.02
Basic – pro-forma	\$ 0.27	\$ 0.29	\$ 0.84	\$ 1.00
Diluted – as reported	\$ 0.28	\$ 0.30	\$ 0.85	\$ 1.01
Diluted – pro-forma	\$ 0.27	\$ 0.29	\$ 0.84	\$ 1.00

¹ Includes amortization of compensation expense of \$54 and \$46 for the quarters ended September 30, 2003 and September 30, 2002, respectively, for officer and trustee share grants.

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

Earnings Per Common Share

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

[Table of Contents](#)

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

Use of Estimates in the Financial Statements

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

Reclassifications

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

NOTE 3: REAL ESTATE INVESTMENTS

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

	September 30, 2003 (in thousands)
Office buildings	\$ 556,435
Industrial/Flex Centers	149,734
Multifamily Properties	116,376
Retail centers	144,481
	<u>\$ 967,026</u>

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

WRIT acquired the following properties during the nine months ended September 30, 2003 (see Note: 10 Subsequent Event):

Acquisition Date	Property Name	Property Type	Rentable Square Feet	Contract Purchase Price (in thousands)
January 2003	Fullerton Industrial Center	Industrial	137,000	\$ 10,600
May 2003	718 Jefferson Street ⁽¹⁾	Retail	5,000	\$ 1,100
August 2003	1776 G Street	Office	262,000	\$ 84,750

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

WRIT accounted for the acquisitions using the purchase method of accounting in accordance with SFAS No. 141, "Business Combinations." WRIT allocates the purchase price to the acquired tangible assets, consisting of land, building and tenant improvements, and, if material, identified intangible assets and liabilities consisting of the value attributable to customer relationships, and the value of leases in place based on their fair values. The results of operations of the acquired properties are included in the consolidated statements of income as of the acquisition date.

[Table of Contents](#)

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

The following unaudited pro-forma combined condensed statements of operations set forth the consolidated results of operations for the three and nine months ended September 30, 2003 and 2002, respectively, as if the above described acquisitions had occurred at the beginning of the period of acquisition and the same period in the year prior to the acquisition. The unaudited pro-forma information does not purport to be indicative of the results that actually would have occurred if the combinations had been in effect for the three and nine months ended September 30, 2003 and 2002, respectively.

	Three Months Ended September 30,	
	2003	2002
(in thousands, except per share data, unaudited)		
Real estate revenues	\$ 41,873	\$ 40,938
Net income	11,021	12,080
Diluted earnings per share	\$ 0.28	\$ 0.31

	Nine Months Ended September 30,	
	2003	2002
(in thousands, except per share data, unaudited)		
Real estate revenues	\$ 124,980	\$ 121,744
Net income	34,277	41,094
Diluted earnings per share	\$ 0.87	\$ 1.05

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

NOTE 4: MORTGAGE NOTES PAYABLE

	<u>September 30,</u> <u>2003</u>	<u>December 31,</u> <u>2002</u>
(in thousands)		
On November 30, 1998, WRIT assumed a \$9.2 million mortgage note payable and a \$12.4 million mortgage note payable as partial consideration for WRIT's acquisition of Woodburn Medical Park I and II. Both mortgages bear interest at 7.69 percent per annum. Principal and interest are payable monthly until September 15, 2005, at which time all unpaid principal and interest are payable in full.	\$ 19,385	\$ 19,779
On September 20, 1999, WRIT assumed an \$8.7 million mortgage note payable as partial consideration for WRIT's acquisition of the Avondale Apartments. The mortgage bears interest at 7.88 percent per annum. Principal and interest are payable monthly until November 1, 2005, at which time all unpaid principal and interest are payable in full.	7,965	8,125
On September 27, 1999, WRIT executed a \$50.0 million mortgage note payable secured by Munson Hill Towers, Country Club Towers, Roosevelt Towers, Park Adams Apartments and The Ashby of McLean. The mortgage bears interest at 7.14 percent per annum and interest only is payable monthly until October 1, 2009, at which time all unpaid principal and interest are payable in full.	50,000	50,000
On November 1, 2001, WRIT assumed an \$8.5 million mortgage note payable, with an estimated fair value of \$9.3 million, as partial consideration for WRIT's acquisition of Sullyfield Commerce Center. The mortgage bears interest at 9.00 percent per annum. Principal and interest are payable monthly until February 1, 2007, at which time all unpaid principal and interest are payable in full. In accordance with the purchase method of accounting, the mortgage was recorded at its estimated fair value of \$9.3 million resulting in an adjustment to the basis of this property.	8,846	9,047
On January 24, 2003, WRIT assumed a \$6.6 million mortgage note payable, with an estimated fair value of \$6.8 million, as partial consideration for WRIT's acquisition of Fullerton Industrial Center. The mortgage bears interest at 6.77 percent per annum. Principal and interest are payable monthly until September 1, 2006, at which time all unpaid principal and interest are payable in full. In accordance with the purchase method of accounting, the mortgage was recorded at its estimated fair value of \$6.8 million resulting in an adjustment to the basis of the property.	6,713	—
	<u>\$ 92,909</u>	<u>\$ 86,951</u>

[Table of Contents](#)

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

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

	<u>(in thousands)</u>
2003	\$ 308
2004	1,288
2005	26,834
2006	6,633
2007	7,846
Thereafter	50,000
Total	\$ 92,909

NOTE 5: UNSECURED LINES OF CREDIT AND SHORT-TERM NOTE PAYABLE

WRIT has two unsecured lines of credit, one for \$25.0 million ("Credit Facility No. 1") and the other for \$50.0 million ("Credit Facility No. 2"), and a \$60.0 million short-term note payable ("Credit Facility No. 3").

Credit Facility No. 1

WRIT had \$22.5 million outstanding as of September 30, 2003 related to Credit Facility No. 1. At September 30, 2003, \$2.5 million of this commitment was unused and available for subsequent acquisitions or capital improvements. Of the \$22.5 million outstanding, \$19.0 million was borrowed on August 7, 2003 to fund a portion of the purchase price for 1776 G Street, \$2.0 million was borrowed on August 13, 2003 to fund the interest payment due on the \$50.0 million unsecured note which matured on that same day, and the remaining \$1.5 million was borrowed on August 27, 2003 for an earnest deposit towards the purchase price of Prosperity Medical Center which was purchased subsequent to September 30, 2003 (see Note 10: Subsequent Event). WRIT recognized \$58,900 in interest expense on the outstanding balance, representing an average interest rate of 1.8% per annum, and \$10,000 in interest expense on the unused commitment on this facility during the quarter.

Credit Facility No. 1 requires WRIT to pay the lender unused line of credit fees ranging from 0.25 percent to 0.35 percent per annum based on a sliding scale as usage is increased. These fees are payable quarterly. Advances under this agreement bear interest at either LIBOR plus a spread, or the higher of the Prime rate or the Federal Funds effective rate, at WRIT's option, plus a spread based on WRIT's credit rating on its publicly issued debt. All outstanding advances are due and payable upon maturity in July 2004. Interest only payments are due and payable generally on a monthly basis.

Credit Facility No. 2

WRIT had \$50.0 million outstanding as of September 30, 2003 related to Credit Facility No. 2. The \$50.0 million outstanding was borrowed on August 13, 2003 to pay the principal due on the \$50.0 million unsecured note sold on August 13, 1996 (see Note 6: Notes Payable). WRIT recognized \$120,800 in interest expense on the outstanding balance, representing an average interest rate of 1.8% per annum, and \$11,900 in interest expense on the unused commitment on this facility during the quarter.

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

Credit Facility No. 2 requires WRIT to pay the lender unused line of credit fees at the rate of 0.2 percent per annum on the amount by which the unused portion of the line of credit exceeds the balance of outstanding advances and term loans. The fee is paid quarterly in arrears. Advances under this agreement bear interest at LIBOR plus a spread or the Prime rate plus a spread, at WRIT's option, or an advance can be converted into a term loan based upon a Treasury rate plus a spread. All outstanding advances are due and payable upon maturity in July 2005. Interest only payments are due and payable generally on a monthly basis.

Credit Facility No. 3

On August 7, 2003, WRIT executed a \$60.0 million unsecured term note, the proceeds of which were utilized as partial payment for the acquisition of 1776 G Street. WRIT had \$60.0 million outstanding as of September 30, 2003, related to Credit Facility No. 3. WRIT recognized \$163,000 in interest expense on the outstanding balance during the quarter, representing an average interest rate of 1.8% per annum. With the acquisition of Prosperity Medical Center on October 9, 2003, WRIT increased this facility to \$90.0 million and drew \$27.0 million on the extension to fund a portion of the purchase price (see Note 10: Subsequent Event).

Borrowings under this facility bear interest at LIBOR plus a spread based on WRIT's credit rating on its publicly issued debt. All outstanding advances under this facility are due and payable in February 2004. Interest only payments are due and payable every 14 days.

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

The covenants under one of the line of credit agreements require WRIT to insure its properties against loss or damage in the amount of the replacement cost of the improvements at the properties. The covenants for the notes, discussed in Note 6, require WRIT to keep all of its insurable properties insured against loss or damage at least equal to their then full insurable value. WRIT's insurance policies include terrorism coverage; however, the Trust's financial condition and results of operations are subject to the risks associated with acts of terrorism and the potential for uninsured losses as the result of any such acts.

NOTE 6: NOTES PAYABLE

On August 13, 1996 WRIT sold \$50.0 million of 7.125 percent 7-year unsecured notes due August 13, 2003, and \$50.0 million of 7.25 percent unsecured 10-year notes due August 13, 2006. The 7-year notes were sold at 99.107 percent of par and the 10-year notes were sold at 98.166 percent of par. Net proceeds to the Trust after deducting underwriting expenses were \$97.6 million. The 7-year notes bear an effective interest rate of 7.46 percent, and the 10-year notes bear an effective interest rate of 7.49 percent, for a combined effective interest rate of 7.47 percent. WRIT used the proceeds of these notes to repay advances on the Trust's lines of credit and to finance acquisitions and capital improvements. WRIT paid off the \$50.0 million unsecured note due August 13, 2003 with an advance under Credit Facility No. 2.

On February 20, 1998, WRIT sold \$50.0 million of 7.25 percent unsecured notes due February 25, 2028 at 98.653 percent to yield approximately 7.36 percent. WRIT also sold \$60.0 million in unsecured Mandatory Par Put Remarketed Securities ("MOPPRS") at an effective borrowing rate through the remarketing date (February 2008) of approximately 6.74 percent. The net proceeds to WRIT after deducting loan origination fees was \$102.8 million. WRIT used the proceeds of these notes for general business purposes, including repayment of outstanding

[Table of Contents](#)

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

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

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

On March 17, 2003, WRIT sold \$60.0 million of 5.125 percent unsecured notes due March 2013. The notes bear an effective interest rate of 5.23 percent. Total proceeds to the Trust, net of underwriting fees, were \$59.4 million. WRIT used portions of the proceeds of these notes to repay advances on WRIT's lines of credit and to fund a portion of the purchase price of 1776 G Street.

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

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

	<u>(in thousands)</u>
2003	\$ —
2004	55,000
2005	—
2006	50,000
2007	—
Thereafter	170,000
	<u>\$ 275,000</u>

NOTE 7: BENEFIT PLANS

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

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

The Trust adopted a split dollar life insurance plan for senior officers, excluding the Chief Executive Officer ("CEO"), in 2000. It is intended that the Trust will recover its costs from the life insurance policies at death prior to retirement, termination prior to retirement or retirement at age 65. The Trust has an interest in the cash value and death benefit of each policy to the extent of the sum of premium payments made by the Trust.

[Table of Contents](#)

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

The Trust has adopted a non-qualified deferred compensation plan for the officers and members of the Board of Trustees. The plan allows for a deferral of a percentage of annual cash compensation and trustee fees. The deferred compensation liability was \$0.9 million at September 30, 2003.

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

NOTE 8: EARNINGS PER SHARE

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

	(in thousands)			
	For the three months ended September 30,		For the nine months ended September 30,	
	2003	2002	2003	2002
Numerator for basic and diluted per share calculations:				
Net income	\$ 10,987	\$ 11,643	\$ 33,489	\$ 39,784
Denominator for basic and diluted per share calculations:				
Denominator for basic per share amounts – weighted average shares	39,311	39,134	39,242	39,030
Effect of dilutive securities:				
Employee stock option and awards	218	224	184	235
Denominator for diluted per share amounts	39,529	39,358	39,426	39,265

NOTE 9: SEGMENT INFORMATION

WRIT has four reportable segments: Office Buildings, Industrial/Flex Centers, Multifamily Properties and Retail Centers. For the three months ended September 30, 2003 Office Buildings, which include medical office buildings, represented 53% of real estate rental revenue and provide office space for various professions and businesses. Industrial/Flex Centers represented 14% of real estate rental revenue and are used for warehousing, distribution and related offices. Multifamily Properties represented 17% of real estate rental revenue and provide housing for families throughout the Washington Metropolitan area. Retail Centers represented the remaining 16% of real estate rental revenue and are typically neighborhood grocery store or drug store anchored retail centers.

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

[Table of Contents](#)

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

Segment Information:

	(in thousands)					
	Three Months Ended September 30, 2003					
	Office Buildings	Industrial/Flex Centers	Multifamily	Retail Centers	Corporate And Other	Consolidated
Revenue						
Real estate rental revenue	\$ 21,931	\$ 5,579	\$ 7,128	\$ 6,471	\$ —	\$ 41,109
Other income	—	—	—	—	102	102
	21,931	5,579	7,128	6,471	102	41,211
Expenses						
Real estate expenses	6,945	1,260	2,756	1,465	—	12,426
Interest expense	379	258	1,071	—	5,693	7,401
Depreciation and amortization	5,266	1,345	1,158	1,025	307	9,101
General and administration	—	—	—	—	1,296	1,296
	12,590	2,863	4,985	2,490	7,296	30,224
Net Income	\$ 9,341	\$ 2,716	\$ 2,143	\$ 3,981	\$ (7,194)	\$ 10,987
Capital expenditures (excluding real estate acquisitions)	\$ 3,157	\$ 524	\$ 2,169	\$ 267	\$ 52	\$ 6,169
Total assets	\$ 487,261	\$ 130,005	\$ 82,917	\$ 127,656	\$ 19,309	\$ 847,148
	(in thousands)					
	Three Months Ended September 30, 2002					
	Office Buildings	Industrial/Flex Centers	Multifamily	Retail Centers	Corporate And Other	Consolidated
Revenue						
Real estate rental revenue	\$ 19,484	\$ 5,240	\$ 7,205	\$ 6,395	\$ —	\$ 38,324
Other income	—	—	—	—	177	177
	19,484	5,240	7,205	6,395	177	38,501
Expenses						
Real estate expenses	6,385	1,122	2,666	1,280	—	11,453
Interest expense	389	160	1,075	100	5,344	7,068
Depreciation and amortization	3,888	1,210	1,036	883	286	7,303
General and administration	—	—	—	—	1,034	1,034
	10,662	2,492	4,777	2,263	6,664	26,858
Net Income	\$ 8,822	\$ 2,748	\$ 2,428	\$ 4,132	\$ (6,487)	\$ 11,643
Capital expenditures (excluding real estate acquisitions)	\$ 3,978	\$ 552	\$ 1,838	\$ 1,354	\$ 86	\$ 7,808
Total assets	\$ 399,859	\$ 123,083	\$ 80,439	\$ 127,285	\$ 27,297	\$ 757,963

[Table of Contents](#)

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

(in thousands)

	Nine Months Ended September 30, 2003					
	Office Buildings	Industrial/Flex Centers	Multifamily	Retail Centers	Corporate And Other	Consolidated
Revenue						
Real estate rental revenue	\$ 62,199	\$ 16,394	\$ 21,300	\$ 19,658	\$ —	\$ 119,551
Other income	—	—	—	—	342	342
	<u>62,199</u>	<u>16,394</u>	<u>21,300</u>	<u>19,658</u>	<u>342</u>	<u>119,893</u>
Expenses						
Real estate expenses	18,910	3,773	8,175	4,406	—	35,264
Interest expense	1,083	753	3,215	—	16,978	22,029
Depreciation and amortization	14,183	3,997	3,309	2,783	1,147	25,419
General and administration	—	—	—	—	3,692	3,692
	<u>34,176</u>	<u>8,523</u>	<u>14,699</u>	<u>7,189</u>	<u>21,817</u>	<u>86,404</u>
Net Income	<u>\$ 28,023</u>	<u>\$ 7,871</u>	<u>\$ 6,601</u>	<u>\$ 12,469</u>	<u>\$ (21,475)</u>	<u>\$ 33,489</u>
Capital expenditures (excluding real estate acquisitions)	<u>\$ 8,671</u>	<u>\$ 850</u>	<u>\$ 5,374</u>	<u>\$ 1,160</u>	<u>\$ 113</u>	<u>\$ 16,168</u>

(in thousands)

	Nine Months Ended September 30, 2002					
	Office Buildings	Industrial/Flex Centers	Multifamily	Retail Centers	Corporate And Other	Consolidated
Revenue						
Real estate rental revenue	\$ 59,279	\$ 16,046	\$ 21,430	\$ 17,148	\$ —	\$ 113,903
Other income	—	—	—	—	552	552
	<u>59,279</u>	<u>16,046</u>	<u>21,430</u>	<u>17,148</u>	<u>552</u>	<u>114,455</u>
Expenses						
Real estate expenses	18,177	3,543	7,649	3,410	—	32,779
Interest expense	1,173	482	3,227	405	15,551	20,838
Depreciation and amortization	11,582	3,603	3,087	2,147	886	21,305
General and administration	—	—	—	—	3,505	3,505
	<u>30,932</u>	<u>7,628</u>	<u>13,963</u>	<u>5,962</u>	<u>19,942</u>	<u>78,427</u>
Income from continuing operations	<u>28,347</u>	<u>8,418</u>	<u>7,467</u>	<u>11,186</u>	<u>(19,390)</u>	<u>36,028</u>
Discontinued Operations:						
Income (loss) from operations of disposed property	—	(82)	—	—	—	(82)
Gain on property disposed	—	3,838	—	—	—	3,838
	<u>—</u>	<u>3,756</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,756</u>
Net Income	<u>\$ 28,347</u>	<u>\$ 12,174</u>	<u>\$ 7,467</u>	<u>\$ 11,186</u>	<u>\$ (19,390)</u>	<u>\$ 39,784</u>
Capital expenditures (excluding real estate acquisitions)	<u>\$ 12,993</u>	<u>\$ 862</u>	<u>\$ 3,279</u>	<u>\$ 2,659</u>	<u>\$ 146</u>	<u>\$ 19,939</u>

NOTE 10: SUBSEQUENT EVENT

On October 9, 2003, WRIT purchased Prosperity Medical Center (“Prosperity”) for a contract purchase price of \$78.0 million. Prosperity consists of three multi-story office buildings containing a total of 255,000 rentable square feet of medical office space, a free standing parking garage, and an adjacent surface parking lot, located in Merrifield, Fairfax County, Virginia. On the date of acquisition, Prosperity was 98% leased.

With this acquisition, WRIT increased its \$60.0 million unsecured term note executed on August 7, 2003 (Credit Facility No. 3) to \$90.0 million and borrowed \$27.0 million under this increased facility to fund a portion of the

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

purchase price. Funding for the remainder of the purchase price was provided by the assumption of existing mortgages on Prosperity totaling \$49.8 million. The \$36.1 million mortgage note payable secured by the property and improvements at 8501-8503 Arlington Blvd. bears interest at a fixed rate of 5.36% per annum and is payable in equal monthly installments of principal and interest determined using a 30-year amortization schedule. The \$13.7 million mortgage note payable secured by the property and improvements at 8505 Arlington Blvd. bears interest at a fixed rate of 5.34% per annum and is payable in equal monthly installments of principal and interest determined using a 30 year amortization schedule. Both of the assumed mortgages mature May 1, 2013, with the outstanding principal balance on each loan due and payable at that time.

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

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

CRITICAL ACCOUNTING POLICIES

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

Revenue Recognition

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

Capital Expenditures

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

Estimated Useful Lives of Real Estate Assets

Real estate assets are depreciated on a straight-line basis over estimated useful lives ranging from 28 to 50 years. All capital improvement expenditures associated with replacements, improvements or major repairs to real property are depreciated using the straight-line method over their estimated useful lives ranging from 3 to 30 years. All tenant improvements are amortized over the shorter of the useful life or the term of the lease.

Impairment Losses on Long-Lived Assets

WRIT recognizes impairment losses on long-lived assets used in operations when indicators of impairment are present and the net undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. If such carrying amount is in excess of the estimated operating cash flows of the property, WRIT would recognize an impairment loss equivalent to an amount required to adjust the carrying amount to the estimated fair market value. There were no property impairments recognized during the quarter ended September 30, 2003.

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

Federal Income Taxes

WRIT has qualified as a Real Estate Investment Trust (REIT) under Sections 856-860 of the Internal Revenue Code and intends to continue to qualify as such. To maintain its status as a REIT, the company is required to distribute 90% of its ordinary taxable income to its shareholders. The company has the option of (i) reinvesting the sale price of properties sold, allowing for a deferral of income taxes on the sale, (ii) paying out capital gains to the shareholders with no tax to the company or (iii) treating the capital gains as having been distributed to the shareholders, paying the tax on the gain deemed distributed and allocating the tax paid as a credit to the shareholders. The company distributed all of its 2002 ordinary taxable income to its shareholders. Gain on sale of the property disposed during 2002 was reinvested in replacement properties; therefore, no capital gains were distributed to shareholders during this period. Accordingly, no provision for income taxes was necessary.

RESULTS OF OPERATIONS

FORWARD LOOKING STATEMENTS

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

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

Total revenues for the third quarter of 2003 increased 7.3% (\$2.8 million) to \$41.1 million from \$38.3 million in the third quarter of 2002. Operating income increased 6.7% (\$1.8 million) to \$28.7 million from \$26.9 million in the third quarter of 2002. Operating income is defined as real estate rental revenue less real estate expenses. Operating income is a relevant measure used by management to measure real estate operations performance prior to giving effect to interest expense, depreciation and amortization, and general and administrative expenses.

For the third quarter of 2003, WRIT's office buildings had increases of 12.6% in revenues and 14.4% in operating income compared to the third quarter of 2002. These increases were primarily due to increased revenues as a result of increased rental rates, increased lease termination fees, decreased provisions for estimated losses on accounts receivable, the July 2002 acquisition of The Atrium Building and the August 2003 acquisition of 1776 G Street. Real estate expenses increased 8.8% in the third quarter of 2003 compared to the third quarter of 2002 due primarily to the acquisitions of The Atrium Building and 1776 G Street, increased legal costs and increased repairs and maintenance costs. Occupancy rates for the overall office portfolio increased from 87.6% in the third quarter

[Table of Contents](#)

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

of 2002 to 87.8% in the third quarter of 2003. WRIT defines economic occupancy as actual rental revenues for the period indicated, as a percentage of gross potential rental revenues for that period. Contingent rent and expense reimbursements are not considered in computing either actual rental revenues or gross potential rental revenues. Hereafter in this discussion and analysis of financial condition and results of operations, "occupancy" refers to economic occupancy as defined.

For the third quarter of 2003, WRIT's industrial/flex centers revenues and operating income increased 6.5% and 4.9%, respectively, over the third quarter of 2002. These increases in revenue and operating income were primarily due to increased rental rates and to the January 2003 acquisition of Fullerton Industrial Center, offset by increased vacancy. Real estate expenses increased 12.3% in the third quarter of 2003 compared to the third quarter of 2002 primarily due to the January 2003 acquisition of Fullerton Industrial Center, increased common area maintenance expense and increased repairs and maintenance costs due to major parking lot repairs across the portfolio. Occupancy rates for the overall industrial portfolio decreased from 93.0% in third quarter 2002 to 88.4% in third quarter 2003 due primarily to increased vacancy at three of WRIT's Virginia industrial properties.

For the third quarter of 2003, WRIT's multifamily revenues decreased 1.1% and operating income decreased 3.7% as compared to the third quarter of 2002. Revenue decreases were primarily due to increased vacancy attributable to 42 former HUD units and 4 additional market rate units taken off the market for full renovation in 2003 at the Ashby at McLean. Operating income also decreased due to a 3.4% increase in real estate expenses during third quarter 2003 primarily as a result of increased utility costs, increased administrative expenses due to higher salary and benefit costs, higher real estate taxes and higher insurance costs. Occupancy rates for the overall residential portfolio decreased from 94.6% in the third quarter of 2002 to 91.9% in the third quarter of 2003 due primarily to the units taken off the market at the Ashby at McLean.

For the third quarter of 2003, WRIT's retail center revenues increased 1.2% and operating income decreased 2.1%, respectively, over the third quarter of 2002. Revenue increases were primarily due to increased rental rates and occupancy levels. Operating income decreases were primarily the result of a \$0.2 million increase in real estate expenses in the third quarter of 2003. Real estate expense increases included increased common area maintenance costs and higher real estate taxes due to increased assessments and rates. Occupancy rates for the overall retail portfolio increased from 95.1% in third quarter 2002 to 95.8% in third quarter 2003.

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

Total revenues for the first nine months of 2003 increased 5.0% (\$5.6 million) to \$119.6 million as compared to \$113.9 million for the first nine months of 2002. Operating income increased 3.9% (\$3.2 million) to \$84.3 million from \$81.1 million for the first nine months of 2002.

For the first nine months of 2003, WRIT's office buildings had increases of 4.9% in revenues and 5.3% in operating income compared to the first nine months of 2002. These increases were primarily due to the August 2003 acquisition of 1776 G Street and the July 2002 acquisition of the Atrium Building, offset partly by increases in vacancy and rent abatements, and higher provisions for estimated losses on accounts receivable. While the overall change in vacancy was an unfavorable \$1.0 million, notable changes in occupancy included a favorable increase of \$1.5 million at 7900 Westpark due to the lease-up of 116,000 square feet of vacant space in late March 2003, offset by unfavorable increases in vacancy at Maryland Trade Center II, 1700 Research Blvd., Tycon III, 7700 Leesburg Pike, 1600 Wilson Blvd. and 6110 Executive Blvd., due chiefly to tenant move-outs in the second and third quarters of 2003, and late in 2002. Real estate expenses increased 4.0% for the first nine months of 2003 compared to the first nine months of 2002 due primarily to the 1776 G Street and Atrium Building acquisitions.

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

Occupancy rates for the overall office portfolio decreased from 89.0% year-to-date third quarter 2002 to 88.2% for the comparable period in 2003.

For the first nine months of 2003, WRIT's industrial/flex centers had increases of 2.2% in revenues and 0.9% in operating income compared to the first nine months of 2002. These increases in revenue were primarily due to increased rental rates and the January 2003 acquisition of Fullerton Industrial Center, offset by increased vacancy. Real estate expenses increased 6.5% due primarily to the Fullerton acquisition. Occupancy rates for the overall industrial portfolio decreased from 93.6% year-to-date third quarter 2002 to 87.9% for the comparable period in 2003, due primarily to increased vacancy at three of WRIT's Virginia industrial properties and one Maryland industrial property.

For the first nine months of 2003, WRIT's multifamily revenues and operating income decreased 0.6% and 4.8%, respectively, as compared to the first nine months of 2002. Revenue decreases were driven by an increase in vacancy primarily as a result of the 42 former HUD units and 4 additional units taken off the market for full renovation in 2003 at the Ashby at McLean. Operating income decreased due to a 6.9% increase in real estate expenses during the first nine months of 2003 primarily as a result of increased utility costs, management compensation expense and snow removal costs. Occupancy rates for the overall residential portfolio decreased from 94.5% year-to-date third quarter 2002 to 91.3% for the comparable period in 2003 due primarily to the units taken off the market at the Ashby at McLean.

For the first nine months of 2003, WRIT's retail center revenues and operating income increased 14.6% and 11.0%, respectively, over the first nine months of 2002. These increases were primarily due to the acquisition of the Centre at Hagerstown in June 2002, offset in part by lower lease termination fees, percentage rent and increased provision for estimated losses on accounts receivable. Real estate expenses increased 29.2% due primarily to the Hagerstown acquisition, as well as increased snow removal costs, parking lot maintenance and real estate taxes. Occupancy rates for the overall retail portfolio increased from 94.5% year-to-date third quarter 2002 to 95.9% for the comparable period in 2003.

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

Real estate expenses increased \$0.9 million or 8.5% to \$12.4 million for the third quarter of 2003 as compared to \$11.5 million for the third quarter of 2002. This increase was primarily due to expenses relating to 2002 acquisitions of The Atrium Building and 1620 Wilson Boulevard, the January 2003 acquisition of Fullerton Industrial Center, the May 2003 acquisition of 718 Jefferson Street and the August 2003 acquisition of 1776 G Street.

Depreciation and amortization expense increased \$1.8 million or 24.6% to \$9.1 million for the third quarter of 2003 as compared to \$7.3 million for the third quarter of 2002. This was primarily due to the impact of the \$58.1 million of acquisitions in 2002, the \$98.7 million of acquisitions in 2003 and capital and tenant improvement expenditures for 2002 and the first nine months of 2003, which totaled \$25.1 million and \$16.1 million, respectively.

Total interest expense increased \$0.3 million or 4.7% to \$7.4 million for the third quarter of 2003 as compared to \$7.1 million for the third quarter of 2002. This increase was primarily attributable to the issuance of \$60.0 million of medium term notes in March 2003, net of interest savings on the line of credit borrowings paid off with the proceeds of this note, the assumption of a \$6.8 million mortgage in January 2003 with the acquisition of Fullerton Industrial Center and the issuance of the \$60.0 million short-term note payable for the August 2003 acquisition of

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

1776 G Street, offset by the decrease in notes payable interest due to the August 2003 payoff of \$50.0 million in Senior Notes Payable. For the third quarter of 2003, senior and medium term notes payable interest expense was \$5.3 million, mortgage interest expense was \$1.7 million and lines of credit/short-term note payable interest expense was \$0.4 million. For the third quarter of 2002, senior and medium term notes payable interest expense was \$5.1 million, mortgage interest expense was \$1.7 million and lines of credit interest expense was \$0.3 million.

General and administrative expenses increased \$0.3 million or 25.3% to \$1.3 million for the third quarter of 2003 as compared to \$1.0 million for the third quarter of 2002. The change was primarily attributable to increased incentive compensation, accounting and legal fees and insurance premiums offset in part by decreased corporate salaries due to lower staffing levels, decreased shareholder expenses and lower administrative depreciation. For the third quarter of 2003, general and administrative expenses as a percentage of revenue were 3.2% as compared to 2.7% for the third quarter of 2002.

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

Real estate expenses increased \$2.5 million or 7.6% to \$35.3 million for the first nine months of 2003 as compared to \$32.8 million for the first nine months of 2002. This increase was primarily due to expenses relating to properties acquired in 2002 and 2003 as well as significantly higher utility and snow removal costs in first quarter 2003 as a result of more inclement weather and colder temperatures, an increase in utility rates, increased insurance costs and higher real estate taxes.

Depreciation and amortization expense increased \$4.1 million or 19.3% to \$25.4 million for the first nine months of 2003 as compared to \$21.3 million for the first nine months of 2002. This was primarily due to 2002 and year to date 2003 acquisitions of \$58.1 million and \$98.7 million, respectively, and 2002 and year to date 2003 capital and tenant improvement expenditures which totaled \$25.1 million and \$16.1 million, respectively.

Total interest expense increased \$1.2 million or 5.7% to \$22.0 million for the first nine months of 2003 as compared to \$20.8 million for the first nine months of 2002. This increase was primarily attributable to the issuance of \$60.0 million of unsecured notes in March 2003, net of interest savings on the line of credit borrowings paid off with the proceeds of this note, the assumption of a \$6.8 million mortgage in January 2003 with the acquisition of Fullerton Industrial Center, the September 2002 pay off of the \$7.8 million Frederick County Square mortgage and the issuance of the \$60.0 million short-term note payable for the August 2003 acquisition of 1776 G Street, offset by a decrease in notes payable interest due to the August 2003 payoff of \$50.0 million in Senior Notes Payable. For the first nine months of 2003, senior and medium term notes payable interest expense was \$16.3 million, mortgage interest expense was \$5.1 million, lines of credit/short-term note payable interest expense was \$0.8 million and capitalized interest on development was a \$0.2 million decrease to interest expense. For the first nine months of 2002, senior and medium term notes payable interest expense was \$15.1 million, mortgage interest expense was \$5.3 million and lines of credit interest expense was \$0.5 million.

General and administrative expenses increased \$0.2 million or 5.3% to \$3.7 million for the first nine months of 2003 as compared to \$3.5 million for the first nine months of 2002. The change was primarily attributable to increased incentive compensation, partially offset by decreased corporate salaries due to lower staffing levels and lower administrative depreciation. For the first nine months of 2003 and the first nine months of 2002, general and administrative expenses as a percentage of revenue were 3.1%.

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

CAPITAL RESOURCES AND LIQUIDITY

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

On March 17, 2003, WRIT sold \$60.0 million of 5.125 percent unsecured notes due March 2013. The notes bear an effective interest rate of 5.23 percent. Total proceeds to the Trust, net of underwriting fees, were \$59.4 million. WRIT used portions of the proceeds of these notes to repay advances on WRIT's lines of credit and to fund a portion of the purchase price for 1776 G Street.

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

WRIT anticipates that over the near term, interest rate fluctuations will not have a material adverse effect on earnings. WRIT's long-term fixed-rate notes payable have maturities ranging from November 2004 through February 2028. On August 13, 2003 WRIT paid off the \$50.0 million unsecured note issued in August 1996 with an advance on one of its lines of credit.

WRIT has lines of credit and short-term facilities in place from commercial banks for up to \$135 million which bear interest at an adjustable spread over LIBOR based on the Trust's interest coverage ratio and public debt rating. As of September 30, 2003, WRIT had \$132.5 million outstanding under the lines of credit.

The senior and medium-term notes payable contain certain financial and non-financial covenants, all of which WRIT met as of September 30, 2003.

WRIT acquired three properties in 2002 and three properties in 2003 (as of September 30) for total acquisition costs of \$58.1 million and \$98.1 million, respectively. The 2002 acquisitions were financed through proceeds from the sales of 10400 Connecticut Avenue and 1501 South Capitol Street, proceeds of the public offering in April 2001 and line of credit advances. The 2003 acquisitions were financed through the assumption of a \$6.8 million mortgage, line of credit advances, short-term notes payable and the issuance of unsecured notes.

Cash flow from operating activities totaled \$50.3 million for the first nine months of 2003, as a result of net income of \$33.5 million, adding back depreciation and amortization of \$25.4 million, increases in other assets of \$9.4 million, bad debt expense of \$1.2 million and increases in liabilities (other than mortgage notes, senior notes and lines of credit payable) of \$0.7 million. The increase in net cash flow from operating activities was due primarily to a larger property portfolio, increased rental rates and higher prepaid balances, offset by increased vacancy. Cash flow from operating activities totaled \$50.9 million for the first nine months of 2002, as a result of income from continuing operations of \$39.8 million, adding back depreciation and amortization of \$21.3 million, increases in other assets of \$7.0 million, bad debt expense of \$1.0 million and decreases in liabilities (other than mortgage notes, senior notes and lines of credit payable) of \$0.5 million.

Net cash used in investing activities for the first nine months of 2003 was \$107.5 million, including real estate acquisitions of \$91.3 million (net of a \$6.8 million mortgage assumed at acquisition) and capital improvements to

[Table of Contents](#)

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

real estate of \$16.1 million. Net cash used in investing activities from the first nine months of 2002 was \$72.2 million, including real estate acquisitions of \$58.1 million and capital improvements to real estate of \$19.8 million, offset by cash received from the sale of real estate of \$5.8 million.

Net cash provided by financing activities for the first nine months of 2003 was \$50.1 million, including line of credit repayments of \$50.8 million, senior notes payable repayments of \$50.0 million, principal repayments on the mortgage notes payable of \$0.9 million and \$43.1 million in dividends paid. This was offset by the lines of credit/short-term note payable borrowings of \$132.5 million, \$59.4 million net proceeds from the \$60.0 million 10 year notes issued in March 2003 and share option exercises of \$3.0 million. Net cash flow provided by financing activities for the first nine months of 2002 was \$10.6 million, including line of credit borrowings of \$53.8 million and share option exercises of \$5.0 million, offset by principal repayments on the mortgage notes payable of \$7.5 million and \$40.5 million in dividends paid.

Rental revenue has been the principal source of funds to pay WRIT's operating expenses, interest expense and dividends to shareholders.

RATIOS OF EARNINGS TO FIXED CHARGES AND DEBT SERVICE COVERAGE

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

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

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

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

ITEM 3: QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT
FINANCIAL MARKET RISK

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

WRIT's interest rate risk has not changed significantly from its risk as disclosed in its 2002 Form 10-K.

ITEM 4: CONTROLS AND PROCEDURES

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

The Trust carried out an evaluation, under the supervision and with the participation of the Trust's management, including the Trust's Chief Executive Officer and the Trust's principal financial officers, of the effectiveness of the Trust's disclosure controls and procedures as of September 30, 2003. Based on the foregoing, the Trust's Chief Executive Officer and principal financial officers concluded that the Trust's disclosure controls and procedures were effective as of September 30, 2003.

There have been no significant changes during the quarter covered by this report in the Trust's internal control over financial reporting or in other factors that could significantly affect the internal control over financial reporting.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

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

None

Item 5. Other Information

None

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

Exhibits

- (12) Computation of Ratios
- (31.1) Certification - Chief Executive Officer
- (31.2) Certification - Senior Vice President
- (31.3) Certification - Chief Financial Officer
- (32.1) Written Statement of Chief Executive Officer and principal financial officers

(b) Reports on Form 8-K

1. March 17, 2003 – Report pursuant to Item 5 and Item 7 regarding Officer's Certificate Establishing Terms of the Notes, dated March 12, 2003.
2. April 22, 2003 – Report pursuant to Item 9 and Item 12 on the release of the Trust's March 31, 2003 quarterly supplemental and earnings information.
3. July 22, 2003 – Report pursuant to Item 9 and Item 12 on the release of the Trust's June 30, 2003 quarterly supplemental and earnings information.
4. August 19, 2003 – Report pursuant to Item 2 and Item 7 regarding the acquisition of 1776 G Street dated August 7, 2003.

Table of Contents

5. October 17, 2003 – Amendment to Report pursuant to Item 2 and Item 7 regarding the acquisition of 1776 G Street dated August 7, 2003.
6. October 24, 2003 – Report pursuant to Item 2 and Item 7 regarding the acquisition of Prosperity Medical Center dated October 9, 2003.
7. November 3, 2003 – Report pursuant to Item 9 and Item 12 on the release of the Trust’s September 30, 2003 quarterly supplemental and earnings information.

SIGNATURES

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

WASHINGTON REAL ESTATE INVESTMENT TRUST

/s/ Edmund B. Cronin, Jr.

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

/s/ Laura M. Franklin

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

/s/ Sara L. Grootwassink

Sara L. Grootwassink
Chief Financial Officer

Date: November 13, 2003

COMPUTATIONS OF RATIOS OF EARNINGS TO FIXED CHARGES
AND PREFERRED DIVIDENDS

	<u>Three Months Ended</u> <u>September 30, 2003</u>	<u>Year Ended</u> <u>December 31, 2002</u>
Income from continuing operations	\$ 10,987	\$ 48,080
Add back:		
Interest expense	7,401	27,849
Earnings available for fixed charges and preferred dividends	\$ 18,388	\$ 75,929
Fixed Charges		
Interest expense	\$ 7,401	\$ 27,849
Capitalized interest	77	120
Interest portion of rent expense	—	—
Total fixed charges	7,478	27,969
Preferred dividends	—	—
Total fixed charges and preferred dividends	\$ 7,478	\$ 27,969
Ratio of Earnings to Fixed Charges and Preferred Dividends	2.46	2.71

CERTIFICATION

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

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

DATE: November 13, 2003

/s/ Edmund B. Cronin, Jr.

Edmund B. Cronin, Jr.
Chief Executive Officer

CERTIFICATION

I, Laura M. Franklin, certify that:

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

DATE: November 13, 2003

/s/ Laura M. Franklin

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

CERTIFICATION

I, Sara L. Grootwassink, certify that:

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

DATE: November 13, 2003

/s/ Sara L. Grootwassink

Sara L. Grootwassink
Chief Financial Officer

WRITTEN STATEMENT
OF
CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

The undersigned hereby certify that the Form 10-Q for the quarter ended September 30, 2003 filed by Washington Real Estate Investment Trust with the Securities and Exchange Commission fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the issuer.

Dated: November 13, 2003

/s/ Edmund B. Cronin, Jr.

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

Dated: November 13, 2003

/s/ Laura M. Franklin

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

Dated: November 13, 2003

/s/ Sara L. Grootwassink

Sara L. Grootwassink
Chief Financial Officer