



Our strong capital position

2007 ANNUAL REPORT

WRIT

WASHINGTON
REAL ESTATE
INVESTMENT
TRUST



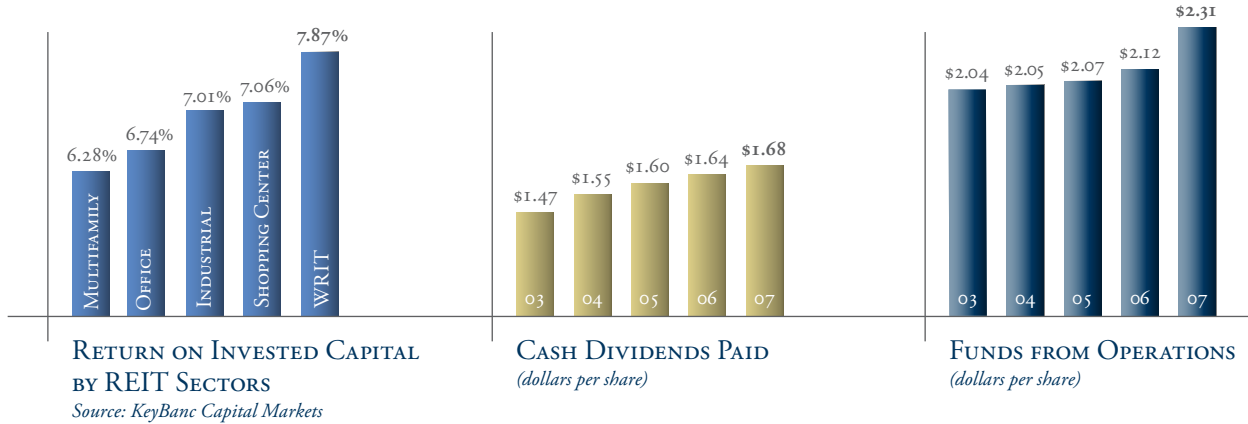
2440 M STREET, WASHINGTON, D.C.



MUNSON HILL TOWERS, FALLS CHURCH, VIRGINIA



1901 PENNSYLVANIA AVENUE, WASHINGTON, D.C.



SELECTED FINANCIAL AND OPERATING DATA
(in millions, except fully diluted per share amounts)

| FOR THE YEAR | 2003 | 2004 | 2005 | 2006 | 2007 |
|---------------------------------------|--------|---------|---------|---------|---------|
| Real Estate Rental Revenue | \$ 143 | \$ 163 | \$ 180 | \$ 209 | \$ 256 |
| Net Income | 45 | 46 | 78 | 39 | 62 |
| Funds from Operations | 81 | 86 | 87 | 93 | 107 |
| Cash Dividends Paid | 59 | 65 | 67 | 73 | 78 |
| Average Shares Outstanding (Diluted) | 40 | 42 | 42 | 44 | 46 |
| PER FULLY DILUTED COMMON SHARE | | | | | |
| Net Income | \$1.13 | \$ 1.09 | \$ 1.84 | \$ 0.88 | \$ 1.34 |
| Funds from Operations | 2.04 | 2.05 | 2.07 | 2.12 | 2.31 |
| Cash Dividends Paid | 1.47 | 1.55 | 1.60 | 1.64 | 1.68 |
| AT YEAR-END | | | | | |
| Total Assets | \$ 928 | \$1,012 | \$1,139 | \$1,531 | \$1,898 |
| Total Debt | 508 | 602 | 704 | 1,018 | 1,324 |
| Shareholders' Equity | 379 | 366 | 380 | 442 | 487 |

In the Washington, D.C. metro region—one of the strongest real estate markets in the world—we continue to capitalize on great opportunities. WRIT invests in a diversified portfolio of high-quality, income-producing properties. We're experts in the region with a 47-year history focused on a disciplined investment strategy, generating outstanding returns for our shareholders year after year.

Washington Real Estate Investment Trust owns and manages 92* income-producing properties diversified across five property types—located in the vibrant Washington, D.C. metropolitan region. Our emphasis on portfolio diversity combined with a distinct geographic focus provides WRIT tremendous resilience—and generates consistently strong returns. In 2007, WRIT continued its long-standing tradition of delivering outstanding performance:

- Achieving a 9% increase in funds from operations over the prior year
- Maintaining a 95% core occupancy rate throughout the year
- Increasing dividends for the 37th consecutive year
- Acquiring \$319 million of high-quality properties with high earnings growth potential
- Reinvesting proceeds from the sale of two properties
- Completing the development of one office property and two luxury apartment buildings in 2007 and early 2008
- Raising \$200 million of capital and closing on a new unsecured credit facility in 2007; and by early 2008, increasing total credit facility capacity to \$337 million

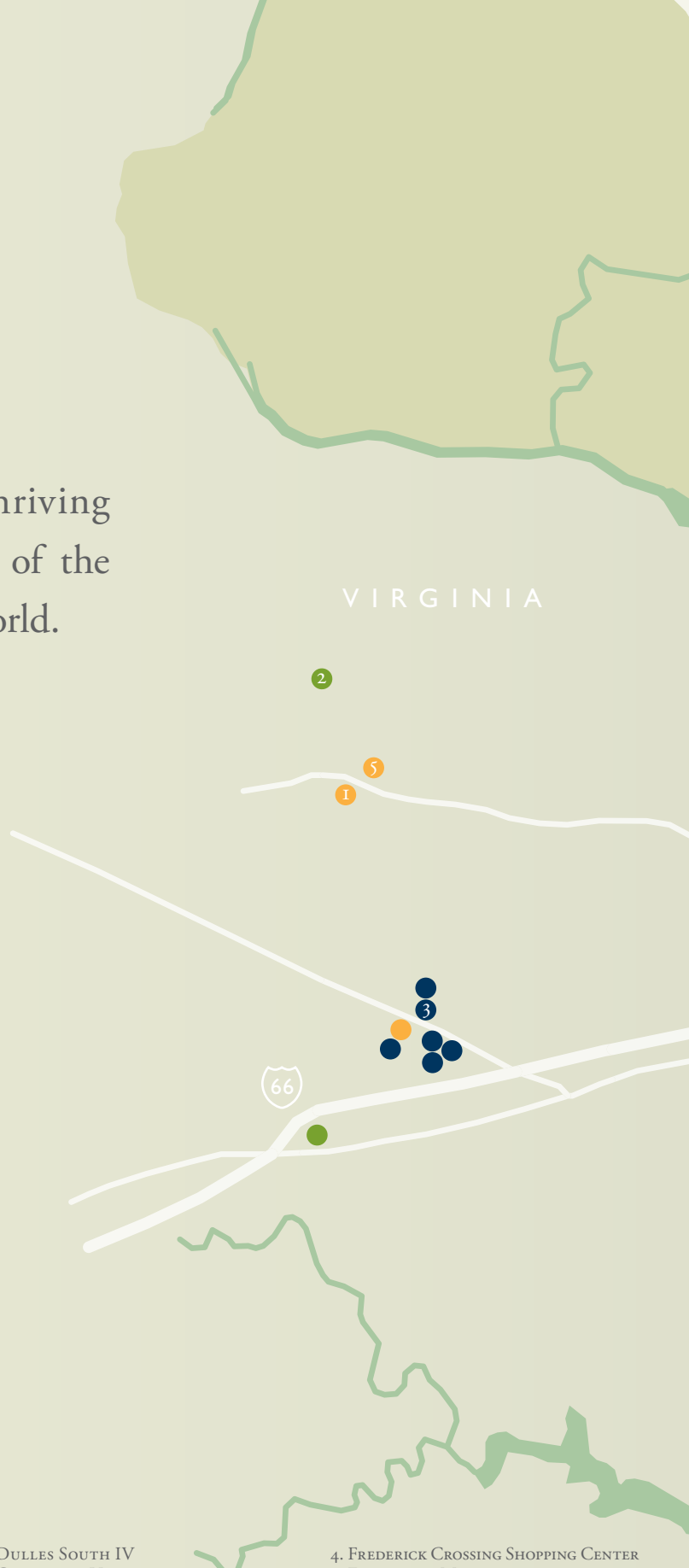
WRIT strives to produce exceptional returns for our shareholders. By maintaining a strong balance sheet while expanding our portfolio, we strengthen **our strong capital position.**

* As of March 10, 2008.

WRIT owns 92 properties in the thriving Washington, D.C. metro area—one of the top-rated real estate markets in the world.

- Federal government spending drives one-third of the region's gross regional product
- Lowest unemployment rate of all major U.S. metro regions
- Top U.S. metro region in median income
- 10 of the top 20 most affluent counties in the country located in the region
- Most educated U.S. workforce—46% of area adults have a college degree or higher

- OFFICE BUILDINGS
- MEDICAL OFFICE
- MULTIFAMILY
- RETAIL CENTERS
- INDUSTRIAL/FLEX



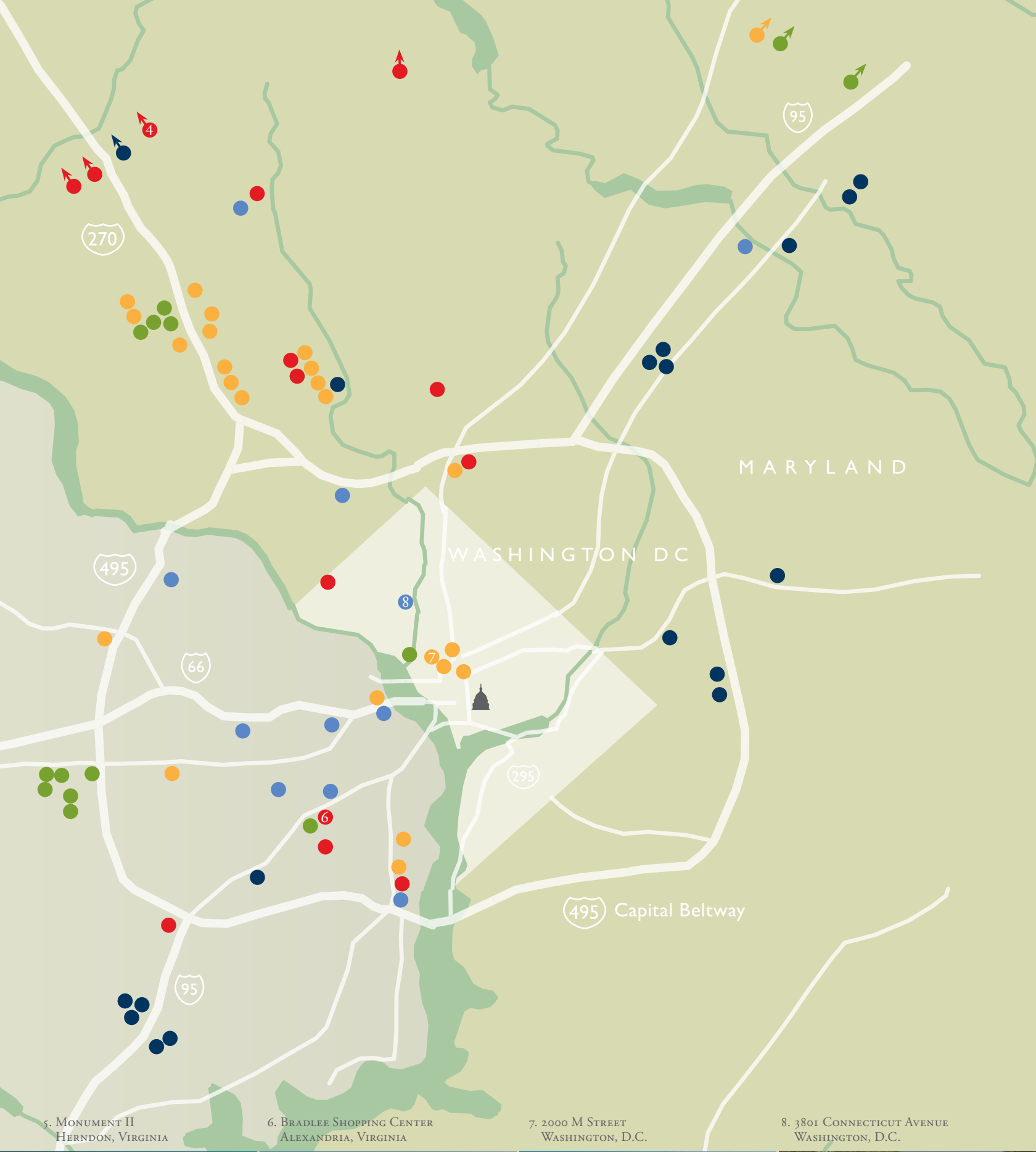
1. DULLES STATION
HERNDON, VIRGINIA

2. ASHBURN FARM PROFESSIONAL CENTER
ASHBURN, VIRGINIA

3. DULLES SOUTH IV
CHANTILLY, VIRGINIA

4. FREDERICK CROSSING SHOPPING CENTER
FREDERICK, MARYLAND





5. MONUMENT II
HERNDON, VIRGINIA

6. BRADLEE SHOPPING CENTER
ALEXANDRIA, VIRGINIA

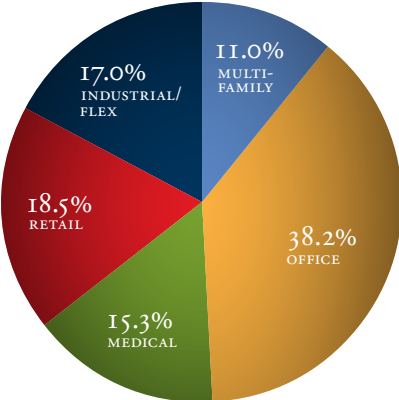
7. 2000 M STREET
WASHINGTON, D.C.

8. 3801 CONNECTICUT AVENUE
WASHINGTON, D.C.



WRIT invests selectively in five core real estate sectors—all in the Washington, D.C. metro region—an approach that achieves both stability and growth.

NET OPERATING INCOME CONTRIBUTION BY SECTOR



Management adheres to a disciplined diversification strategy, which provides a buffer against market fluctuations in specific property types and enhances the stability of the overall portfolio. We focus on investing in high-quality properties across five key sectors in markets we know well. WRIT is the only publicly traded REIT with such diversification in the Washington, D.C. metro region.

In the metro area's office sector—one of the best office markets in the country—we're focused on acquiring in urban business districts properties with the strong potential for rental rate growth. In September 2007, Maryland Trade Center I & II, a suburban office park, was sold for \$58 million, producing a \$25 million gain and a 16.9% unlevered internal rate of return. In December, the proceeds from that sale were used to purchase 2000 M Street, NW for \$74 million. It is a Class A office building well positioned in the central business district in downtown Washington, D.C. This 100% leased property has substantial upside potential due to the in-place rents being approximately 26% below current market rates.

Several years ago, we increased the pace of acquisitions in the medical office sector. In 2007, WRIT acquired four medical office properties, including 2440 M Street, NW, a Class A building in downtown Washington, D.C., situated near two major university hospitals. In Virginia, WRIT acquired CentreMed I & II, and Ashburn Farm Office Park. Both properties are 100% leased and located in close proximity to hospitals in communities with strong growth demographics. In Pikesville, Maryland, WRIT acquired Woodholme Medical Office, a Class A property in an affluent area where demand for medical space is driven by two nearby hospitals.

Our multifamily portfolio expanded with the completion of two luxury apartment developments—Bennett Park and Clayborne Apartments—in key Northern Virginia neighborhoods close to downtown Washington, D.C. Additionally, 76 apartments in our existing portfolio were renovated and leased to produce a 14% rental rate increase on these units.

We continue to invest in small bay industrial and flex properties with convenient access to major highways. In 2007, WRIT acquired five single-story flex buildings within 270 Technology Park, located in Frederick, Maryland. The portfolio is situated in one of Frederick's most visible and accessible areas. Last year, rental rates on new and renewed leases in the industrial/flex portfolio rose 17%.

In the retail sector, WRIT invests in neighborhood and community shopping centers. We seek to add value to the retail centers through strategic redevelopment. WRIT redeveloped the Shoppes at Foxchase in Alexandria, Virginia, in 2006, attracting grocer Harris Teeter to anchor the center, and have increased rental rates on rollover 33% since completion. In early 2007, we completed a facade renovation at Montrose Shopping Center and successfully raised occupancy levels to 97%, compared to only 58% when the center was acquired in 2006.



ALBEMARLE POINT
CHANTILLY, VIRGINIA



COURTHOUSE SQUARE
ALEXANDRIA, VIRGINIA



BETHESDA HILL APARTMENTS
BETHESDA, MARYLAND



SHADY GROVE MEDICAL
ROCKVILLE, MARYLAND



SHOPPES AT FOXCHASE
ALEXANDRIA, VIRGINIA

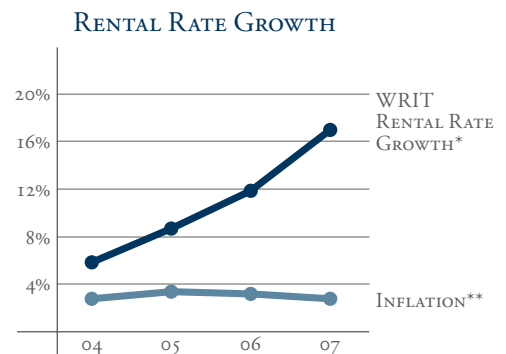


WRIT builds strong relationships with tenants—reflected in our 95% core occupancy and outstanding retention rates.

Demand remains strong across the Washington, D.C. metro area, which in 2007 registered the fifth-lowest vacancy rate in the nation. Accounting for one-third of the gross regional product, the federal government fuels the local economy and, along with supporting government contractors, provides a large, stable supply of tenants. The region is also home to more than 20 Fortune 1000 companies, including the nation's largest defense contractors. The strength of our market, our solid tenant base and proactive property management enabled us to achieve a stellar 95% core occupancy rate across our portfolio for the year.

WRIT targets a diverse mix of credit-worthy small tenants across the Washington, D.C. metro area. In fact, we have more than 1,100 commercial tenants occupying, on average, less than 5,000 square feet of space. By focusing on small tenants, we limit our exposure to any one industry and improve tenant retention. WRIT's tenants represent over 30 industries, and no single tenant accounts for more than 5% of annual revenue.

Our real estate professionals take a team approach to achieve high marks in tenant satisfaction. In 2007, the leasing team successfully signed more than 300 commercial leases with an average rental rate growth of 17.3%. Superior tenant service, hands-on property management, the high quality of our buildings and their outstanding locations contribute to high levels of tenant retention, resulting in a strong 81.5% retention rate across our entire commercial portfolio.



**Calculated as percentage difference between expiring leases and new and renewal leases on a GAAP basis, excluding multifamily sector.*

***Source: Bureau of Labor Statistics*

CORE PORTFOLIO OCCUPANCY LEVELS

| | |
|--------------------------|--------------|
| MEDICAL OFFICE | 98.8% |
| RETAIL | 96.3% |
| INDUSTRIAL/FLEX | 95.4% |
| OFFICE | 95.2% |
| MULTIFAMILY | 91.3% |
| OVERALL PORTFOLIO | 94.8% |

WRIT develops inspiring spaces across the Washington, D.C. metro region, with a development team that has deep experience in all of WRIT's property types.

WRIT has a long-established track record of value-added development in the Washington, D.C. metro region. Recently, WRIT completed approximately \$170 million in major developments. By leveraging our in-depth knowledge of the local market and long-standing industry relationships, we work together to strengthen the quality of WRIT's portfolio and create opportunities for long-term growth. Our highly skilled professionals manage every stage of the process—from project planning and construction through interior design and landscaping—to deliver high-quality properties with the end-user in mind.

The development team and in-house architects put their expertise and creativity to work to design innovative surroundings that enhance the quality of living, working and shopping. For example, the WRIT team worked with outside architects to design the Clayborne Apartments to match the historic charm of its Old Town Alexandria neighborhood

BENNETT PARK APARTMENTS
ARLINGTON, VIRGINIA



without sacrificing modern amenities. Clayborne, a 74-unit luxury apartment building, began delivering units in February 2008.

WRIT's interior designers work with our architects from conception to completion to achieve well-designed spaces providing spectacular results. For the new Bennett Park development in a prime Arlington, Virginia location, designers incorporated a wealth of high-end amenities—from premium wood finishes to marble baths and granite countertops—for luxury living comparable to a boutique hotel. The development includes 224 high- and mid-rise apartment units, most of which delivered in December 2007.

In 2007, the team successfully completed Dulles Station West, a Class A office building in Herndon, Virginia. Part of a planned mixed-use town center, the building was named best suburban mid-rise office building in Northern Virginia by the National Association

of Industrial and Office Properties, and is situated at a future metro location on the Dulles Toll Road.

The demand from our space users for green buildings continues to grow. With Leadership in Energy and Environmental Design (LEED) accreditation, our development professionals put their thorough understanding of green building practices and principles into action in all our projects.

WRIT'S PROFESSIONALS WORK CLOSELY TOGETHER FROM PLANNING AND DESIGN TO CONSTRUCTION AND COMPLETION TO DELIVER HIGH-QUALITY PROJECTS. MEMBERS OF WRIT'S DEVELOPMENT TEAM (FROM LEFT) KIRK KNOTT, *Senior Estimator/Project Manager*; SHERRY KISSAL, *NCIDQ, Senior Interior Designer*; RICHARD FENATI, *EIT, Development Manager*; JOY DYER, *Interior Designer*; BOB STODDARD, *CCIM, NAR, Director, Development*; JIM SALOKA, *Development Manager*; BOB BUSSARD, *Director, Construction*; JACKIE BRADBURY, *Senior Construction Manager*; LINDA JACKSON, *AIA, NCARB, Senior Director, Architecture & Development*; AND JERRY CONRAD, *LEED AP, Senior Architect*.





WRIT's team of professionals have been managing real estate investments in the Washington, D.C. metro region for decades.

WRIT's employees are its greatest strength. Being a full service, vertically integrated real estate investment trust, WRIT employs professionals with extensive expertise in every aspect of the real estate industry—from property engineering and management to leasing and finance. Our staff has a wealth of experience in the real estate industry in the Washington, D.C. metro region, providing significant competitive advantages. WRIT's highly skilled professionals are experts in putting its proven investment strategies to work.

Many of WRIT's employees have advanced degrees in a range of disciplines that bring significant expertise, including civil and environmental engineering, architecture, interior design, finance, accounting and business administration. Many possess specialized certifications and are active members in professional organizations, helping them to keep current with industry trends. Our employees are members of the National Council of Architectural Registration, the National Council for Interior Design Qualification, the American Institute for Certified Public Accountants and the Chartered Financial Analyst Institute.

Over 70% of our property managers are certified Real Property Administrators or pursuing certification. These individuals are thoroughly trained in every aspect of property management, including building operation and maintenance, investment and finance, leasing and marketing, environmental health and safety, and more.

WRIT values its employees' contributions and recognizes their achievements. The most significant recognition is the President and CEO Award, which is presented to one employee each year who exemplifies outstanding performance. Integrity and ethical conduct in all aspects of our business are key to our success.



PRESIDENT AND CEO AWARD RECIPIENTS (FROM LEFT) ROSA ALVARENGA (2007), *Porter*; KRISTINE LYNCH (2006), *Director, Lease Administration*; AND ROBERT BOYLL (2005), *Chief Engineer*, WERE RECOGNIZED BY THE EXECUTIVE MANAGEMENT TEAM FOR CONSISTENTLY DEMONSTRATING EXEMPLARY PERFORMANCE. TOGETHER, THE THREE AWARD WINNERS HAVE AN AVERAGE OF 15 YEARS OF EXPERIENCE WITH WRIT.

Letter to Shareholders

GEORGE F. MCKENZIE



2007 was an excellent year for Washington Real Estate Investment Trust. Due to the tremendous effort of our employees, and the continued strength of the Washington, D.C. metropolitan region, WRIT delivered strong performance across each of its sectors. Earnings, occupancy, rental rates and revenues all increased over 2006. For the 35th consecutive year, WRIT increased funds from operations per share, up 9% over last year.

We continued to be very active, recycling capital and improving our portfolio. During the year WRIT acquired nine properties, consisting of more than one million square feet. All of the acquisitions were accretive to earnings, and provide excellent potential for future earnings growth.

In September 2007, we successfully sold Maryland Trade Center I & II, a suburban office property. WRIT owned Maryland Trade Center for eleven years and earned a 16.9% unleveraged internal rate of return.

WRIT executed 306 commercial leases in 2007 with rental rates rising an average of 17.3%. Commercial occupancy rates reached an impressive 95% across the core portfolio, due in large part to a retention rate of 82%. Key to this success is the close relationship we enjoy with our tenants due to responsive property management, in-house leasing, interior design and construction management.

Over the last seven years, the REIT industry has achieved extraordinary performance compared to most major market indices. This ended with the recent disruption in the credit markets causing the entire industry, as reflected by the MSCI US REIT (RMS) index, to be down 17% for the year.

As we write this letter in early 2008, the credit markets are in upheaval and there is a specter of a recession—capital is precious, liquidity is rare, and financial strength is once again paramount. Please be assured that your company's balance sheet is fundamentally sound. WRIT is one of an elite class of REITs rated Baal by Moody's and BBB+ by Standard & Poor's, and is poised to take advantage of potential opportunities that may arise in a dysfunctional capital market. In 2007, we completed several capital transactions that provide increased flexibility and strengthened WRIT's balance sheet. WRIT issued \$150 million of convertible debt at a coupon rate of 3 $\frac{7}{8}$ % and \$59 million of new common equity at a share price of \$37 and entered into a new revolving credit facility.

Management's strategy going forward will continue to focus on what we do well—value-added investing concentrated in the strong Washington, D.C. metropolitan region and remaining close to our customers through hands-on property

management and leasing. We will continue to diversify by property type, with selective and opportunistic acquisitions. Being a local "sharp-shooter" enables us to seek out below-the-radar opportunities. WRIT has the largest medical office building portfolio in our region. We will continue to focus on growing this sector aggressively through both acquisition and development. We will continue to recycle capital through asset sales, concentrating on improving the portfolio and seeking increased returns on invested capital.

WRIT's greatest strength is the depth and quality of its people. We are blessed with intelligent, experienced and industrious professionals, and are honored to serve with each and every one of them—some of whom grace the pages of this report. They are engaged members of our community and strive every day to meet the needs of WRIT's tenants and shareholders.

This was a year of transition for senior management. In June, Ed Cronin retired as CEO, and Skip McKenzie was appointed his successor. During Ed's tenure as CEO, through his leadership and direction, WRIT achieved phenomenal growth and success. Market capitalization increased from \$0.5 billion to \$2.9 billion, achieving a total return for shareholders of 358%. As Chairman of the Board of Trustees, Ed continues to serve and provide thoughtful guidance and insight to the Board and senior management.

Also in June, well-deserved promotions were earned by Sara Grootwassink and Laura Franklin, each of whom was promoted to Executive Vice President.

In closing, we would like to thank the Board of Trustees for their guidance and wisdom, and you the shareholder for your trust and support.

George F. McKenzie
President and Chief Executive Officer

Edmund B. Cronin, Jr.
Chairman of the Board



EDMUND B. CRONIN, JR.



WRIT

WASHINGTON

REAL ESTATE

INVESTMENT

TRUST

2007 FORM 10-K

Form 10-K

United States Securities and Exchange Commission, Washington, DC 20549

Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For fiscal year ended December 31, 2007 or

Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Commission file number 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) |
| 6110 Executive Boulevard, Suite 800, Rockville, Maryland 20852 | (Address of principal executive office) |
| (301) 984-9400 | (Zip code) |
| None | Registrant's telephone number, including area code |
| Shares of Beneficial Interest | Securities registered pursuant to Section 12(b) of the Act |
| None | Title of each class |
| New York Stock Exchange | Name of exchange on which registered |
| None | Securities registered pursuant to Section 12(g) of the Act |

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

YES NO

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

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

As of February 26, 2008 46,684,238 Shares of Beneficial Interest were outstanding. As of June 29, 2007, the aggregate market value of such shares held by non-affiliates of the registrant was approximately \$1,587,264,092 (based on the closing price of the stock on June 29, 2007).

Documents Incorporated by Reference

Portions of the Trust's definitive Proxy Statement relating to the 2008 Annual Meeting of Shareholders, to be filed with the Securities and Exchange Commission, are incorporated by reference in Part III, Items 10-14 of this Annual Report on Form 10-K as indicated herein.

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Part I

ITEM 1. BUSINESS

The Trust

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

We believe that we qualify as a REIT under Sections 856-860 of the Internal Revenue Code and intend to continue to qualify as such. To maintain our status as a REIT, we are required to distribute 90% of our ordinary taxable income to our shareholders. When selling properties, we have the option of (i) reinvesting the sale price of properties sold, allowing for a deferral of income taxes on the sale, (ii) paying out capital gains to the shareholders with no tax to the company or (iii) treating the capital gains as having been distributed to the shareholders, paying the tax on the gain deemed distributed and allocating the tax paid as a credit to the shareholders. In September 2007, Maryland Trade Centers I and II were sold for a gain of \$25.0 million. The proceeds from the sale were reinvested in replacement properties. We did not dispose of any of our properties in 2006. In 2005, \$33.5 million of the gains from property disposals were reinvested in replacement properties and approximately \$3.5 million of the gains were distributed to shareholders. We distributed all of our 2007, 2006, and 2005 ordinary taxable income to our shareholders. No provision for income taxes was necessary in 2007, 2006, or 2005. Over the last five years, dividends paid per share have been \$1.68 for 2007, \$1.64 for 2006, \$1.60 for 2005, \$1.55 for 2004, and \$1.47 for 2003.

We generally incur short-term floating rate debt in connection with the acquisition and development of real estate. As market conditions permit, we replace the floating rate debt with fixed-rate secured loans or unsecured senior notes, or repay the debt with the proceeds of sales of equity securities. We may acquire one or more properties in exchange for our equity securities or operating partnership units which are convertible into WRIT shares.

Our geographic focus is based on two principles:

1. Real estate is a local business and is more effectively selected and managed by owners located, and with expertise, in the region.
2. Geographic markets deserving of focus must be among the nation's best markets with a strong primary industry foundation and diversified enough to withstand downturns in their primary industry.

We consider markets to be local if they can be reached from the Washington centered market within two hours by car. Our Washington centered market reaches north to Philadelphia, Pennsylvania and south to Richmond, Virginia. While we have historically focused most of our investments in the greater Washington metro region, in order to maximize acquisition opportunities we will and have considered investments within the two-hour radius described above. We will also consider opportunities to duplicate our Washington focused approach in other geographic markets which meet the criteria described above.

All of our Trustees, officers and employees live and work in the greater Washington metro region and our officers average over 20 years of experience in this region.

This section includes or refers to certain forward-looking statements. You should refer to the explanation of the qualifications and limitations on such forward-looking statements beginning on page 61.

The Greater Washington Metro Area Economy

Economic conditions in the greater Washington metro region were strong in 2007. The region experienced positive job growth, an increase in gross regional product, higher retail sales, and had the lowest unemployment rate in the nation. The metro Washington region added 44,500 new jobs in 2007, in line with the long-term average of 45,000. The professional and business services, retail trade, and leisure and hospitality sectors led job growth in the region. In 2006, professional and business services, education and health services, and retail trade were the sectors that led growth. According to the Center

for Regional Analysis (“CRA”) at George Mason University, the Washington area’s gross regional product (GRP) in 2007 is estimated to have increased 3.3% compared to 2006. Approximately one-third of the area’s GRP was generated by the Federal government. In 2007, retail sales in the Washington metro area increased 3.8%. The region’s unemployment rate was 3.1% at October 2007, slightly up compared to 2006 but remains the lowest rate among all of the nation’s largest metro areas and well below the national average of 4.7%. The Washington metro region is currently the 8th largest metropolitan statistical area in the United States.

The outlook for 2008 is positive, but growth will be modest compared to past years. The Washington Leading Index, which forecasts area economic performance over the next 12 months, was 108.6, as of September 2007, which is 180 bps below the long term average. Gross regional product for the Washington metro region is forecasted to increase by 2.9% in 2008 and 3.3% in 2009. Job growth in the region is forecasted to rise in 2008 and 2009, adding 47,400 and 49,000 new jobs, respectively, compared to the long-term 15-year average of 45,000.

Greater Washington Metro Region Real Estate Markets

Despite softening conditions, the greater Washington metro region remains one of the top performing markets in the nation. According to the Association of Foreign Investors in Real Estate (AFIRE), Washington, DC is tied with London for second place in the Top 5 Global Cities for Real Estate Investment—2007. The area’s robust economy has translated into stronger relative real estate market performance in each of our sectors, compared to other national metropolitan regions as reported by Delta Associates/Transwestern Commercial Services (“Delta”), a national full service real estate firm that provides market research and evaluation services for commercial property types including office, industrial, retail and apartments:

Office and Medical Office Sectors

- Rents increased 2.2% in 2007 in the region, and rents are expected to stabilize in 2008.
- Vacancy was 9.1% at year-end 2007, up from 8.5% one year ago and up from 7.9% at year-end 2005.
- The region has the fifth lowest vacancy rate of large metro areas in the United States.
- The overall vacancy rate is projected to increase to 11.3% over the next year.
- Net absorption totaled 5.4 million square feet, down from 6.8 million square feet in 2006.
- Of the 20.6 million square feet of office space under construction at year-end 2007, 28% is pre-leased.

Multifamily Sector

- Rents for investment grade apartments increased 1.8% in the greater Washington metro region during 2007.
- Rents are expected to increase in the region, but by less than the long-term average of 4.4% per annum.

Grocery-Anchored Retail Centers Sector

- Rental rates at grocery-anchored centers increased 3.9% in the region in 2007.
- Vacancy rates were 2.3% at year-end 2007—no change from 2.3% in 2006.
- Sales volume for food retailers in the greater Washington metro area increased 1.8% in 2007.

Industrial/Flex Sector

- Rental rates for the industrial sector increased 2.8% in the greater Washington region in 2007.
- Overall vacancy was 9.5% at year-end 2007, down from 9.8% one year ago.
- Net absorption was 6.6 million square feet, compared to 4.3 million square feet in 2006 and above the long-term average of 5.4 million square feet.
- Of the 6.4 million square feet of industrial space under construction at year-end, 24% is pre-leased, compared to 21% of space under construction that was pre-leased one year ago.

WRIT PORTFOLIO

As of December 31, 2007, we owned a diversified portfolio of 89 properties consisting of 25 office properties, 17 medical office properties, 14 retail centers, 10 multifamily properties, 23 industrial/flex properties and land held for development. Our principal objective is to invest in high quality properties in prime locations, then proactively manage, lease, and direct ongoing capital improvement programs to improve their economic performance. The percentage of total real estate rental revenue by property group for 2007, 2006 and 2005 and the percent leased, calculated as the percentage of physical net rentable area leased, as of December 31, 2007 were as follows:

| Percent Leased* December 31, 2007 | | Real Estate Rental Revenue* | | |
|--|--------------------------|------------------------------------|-------------|-------------|
| | | 2007 | 2006 | 2005 |
| 97% | Office buildings | 40% | 38% | 39% |
| 98% | Medical office buildings | 15 | 12 | 10 |
| 98% | Retail centers | 16 | 18 | 18 |
| 87% | Multifamily | 13 | 15 | 17 |
| 96% | Industrial | 16 | 17 | 16 |
| | | 100% | 100% | 100% |

* Data excludes discontinued operations.

On a combined basis, our portfolio was 97% leased at December 31, 2007, 95% leased at December 31, 2006 and 94% leased at December 31, 2005.

Total rental revenue from continuing operations was \$255.7 million for 2007, \$208.7 million for 2006 and \$180.3 million for 2005. During the three year period ended December 31, 2007, we acquired seven office buildings, ten medical office buildings, three retail centers and six industrial properties. During that same time frame, we sold five office buildings and one industrial center. These acquisitions and dispositions were the primary reason for the shifting of each group's percentage of total revenue reflected above.

No single tenant accounted for more than 3.6% of revenue in 2007, 3.7% of revenue in 2006, and 3.5% of revenue in 2005. All Federal government tenants in the aggregate accounted for approximately 2.2% of our 2007 total revenue. Federal government tenants include the Department of Defense, U.S. Patent and Trademark Office, Federal Bureau of Investigation, Office of Personnel Management, Secret Service, Federal Aviation Administration, NASA and the National Institutes of Health. WRIT's larger non-federal government tenants include the World Bank, Sunrise Senior Living, Inc., Sun Microsystems, INOVA Health Systems, URS Corporation, George Washington University, United Communications Group, Westat and Lafarge North America, Inc.

We expect to continue investing in additional income producing properties. We only invest in properties which we believe will increase in income and value. Our properties compete for tenants with other properties throughout the respective areas in which they are located on the basis of location, quality and rental rates.

We are engaged in ground-up development in order to further strengthen our portfolio with long-term growth prospects. This year we continued construction on three ground-up development projects. The first is Bennett Park, a 224-unit multifamily property located in Arlington, VA. The majority of units at Bennett Park were delivered at the end of 2007. The second is The Clayborne Apartments, a 74-unit multifamily property located in Alexandria, VA. WRIT began delivering units at The Clayborne Apartments in February 2008. The third is Dulles Station, a Class A office property located in Herndon, VA. Dulles Station is entitled for two office buildings totaling 540,000 square feet. The first 180,000 square foot office building was completed in the third quarter 2007 and construction of the 360,000 square foot second building is being evaluated and is dependent on market conditions.

We make capital improvements on an ongoing basis to our properties for the purpose of maintaining and increasing their value and income. Major improvements and/or renovations to the properties in 2007, 2006, and 2005 are discussed under the heading "Capital Improvements."

Further description of the property groups is contained in Item 2, Properties and in Schedule III. Reference is also made to Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

On February 21, 2008, we had 305 employees including 214 persons engaged in property management functions and 91 persons engaged in corporate, financial, leasing, asset management and other functions.

AVAILABILITY OF REPORTS

A copy of this Annual Report on Form 10-K, as well as our Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to such reports are available, free of charge, on the Internet on our website www.writ.com. All required reports are made available on the website as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission. The reference to our website address does not constitute incorporation by reference of the information contained in the website and such information should not be considered part of this document.

ITEM 1A. RISK FACTORS

Set forth below are the risks that we believe are material to our shareholders. We refer to the shares of beneficial interest in Washington Real Estate Investment Trust as our "shares," and the investors who own shares as our "shareholders." This section includes or refers to certain forward-looking statements. You should refer to the explanation of the qualifications and limitations on such forward-looking statements beginning on page 61.

Our performance and value are subject to risks associated with our real estate assets and with the real estate industry.

Our economic performance and the value of our real estate assets are subject to the risk that if our office, medical office, industrial, multifamily and retail properties do not generate revenues sufficient to meet our operating expenses, including debt service and capital expenditures, our cash flow and ability to pay distributions to our shareholders will be adversely affected. The following factors, among others, may adversely affect the revenues generated by our commercial and multifamily properties:

- downturns in the national, regional and local economic climate;
- competition from similar asset type properties;
- local real estate market conditions, such as oversupply or reduction in demand for office, medical office, industrial, multifamily or retail properties;
- changes in interest rates and availability of financing;
- vacancies, changes in market rental rates and the need to periodically repair, renovate and re-let space;
- increased operating costs, including insurance premiums, utilities and real estate taxes;
- inflation;
- weather conditions;
- consumer confidence, unemployment rates, and consumer tastes and preferences;
- civil disturbances, earthquakes and other natural disasters, terrorist acts or acts of war may result in uninsured or underinsured losses;
- significant expenditures associated with each investment, such as debt service payments, real estate taxes, insurance and maintenance costs, are generally not reduced when circumstances cause a reduction in revenues from a property; and
- the economic health of our tenants and the ability to collect rents.

We are dependent upon the economic climate of the Washington metropolitan region.

All of our properties are located in the Washington metropolitan region, which exposes us to a greater amount of risk than if we were geographically diverse. General economic conditions and local real estate conditions in our geographic region may be dependent upon one or more industries, thus a downturn in one of the industries may have a particularly strong effect. In particular, economic conditions in our market are directly affected by Federal government spending in the region. In the event of reduced Federal spending or negative economic changes in our region, we may experience a negative impact to our profitability and may be limited in our ability to make distributions to our shareholders.

We face risks associated with property acquisitions.

We intend to continue to acquire properties which would continue to increase our size and could alter our capital structure. Our acquisition activities and success may be exposed to the following risks:

- we may be unable to acquire a desired property because of competition from other real estate investors, including publicly traded real estate investment trusts, institutional investment funds and private investors;
- even if we enter into an acquisition agreement for a property, it is subject to customary conditions to closing, including completion of due diligence investigations which may have findings that are unacceptable;
- competition from other real estate investors may significantly increase the purchase price;
- we may be unable to finance acquisitions on favorable terms;
- acquired properties may fail to perform as we expected in analyzing our investments; and
- our estimates of the costs of repositioning or redeveloping acquired properties may be inaccurate.

We may acquire properties subject to liabilities and without recourse, or with limited recourse, with respect to unknown liabilities. As a result, if liability were asserted against us based upon the acquisition of a property, we may have to pay substantial sums to settle it, which could adversely affect our cash flow. Unknown liabilities with respect to properties acquired might include:

- liabilities for clean-up of undisclosed environmental contamination;
- claims by tenants, vendors or other persons dealing with the former owners of the properties;
- liabilities incurred in the ordinary course of business; and
- claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

We face new and different risks associated with property development.

The ground-up development of Bennett Park, The Clayborne Apartments, and Dulles Station, as opposed to renovation and redevelopment of an existing property, is a relatively new activity for WRIT. Developing properties, in addition to the risks historically associated with our business, presents a number of new and additional risks for us, including risks that:

- the development opportunity may be abandoned after expending significant resources resulting in the loss of deposits or failure to recover expenses already incurred, if we are unable to obtain all necessary zoning and other required governmental permits and authorizations or abandon the project for any other reason;
- the development and construction costs of the project may exceed original estimates due to increased interest rates and increased materials, labor, leasing or other costs, which could make the completion of the project less profitable because market rents may not increase sufficiently to compensate for the increase in construction costs;
- construction and/or permanent financing may not be available on favorable terms or may not be available at all, which may cause the cost of the project to increase and lower the expected return;
- the project may not be completed on schedule as a result of a variety of factors, many of which are beyond our control, such as weather, labor conditions and material shortages, which would result in increases in construction costs and debt service expenses; and
- occupancy rates and rents at the newly completed property may not meet the expected levels and could be insufficient to make the property profitable.

Properties developed or acquired for development may generate little or no cash flow from the date of acquisition through the date of completion of development. In addition, new development activities, regardless of whether or not they are ultimately successful, may require a substantial portion of management's time and attention.

These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development activities once undertaken, any of which could have an adverse effect on our financial condition, results of operations, cash flow, the trading price of our common shares, and ability to satisfy our debt service obligations and to pay dividends to shareholders.

We face potential difficulties or delays renewing leases or re-leasing space.

From 2008 through 2012, leases on our commercial properties will expire on a total of approximately 68% of our leased square footage as of December 31, 2007, with leases on approximately 13% of our leased square footage expiring in 2008, 14% in 2009, 17% in 2010, 13% in 2011 and 11% in 2012. We derive substantially all of our income from rent received from tenants. Also, if our tenants decide not to renew their leases, we may not be able to re-let the space. If tenants decide to renew their leases, the terms of renewals, including the cost of required improvements or concessions, may be less favorable than current lease terms. As a result, our cash flow could decrease and our ability to make distributions to our shareholders could be adversely affected. Residential properties are leased under operating leases with terms of generally one year or less. For the years ended 2007, 2006 and 2005, the residential tenant retention rate was 67%, 68% and 57%, respectively.

We face potential adverse effects from major tenants' bankruptcies or insolvencies.

The bankruptcy or insolvency of a major tenant may adversely affect the income produced by a property. Although we have not experienced material losses from tenant bankruptcies or insolvencies in the past, a major tenant could file for bankruptcy protection or become insolvent in the future. We cannot evict a tenant solely because of its bankruptcy. On the other hand, a court might authorize the tenant to reject and terminate its lease. In such case, our claim against the bankrupt tenant for unpaid, future rent would be subject to a statutory cap that might be substantially less than the remaining rent actually owed under the lease, and, our claim for unpaid rent would likely not be paid in full. This shortfall could adversely affect our cash flow and results from operations. If a tenant experiences a downturn in its business or other types of financial distress, it may be unable to make timely rental payments.

Our properties face significant competition.

We face significant competition from developers, owners and operators of office, medical office, industrial, multifamily, retail and other commercial real estate. Substantially all of our properties face competition from similar properties in the same market. Such competition may affect our ability to attract and retain tenants and may reduce the rents we are able to charge. These competing properties may have vacancy rates higher than our properties, which may result in their owners being willing to make space available at lower prices than the space in our properties.

Compliance or failure to comply with the Americans with Disabilities Act and other laws could result in substantial costs.

The Americans with Disabilities Act generally requires that public buildings, including commercial and multifamily properties, be made accessible to disabled persons. Noncompliance could result in imposition of fines by the Federal government or the award of damages to private litigants. If, pursuant to the Americans with Disabilities Act, we are required to make substantial alterations and capital expenditures in one or more of our properties, including the removal of access barriers, it could adversely affect our financial condition and results of operations, as well as the amount of cash available for distribution to our shareholders. We may also incur significant costs complying with other regulations. Our properties are subject to various federal, state and local regulatory requirements, such as state and local fire and life safety requirements. If we fail to comply with these requirements, we may incur fines or private damage awards. We believe that our properties are currently in material compliance with all of these regulatory requirements. However, we do not know whether existing requirements will change or whether compliance with future requirements will require significant unanticipated expenditures that will adversely affect our cash flow and results from operations.

Some potential losses are not covered by insurance.

We carry insurance coverage on our properties of types and in amounts that we believe are in line with coverage customarily obtained by owners of similar properties. We believe all of our properties are adequately insured. The property insurance that we maintain for our properties has historically been on an "all risk" basis, which is in full force and effect until renewal in September 2009. There are other types of losses, such as from wars or catastrophic acts of nature, for which we cannot obtain insurance at all or at a reasonable cost. In the event of an uninsured loss or a loss in excess of our insurance limits, we could lose

both the revenues generated from the affected property and the capital we have invested in the affected property. Depending on the specific circumstances of the affected property it is possible that we could be liable for any mortgage indebtedness or other obligations related to the property. Any such loss could adversely affect our business and financial condition and results of operations.

Also, we have to renew our policies in most cases on an annual basis and negotiate acceptable terms for coverage, exposing us to the volatility of the insurance markets, including the possibility of rate increases. Any material increase in insurance rates or decrease in available coverage in the future could adversely affect our results of operations and financial condition.

Potential liability for environmental contamination could result in substantial costs.

Under Federal, state and local environmental laws, ordinances and regulations, we may be required to investigate and clean up the effects of releases of hazardous or toxic substances or petroleum products at our properties, regardless of our knowledge or responsibility, simply because of our current or past ownership or operation of the real estate. In addition, the U.S. Environmental Protection Agency and the U.S. Occupational Safety and Health Administration are increasingly involved in indoor air quality standards, especially with respect to asbestos, mold and medical waste. The clean up of any environmental contamination, including asbestos and mold, can be costly. If unidentified environmental problems arise, we may have to make substantial payments which could adversely affect our cash flow, because:

- as owner or operator we may have to pay for property damage and for investigation and clean-up costs incurred in connection with the contamination;
- the law typically imposes clean-up responsibility and liability regardless of whether the owner or operator knew of or caused the contamination;
- even if more than one person may be responsible for the contamination, each person who shares legal liability under the environmental laws may be held responsible for all of the clean-up costs; and
- governmental entities and third parties may sue the owner or operator of a contaminated site for damages and costs.

These costs could be substantial and in extreme cases could exceed the value of the contaminated property. The presence of hazardous or toxic substances or petroleum products or the failure to properly remediate contamination may adversely affect our ability to borrow against, sell or rent an affected property. In addition, applicable environmental laws create liens on contaminated sites in favor of the government for damages and costs it incurs in connection with a contamination.

We have a storage tank third party liability, corrective action and cleanup policy in place to cover potential hazardous releases from underground storage tanks on our properties. This insurance is in place to mitigate any potential remediation costs from the effect of releases of hazardous or toxic substances from these storage tanks. Additional coverage is in place under a pollution legal liability real estate policy. This would, dependent on circumstance and type of pollutants discovered, provide further coverage above and beyond the storage tank policy.

Environmental laws also govern the presence, maintenance and removal of asbestos. Such laws require that owners or operators of buildings containing asbestos:

- properly manage and maintain the asbestos;
- notify and train those who may come into contact with asbestos; and
- undertake special precautions, including removal or other abatement, if asbestos would be disturbed during renovation or demolition of a building.

Such laws may impose fines and penalties on building owners or operators who fail to comply with these requirements and may allow third parties to seek recovery from owners or operators for personal injury associated with exposure to asbestos fibers.

It is our policy to retain independent environmental consultants to conduct Phase I environmental site assessments and asbestos surveys with respect to our acquisition of properties. These assessments generally include a visual inspection of the properties and the surrounding areas, an examination of current and historical uses of the properties and the surrounding areas and a review of relevant state, Federal and historical documents, but do not always involve invasive techniques such as soil and ground

water sampling. Where appropriate, on a property-by-property basis, our practice is to have these consultants conduct additional testing, including sampling for asbestos, for mold, for lead in drinking water, for soil contamination where underground storage tanks are or were located or where other past site usages create a potential environmental problem, and for contamination in groundwater. Even though these environmental assessments are conducted, there is still the risk that:

- the environmental assessments and updates did not identify all potential environmental liabilities;
- a prior owner created a material environmental condition that is not known to us or the independent consultants preparing the assessments;
- new environmental liabilities have developed since the environmental assessments were conducted; and
- future uses or conditions such as changes in applicable environmental laws and regulations could result in environmental liability to us.

Recently enacted changes in securities laws are likely to increase our costs.

The Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the Securities and Exchange Commission, has required changes in some of our corporate governance and accounting practices. In addition, the New York Stock Exchange has promulgated a number of regulations. We expect these laws, rules and regulations to increase our legal and financial compliance costs and to continue to make some activities more difficult, time consuming and costly. We also expect these rules and regulations to continue to make it more difficult and more expensive for us to obtain director and officer liability insurance, and we incur significantly higher costs to obtain coverage. These laws, rules and regulations could also make it more difficult for us to attract and retain qualified members of our board of trustees, particularly to serve on our audit committee, and qualified executive officers.

We face risks associated with the use of debt to fund acquisitions and developments, including refinancing risk.

We rely on borrowings under our credit facilities and offerings of debt securities to finance acquisitions and development activities and for working capital. The commercial real estate debt markets are currently experiencing volatility due to a number of factors, including the tightening of underwriting standards by lenders and credit rating agencies and the reported significant inventory of unsold mortgage backed securities in the market. The volatility has resulted in investors decreasing the availability of debt financing as well as increasing the cost of debt financing. As a result, we may not be able to obtain debt financing in the future on favorable terms, or at all. If we were unable to borrow under our credit facilities or to refinance existing debt financing, our financial condition and results of operations would likely be adversely affected.

We are subject to the risks normally associated with debt, including the risk that our cash flow may be insufficient to meet required payments of principal and interest. We anticipate that only a small portion of the principal of our debt will be repaid prior to maturity. Therefore, we are likely to need to refinance at least a portion of our outstanding debt as it matures. There is a risk that we may not be able to refinance existing debt or that the terms of any refinancing will not be as favorable as the terms of the existing debt. If principal payments due at maturity cannot be refinanced, extended or repaid with proceeds from other sources, such as new equity capital, our cash flow may not be sufficient to repay all maturing debt in years when significant “balloon” payments come due.

Rising interest rates would increase our interest costs.

We may incur indebtedness that bears interest at variable rates. Accordingly, if interest rates increase, so will our interest costs, which could adversely affect our cash flow and our ability to service debt. As a protection against rising interest rates, we may enter into agreements such as interest rate swaps, caps, floors and other interest rate exchange contracts. These agreements, however, increase our risks including other parties to the agreements not performing or that the agreements may be unenforceable.

Covenants in our debt agreements could adversely affect our financial condition.

Our credit facilities contain customary restrictions, requirements and other limitations on our ability to incur indebtedness. We must maintain certain ratios, including total debt to assets, secured debt to total assets, debt service coverage and minimum ratios of unencumbered assets to unsecured debt. Our ability to borrow under our credit facilities is subject to compliance with our financial and other covenants.

Failure to comply with any of the covenants under our unsecured credit facilities or other debt instruments could result in a default under one or more of our debt instruments. This could cause our lenders to accelerate the timing of payments and would therefore have a material adverse effect on our business, operations, financial condition and liquidity.

Further issuances of equity securities may be dilutive to current shareholders.

The interests of our existing shareholders could be diluted if additional equity securities are issued to finance future developments and acquisitions instead of incurring additional debt. Our ability to execute our business strategy depends on our access to an appropriate blend of debt financing, including unsecured lines of credit and other forms of secured and unsecured debt, and equity financing.

Failure to qualify as a REIT would cause us to be taxed as a corporation, which would substantially reduce funds available for payment of dividends.

If we fail to qualify as a REIT for federal income tax purposes, we would be taxed as a corporation. We believe that we are organized and qualified as a REIT and intend to operate in a manner that will allow us to continue to qualify as a REIT.

If we fail to qualify as a REIT we could face serious tax consequences that could substantially reduce the funds available for payment of dividends for each of the years involved because:

- we would not be allowed a deduction for dividends paid to shareholders in computing our taxable income and could be subject to federal income tax at regular corporate rates;
- we also could be subject to the Federal alternative minimum tax and possibly increased state and local taxes;
- unless we are entitled to relief under statutory provisions, we could not elect to be subject to tax as a REIT for four taxable years following the year during which we are disqualified; and
- all dividends would be subject to tax as ordinary income to the extent of our current and accumulated earnings and profits potentially eligible as "qualified dividends" subject to the 15% income tax rate.

In addition, if we fail to qualify as a REIT, we would no longer be required to pay dividends. As a result of these factors, our failure to qualify as a REIT could impair our ability to expand our business and raise capital, and could adversely affect the value of our shares.

The market value of our securities can be adversely affected by many factors.

As with any public company, a number of factors may adversely influence the public market price of our common shares, most of which are beyond our control. These factors include:

- level of institutional interest in us;
- perceived attractiveness of investment in WRIT, in comparison to other REITs;
- attractiveness of securities of REITs in comparison to other asset classes taking into account, among other things, that a substantial portion of REITs' dividends are taxed as ordinary income;
- our financial condition and performance;
- the market's perception of our growth potential and potential future cash dividends;
- government action or regulation, including changes in tax law;
- increases in market interest rates, which may lead investors to expect a higher annual yield from our distributions in relation to the price of our shares; and
- relatively low trading volume of shares of REITs in general, which tends to exacerbate a market trend with respect to our stock.

Provisions of the Maryland General Corporation Law, or the MGCL, may limit a change in control of our company.

There are several provisions of the Maryland General Corporation Law, or the MGCL, that may limit the ability of a third party to acquire a change in control of our company, including:

- a provision where a corporation is not required to engage in any business combination with any “interested stockholder;” defined as any holder or affiliate of any holder of 10% or more of the corporation’s stock, for a period of five years pursuant to that holder becoming an “interested stockholder;”
- a provision where the voting rights of “control shares” acquired in a “control share acquisition,” as defined in the law, may be restricted, such that the “control shares” have no voting rights, except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter.

These provisions may delay, defer, or prevent a transaction or a change in control of our company that may involve a premium price for holders of our common stock or otherwise be in their best interests.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The schedule on the following pages lists our real estate investment portfolio as of December 31, 2007, which consisted of 89 properties.

As of December 31, 2007, the percent leased is the percentage of net rentable area for which fully executed leases exist and may include signed leases for space not yet occupied by the tenant.

Cost information is included in Schedule III to our financial statements included in this Annual Report on Form 10-K.

Schedule of Properties

| Properties | Location | Year Acquired | Year Constructed | Net Rentable Square Feet* | Percent Leased 12/31/07 |
|--------------------------|-------------------|----------------------|-------------------------|----------------------------------|--------------------------------|
| Office Buildings | | | | | |
| 1901 Pennsylvania Avenue | Washington, D.C. | 1977 | 1960 | 97,000 | 100% |
| 51 Monroe Street | Rockville, MD | 1979 | 1975 | 210,000 | 97% |
| 515 King Street | Alexandria, VA | 1992 | 1966 | 76,000 | 95% |
| The Lexington Building | Rockville, MD | 1993 | 1970 | 46,000 | 100% |
| The Saratoga Building | Rockville, MD | 1993 | 1977 | 58,000 | 100% |
| Brandywine Center | Rockville, MD | 1993 | 1969 | 35,000 | 94% |
| 6110 Executive Boulevard | Rockville, MD | 1995 | 1971 | 198,000 | 96% |
| 1220 19th Street | Washington, D.C. | 1995 | 1976 | 102,000 | 100% |
| 1600 Wilson Boulevard | Arlington, VA | 1997 | 1973 | 166,000 | 100% |
| 7900 Westpark Drive | McLean, VA | 1997 | 1972/1986/1999 | 523,000 | 94% |
| 600 Jefferson Plaza | Rockville, MD | 1999 | 1985 | 112,000 | 96% |
| 1700 Research Boulevard | Rockville, MD | 1999 | 1982 | 101,000 | 100% |
| Parklawn Plaza | Rockville, MD | 1999 | 1986 | 40,000 | 100% |
| Wayne Plaza | Silver Spring, MD | 2000 | 1970 | 91,000 | 99% |
| Courthouse Square | Alexandria, VA | 2000 | 1979 | 113,000 | 100% |
| One Central Plaza | Rockville, MD | 2001 | 1974 | 267,000 | 93% |
| The Atrium Building | Rockville, MD | 2002 | 1980 | 80,000 | 98% |
| 1776 G Street | Washington, D.C. | 2003 | 1979 | 263,000 | 100% |
| Albemarle Point | Chantilly, VA | 2005 | 2001 | 89,000 | 95% |

Schedule of Properties (continued)

| Properties | Location | Year Acquired | Year Constructed | Net Rentable Square Feet* | Percent Leased 12/31/07 |
|--------------------------------------|------------------|--------------------------|-----------------------------|--------------------------------------|--|
| 6565 Arlington Blvd | Falls Church, VA | 2006 | 1967/1998 | 140,000 | 93% |
| West Gude Drive | Rockville, MD | 2006 | 1984/1986/1988 | 289,000 | 95% |
| The Ridges | Gaithersburg, MD | 2006 | 1990 | 104,000 | 100% |
| Monument II | Herndon, VA | 2007 | 2000 | 205,000 | 97% |
| Woodholme Center | Pikesville, MD | 2007 | 1989 | 73,000 | 95% |
| 2000 M Street | Washington, D.C. | 2007 | 1971 | 227,000 | 100% |
| Subtotal | | | | 3,705,000 | 97% |
| Medical Office Buildings | | | | | |
| Woodburn Medical Park I | Annandale, VA | 1998 | 1984 | 71,000 | 98% |
| Woodburn Medical Park II | Annandale, VA | 1998 | 1988 | 96,000 | 100% |
| Prosperity Medical Center I | Merrifield, VA | 2003 | 2000 | 92,000 | 100% |
| Prosperity Medical Center II | Merrifield, VA | 2003 | 2001 | 88,000 | 100% |
| Prosperity Medical Center III | Merrifield, VA | 2003 | 2002 | 75,000 | 100% |
| Shady Grove Medical Village II | Rockville, MD | 2004 | 1999 | 66,000 | 100% |
| 8301 Arlington Boulevard | Fairfax, VA | 2004 | 1965 | 49,000 | 97% |
| Alexandria Professional Center | Alexandria, VA | 2006 | 1968 | 113,000 | 99% |
| 9707 Medical Center Drive | Rockville, MD | 2006 | 1994 | 38,000 | 100% |
| 15001 Shady Grove Road | Rockville, MD | 2006 | 1999 | 51,000 | 100% |
| Plumtree Medical Center | Bel Air, MD | 2006 | 1991 | 33,000 | 100% |
| 15005 Shady Grove Road | Rockville, MD | 2006 | 2002 | 52,000 | 100% |
| The Crescent | Gaithersburg, MD | 2006 | 1989 | 49,000 | 66% |
| 2440 M Street | Washington, D.C. | 2007 | 1986/2006 | 110,000 | 95% |
| Woodholme Medical Office Bldg | Pikesville, MD | 2007 | 1996 | 125,000 | 97% |
| Ashburn Farm Office Park | Ashburn, VA | 2007 | 1998/2000/2002 | 75,000 | 100% |
| CentreMed I & II | Centreville, VA | 2007 | 1998 | 52,000 | 100% |
| Subtotal | | | | 1,235,000 | 98% |
| Retail Centers | | | | | |
| Takoma Park | Takoma Park, MD | 1963 | 1962 | 51,000 | 100% |
| Westminster | Westminster, MD | 1972 | 1969 | 151,000 | 100% |
| Concord Centre | Springfield, VA | 1973 | 1960 | 76,000 | 100% |
| Wheaton Park | Wheaton, MD | 1977 | 1967 | 72,000 | 100% |
| Bradlee | Alexandria, VA | 1984 | 1955 | 168,000 | 97% |
| Chevy Chase Metro Plaza | Washington, D.C. | 1985 | 1975 | 49,000 | 100% |
| Montgomery Village Center | Gaithersburg, MD | 1992 | 1969 | 198,000 | 98% |
| Shoppes of Foxchase ¹ | Alexandria, VA | 1994 | 1960 | 134,000 | 89% |
| Frederick County Square | Frederick, MD | 1995 | 1973 | 227,000 | 98% |
| 800 S. Washington Street | Alexandria, VA | 1998/2003 | 1955/1959 | 44,000 | 95% |
| Centre at Hagerstown | Hagerstown, MD | 2002 | 2000 | 332,000 | 100% |
| Frederick Crossing | Frederick, MD | 2005 | 1999/2003 | 295,000 | 99% |
| Randolph Shopping Center | Rockville, MD | 2006 | 1972 | 82,000 | 95% |
| Montrose Shopping Center | Rockville, MD | 2006 | 1970 | 143,000 | 96% |
| Subtotal | | | | 2,022,000 | 98% |
| Multifamily Buildings/# units | | | | | |
| 3801 Connecticut Avenue/307 | Washington, D.C. | 1963 | 1951 | 179,000 | 96% |
| Roosevelt Towers/191 | Falls Church, VA | 1965 | 1964 | 170,000 | 87% |
| Country Club Towers/227 | Arlington, VA | 1969 | 1965 | 163,000 | 94% |
| Park Adams/200 | Arlington, VA | 1969 | 1959 | 173,000 | 94% |
| Munson Hill Towers/279 | Falls Church, VA | 1970 | 1963 | 259,000 | 94% |

Schedule of Properties (continued)

| Properties | Location | Year Acquired | Year Constructed | Net Rentable Square Feet* | Percent Leased 12/31/07 |
|-----------------------------------|---------------------|------------------|------------------------|------------------------------|-------------------------------|
| The Ashby at McLean/253 | McLean, VA | 1996 | 1982 | 252,000 | 93% |
| Walker House Apartments/212 | Gaithersburg, MD | 1996 | 1971/2003 ² | 159,000 | 97% |
| Bethesda Hill Apartments/195 | Bethesda, MD | 1997 | 1986 | 226,000 | 89% |
| Avondale/237 | Laurel, MD | 1999 | 1987 | 170,000 | 90% |
| Bennett Park/211 | Arlington, VA | 2007 | 2007 | 268,000 | 24% |
| Subtotal (2,312 units) | | | | 2,019,000 | 87% |
| Industrial/Flex Properties | | | | | |
| Fullerton Business Center | Springfield, VA | 1985 | 1980 | 104,000 | 100% |
| Charleston Business Center | Rockville, MD | 1993 | 1973 | 85,000 | 95% |
| Tech 100 Industrial Park | Elkridge, MD | 1995 | 1990 | 166,000 | 97% |
| Crossroads Distribution Center | Elkridge, MD | 1995 | 1987 | 85,000 | 100% |
| The Alban Business Center | Springfield, VA | 1996 | 1981/1982 | 87,000 | 100% |
| The Earhart Building | Chantilly, VA | 1996 | 1987 | 92,000 | 86% |
| Ammendale Technology Park I | Beltsville, MD | 1997 | 1985 | 167,000 | 91% |
| Ammendale Technology Park II | Beltsville, MD | 1997 | 1986 | 107,000 | 91% |
| Pickett Industrial Park | Alexandria, VA | 1997 | 1973 | 246,000 | 94% |
| Northern Virginia Industrial Park | Lorton, VA | 1998 | 1968/1991 | 787,000 | 97% |
| 8900 Telegraph Road | Lorton, VA | 1998 | 1985 | 32,000 | 100% |
| Dulles South IV | Chantilly, VA | 1999 | 1988 | 83,000 | 100% |
| Sully Square | Chantilly, VA | 1999 | 1986 | 95,000 | 74% |
| Amvax | Beltsville, MD | 1999 | 1986 | 31,000 | 100% |
| Sullyfield Center | Chantilly, VA | 2001 | 1985 | 244,000 | 84% |
| Fullerton Industrial Center | Springfield, VA | 2003 | 1980 | 137,000 | 97% |
| 8880 Gorman Road | Laurel, MD | 2004 | 2000 | 141,000 | 100% |
| Dulles Business Park Portfolio | Chantilly, VA | 2004/2005 | 1999–2005 | 324,000 | 96% |
| Albemarle Point | Chantilly, VA | 2005 | 2001/2003/2005 | 207,000 | 100% |
| Hampton Overlook | Capital Heights, MD | 2006 | 1989 | 134,000 | 96% |
| Hampton South | Capital Heights, MD | 2006 | 1989/2005 | 168,000 | 100% |
| 9950 Business Parkway | Lanham, MD | 2006 | 2005 | 102,000 | 100% |
| 270 Technology Park | Frederick, MD | 2007 | 1986–1987 | 157,000 | 87% |
| Subtotal | | | | 3,781,000 | 95% |
| TOTAL | | | | 12,762,000 | |

¹ Development on approximately 60,000 square feet of the center was completed in December 2006.

² A 16 unit addition referred to as The Gardens at Walker House was completed in October 2003.

* Multifamily buildings are presented in gross square feet.

ITEM 3. LEGAL PROCEEDINGS

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of 2007.

Part II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our shares trade on the New York Stock Exchange. Currently, there are approximately 48,500 shareholders.

The high and low sales price for our shares for 2007 and 2006, by quarter, and the amount of dividends we paid per share are as follows:

| Quarter | Dividends Per Share | Quarterly Share Price Range | |
|-------------|------------------------|--------------------------------|---------|
| | | High | Low |
| 2007 | | | |
| Fourth | \$4225 | \$35.81 | \$29.57 |
| Third | \$4225 | \$35.12 | \$28.97 |
| Second | \$4225 | \$39.43 | \$33.17 |
| First | \$4125 | \$43.33 | \$36.50 |
| 2006 | | | |
| Fourth | \$4125 | \$43.40 | \$38.36 |
| Third | \$4125 | \$41.89 | \$35.90 |
| Second | \$4125 | \$39.17 | \$33.70 |
| First | \$4025 | \$36.61 | \$30.06 |

We have historically paid dividends on a quarterly basis. Dividends are normally paid based on our cash flow from operating activities.

During the period covered by this report, we did not sell equity securities without registration under the Securities Act.

Neither we nor any affiliated purchaser (as that term is defined in Securities Exchange Act Rule 10b-18(a) (3)) made any repurchases of our shares during the fourth quarter of the fiscal years covered by this report.

ITEM 6. SELECTED FINANCIAL DATA

| (in thousands, except per share data) | 2007 | 2006 | 2005 | 2004 | 2003 |
|---------------------------------------|-------------|-------------|-------------|-------------|-----------|
| Real estate rental revenue | \$ 255,655 | \$ 208,741 | \$ 180,255 | \$ 162,631 | \$143,085 |
| Income from continuing operations | \$ 32,139 | \$ 35,620 | \$ 37,390 | \$ 38,061 | \$ 36,317 |
| Discontinued Operations: | | | | | |
| Income from operations of | | | | | |
| properties sold or held for sale | \$ 4,720 | \$ 3,041 | \$ 3,237 | \$ 6,474 | \$ 8,570 |
| Gain on property disposed | \$ 25,022 | \$ — | \$ 37,011 | \$ 1,029 | \$ — |
| Net income | \$ 61,881 | \$ 38,661 | \$ 77,638 | \$ 45,564 | \$ 44,887 |
| Income per share from continuing | | | | | |
| operations—diluted | \$ 0.70 | \$ 0.81 | \$ 0.89 | \$ 0.91 | \$ 0.92 |
| Earnings per share—diluted | \$ 1.34 | \$ 0.88 | \$ 1.84 | \$ 1.09 | \$ 1.13 |
| Total assets | \$1,898,326 | \$1,531,265 | \$1,139,159 | \$1,012,393 | \$928,089 |
| Lines of credit payable | \$ 192,500 | \$ 61,000 | \$ 24,000 | \$ 117,000 | \$ — |
| Mortgage notes payable | \$ 252,484 | \$ 229,240 | \$ 161,631 | \$ 164,942 | \$133,406 |
| Notes payable | \$ 879,123 | \$ 728,255 | \$ 518,600 | \$ 319,597 | \$374,493 |
| Shareholders' equity | \$ 486,544 | \$ 441,931 | \$ 380,305 | \$ 366,009 | \$378,748 |
| Cash dividends paid | \$ 78,050 | \$ 72,681 | \$ 67,322 | \$ 64,836 | \$ 58,605 |
| Cash dividends declared and | | | | | |
| paid per share | \$ 1.68 | \$ 1.64 | \$ 1.60 | \$ 1.55 | \$ 1.47 |

* See footnote 3 which indicates the Company's acquisitions and dispositions as such activity impacts the comparability of the information year to year.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

Overview

Our revenues are derived primarily from the ownership and operation of income-producing properties in the greater Washington metro region. As of December 31, 2007, we owned a diversified portfolio of 89 properties, consisting of 14 retail centers, 25 office properties, 17 medical office properties, 23 industrial/flex properties, 10 multifamily properties encompassing in the aggregate 12.8 million net rentable square feet, and land for development. We have a fundamental strategy of regional focus, diversification by property type and conservative capital management.

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

- Net Operating Income ("NOI") by segment. NOI is calculated as real estate rental revenue less real estate operating expenses excluding general and administrative and depreciation. It is a supplemental measure to Net Income.
- Economic occupancy (or "occupancy"—defined as actual rental revenues recognized for the period indicated as a percentage of gross potential rental revenues for that period), leased percentage (the percentage of available physical net rentable area leased for our commercial segments and percentage of apartment units leased for our residential segment) and rental rates.
- Leasing activity—new leases, renewals and expirations.
- Funds From Operations ("FFO"), a supplemental measure to Net Income.

During 2007, we continued our fundamental strategy of investing in diversified property types in the greater Washington metro region. The area's economy continues to expand and overall economic conditions in the region remain healthy. The unemployment rate for the Washington metro area is 3.1%, compared to 4.7% nationally, as of October 2007. Job growth increased 1.4%, compared to 1.2% nationally. Professional and business services, retail trade, and leisure and hospitality sectors led job growth in the metro area in 2007. The Washington metro area economy is forecasted to expand at a modest pace in 2008, adding 47,400 new payroll jobs, according to Delta Associates and economist Dr. Steven Fuller of George Mason University.

Overall occupancies, as well as our results in 2007, were primarily impacted by acquisitions and dispositions and the performance of our core portfolio. In 2007 and 2006, we completed acquisitions and dispositions totaling \$622.3 million and \$58.0 million, respectively. The performance of our core portfolio, consisting of properties owned for the entirety of 2007 and the same time period in 2006, improved compared to 2006.

The performance of our five operating segments generally reflected market conditions in our region:

- The regional office market expanded at a modest pace during 2007. The Washington metro region has the fifth lowest overall vacancy rate in the United States at 9.1%. Vacancy in the submarkets was 10.3% for Northern Virginia, 10.6% for Suburban Maryland, and 6.4% in the District of Columbia. Net absorption was below average in all submarkets; however, the pipeline increased to 20.6 million SF from 16.8 million SF in the prior year. Our office portfolio was 96.7% leased at year-end 2007, an increase from 93.3% leased in the prior year. By submarket, our office portfolio was 96.0% leased in Northern Virginia, 95.8% leased in Suburban Maryland, and 100% leased in the District of Columbia.
- The medical office market in the region is very healthy. Demand for medical services continues to increase, especially with the aging baby boomer population. Our medical office portfolio was 97.5% leased as of year-end 2007.
- The region's retail market continued its strong performance in 2007. Vacancy in the region for grocery-anchored shopping centers was 2.3%, compared to the long-term average of 3.3%. Arlington County, District of Columbia, and Montgomery County submarkets performed the strongest with vacancy below 2.0%; 9 of WRIT's 14 retail properties are located in these top performing submarkets. Rental rates in the region increased 3.9% in 2007. Our retail portfolio was 97.6% leased at year-end 2007.
- The multifamily sector grew at a modest pace in 2007. Demand for apartments remains high with the area's low unemployment rate, new payroll jobs, and a transient workforce. Vacancy in the Washington metro region for investment grade apartments was 3.7% at year-end. Our multifamily portfolio was 87% leased at year-end 2007.
- The industrial market has improved since last year and is on solid footing. Rents have increased 2.8% and vacancy decreased to 9.5%, compared to 9.8% one year ago. Net absorption increased to 6.6 million SF, compared to 4.3 million SF in 2006. Our industrial portfolio experienced positive rental rate growth and was 95.1% leased at year-end 2007.

During 2007, we completed the development of Dulles Station Phase One and delivered the majority of units at Bennett Park. Subsequent to the year-end, we began delivering units at The Clayborne Apartments. Dulles Station Phase One is a Class A office property located in Herndon, VA. Bennett Park is a Class A high-rise and mid-rise apartment community with retail space located in Arlington, VA. The Clayborne Apartments is a Class A apartment building with retail space located in Alexandria, VA.

Significant transactions during the two years ended December 31, 2007 are summarized below:

2007

- The acquisition of three office properties for \$169.9 million adding approximately 505,000 square feet which were 98.0% leased at the end of 2007, four medical office properties for \$119.1 million adding approximately 362,000 square feet which were 97.5% leased at the end of 2007, one industrial/flex property for \$26.5 million adding approximately 157,000 square feet which was 87.3% leased at the end of 2007, and land held for development funded by issuing operating partnership units in a consolidated subsidiary of WRIT.
- The disposition of two office buildings for a contract sales price of \$58.0 million and a gain on sale of \$25.0 million.
- The issuance of \$150.0 million of 3.875% convertible senior unsecured notes due 2026, raising \$146.0 million, net.
- The completion of a public offering of 1,600,000 shares of beneficial interest priced at \$37.00 per share raising \$57.8 million, net.
- The opening of a new unsecured revolving credit facility with a committed capacity of \$75.0 million and a maturity date of June 29, 2011.
- The completion of modification to our bond covenants from a restrictive total assets definition to a market based asset definition.
- The investment of \$66.5 million in our development projects.
- The execution of new leases for 1,765,000 square feet of commercial space.

2006

- The acquisition of six medical office properties for \$105.9 million, adding approximately 336,000 square feet of rentable space, 98.3% leased at the end of 2006; three office properties for \$112.0 million adding approximately 533,000 square feet of rentable space, 92.6% leased at the end of 2006; three industrial/flex properties for \$34.8 million, adding approximately 404,000 square feet of rentable space, 82.3% leased at the end of 2006; and two retail centers, for \$50.3 million, adding approximately 225,000 square feet of rentable space, 70.8% leased as of the end of 2006.
- The completion of a public offering of 2,745,000 shares of beneficial interest priced at \$34.40 per share raising \$90.9 million, net.
- The issuance of \$100.0 million of 5.95% senior unsecured notes due June 15, 2011 at an effective yield of 5.961% raising \$99.4 million, net.
- The issuance of \$50.0 million of 5.95% senior unsecured notes due June 15, 2011 at an effective yield of 5.917% raising \$50.2 million, net.
- The issuance of \$100 million in convertible senior notes with a coupon of 3.875%, raising \$97.0 million, net and the issuance of an additional \$10.0 million of the convertible senior notes upon the exercise of the underwriter's over-allotment option, raising an additional \$9.7 million, net.
- The opening of a new, unsecured revolving credit facility of \$200.0 million. This facility replaces Credit Facility No. 3. The new Credit Facility matures on November 2, 2010.
- The investment of \$68.6 million in the major development and redevelopment of several properties.
- The execution of new leases for 1,611,000 square feet of commercial space.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We believe the following critical accounting policies reflect the more significant judgments and estimates used in the preparation of our consolidated financial statements. Our significant accounting policies are described in Note 2 in the Notes to the Consolidated Financial Statements in Item 8 of this Form 10-K.

New Accounting Pronouncements

In July 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes," an interpretation of SFAS 109, "Accounting for Income Taxes" (FIN 48). FIN 48 prescribes how we should recognize, measure and present in our financial statements uncertain tax positions that have been taken or are expected to be taken in a tax return. Pursuant to FIN 48, we can recognize a tax benefit only if it is "more likely than not" that a particular tax position will be sustained upon examination or audit. To the extent the "more likely than not" standard has been satisfied, the benefit associated with a tax position is measured as the largest amount that is greater than 50% likely of being realized upon settlement.

We are subject to U.S. federal income tax as well as income tax of the states of Maryland and Virginia and the District of Columbia but, as a REIT, we generally are not subject to income tax on our net income distributed as dividends to our shareholders. As required, we adopted FIN 48 effective January 1, 2007 and have concluded that the effect is not material to our consolidated financial statements. Accordingly, we did not record a cumulative effect adjustment related to the adoption of FIN 48.

Tax returns filed for the 2004 through 2007 tax years are subject to examination by taxing authorities. We classify interest and penalties related to uncertain tax positions, if any, in our financial statements as a component of general and administrative expense.

In September 2006, the FASB issued FASB Statement No. 157, "Fair Value Measurements" (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. On February 12, 2007, the FASB issued FASB Staff Position No. FAS 157-2, Effective Date of FASB Statement No. 157 (the FSP). The FSP amends SFAS No. 157 to delay the effective date for all non-financial assets and non-financial liabilities, except for those that are recognized or disclosed at fair value in the financial statements on a recurring basis (i.e. at least annually). The FSP defers the effective date of SFAS No. 157 to fiscal years beginning after

November 15, 2008, and interim periods within those fiscal years for items within the scope of the proposed FSP. The effective date of the statement related to those items not covered by the deferral (all financial assets and liabilities or non-financial assets and liabilities recorded at fair value on a recurring basis) is for fiscal years beginning after November 15, 2007. We do not have significant assets or liabilities recorded at fair value on a recurring basis, and therefore do not expect adoption of this statement to have a material impact on our financial statements upon adoption. However, this statement will require us to provide expanded disclosures of our valuation techniques.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities—Including an Amendment of FASB Statement No. 115." SFAS No. 159 permits entities to choose to measure eligible items at fair value at specified election dates and report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. We have not elected the fair value option for any assets or liabilities, and therefore do not expect adoption of the statement to have a material impact on our financial statements upon adoption.

The FASB has released an exposure draft of FASB Staff Position APB 14-a (the proposed FSP) for comment. This proposed guidance clarifies the accounting for convertible debt instruments that may be settled in cash (including partial cash settlement) upon conversion. If issued in final form, the guidance will significantly impact the accounting of the Company's convertible debt. The proposed FSP would require bifurcation of a component of the debt, classification of that component in stockholders' equity, and then accretion of the resulting discount on the debt to result in interest expense equal to the issuer's nonconvertible debt borrowing rate. The calculation of earnings-per-share would not be affected, other than the impact on net income from the debt discount amortization. In a November 26, 2007 update to its website, the FASB announced it is expected to begin its redeliberations of the guidance in that proposed FSP in January 2008. Final guidance will not be issued until at least the first quarter of 2008, and we are therefore unsure of the final effective date. We believe the adoption of the proposed FSP could have a significant impact on our financial statements if adopted in its current form due to our convertible debt outstanding, but have not quantified the impact because it is uncertain what the final FSP will require.

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations," a revision of SFAS No. 141. This statement changes the accounting for acquisitions specifically eliminating the step acquisition model, changing the recognition of contingent consideration from being recognized when it is probable to being recognized at the time of acquisition, disallowing the capitalization of transaction costs, and delays when restructuring related to acquisitions can be recognized. The standard is effective for fiscal years beginning after December 15, 2008, and will only impact the accounting for acquisitions we make after our adoption. Accordingly, upon our adoption of this standard on January 1, 2009, there will not be any impact on our historical financial statements.

Also in December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements," which clarifies the classification of noncontrolling interests in consolidated statements of financial position and the accounting for and reporting of transactions between the reporting entity and holders of such noncontrolling interests. Under the new standard noncontrolling interests are considered equity and should be reported as an element of consolidated equity. Net income will encompass the total income of all consolidated subsidiaries and there will be a separate disclosure on the face of the income statement of the attribution of that income between the controlling and noncontrolling interests. Increases and decreases in the noncontrolling ownership interest amount will be accounted for as equity transactions. The standard is effective for fiscal years beginning after December 15, 2008. The Company is in the process of assessing the impact of the revised SFAS on its financial statements.

Revenue Recognition

Residential properties (our multifamily segment) are leased under operating leases with terms of generally one year or less, and commercial properties (our office, medical office, retail and industrial segments) are leased under operating leases with average terms of three to seven years. We recognize rental income and rental abatements from our residential and commercial leases when earned on a straight-line basis in accordance with SFAS No. 13 "Accounting for Leases." Recognition of rental income

commences when control of the facility has been given to the tenant. We record a provision for losses on accounts receivable equal to the estimated uncollectible amounts. This estimate is based on our historical experience and a review of the current status of the Company's receivables. Percentage rents, which represent additional rents based on gross tenant sales, are recognized when tenants' sales exceed specified thresholds.

In accordance with SFAS No. 66, "Accounting for Sales of Real Estate," sales are recognized at closing only when sufficient down payments have been obtained, possession and other attributes of ownership have been transferred to the buyer and we have no significant continuing involvement.

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

Capital Expenditures

We capitalize those expenditures related to acquiring new assets, significantly increasing the value of an existing asset, or substantially extending the useful life of an existing asset. We also capitalize costs incurred in connection with our development projects, including capitalizing interest during periods in which development projects are in progress. Expenditures necessary to maintain an existing property in ordinary operating condition are expensed as incurred. In addition, we capitalize tenant leasehold improvements when certain conditions are met, including when we supervise construction and will own the improvements.

Real Estate Assets

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

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

The fair value of in-place leases consists of the following components—(1) the estimated cost to us to replace the leases, including foregone rents during the period of finding a new tenant and foregone recovery of tenant pass-throughs (referred to as "Absorption Cost"); (2) the estimated cost of tenant improvements, and other direct costs associated with obtaining a new tenant (referred to as "Tenant Origination Cost"); (3) estimated leasing commissions associated with obtaining a new tenant (referred to as "Leasing Commissions"); (4) the above/at/below market cash flow of the leases, determined by comparing the projected cash flows of the leases in place to projected cash flows of comparable market-rate leases (referred to as "Net Lease Intangible"); and (5) the value, if any, of customer relationships, determined based on our evaluation of the specific characteristics of each tenant's lease and our overall relationship with the tenant (referred to as "Customer Relationship Value").

The amounts used to calculate Net Lease Intangible are discounted using an interest rate which reflects the risks associated with the leases acquired. Tenant Origination Costs are included in Real Estate Assets on our balance sheet and are amortized as depreciation expense on a straight-line basis over the remaining life of the underlying leases. Leasing Commissions and Absorption Costs are classified as Other Assets and are amortized as amortization expense on a straight-line basis over the remaining life of the underlying leases. Net Lease Intangible Assets are classified as Other Assets and are amortized on a straight-line basis as a decrease to Real Estate Rental Revenue over the remaining term of the underlying leases. Net Lease Intangible Liabilities are classified as Other Liabilities and are amortized on a straight-line basis as an increase to Real Estate Rental Revenue over the

remaining term of the underlying leases. Should a tenant terminate its lease, the unamortized portion of the Tenant Origination Cost, Leasing Commissions, Absorption Costs and Net Lease Intangible associated with that lease are written off to depreciation expense, amortization expense, and rental revenue, respectively. We have attributed no value to Customer Relationship Value as of December 31, 2007 or December 31, 2006.

Assets Held for Sale/Discontinued Operations

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

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

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

Impairment Losses on Long-Lived Assets

We recognize impairment losses on long-lived assets used in operations, development or land held for future development, 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 and estimated undiscounted cash flows associated with future development expenditures. If such carrying amount is in excess of the estimated cash flows from the operation and disposal of the property, we would recognize an impairment loss equivalent to an amount required to adjust the carrying amount to the estimated fair value. There were no property impairments recognized during the three-year period ended December 31, 2007.

Federal Income Taxes

We believe that we qualify as a REIT under Sections 856-860 of the Internal Revenue Code and intend to continue to qualify as such. To maintain our status as a REIT, we are required to distribute 90% of our ordinary taxable income to our shareholders. We have the option of (i) reinvesting the sale price of properties sold, allowing for a deferral of income taxes on the sale, (ii) paying out capital gains to the shareholders with no tax to the company or (iii) treating the capital gains as having been distributed to the shareholders, paying the tax on the gain deemed distributed and allocating the tax paid as a credit to the shareholders. In September 2007 Maryland Trade Centers I and II were sold for a gain of \$25.0 million. The proceeds from the sale were reinvested in replacement properties. We distributed 100% of our 2007 and 2006 ordinary taxable income to shareholders. \$33.5 million of the gain from property disposed in 2005 was reinvested in replacement properties. Approximately \$3.5 million of the gain from disposed property in 2005 was distributed to shareholders. No provision for income taxes was necessary during the three year period ended December 31, 2007.

RESULTS OF OPERATIONS

The discussion that follows is based on our consolidated results of operations for the years ended December 31, 2007, 2006 and 2005. The ability to compare one period to another may be significantly affected by acquisitions completed and dispositions made during those years.

For purposes of evaluating comparative operating performance, we categorize our properties as “core”, “non-core” or discontinued operations. A “core” property is one that was owned for the entirety of the periods being evaluated and is included in continuing operations. A “non-core” property is one that was acquired during either of the periods being evaluated and is included in continuing operations. Results for properties sold or held for sale during any of the periods evaluated are classified as discontinued operations. A total of nine properties and land for development were acquired during 2007, fourteen properties were acquired during 2006 and four properties were acquired in 2005. Two properties were sold and two properties classified as held for sale in 2007 and are classified as discontinued operations for the 2007, 2006 and 2005 Periods. There were no properties sold or classified as held for sale in 2006. Four properties were sold in 2005 and are classified as discontinued operations for the 2005 Period.

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

Consolidated Results of Operations

Real Estate Rental Revenue

Real Estate Rental Revenue for properties classified as continuing operations is summarized as follows (all data in thousands except percentage amounts):

| | 2007 | 2006 | 2005 | 2007 vs 2006 | % Change | 2006 vs. 2005 | % Change |
|----------------------------------|------------------|------------------|------------------|-------------------------|---------------------|--------------------------|---------------------|
| Minimum base rent | \$225,736 | \$186,710 | \$161,232 | \$39,026 | 20.9% | \$25,478 | 15.8% |
| Recoveries from tenants | 25,782 | 18,088 | 14,638 | 7,694 | 42.5% | 3,450 | 23.6% |
| Parking and other tenant charges | 4,137 | 3,943 | 4,385 | 194 | 4.9% | (442) | (10.1%) |
| | \$255,655 | \$208,741 | \$180,255 | \$46,914 | 22.5% | \$28,486 | 15.8% |

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

Minimum base rent increased \$39.0 million (20.9%) in 2007 as compared to 2006 and \$25.5 million (15.8%) in 2006 as compared to 2005. The increase in minimum base rent in 2007 was due primarily to additional rent from properties acquired in 2007 and 2006 (\$31.6 million), combined with a \$7.4 million increase in minimum base rent from core properties due to increased occupancy in the office and industrial sectors and rental rate increases in all sectors. The increase in minimum base rent in 2006 was due primarily to additional rent from properties acquired in 2005 and 2006 (\$18.1 million), combined with a \$7.4 million increase in minimum base rent from core properties due to rental rate increases in the office, multifamily, industrial and retail sectors and lower vacancies in the office sector.

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

Consolidated Economic Occupancy

| Sector | 2007 | 2006 | 2005 | 2007 vs 2006 | 2006 vs 2005 |
|----------------|-------------|-------------|-------------|-------------------------|-------------------------|
| Office | 94.7% | 92.1% | 89.4% | 2.6% | 2.7% |
| Medical Office | 98.0% | 98.9% | 98.4% | (0.9%) | 0.5% |
| Retail | 95.2% | 96.0% | 97.6% | (0.8%) | (1.6%) |
| Multifamily | 89.3% | 92.4% | 93.2% | (3.1%) | (0.8%) |
| Industrial | 95.3% | 93.7% | 94.4% | 1.6% | (0.7%) |
| Total | 94.5% | 93.8% | 93.0% | 0.7% | 0.8% |

Economic occupancy represents actual rental revenues recognized for the period indicated as a percentage of gross potential rental revenues for that period. Percentage rents and expense reimbursements are not considered in computing economic occupancy percentages.

Our overall economic occupancy increased 70 basis points in 2007 as compared to 2006 and increased 80 basis points in 2006 as compared to 2005. Decreased vacancy in the office and industrial sectors, partially offset by higher vacancies in the medical office, retail and multifamily sectors, accounted for the increase in overall economic occupancy in 2007. Property acquisitions and decreased vacancy in the office and medical office sectors, partially offset by higher vacancies in the retail, industrial and multifamily sectors, accounted for the increase in overall economic occupancy in 2006. A detailed discussion of occupancy by sector can be found in the Net Operating Income section.

Recoveries from tenants increased \$7.7 million (42.5%) in 2007 as compared to 2006 and \$3.5 million (23.6%) in 2006 as compared to 2005. The increase in recoveries from tenants in 2007 was due primarily to properties acquired in 2007 and 2006 (\$4.0 million) and increased recovery income from core properties (\$3.7 million) due to higher operating expense, utilities, common area maintenance and real estate taxes. The increase in recoveries from tenants in 2006 was due primarily to properties acquired in 2006 and 2005 (\$3.1 million) and increased recovery income from core properties (\$0.4 million) due to higher operating expense, utilities, common area maintenance and real estate taxes.

Parking and other tenant charges increased \$0.2 million in 2007 as compared to 2006 and decreased \$0.4 million in 2006 as compared to 2005. The increase in parking and other charges in 2007 was driven by properties acquired in 2007 and 2006 due primarily to higher parking income and antenna rent. The decrease in parking and other charges for 2006 compared to 2005 was driven by core properties due primarily to higher bad debt expense and rent abatements.

Real Estate Operating Expenses

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

| | 2007 | 2006 | 2005 | 2007 vs 2006 | % Change | 2006 vs. 2005 | % Change |
|-----------------------------|----------|----------|----------|-----------------|-------------|------------------|-------------|
| Property operating expenses | \$57,707 | \$45,826 | \$39,448 | \$11,881 | 25.9% | \$6,378 | 16.2% |
| Real estate taxes | 22,207 | 17,399 | 15,080 | 4,808 | 27.6% | 2,319 | 15.4% |
| | \$79,914 | \$63,225 | \$54,528 | \$16,689 | 26.4% | \$8,697 | 15.9% |

Property operating expenses include utilities, repairs and maintenance, property administration and management, operating services, common area maintenance and other operating expenses. Real estate operating expenses as a percentage of revenue were 31.3% for 2007, 30.3% for 2006 and 30.3% for 2005.

Properties acquired in 2006 and 2007 accounted for \$8.1 million (68.1%) of the \$11.9 million increase in 2007 property operating expenses. Core property operating expenses increased \$3.8 million as a result of higher utility costs due largely to rate increases, higher repairs and maintenance costs and increased administrative expenditures. Real estate taxes increased \$4.8 million due primarily to the properties acquired in 2006 and 2007, which accounted for \$2.9 million (60.4%) of the increase. The remainder of the increase in real estate taxes was due primarily to higher value assessments among our core properties.

Properties acquired in 2005 and 2006 accounted for \$4.8 million (75.0%) of the \$6.4 million increase in 2006 property operating expenses. Core property operating expenses increased \$1.6 million as a result of higher utility costs due largely to rate increases and higher repairs and maintenance costs. Real estate taxes increased \$2.3 million due primarily to the properties acquired in 2005 and 2006, which accounted for \$1.8 million (78.3%) of the increase. The remainder of the increase in real estate taxes was due primarily to higher value assessments among our core properties.

Other Operating Expenses

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

| | 2007 | 2006 | 2005 | 2007 vs 2006 | % Change | 2006 vs. 2005 | % Change |
|-------------------------------|-----------|-----------|----------|-----------------|-------------|------------------|-------------|
| Depreciation and amortization | \$ 69,775 | \$ 50,915 | \$44,561 | \$18,860 | 37.0% | \$ 6,354 | 14.3% |
| Interest expense | 61,906 | 47,265 | 37,193 | 14,641 | 31.0% | 10,072 | 27.1% |
| General and administrative | 15,099 | 12,622 | 8,005 | 2,477 | 19.6% | 4,617 | 57.7% |
| | \$146,780 | \$110,802 | \$89,759 | \$35,978 | 32.5% | \$21,043 | 23.4% |

Depreciation and Amortization

The \$18.9 million increase in depreciation and amortization expense in 2007 relative to 2006 was due substantially to acquisitions of \$319.3 million and \$303.0 million in 2007 and 2006, respectively.

The \$6.4 million increase in depreciation and amortization expense in 2006 relative to 2005 was due substantially to acquisitions of \$303.0 million and \$145.1 million in 2006 and 2005, respectively.

Interest Expense

Interest expense increased \$14.6 million in 2007 compared to 2006 due to increased acquisition and development activity, partially offset by the refinancing of higher interest rate unsecured notes and mortgages. This activity was funded primarily by debt, including: (1) the issuance in January 2007 of \$150.0 million of 3.875% senior convertible notes due August 31, 2026, in June 2006 the issuance of \$100.0 million of 5.95% unsecured notes due June 15, 2011 and \$50.0 million of 5.95% unsecured notes due June 15, 2011, and in September 2006 the issuance of \$110.0 million of 3.875% senior convertible notes due September 15, 2026, (2) the increase in short-term borrowing on our lines of credit, and (3) the assumption of mortgages totaling \$26.8 million for the acquisitions of the Woodholme Portfolio (\$21.2 million) and Ashburn Farm Office Park (\$5.6 million), offset somewhat by an increase in capitalized interest of \$2.3 million.

Interest expense increased \$10.1 million in 2006 compared to 2005 due to increased acquisition and development activity and increases in short term interest rates, partially offset by the refinancing of higher interest rate unsecured notes and mortgages. This activity was funded primarily by debt, including: (1) the issuance in June 2006 of \$100.0 million of 5.95% unsecured notes due June 15, 2011 and \$50.0 million of 5.95% unsecured notes due June 15, 2011, in September 2006 the issuance of \$110.0 million of 3.875% senior convertible notes due September 15, 2026 as well as the issuance in April 2005 of \$50.0 million of 5.05% senior unsecured notes due May 1, 2012 and \$50.0 million of 5.35% senior unsecured notes due May 1, 2015 and in October 2005, the issuance of an additional \$100.0 million of notes of the series of 5.35% senior unsecured notes due May 1, 2015, (2) the increase in short-term borrowing on our lines of credit, and (3) the assumption of five mortgages totaling \$76.1 million for the acquisitions of 9707 Medical Center Drive (\$5.7 million), Plumtree Medical Center (\$4.9 million), 15005 Shady Grove Road (\$8.8 million), West Gude Drive (\$33.9 million) and The Ridges and Crescent (\$23.0 million), offset somewhat by an increase in capitalized interest of \$2.7 million.

A summary of interest expense for the years ended December 31, 2007, 2006 and 2005 appears below (in millions):

| Debt Type | 2007 | 2006 | 2005 | 2007 vs 2006 | 2006 vs 2005 |
|---|--------|--------|--------|-----------------|-----------------|
| Notes payable | \$47.2 | \$36.2 | \$25.5 | \$11.0 | \$10.7 |
| Mortgages | 14.5 | 11.3 | 10.7 | 3.2 | 0.6 |
| Lines of credit/short-term note payable | 6.3 | 3.6 | 2.1 | 2.7 | 1.5 |
| Capitalized interest | (6.1) | (3.8) | (1.1) | (2.3) | (2.7) |
| Total | \$61.9 | \$47.3 | \$37.2 | \$14.6 | \$10.1 |

General and Administrative Expense

The \$2.5 million increase in general and administrative expense in 2007 was due to bondholder consent fees associated with the modifications to our bond covenants, higher incentive compensation, equity compensation issued to the retiring CEO, higher trustee fees due to an increase in the value of annual equity awards and increased staff salaries primarily due to the growth in our portfolio.

The \$4.6 million increase in general and administrative expense in 2006 was due to increased salary costs for the addition of the Chief Investment Officer in 2005 and subsequent severance costs associated with his departure in June, 2006 of \$1.6 million, recognition of compensation expense for accelerated vesting of CEO share grants (upon the adoption of SFAS No. 123R) of \$1.2 million, higher incentive compensation and staff salary increases related to the growth of our portfolio. Benefits expense also increased as a result of these staffing increases.

Discontinued Operations

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

WRIT sold two properties and classified two properties as held for sale in 2007. The two sold properties, Maryland Trade Centers I and II, were classified as held for sale as of March 31, 2007 and sold as of September 26, 2007. They were sold for a contract sales price of \$58.0 million, and WRIT recognized a gain on disposal of \$25.0 million, in accordance with SFAS No. 66, "Accounting for Sales of Real Estate." \$15.3 million of the proceeds from the disposition was used to fund the purchase of CentreMed I & II on August 16, 2007 in a reverse tax free property exchange, and \$40.1 million of the proceeds from the disposition were escrowed in a tax free property exchange account and subsequently used to fund a portion of the purchase price of 2000 M Street on December 4, 2007.

In November 2007 we concluded that Sullyfield Center and The Earhart Building met the criteria specified in SFAS No. 144, "accounting for the Impairment or Disposal of Long-Lived Assets," necessary to classify these properties as held for sale. Senior management has committed to, and actively embarked upon, a plan to sell the assets, and the sale is expected to be completed within one year under terms usual and customary for such sales, with no indication that the plan will be significantly altered or abandoned. Depreciation on these properties was discontinued at that time, but operating revenues and other operating expenses continue to be recognized until the date of sale. Under SFAS No. 144, revenues and expenses of properties that are classified as held for sale or sold are treated as discontinued operations for all periods presented in the Statements of Income.

For 2006, discontinued operations consist of the four properties classified as held for sale or sold in 2007. Discontinued operations for 2005 consist of those same properties and the four properties sold in February and September 2005.

On September 8, 2005 the Pepsi Distribution Center, an industrial property, was sold for \$6.0 million resulting in a gain of \$3.0 million. Proceeds of \$5.8 million were escrowed in a tax-free exchange account and subsequently used to fund a portion of the purchase price of Dulles Station I and II.

On February 1, 2005 we sold three office buildings, 7700 Leesburg, Tycon Plaza II, Tycon Plaza III and certain development rights and approvals related to Tycon Plaza II for \$67.5 million with a gain on the sale of \$32.1 million. Proceeds of \$31.3 million were escrowed in a tax-free property exchange account and subsequently used to fund a portion of the purchase price of Frederick Crossing Shopping Center on March 23, 2005 and the Coleman Building on April 8, 2005. The remaining \$31.0 million of the proceeds were used to pay down \$31.0 million outstanding under Credit Facility No. 2.

On November 15, 2004, we sold 8230 Boone Boulevard for a sale price of \$10.0 million. A portion of the proceeds was in the form of a subordinated \$1.8 million 10% note receivable from the seller, which matured in November 2005. We recognized a gain on disposal of \$1.0 million gain at the time of sale, and offset the \$1.8 million note from the buyer with a deferred gain liability in the same amount, in accordance with Statement of Financial Accounting Standards (SFAS) No. 66, "Accounting for

Sales of Real Estate." SFAS 66 limits gain recognition when the seller's note is subject to future subordination to the amount by which the buyer's cash payments at settlement exceed the seller's cost of the property sold. The deferred gain was recognized in April, 2005.

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

| | 2007 | 2006 | 2005 |
|-------------------------------|-----------------|-----------------|-----------------|
| Revenues | \$ 9,355 | \$10,921 | \$10,447 |
| Property expenses | (3,385) | (4,045) | (3,989) |
| Depreciation and amortization | (1,250) | (3,255) | (2,671) |
| Interest expense | — | (580) | (550) |
| | <u>\$ 4,720</u> | <u>\$ 3,041</u> | <u>\$ 3,237</u> |

Net operations of properties sold or held for sale increased \$1.7 million for 2007 compared to 2006 and decreased \$0.2 million for 2006 compared to 2005. The increase from 2007 to 2006 is primarily due to the discontinuation of depreciation expense for Maryland Trade Center I & II in March 2007.

Net Operating Income

Real estate Net Operating Income ("NOI"), defined as real estate rental revenue less real estate operating expenses, is the primary performance measure we use to assess the results of our operations at the property level. We provide NOI as a supplement to net income calculated in accordance with accounting principles generally accepted in the United States of America ("GAAP"). NOI does not represent net income calculated in accordance with GAAP. As such, it should not be considered an alternative to net income as an indication of our operating performance. NOI is calculated as net income, less non-real estate ("other") revenue and the results of discontinued operations (including the gain on sale, if any), plus interest expense, depreciation and amortization and general and administrative expenses. A reconciliation of NOI to net income follows.

2007 Compared to 2006

The following tables of selected operating data provide the basis for our discussion of NOI in 2007 compared to 2006. All amounts are in thousands except percentage amounts.

| | Years Ended December 31, | | | |
|--|--------------------------|-------------|-----------|----------|
| | 2007 | 2006 | \$ Change | % Change |
| Real Estate Rental Revenue | | | | |
| Core | \$203,725 | \$193,325 | \$10,400 | 5.4% |
| Non-core ⁽¹⁾ | 51,930 | 15,416 | 36,514 | 236.9% |
| Total Real Estate Rental Revenue | \$255,655 | \$208,741 | \$46,914 | 22.5% |
| Real Estate Expenses | | | | |
| Core | \$ 62,885 | \$ 58,140 | \$ 4,745 | 8.2% |
| Non-core ⁽¹⁾ | 17,029 | 5,085 | 11,944 | 234.9% |
| Total Real Estate Expenses | \$ 79,914 | \$ 63,225 | \$16,689 | 26.4% |
| Net Operating Income | | | | |
| Core | \$140,840 | \$135,185 | \$ 5,655 | 4.2% |
| Non-core ⁽¹⁾ | 34,901 | 10,331 | 24,570 | 237.8% |
| Total Net Operating Income | \$175,741 | \$145,516 | \$30,225 | 20.8% |
| Reconciliation to Net Income | | | | |
| NOI | \$175,741 | \$145,516 | | |
| Other revenue | 3,178 | 906 | | |
| Interest expense | (61,906) | (47,265) | | |
| Depreciation and amortization | (69,775) | (50,915) | | |
| General and administrative expenses | (15,099) | (12,622) | | |
| Discontinued operations ⁽²⁾ | 4,720 | 3,041 | | |
| Gain on Disposal | 25,022 | — | | |
| Net Income | \$ 61,881 | \$ 38,661 | | |
| Economic Occupancy | | | | |
| | 2007 | 2006 | | |
| Core | 95.0% | 94.3% | | |
| Non-core ⁽¹⁾ | 92.5% | 87.9% | | |
| Total | 94.5% | 93.8% | | |

(1) Non-core properties include:

2007 in development—Bennett Park, Clayborne Apartments and Dulles Station

2007 acquisitions—270 Technology Park, Monument II, 2440 M Street, Woodholme Medical Office Building, Woodholme Center, Ashburn Farm Office Park, CentreMed I & II and 2000 M Street

2006 acquisitions—Hampton Overlook, Hampton South, Alexandria Professional Center, 9707 Medical Center Drive, 15001 Shady Grove Road, Montrose Shopping Center, Randolph Shopping Center, 9950 Business Parkway, Plumtree Medical Center, 15005 Shady Grove Road, 6565 Arlington Blvd, West Gude Drive, The Ridges, The Crescent

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

2007 held for sale—Sullyfield Center and The Earhart Building

2007 disposals—Maryland Trade Center I and II

We recognized NOI of \$175.7 million in 2007, which was \$30.2 million (20.8%) greater than in 2006 due largely to our acquisitions of six office properties, ten medical office properties, two retail centers and four industrial properties in 2006 and 2007, which added approximately 2.5 million square feet of net rentable space. Non core properties contributed \$34.9 million in NOI in 2007 (19.9% of total NOI), a \$24.6 million increase over 2006.

Core properties experienced a \$5.7 million (4.2%) increase in NOI due to a \$10.4 million increase in revenues offset by a \$4.7 million increase in real estate expenses. Revenue was positively impacted by improvements in all lines of business due to rental rate growth across the portfolio (3.4%) and higher core occupancy in the office and industrial sectors. The increase in core expenses was driven by the office, multifamily, retail and industrial sectors, which contributed \$2.2, \$1.1, \$0.6 and \$0.6 million, respectively, in additional expense as a result of higher real estate taxes, utilities, repairs and maintenance and administrative costs.

Overall economic occupancy increased from 93.8% in 2006 to 94.5% in 2007 due to higher core occupancy in the office and industrial sectors and higher occupancy in our acquired retail and industrial properties. Core economic occupancy increased 70 basis points due to a 310 basis point increase in the office sector and a 90 basis point increase in the industrial sector offset somewhat by a 110 basis point decrease in the multifamily sector. During 2007, 79.9% of the commercial square footage expiring was renewed as compared to 77.1% in 2006 and 1,765,000 commercial square feet were leased at an average rental rate increase of 17.3%.

An analysis of NOI by sector follows.

Office Sector

| | Years Ended December 31, | | | |
|-----------------------------------|--------------------------|-------------|-----------|----------|
| | 2007 | 2006 | \$ Change | % Change |
| Real Estate Rental Revenue | | | | |
| Core | \$ 80,747 | \$75,236 | \$ 5,511 | 7.3% |
| Non-core ⁽¹⁾ | 20,831 | 4,455 | 16,376 | 367.6% |
| Total Real Estate Rental Revenue | \$101,578 | \$79,691 | \$21,887 | 27.5% |
| Real Estate Expenses | | | | |
| Core | \$ 27,373 | \$25,136 | \$ 2,237 | 8.9% |
| Non-core ⁽¹⁾ | 7,114 | 1,546 | 5,568 | 360.2% |
| Total Real Estate Expenses | \$ 34,487 | \$26,682 | \$ 7,805 | 29.3% |
| Net Operating Income | | | | |
| Core | \$ 53,374 | \$50,100 | \$ 3,274 | 6.5% |
| Non-core ⁽¹⁾ | 13,717 | 2,909 | 10,808 | 371.5% |
| Total Net Operating Income | \$ 67,091 | \$53,009 | \$14,082 | 26.6% |
| Economic Occupancy | | | | |
| | 2007 | 2006 | | |
| Core | 95.2% | 92.1% | | |
| Non-core ⁽¹⁾ | 92.7% | 92.2% | | |
| Total | 94.7% | 92.1% | | |

(1) *Non-core properties include:*
2007 acquisitions—Monument II, Woodholme Center and 2000 M Street
2006 acquisitions—6565 Arlington Blvd, West Gude Drive, The Ridges

The office sector recognized NOI of \$67.1 million which was \$14.1 million (26.6%) higher than in 2006 due primarily to the \$3.3 million increase in Core NOI and the NOI from acquired properties in 2006 and 2007, which contributed \$13.7 million (20.4% of total) to NOI.

Core office properties achieved a \$3.3 million (6.5%) increase in NOI due to a \$5.5 million increase in revenues offset somewhat by a \$2.2 million increase in core real estate expenses. Core revenue was higher due to the 310 basis point increase in occupancy (\$2.2 million) led by occupancy gains at 7900 Westpark, 6110 Executive Boulevard, 515 King Street, the Lexington and 1901 Pennsylvania Avenue, rental rate increases (\$1.6 million) and increases in recoveries (\$1.7 million). The increase in real estate expenses was due to real estate tax expense that increased due to higher value assessments for properties across several tax jurisdictions, higher utility costs driven by escalating fuel rates, consumption and energy taxes, and increased custodial costs associated with the increase in occupancy.

During 2007, 82.7% of the square footage that expired was renewed compared to 67.7% in 2006, excluding properties sold or classified as held for sale. During 2007, we executed new leases for 525,600 square feet of office space at an average rent increase of 12.1%.

Medical Office Sector

| | Years Ended December 31, | | | |
|-----------------------------------|--------------------------|-------------|-----------|----------|
| | 2007 | 2006 | \$ Change | % Change |
| Real Estate Rental Revenue | | | | |
| Core | \$18,478 | \$18,094 | \$ 384 | 2.1% |
| Non-core ⁽¹⁾ | 20,414 | 6,566 | 13,848 | 210.9% |
| Total Real Estate Rental Revenue | \$38,892 | \$24,660 | \$14,232 | 57.7% |
| Real Estate Expenses | | | | |
| Core | \$ 5,018 | \$ 4,759 | \$ 259 | 5.4% |
| Non-core ⁽¹⁾ | 7,004 | 2,427 | 4,577 | 188.6% |
| Total Real Estate Expenses | \$12,022 | \$ 7,186 | \$ 4,836 | 67.3% |
| Net Operating Income | | | | |
| Core | \$13,460 | \$13,335 | \$ 125 | 0.9% |
| Non-core ⁽¹⁾ | 13,410 | 4,139 | 9,271 | 224.0% |
| Total Net Operating Income | \$26,870 | \$17,474 | \$ 9,396 | 53.8% |
| Economic Occupancy | | | | |
| | 2007 | 2006 | | |
| Core | 98.8% | 98.8% | | |
| Non-core ⁽¹⁾ | 97.3% | 99.2% | | |
| Total | 98.0% | 98.9% | | |

(1) Non-core properties include:

2007 acquisitions—2440 M Street, Woodholme Medical Office Building, Ashburn Farm Office Park, and CentreMed I & II

2006 acquisitions—Alexandria Professional Center, 9707 Medical Center Drive, 15001 Shady Grove Road, Plumtree Medical Center, 15005 Shady Grove Road and The Crescent

The medical office sector NOI increased from \$17.5 million in 2006 to \$26.9 million in 2007, an increase of \$9.4 million or 53.8%. This was substantially due to the acquisitions made in 2006 and 2007 which contributed \$13.4 million (49.9% of total) to NOI and added approximately 698,000 net rentable square feet to the portfolio.

Core medical office property NOI increased \$0.1 million from 2006. Revenues for core properties were positively impacted by a 2.3% increase in rental rates. Expenses increased due to higher repair and maintenance costs.

During 2007, 50.0% of the square footage that expired was renewed compared to 87.7% in 2006. During 2007, we executed new leases for 103,200 square feet of medical office space at an average rent increase of 19.8%.

Retail Sector

| | Years Ended December 31, | | | |
|-----------------------------------|--------------------------|-------------|-----------|----------|
| | 2007 | 2006 | \$ Change | % Change |
| Real Estate Rental Revenue | | | | |
| Core | \$37,066 | \$35,194 | \$1,872 | 5.3% |
| Non-core ⁽¹⁾ | 4,446 | 2,069 | 2,377 | 114.9% |
| Total Real Estate Rental Revenue | \$41,512 | \$37,263 | \$4,249 | 11.4% |
| Real Estate Expenses | | | | |
| Core | \$ 8,090 | \$ 7,512 | \$ 578 | 7.7% |
| Non-core ⁽¹⁾ | 831 | 471 | 360 | 76.4% |
| Total Real Estate Expenses | \$ 8,921 | \$ 7,983 | \$ 938 | 11.8% |
| Net Operating Income | | | | |
| Core | \$28,976 | \$27,682 | \$1,294 | 4.7% |
| Non-core ⁽¹⁾ | 3,615 | 1,598 | 2,017 | 126.2% |
| Total Net Operating Income | \$32,591 | \$29,280 | \$3,311 | 11.3% |
| Economic Occupancy | | | | |
| | 2007 | 2006 | | |
| Core | 96.3% | 99.2% | | |
| Non-core ⁽¹⁾ | 85.7% | 59.6% | | |
| Total | 95.2% | 96.0% | | |

(1) Non-core properties include:
2006 acquisitions—Randolph and Montrose Shopping Centers

Retail sector NOI increased \$3.3 million (11.3%) in 2007 due to the 2006 acquisitions which contributed \$3.6 million to NOI (11.1% of the total) and a \$1.3 million increase in NOI from core properties. The core revenue increase was due to rental rate growth of 5.7% driven by the completion of redevelopment at the Shoppes at Foxchase and escalating market rates at Bradlee Shopping Center.

Overall economic occupancy for the retail sector decreased 80 basis points primarily as a result of decreased occupancy at South Washington Street, the Shoppes at Foxchase and Bradlee Shopping Center. Non core occupancy increased by 2,610 basis points due to the successful leasing efforts at Montrose and Randolph shopping centers. During 2007, our retention rate was 82.1% compared to 90.8% in 2006 and we executed new leases for approximately 223,900 square feet of retail space at an average rent increase of 32.7%.

Multifamily Sector

| | Years Ended December 31, | | | |
|-----------------------------------|--------------------------|-------------|-----------|----------|
| | 2007 | 2006 | \$ Change | % Change |
| Real Estate Rental Revenue | | | | |
| Core | \$34,012 | \$32,478 | \$1,534 | 4.7% |
| Non-core ⁽¹⁾ | 275 | — | 275 | — |
| Total Real Estate Rental Revenue | \$34,287 | \$32,478 | \$1,809 | 5.6% |
| Real Estate Expenses | | | | |
| Core | \$14,323 | \$13,220 | \$1,103 | 8.3% |
| Non-core ⁽¹⁾ | 639 | — | 639 | — |
| Total Real Estate Expenses | \$14,962 | \$13,220 | \$1,742 | 13.2% |
| Net Operating Income | | | | |
| Core | \$19,689 | \$19,258 | \$ 431 | 2.2% |
| Non-core ⁽¹⁾ | (364) | — | (364) | — |
| Total Net Operating Income | \$19,325 | \$19,258 | \$ 67 | 0.3% |
| Economic Occupancy | | | | |
| | 2007 | 2006 | | |
| Core | 91.3% | 92.4% | | |
| Non-core ⁽¹⁾ | 24.0% | — | | |
| Total | 89.3% | 92.4% | | |

(1) Non-core properties include:
2007 development—Bennett Park and The Clayborne Apartments

Multifamily NOI was flat in 2007 as compared to 2006. The revenue increase of \$1.5 million was driven by higher minimum base rent throughout the portfolio (\$1.8 million) and an increase in utilities reimbursement (\$0.2 million), offset somewhat by the 110 basis point decrease in occupancy (\$0.5 million) compared to 2006. Real estate expenses increased \$1.1 million due primarily to higher repairs and maintenance costs, higher real estate taxes, and increased operating services and supplies costs.

The non-core net operating loss of \$0.4 million is due to the substantial completion of Bennett Park in the fourth quarter of 2007. The property is in its lease-up phase and had an occupancy of 24.0% at year end.

Overall economic occupancy decreased from 92.4% in 2006 to 89.3% in 2007 primarily due to the substantial completion of Bennett Park in the fourth quarter of 2007 as described in the preceding paragraph.

Industrial Sector

| | Years Ended December 31, | | | |
|-----------------------------------|--------------------------|-------------|-----------|----------|
| | 2007 | 2006 | \$ Change | % Change |
| Real Estate Rental Revenue | | | | |
| Core | \$33,422 | \$32,323 | \$ 1,099 | 3.4% |
| Non-core ⁽¹⁾ | 5,964 | 2,326 | 3,638 | 156.4% |
| Total Real Estate Rental Revenue | \$39,386 | \$34,649 | \$4,737 | 13.7% |
| Real Estate Expenses | | | | |
| Core | \$ 8,081 | \$ 7,513 | \$ 568 | 7.6% |
| Non-core ⁽¹⁾ | 1,441 | 641 | 800 | 124.8% |
| Total Real Estate Expenses | \$ 9,522 | \$ 8,154 | \$ 1,368 | 16.8% |
| Net Operating Income | | | | |
| Core | \$25,341 | \$24,810 | \$ 531 | 2.1% |
| Non-core ⁽¹⁾ | 4,523 | 1,685 | 2,838 | 168.4% |
| Total Net Operating Income | \$29,864 | \$26,495 | \$3,369 | 12.7% |
| Economic Occupancy | | | | |
| | 2007 | 2006 | | |
| Core | 95.4% | 94.5% | | |
| Non-core ⁽¹⁾ | 95.1% | 84.4% | | |
| Total | 95.3% | 93.7% | | |

(1) Non-core properties include:
2007 acquisition—270 Technology Park
2006 acquisitions—Hampton Overlook, Hampton South and 9950 Business Parkway

Industrial sector NOI increased \$3.4 million (12.7%) over 2006 due to acquisitions in 2006 and 2007. These acquisitions contributed \$4.5 million in NOI, 15.1% of the total NOI.

Core properties achieved a \$0.5 million (2.1%) increase in NOI due to a \$1.1 million increase in real estate revenues, while real estate expenses increased \$0.6 million. The revenue increase was driven by a 2.8% increase in rental rates and a 90 basis point increase in occupancy.

During 2007 our retention rate from continuing operations was 83.8% compared to 79.3% in 2006 and we executed new leases for approximately 912,100 square feet of industrial space at an average rent increase of 17.0%.

2006 Compared to 2005

The following tables of selected operating data provide the basis for our discussion of NOI in 2006 compared to 2005. All amounts are in thousands except percentage amounts.

| | Years Ended December 31, | | | |
|--|--------------------------|-----------|-----------|----------|
| | 2006 | 2005 | \$ Change | % Change |
| Real Estate Rental Revenue | | | | |
| Core | \$180,543 | \$173,278 | \$ 7,265 | 4.2% |
| Non-core ⁽¹⁾ | 28,198 | 6,977 | 21,221 | 304.2% |
| Total Real Estate Rental Revenue | \$208,741 | \$180,255 | \$28,486 | 15.8% |
| Real Estate Expenses | | | | |
| Core | \$ 55,144 | \$ 53,094 | \$ 2,050 | 3.9% |
| Non-core ⁽¹⁾ | 8,081 | 1,434 | 6,647 | 463.5% |
| Total Real Estate Expenses | \$ 63,225 | \$ 54,528 | \$ 8,697 | 15.9% |
| Net Operating Income | | | | |
| Core | \$125,399 | \$120,184 | \$ 5,215 | 4.3% |
| Non-core ⁽¹⁾ | 20,117 | 5,543 | 14,574 | 262.9% |
| Total Net Operating Income | \$145,516 | \$125,727 | \$19,789 | 15.7% |
| Reconciliation to Net Income | | | | |
| NOI | \$145,516 | \$125,727 | | |
| Other revenue | 906 | 918 | | |
| Other income from property settlement | — | 504 | | |
| Interest expense | (47,265) | (37,193) | | |
| Depreciation and amortization | (50,915) | (44,561) | | |
| General and administrative expenses | (12,622) | (8,005) | | |
| Discontinued operations ⁽²⁾ | 3,041 | 3,237 | | |
| Gain on Disposal | — | 37,011 | | |
| Net Income | \$ 38,661 | \$ 77,638 | | |
| Economic Occupancy | | | | |
| Core | 94.1% | 92.9% | | |
| Non-core ⁽¹⁾ | 92.3% | 97.9% | | |
| Total | 93.8% | 93.0% | | |

(1) Non-core properties include:

2006 acquisitions—Hampton Overlook, Hampton South, Alexandria Medical Center, 9707 Medical Center Drive, 15001 Shady Grove Road, Montrose Shopping Center, Randolph Shopping Center, 9950 Business Parkway, Plumtree Medical Center, 15005 Shady Grove Road, 6565 Arlington Blvd, West Gude Drive, The Ridges, The Crescent

2005 acquisitions—Frederick Crossing, Coleman Building and Albemarle Point

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

2007 held for sale—Sullyfield Center and The Earhart Building

2007 disposals—Maryland Trade Center I and II

2005 disposals—Tycon Plaza II, Tycon Plaza III, 7700 Leesburg Pike and the Pepsi Distribution Center

We recognized NOI of \$145.5 million in 2006, which was \$19.8 million (15.7%) greater than in 2005 due largely to our acquisitions of four office properties, six medical office properties, three retail centers and five industrial properties in 2005 and 2006, which added approximately 2,151,000 square feet of net rentable space. Acquired properties contributed \$20.1 million in NOI in 2006 (13.8% of total NOI), a \$14.6 million increase over 2005. Core properties experienced a \$5.2 million (4.3%) increase in NOI due to a \$7.3 million increase in revenues offset by a \$2.1 million increase in real estate expenses. Revenue was positively impacted by improvements in all lines of business due to rental rate growth across the portfolio (3.5%) and higher core occupancy in the office, retail and medical office sectors. The increase in core expenses was driven by the office, retail and multifamily sectors, which contributed \$1.3, \$0.4 and \$0.4 million, respectively, in additional expense as a result of higher utilities, repairs and maintenance, operating services, and real estate taxes.

Overall economic occupancy increased from 93.0% in 2005 to 93.8% in 2006 due to higher core occupancy in the office, medical office and retail sectors and higher occupancy in our acquired office and medical office properties. Core economic occupancy increased 120 basis points due to a 270 basis point increase in the office sector and a 180 basis point increase in the retail sector offset somewhat by a 70 basis point decrease in the industrial sector and an 80 basis point decrease in the multifamily sector. During 2006, 77.1% of the commercial square footage expiring from continuing operations was renewed as compared to 67.9% in 2005 and 1,611,000 commercial square feet were leased at an average rental rate increase of 12.8%.

An analysis of NOI by sector follows.

Office Sector

| | Years Ended December 31, | | | |
|-----------------------------------|--------------------------|-------------|-----------|----------|
| | 2006 | 2005 | \$ Change | % Change |
| Real Estate Rental Revenue | | | | |
| Core | \$72,991 | \$70,271 | \$2,720 | 3.9% |
| Non-core ⁽¹⁾ | 6,700 | 921 | 5,779 | 627.5% |
| Total Real Estate Rental Revenue | \$79,691 | \$71,192 | \$8,499 | 11.9% |
| Real Estate Expenses | | | | |
| Core | \$24,522 | \$23,261 | \$1,261 | 5.4% |
| Non-core ⁽¹⁾ | 2,160 | 262 | 1,898 | 724.4% |
| Total Real Estate Expenses | \$26,682 | \$23,523 | \$3,159 | 13.4% |
| Net Operating Income | | | | |
| Core | \$48,469 | \$47,010 | \$1,459 | 3.1% |
| Non-core ⁽¹⁾ | 4,540 | 659 | 3,881 | 588.9% |
| Total Net Operating Income | \$53,009 | \$47,669 | \$5,340 | 11.2% |
| Economic Occupancy | | | | |
| | 2006 | 2005 | | |
| Core | 92.1% | 89.4% | | |
| Non-core ⁽¹⁾ | 92.1% | 89.8% | | |
| Total | 92.1% | 89.4% | | |

(1) Non-core properties include:
2006 acquisitions—6565 Arlington Blvd, West Gude Drive, The Ridges
2005 acquisitions—Albemarle Point Office Building

The office sector recognized NOI of \$53.0 million which was \$5.3 million (11.2%) higher than in 2005 due primarily to the \$3.9 million increase in NOI from acquired properties and the \$1.5 million increase in Core NOI in 2006.

Core office properties achieved a \$1.5 million (3.1%) increase in NOI due to a \$2.7 million increase in revenues offset somewhat by a \$1.3 million increase in core real estate expenses. Core revenue was higher due to the 270 basis point increase in occupancy (\$1.8 million) led by occupancy gains at 1600 Wilson Boulevard, 1700 Research Boulevard, 600 Jefferson Plaza and 7900 Westpark, and rental rate increases (\$1.2 million). This increase was offset somewhat by an increase in bad debt reserves (\$0.4 million) and rent abatements (\$0.3 million). The increase in real estate expenses was due to higher utility costs driven by escalating fuel rates, consumption and energy taxes, real estate tax expense that increased due to higher value assessments for properties across several tax jurisdictions and increased payroll costs.

During 2006, 67.7% of the square footage that expired was renewed compared to 61.9% in 2005, excluding properties sold or classified as held for sale. During 2006, we executed new leases for 597,000 square feet of office space at an average rent increase of 9.1%.

Medical Office Sector

| | Years Ended December 31, | | | |
|-----------------------------------|--------------------------|-------------|-----------|----------|
| | 2006 | 2005 | \$ Change | % Change |
| Real Estate Rental Revenue | | | | |
| Core | \$18,094 | \$18,024 | \$ 70 | 0.4% |
| Non-core ⁽¹⁾ | 6,566 | — | 6,566 | — |
| Total Real Estate Rental Revenue | \$24,660 | \$18,024 | \$6,636 | 36.8% |
| Real Estate Expenses | | | | |
| Core | \$ 4,759 | \$ 4,649 | \$ 110 | 2.4% |
| Non-core ⁽¹⁾ | 2,427 | — | 2,427 | — |
| Total Real Estate Expenses | \$ 7,186 | \$ 4,649 | \$2,537 | 54.6% |
| Net Operating Income | | | | |
| Core | \$13,335 | \$13,375 | \$ (40) | (0.3%) |
| Non-core ⁽¹⁾ | 4,139 | — | 4,139 | — |
| Total Net Operating Income | \$17,474 | \$13,375 | \$4,099 | 30.6% |
| Economic Occupancy | | | | |
| | 2006 | 2005 | | |
| Core | 98.8% | 98.4% | | |
| Non-core ⁽¹⁾ | 99.2% | — | | |
| Total | 98.9% | 98.4% | | |

(1) Non-core properties include:
2006 acquisitions—Alexandria Professional Center, 9707 Medical Center Drive, 15001 Shady Grove Road, Plumtree Medical Center, 15005 Shady Grove Road and The Crescent

The medical office sector NOI increased from \$13.4 million in 2005 to \$17.5 million in 2006, an increase of \$4.1 million or 30.6%. This was substantially due to the acquisitions made in 2006 which contributed \$4.1 million to the NOI and added approximately 336,000 net rentable square feet to the portfolio.

Core medical office property NOI was flat. Revenues for core properties were positively impacted by a 40 basis point increase in occupancy and a 0.6% increase in rental rates. Expenses increased due to higher repair and maintenance costs.

During 2006, 87.7% of the square footage that expired was renewed compared to 74.7% in 2005. During 2006, we executed new leases for 119,900 square feet of medical office space at an average rent increase of 19.9%.

Retail Sector

| | Years Ended December 31, | | | |
|-----------------------------------|--------------------------|-------------|-----------|----------|
| | 2006 | 2005 | \$ Change | % Change |
| Real Estate Rental Revenue | | | | |
| Core | \$30,545 | \$28,425 | \$2,120 | 7.5% |
| Non-core ⁽¹⁾ | 6,718 | 3,482 | 3,236 | 92.9% |
| Total Real Estate Rental Revenue | \$37,263 | \$31,907 | \$5,356 | 16.8% |
| Real Estate Expenses | | | | |
| Core | \$ 6,718 | \$ 6,296 | \$ 422 | 6.7% |
| Non-core ⁽¹⁾ | 1,265 | 583 | 682 | 117.0% |
| Total Real Estate Expenses | \$ 7,983 | \$ 6,879 | \$1,104 | 16.1% |
| Net Operating Income | | | | |
| Core | \$23,827 | \$22,129 | \$1,698 | 7.7% |
| Non-core ⁽¹⁾ | 5,453 | 2,899 | 2,554 | 88.1% |
| Total Net Operating Income | \$29,280 | \$25,028 | \$4,252 | 17.0% |
| Economic Occupancy | | | | |
| | 2006 | 2005 | | |
| Core | 99.1% | 97.3% | | |
| Non-core ⁽¹⁾ | 84.2% | 100.0% | | |
| Total | 96.0% | 97.6% | | |

(1) Non-core properties include:
2006 acquisitions—Randolph and Montrose Shopping Centers
2005 acquisition—Frederick Crossing

Retail sector NOI increased \$4.3 million (17.0%) in 2006 due to the 2006 and 2005 acquisitions which contributed \$5.4 million to NOI (18.6% of the total) and a \$1.7 million increase in NOI from core properties. The core revenue increase was due to rental rate growth of 8.5% driven by the Harris Teeter lease at Shoppes at Foxchase and escalating market rates at other centers and a 180 basis point increase in occupancy across most of the remaining portfolio.

Overall economic occupancy for the retail sector decreased approximately 160 basis points primarily as a result of the acquisitions of the Montrose and Randolph shopping centers which were 58% and 91% leased, respectively, at the time of their acquisition. During 2006, our retention rate was 90.8% compared to 95.3% in 2005 and we executed new leases for approximately 123,000 square feet of retail space at an average rent increase of 20.8%.

Multifamily Sector

| | Years Ended December 31, | | | |
|-----------------------------------|--------------------------|----------|-----------|----------|
| | 2006 | 2005 | \$ Change | % Change |
| Real Estate Rental Revenue | | | | |
| Core/Total | \$32,478 | \$30,529 | \$1,949 | 6.4% |
| Real Estate Expenses | | | | |
| Core/Total | 13,220 | 12,815 | 405 | 3.2% |
| Net Operating Income | | | | |
| Core/Total | \$19,258 | \$17,714 | \$1,544 | 8.7% |
| Economic Occupancy | | | | |
| Core/Total | 92.4% | 93.2% | | |

Multifamily NOI increased \$1.5 million (8.7%) in 2006 as compared to 2005 as a result of a \$1.9 million increase in revenue offset somewhat by a \$0.4 million increase in expenses. The revenue increase was driven by an increase in minimum base rent throughout the portfolio (\$2.0 million), offset somewhat by the 80 basis point decrease in occupancy (\$0.4 million) compared to 2005 due to units at two properties that were taken off-line for renovation and the move out of a block of 28 units leased by one individual. Real estate expenses increased \$0.4 million due primarily to higher repairs and maintenance costs, higher administrative costs related to property-level leasing and maintenance positions and increased marketing costs, and increased utility expense related to higher fuel costs.

Industrial Sector

| | Years Ended December 31, | | | |
|-----------------------------------|--------------------------|-------------|-----------|----------|
| | 2006 | 2005 | \$ Change | % Change |
| Real Estate Rental Revenue | | | | |
| Core | \$26,435 | \$26,029 | \$ 406 | 1.6% |
| Non-core ⁽¹⁾ | 8,214 | 2,574 | 5,640 | 219.1% |
| Total Real Estate Rental Revenue | \$34,649 | \$28,603 | \$6,046 | 21.1% |
| Real Estate Expenses | | | | |
| Core | \$ 5,925 | \$ 6,073 | \$ (148) | (2.4%) |
| Non-core ⁽¹⁾ | 2,229 | 589 | 1,640 | 278.4% |
| Total Real Estate Expenses | \$ 8,154 | \$ 6,662 | \$1,492 | 22.4% |
| Net Operating Income | | | | |
| Core | \$20,510 | \$19,956 | \$ 554 | 2.8% |
| Non-core ⁽¹⁾ | 5,985 | 1,985 | 4,000 | 201.5% |
| Total Net Operating Income | \$26,495 | \$21,941 | \$4,554 | 20.8% |
| Economic Occupancy | | | | |
| | 2006 | 2005 | | |
| Core | 93.3% | 94.0% | | |
| Non-core ⁽¹⁾ | 95.2% | 98.6% | | |
| Total | 93.7% | 94.4% | | |

(1) Non-core properties include:
2006 acquisitions—Hampton Overlook, Hampton South and 9950 Business Parkway
2005 acquisitions—Coleman Building and Albemarle Point Industrial Buildings

Industrial sector NOI increased \$4.6 million (20.8%) over 2005 due to acquisitions in 2005 and 2006. These acquisitions contributed \$6.0 million in NOI, 22.6% of the total NOI.

Core properties achieved a \$0.5 million (2.8%) increase in NOI due to a \$0.4 million increase in real estate revenues, while real estate expenses decreased \$0.1 million. The revenue increase was driven by a 2.0% increase in rental rates offset somewhat by a 70 basis point decrease in occupancy primarily due to vacancies at Sully Square.

During 2006 our retention rate was 79.3% compared to 60.7% in 2005, excluding properties sold or classified as held for sale. During 2006, we executed new leases for approximately 770,000 square feet of industrial space at an average rent increase of 14.3%.

LIQUIDITY AND CAPITAL RESOURCES

Capital Structure

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

We currently expect that our principal sources of liquidity for acquisitions, development, expansion and renovation of properties, plus operating and administrative will include:

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

During 2008, we expect that we will have significant capital requirements, including the following items. There can be no assurance that our capital requirements will not be materially higher or lower than these expectations.

- Funding dividends on our common shares and minority interest distributions to third party unit holders;
- Approximately \$35.1 million to invest in our existing portfolio of operating assets, including approximately \$28.2 million to fund tenant-related capital requirements and leasing commissions;
- Approximately \$12.4 million to invest in our development projects;
- Approximately \$100.0–\$120.0 million to fund our expected property acquisitions;
- In the first quarter of 2008, \$8.7 million was used to fund a non-recurring charge, resulting from an extinguishment of debt on \$60 million of 10-year Mandatory Par Put Remarketed Securities (“MOPPRS”);

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

Debt Financing

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

Typically we have obtained the ratings of two credit rating agencies in the underwriting of our unsecured debt. As of December 31, 2007, Standard & Poor's had assigned its BBB+ rating with a stable outlook, and Moody's Investor Service has assigned its Baa1 rating with a stable outlook, to our unsecured debt offerings. A downgrade in rating by either of these rating agencies could result from, among other things, a change in our financial position. Any such downgrade could adversely affect our ability to obtain future financing or could increase the interest rates on our existing debt. However, we have no debt instruments under which the principal maturity would be accelerated upon a downward change in our debt rating. Each rating is subject to revision or withdrawal at any time by the assigning rating organization.

Our total debt at December 31, 2007 is summarized as follows (in thousands):

| | Total Debt |
|-----------------------------|--------------------|
| Fixed rate mortgages | \$ 252,484 |
| Unsecured credit facilities | 192,500 |
| Senior unsecured notes | 880,000 |
| | <u>\$1,324,984</u> |

Mortgage Debt

At December 31, 2007, our \$252.5 million in fixed rate mortgages, which includes \$2.5 million in unamortized premiums due to fair value adjustments, bore an effective weighted average interest rate of 5.8% and had a weighted average maturity of 5.0 years. We may either initiate secured mortgage debt or assume mortgage debt from time-to-time in conjunction with property acquisitions.

Unsecured Credit Facilities

Our primary source of liquidity is our two revolving credit facilities. We can borrow up to \$337.0 million under these lines, which bear interest at an adjustable spread over LIBOR based on our public debt rating. Credit Facility No. 1 is a four-year, \$75.0 million unsecured credit facility expiring in June 2011. We had \$70.0 million outstanding and \$1.4 million in letters of credit issued as of December 31, 2007, related to Credit Facility No. 1.

Credit Facility No. 2 is a four-year \$200.0 million unsecured credit facility expiring in November 2010, with a one year extension option. Subsequent to the year-end, we exercised a portion of the accordion feature to increase our total borrowing capacity on the line from \$200.0 million to \$262.0 million. We had \$122.5 million outstanding and \$0.9 million in letters of credit issued as of December 31, 2007, related to Credit Facility No. 2.

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

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

Failure to comply with any of the covenants under our unsecured credit facilities or other debt instruments could result in a default under one or more of our debt instruments. This could cause our lenders to accelerate the timing of payments and would therefore have a material adverse effect on our business, operations, financial condition and liquidity.

As of December 31, 2007, we were in compliance with our loan covenants; however, our ability to draw on our unsecured credit facility or incur other unsecured debt in the future could be restricted by the loan covenants.

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

Senior Unsecured Notes

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

It is possible that over the near term, interest rate fluctuations could have a material adverse effect on earnings. Our unsecured fixed-rate notes payable have maturities ranging from February 2008 through February 2028 (see Note 6), as follows (in thousands):

| | December 31, 2007 |
|------------|--------------------------|
| | Note Principal |
| 2008 | \$ 60,000 |
| 2009 | — |
| 2010 | — |
| 2011 | 150,000 |
| 2012 | 50,000 |
| Thereafter | 620,000 |
| | \$880,000 |

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

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

We are in compliance with our unsecured notes covenants as of December 31, 2007.

Common Equity

We have authorized for issuance 100.0 million common shares, of which 46.7 million shares were outstanding at December 31, 2007.

In June 2007, we completed a public offering of 1.6 million common shares of beneficial interest which provided net cash of \$57.8 million. We used the proceeds to repay borrowings on our lines of credit.

Dividends

We pay dividends quarterly. The maintenance of these dividends is subject to various factors, including the discretion of the Board of Trustees, the ability to pay dividends under Maryland law, the availability of cash to make the necessary dividend payments and the effect of REIT distribution requirements, which require at least 90% of our taxable income to be distributed to shareholders. The table below details our dividend and distribution payments for 2007, 2006 and 2005 (in thousands).

| | 2007 | 2006 | 2005 |
|---------------------------------|-----------------|-----------------|-----------------|
| Common dividends | \$78,050 | \$72,681 | \$67,322 |
| Minority interest distributions | 156 | 134 | 131 |
| | \$78,206 | \$72,815 | \$67,453 |

Dividends paid for 2007 as compared to 2006 increased as a direct result of a dividend rate increase from \$1.64 per share in 2006 to \$1.68 per share in 2007 as well as the issuance of 1,600,000 shares in an equity offering in June 2007. Dividends paid for 2006 as compared to 2005 increased as a direct result of a dividend rate increase from \$1.60 per share in 2005 to \$1.64 per share in 2006 as well as the issuance of 2,745,000 shares in an equity offering in June 2006.

Cash flows from operations are an important factor in our ability to sustain our dividend at its current rate. Cash flows from operations increased from \$86.5 million in 2006 to \$115.5 million in 2007, primarily due to increases in operating income from properties acquired in 2006 and 2007 and improvement in performance at our core properties. If our cash flows from operations were to decline significantly, we may have to borrow on our lines of credit to sustain the dividend rate or reduce the dividend payout rate.

Capital Commitments

We will require capital for development and redevelopment projects currently underway and in the future. As of December 31, 2007, we had under development Bennett Park, Clayborne Apartments, Dulles Station and 4661 Kenmore. We are evaluating a number of potential redevelopment projects at properties such as 6565 Arlington Boulevard, Montrose and NVIP. Our total investment in Bennett Park is expected to be \$83.2 million and we expect to fund \$8.3 million during 2008; a construction contract worth approximately \$64.1 million has been executed for this project. As of December 31, 2007, we had invested \$74.9 million in Bennett Park including land and carrying costs. Our total investment in Clayborne Apartments is expected to be \$36.3 million. As of December 31, 2007, we had invested \$33.0 million in this project, and we expect to fund approximately \$3.3 million of the total project costs during 2008. There is a \$16.7 million construction contract in place for the project's completion. Our investment in Dulles Station phase one is expected to be approximately \$60.0 million. As of December 31, 2007 we had invested \$43.0 million and \$24.5 million on phases one and two of this project, respectively, including \$26.2 million to acquire the land for both phases. We expect to fund approximately \$9.0 million of the total project costs during 2008.

As of December 31, 2006, the redevelopment of the Shoppes at Foxchase was substantially complete after an investment of \$11.2 million. We funded the remaining project cost of approximately \$0.5 million in 2007. We anticipate funding several major renovation projects in our portfolios during 2008, as follows (in thousands):

| Sector | Project Spending |
|--------------------------|-----------------------------|
| Office buildings | \$ 2,301 |
| Medical office buildings | — |
| Retail centers | 500 |
| Multifamily | 10,841 |
| Industrial | 1,932 |
| Total | \$15,574 |

These projects include common area and unit renovations at several of our multifamily properties, roof replacement projects at some of our industrial and retail properties, and restroom, garage and common area renovations at some of our office properties. Not all of the anticipated spending had been committed via executed construction contracts at December 31, 2007. We expect to meet our requirements using cash generated by our real estate operations, through borrowings on our unsecured credit facilities, or raising additional debt or equity capital in the public market.

Contractual Obligations

Below is a summary of certain contractual obligations that will require significant capital (in thousands):

| | Payments Due by Period | | | | |
|--|------------------------|------------------|-----------|-----------|---------------|
| | Total | Less than 1 Year | 1–3 Years | 4–5 Years | After 5 Years |
| Long-term debt ⁽¹⁾ | \$1,835,633 | \$131,431 | \$589,832 | \$308,133 | \$806,237 |
| Purchase obligations ⁽²⁾ | 4,219 | 4,219 | — | — | — |
| Estimated development commitments ⁽³⁾ | 7,974 | 7,974 | — | — | — |
| Tenant-related capital ⁽⁴⁾ | 1,394 | 1,113 | 236 | 45 | — |
| Building capital ⁽⁵⁾ | 10,592 | 10,592 | — | — | — |
| Operating leases | 104 | 47 | 57 | — | — |

(1) See Notes 4, 5 and 6 of Notes to Consolidated Financial Statements. Amounts include principal, interest, put option on the \$60 million MOPPRs, unused commitment fees and facility fees.

(2) Represents elevator maintenance contracts with terms through 2008, electricity sales agreements with terms through 2008, and natural gas purchase agreements with terms through 2008.

(3) Committed development obligations based on contracts in place as of December 31, 2007.

(4) Committed tenant-related capital based on executed leases as of December 31, 2007.

(5) Committed building capital additions based on contracts in place as of December 31, 2007.

We have various standing or renewable contracts with vendors. The majority of these contracts are cancelable with immaterial or no cancellation penalties, with the exception of our elevator maintenance and natural gas purchase agreements, which are included above on the purchase obligations line. Contract terms on cancelable leases are generally one year or less. Development commitments include executed construction and professional services contracts associated with our Bennett Park and Clayborne Apartments projects. We are currently committed to fund tenant-related capital improvements as described in the table above for executed leases. However, expected leasing levels could require additional tenant-related capital improvements which are not currently committed. We expect that total tenant-related capital improvements, including those already committed, will be approximately \$24.0 million in 2008. Due to the competitive office leasing market we expect that tenant-related capital costs will continue at this level into 2008.

Historical Cash Flows

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

| | For the Year Ended December 31, | | | Variance | |
|---------------------------------------|---------------------------------|-----------|----------|------------------|------------------|
| | 2007 | 2006 | 2005 | 2007 vs. 2006 | 2006 vs. 2005 |
| Cash provided by operating activities | \$ 115.5 | \$ 86.5 | \$ 87.7 | \$ 29.0 | \$ (1.2) |
| Cash used in investing activities | \$(348.6) | \$(334.7) | \$(98.5) | \$(13.9) | \$(236.2) |
| Cash provided by financing activities | \$ 245.9 | \$ 251.9 | \$ 10.7 | \$ (6.0) | \$ 241.2 |

Operations generated \$115.5 million of net cash in 2007 compared to \$86.5 million in 2006. The increase in cash flow in 2007 compared to 2006 was due primarily to properties acquired in 2006 and 2007. The level of net cash provided by operating activities is also affected by the timing of receipt of revenues and payment of expenses.

Our investing activities used net cash of \$348.6 million in 2007 and \$334.7 million in 2006. The change in cash flows from investing activities in 2007 was primarily due to the \$294.2 million of cash invested in acquisitions, net of assumed debt, throughout the year, which was \$67.7 million higher than the prior year. This was offset by net cash received of \$56.3 million from the sale of Maryland Trade Center I & II.

Our financing activities provided net cash of \$245.9 million in 2007 and \$251.9 million in 2006. The decrease in net cash provided by financing activities in 2007 is the primarily result of the higher debt and equity offerings in 2006 and an increase in dividends paid in 2007, offset by larger borrowings on lines of credit in 2007. Net borrowings/repayments on the lines of credit provided \$131.5 million in 2007, offset somewhat by payment of dividends of \$78.1 million and mortgage principal payments of \$11.4 million. Dividends increased in 2007 due to the issuance of 1,600,000 shares in June and an increase in the dividend rate.

CAPITAL IMPROVEMENTS AND DEVELOPMENT COSTS

Capital improvements and development costs of \$107.6 million were completed in 2007, including tenant improvements. These improvements to our properties in 2006 and 2005 were \$106.4 million and \$48.6 million, respectively. We consider capital improvements to be accretive to revenue but not necessarily accretive to net income.

Our capital improvement and development costs for the three years ending December 31, 2007 were as follows (in thousands):

| | Year Ended December 31, | | |
|--------------------------------------|-------------------------|-----------|----------|
| | 2007 | 2006 | 2005 |
| Accretive capital improvements: | | | |
| Acquisition related | \$ 1,954 | \$ 1,430 | \$ 918 |
| Expansions and major renovations | 10,684 | 18,258 | 11,762 |
| Development/redevelopment | 66,489 | 68,621 | 17,866 |
| Tenant improvements | 16,587 | 9,473 | 8,932 |
| Total accretive capital improvements | 95,714 | 97,782 | 39,478 |
| Other: | 11,897 | 8,685 | 9,125 |
| Total | \$107,611 | \$106,467 | \$48,603 |

Accretive Capital Improvements

Acquisition Related—These are capital improvements to properties acquired during the current and preceding two years which were anticipated at the time we acquired the properties. These types of improvements were made in 2007 to 6565 Arlington Boulevard, Montrose, West Gude, Ridges and Alexandria Professional Center.

Expansions and Major Renovations—Expansion projects increase the rentable area of a property, while major renovation projects are improvements sufficient to increase the income otherwise achievable at a property. 2007 expansions and major renovations included common area and unit renovations for Bethesda Hill; common area renovations at Avondale; restroom renovations at 515 King Street and 6110 Executive Boulevard; balcony renovations at Roosevelt Towers; and elevator modernization projects at 3801 Connecticut Avenue and Country Club Towers.

Development/Re-development—Development costs represent expenditures for ground up development of new operating properties. Re-development costs represent expenditures for improvements intended to re-position properties in their markets and increase income that would be otherwise achievable. Development costs in each of the years presented include costs associated with the ground up development of Bennett Park and Clayborne. In 2006 and 2007 these costs also include expenditures associated with Dulles Station. Completion of Bennett Park, our residential project under development in Arlington, VA, occurred in the third quarter 2007 for the mid-rise building and fourth quarter 2007 for the high-rise building. Completion of Clayborne Apartments, our residential project under construction in Alexandria, VA, is expected in the first quarter 2008. Completion of Phase I of Dulles Station, our 540,000 square foot office project in Herndon, VA, of which Phase I represents 180,000 square feet, occurred in the third quarter of 2007, however completion of tenant improvements is pending lease up of the space. Additionally in 2007, we acquired land for future development of medical office space at 4661 Kenmore in Alexandria, VA. Development spending in 2007 includes pre-development activities related to this project. Re-development costs in each of the years presented were incurred for the Shoppes of Foxchase, which was substantially completed in 2006. In 2005, re-development costs included expenditures for the completion of the Food Lion grocery store at Westminster.

Tenant Improvements—Tenant Improvements are costs, such as space build-out, associated with commercial lease transactions. Our average Tenant Improvement Costs per square foot of space leased were as follows during the three years ended December 31, 2007:

| | Year Ended December 31, | | |
|-----------------------------|--------------------------------|-------------|-------------|
| | 2007 | 2006 | 2005 |
| Office Buildings* | \$13.68 | \$12.95 | \$9.32 |
| Medical Office Buildings | \$13.95 | \$17.78 | \$7.65 |
| Retail Centers | \$ 1.84 | \$ 0.05 | \$0.85 |
| Industrial/Flex Properties* | \$ 2.64 | \$ 1.91 | \$1.66 |

* Excludes properties sold or classified as held for sale.

The \$0.73 increase in tenant improvement costs per square foot of space leased for office buildings in 2007 was primarily due to leases executed at 6110 Executive Boulevard and 30 West Gude requiring \$1.3 million and \$0.7 million, respectively, in tenant improvements, including \$1.1 million and \$0.4 million, respectively, for a single tenant. The \$3.63 increase in tenant improvement costs per square foot of space leased for office buildings in 2006 as compared to 2005 was primarily due to leases executed at 7900 Westpark requiring \$2.7 million in tenant improvements, including \$1.5 million for a single tenant.

The \$3.83 decrease in tenant improvement costs per square foot of space leased for medical office buildings in 2007 was primarily due to leases executed in 2006 at 15001 Shady Grove and Woodburn I requiring \$1.8 million in tenant improvements, primarily to a single tenant. These leases drove the \$10.13 increase in tenant improvement costs per square foot of space leased for medical office buildings in 2006 over 2005.

The \$1.79 increase in tenant improvement costs per square foot of retail space leased in 2007 was primarily due to leases executed at Montrose Center, The Shoppes of Foxchase and South Washington Street requiring \$0.3 million in combined tenant improvements for single tenants. The \$0.73 increase in tenant improvement costs per square foot of industrial space leased in 2007 was primarily due to leases executed at Dulles Business Park and Gorman Road requiring \$0.8 million and \$0.4 million, respectively, in tenant improvements, entirely for single tenants.

The industrial tenant improvement costs are substantially lower than office and medical office improvement costs due to the tenant improvements required in this property type being substantially less extensive than in office and medical. The retail tenant improvement costs are substantially lower than office and medical office improvement costs because our retail tenants tend to pay for their own improvements. Excluding properties sold or classified as held for sale, approximately 83% of our office tenants renewed their leases with us in 2007, compared to 68% in 2006 and 62% in 2005. Renewing tenants generally require minimal tenant improvements. In addition, lower tenant improvement costs are one of the many benefits of our focus on leasing to smaller office tenants. Smaller office suites have limited configuration alternatives. Therefore, we are often able to lease an existing suite with limited tenant improvements.

Other Capital Improvements

Other Capital Improvements are those not included in the above categories. These are also referred to as recurring capital improvements. Over time these costs will be recurring in nature to maintain a property's income and value. In our residential properties, these include new appliances, flooring, cabinets and bathroom fixtures. These improvements, which are made as needed upon vacancy of an apartment, totaled \$1.0 million in 2007, and averaged \$1,273 per apartment for the 38% of apartments turned over relative to our total portfolio of apartment units. In our commercial properties and residential properties aside from apartment turnover discussed above, these include installation of new heating and air conditioning equipment, asphalt replacement, new signage, permanent landscaping, window replacements, new lighting and new finishes. In addition, during 2007, we incurred repair and maintenance expenses of \$9.5 million that were not capitalized, to maintain the quality of our buildings.

FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements which involve risks and uncertainties. Such forward looking statements include the following statements with respect to the metropolitan Washington real estate markets: (a) continued spending by the Federal Government, government contracting firms and professional services firms is expected to continue to drive regional economic growth; (b) industrial rental rates are projected to increase; (c) the Washington metro area is expected to be a strong multifamily market; and (d) office vacancy is expected to increase due to increased supply in the market. Such forward looking statements also include the following statements with respect to WRIT: (a) our intention to invest in properties that we believe will increase in income and value; (b) our belief that external sources of capital will continue to be available and that additional sources of capital will be available from the sale of shares or notes; and (c) our belief that we have the liquidity and capital resources necessary to meet our known obligations and to make additional property acquisitions and capital improvements when appropriate to enhance long-term growth. Forward looking statements also include other 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 the foregoing statements. The following important factors, in addition to those discussed elsewhere in this Annual Report, could affect our future results and could cause those results to differ materially from those expressed in the forward-looking statements: (a) the economic health of our tenants; (b) the economic health of the greater Washington Metro region, or other markets we may enter, including the effects of changes in Federal government spending; (c) the supply of competing properties; (d) inflation; (e) consumer confidence; (f) unemployment rates; (g) consumer tastes and preferences; (h) stock price and interest rate fluctuations; (i) our future capital requirements; (j) compliance with applicable laws, including those concerning the environment and access by persons with disabilities; (k) governmental or regulatory actions and initiatives; (l) changes in general economic and business conditions; (m) terrorist attacks or actions; (n) acts of war; (o) weather conditions; (p) the effects of changes in capital available to the technology and biotechnology sectors of the economy, and (q) other factors discussed under the caption “Risk Factors.” We undertake no obligation to update our forward-looking statements or risk factors to reflect new information, future events, or otherwise.

RATIOS OF EARNINGS TO FIXED CHARGES AND DEBT SERVICE COVERAGE

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

| | Year Ended December 31, | | |
|---------------------------|--------------------------------|-------------|-------------|
| | 2007 | 2006 | 2005 |
| Earnings to fixed charges | 1.38x | 1.62x | 1.95x |
| Debt service coverage | 2.56x | 2.76x | 3.05x |

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

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

Funds from Operations

Funds from Operations (“FFO”) is a widely used measure of operating performance for real estate companies. We provide FFO as a supplemental measure to net income calculated in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Although FFO is a widely used measure of operating performance for REITs, FFO does not represent net income calculated in accordance with GAAP. As such, it should not be considered an alternative to net income as an indication of our operating performance. In addition, FFO does not represent cash generated from operating activities in accordance with GAAP, nor does it represent cash available to pay distributions and should not be considered as an alternative

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

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

| | 2007 | 2006 | 2005 |
|---|-----------|----------|-----------|
| Net income | \$ 61,881 | \$38,661 | \$ 77,638 |
| Adjustments | | | |
| Depreciation and amortization | 69,775 | 50,915 | 44,561 |
| Gain on property disposed | (25,022) | — | (37,011) |
| Other gain | (1,303) | — | (504) |
| Discontinued operations depreciation and amortization | 1,250 | 3,255 | 2,671 |
| FFO as defined by NAREIT | \$106,581 | \$92,831 | \$ 87,355 |

ITEM 7A. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

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

The table below presents principal, interest and related weighted average fair value interest rates by year of maturity, with respect to debt outstanding on December 31, 2007.

| (In thousands) | 2008 | 2009 | 2010 | 2011 | 2012 | Thereafter | Total | Fair Value |
|--|-------------------------|----------|-----------|------------|----------|------------|-----------|------------|
| Unsecured fixed rate debt | | | | | | | | |
| Principal | \$60,000 ^(a) | — | — | \$ 150,000 | \$50,000 | \$620,000 | \$880,000 | \$853,275 |
| Interest payments | \$43,569 | \$41,500 | \$ 41,500 | \$ 37,038 | \$31,313 | \$241,825 | \$436,745 | |
| Interest rate on debt maturities | 6.74% | — | — | 5.95% | 5.06% | 4.89% | 5.20% | |
| Unsecured variable rate debt | | | | | | | | |
| Principal | — | — | \$122,500 | \$ 70,000 | — | — | \$192,500 | \$192,500 |
| Variable interest rate on debt maturities ^(b) | — | — | 5.55% | 5.17% | — | — | 5.41% | |
| Mortgages | | | | | | | | |
| Principal amortization (30 year schedule) | \$ 4,057 | \$54,285 | \$ 25,973 | \$ 13,339 | \$21,088 | \$133,742 | \$252,484 | \$249,911 |
| Interest payments | \$14,677 | \$13,557 | \$ 10,240 | \$ 9,142 | \$ 8,203 | \$ 8,199 | \$ 64,018 | |
| Weighted average interest rate on principal amortization | 5.43% | 7.01% | 5.75% | 5.30% | 4.90% | 5.44% | 5.80% | |

(a) In the first quarter of 2008, WRIT repaid the \$60 million outstanding principal balance under its 6.898% 10-year Mandatory Par Put Remarketed Securities ("MOPPRS") notes.

(b) Variable interest rates based on LIBOR in effect on our borrowings outstanding at December 31, 2007.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data appearing on pages 72 to 108 are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

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

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer, Chief Financial Officer and Executive Vice President of Accounting, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2007. Based on the foregoing, our Chief Executive Officer, Chief Financial Officer and Executive Vice President of Accounting concluded that the Trust's disclosure controls and procedures were effective.

Internal Control over Financial Reporting

See the Report of Management in Item 8 of this Form 10-K.

See the Reports of Independent Registered Public Accounting Firm in Item 8 of this Form 10-K. During the three months ended December 31, 2007, there was no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control for financial reporting.

ITEM 9B. OTHER INFORMATION

None.

Part III

Certain information required by Part III is omitted from this report in that we will file a definitive proxy statement pursuant to Regulation 14A with respect to our 2008 Annual Meeting (the "Proxy Statement") no later than 120 days after the end of the fiscal year covered by this report, and certain information included therein is incorporated herein by reference. Only those sections of the Proxy Statement which specifically address the items set forth herein are incorporated by reference. In addition, we have adopted a Code of Ethics which can be reviewed and printed from our website www.writ.com.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item is hereby incorporated herein by reference to the Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is hereby incorporated herein by reference to the Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required under this Item by Item 403 of Regulation S-K is hereby incorporated herein by reference to the Proxy Statement.

Equity Compensation Plan Information*

| Plan Category | Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a) | Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b) | Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (excluding securities reflected in column (a)) (c) |
|--|--|--|--|
| Equity compensation plans approved | | | |
| by security holders | 398,523 | \$24.17 | 1,932,000 |
| Equity compensation plans not approved | | | |
| by security holders | 40,000 | 26.78 | — |
| Total | 438,523 | \$24.40 | 1,932,000 |

* We previously maintained a Share Grant Plan for officers, trustees and non-officer employees, which expired on December 15, 2007. 322,325 shares and 27,675 restricted share units had been granted under this plan. We previously maintained a stock option plan for trustees which provided for the annual granting of 2,000 non-qualified stock options to trustees the last of which were granted in 2004. The plan expired on December 15, 2007, and 84,000 options had been granted.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is hereby incorporated herein by reference to the Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is hereby incorporated by reference to the material in the Proxy Statement under the caption "Independent Registered Public Accounting Firm."

Part IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(A). The following documents are filed as part of this Report:

| | Page |
|--|-------------|
| 1. Financial Statements | |
| Management's Report on Internal Control over Financial Reporting | 69 |
| Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting | 70 |
| Report of Independent Registered Public Accounting Firm | 71 |
| Consolidated Balance Sheets as of December 31, 2007 and 2006 | 72 |
| Consolidated Statements of Income for the Years Ended December 31, 2007, 2006 and 2005 | 73 |
| Consolidated Statements of Changes in Shareholders' Equity for the Years Ended December 31, 2007, 2006 and 2005 | 74 |
| Consolidated Statements of Cash Flows for the Years Ended December 31, 2007, 2006 and 2005 | 75 |
| Notes to Consolidated Financial Statements | 76 |
| 2. Financial Statement Schedules | |
| Schedule III—Consolidated Real Estate and Accumulated Depreciation | 102 |
| 3. Exhibits: | |
| 3. Declaration of Trust and Bylaws | |
| (a) Declaration of Trust. Incorporated herein by reference to Exhibit 3 to the Trust's registration statement on Form 8-B dated July 10, 1996. | |
| (b) Bylaws. Incorporated herein by reference to Exhibit 4 to the Trust's registration statement on Form 8-B dated July 10, 1996. | |
| (c) Amendment to Declaration of Trust dated September 21, 1998. Incorporated herein by reference to Exhibit 3 to the Trust's Form 10-Q dated November 13, 1998. | |
| (d) Articles of Amendment to Declaration of Trust dated June 24, 1999. Incorporated herein by reference to Exhibit 4c to Amendment No. 1 to the Trust's Form S-3 registration statement filed with the Securities and Exchange Commission as of July 14, 1999. | |
| (e) Amendment to Bylaws dated February 21, 2002. Incorporated herein by reference to Exhibit 3(e) to the Trust's Form 10-K dated April 1, 2002. | |
| (f) Articles of Amendment to Declaration of Trust dated June 1, 2006. Incorporated herein by reference to Exhibit 4d to the Trust's Form S-3 registration statement filed with the Securities and Exchange Commission as of August 28, 2006. | |
| 4. Instruments Defining Rights of Security Holders | |
| (a) [Intentionally omitted] | |
| (c) Indenture dated as of August 1, 1996 between Washington Real Estate Investment Trust and The First National Bank of Chicago. ⁽²⁾ | |
| (d) Officers' Certificate Establishing Terms of the Notes, dated August 8, 1996. ⁽²⁾ | |
| (e) [Intentionally omitted] | |
| (f) Form of 2006 Notes. ⁽²⁾ | |
| (g) Form of MOPPRS Notes. ⁽³⁾ | |
| (h) Form of 30 year Notes. ⁽³⁾ | |
| (i) Remarketing Agreement. ⁽³⁾ | |
| (j) Form of 2004 fixed-rate notes. ⁽⁴⁾ | |

- (k) [Intentionally omitted]
- (n) Officer's Certificate Establishing Terms of the Notes, dated March 12, 2003.⁽⁸⁾
- (o) Form of 2013 Notes.⁽⁸⁾
- (p) Officers' Certificate Establishing Terms of the Notes, dated December 8, 2003.⁽⁹⁾
- (q) Form of 2014 Notes.⁽⁹⁾
- (r) [Intentionally omitted]
- (t) Form of 5.05% Senior Notes due May 1, 2012.⁽¹¹⁾
- (u) Form of 5.35% Senior Notes due May 1, 2015 dated April 26, 2005.⁽¹¹⁾
- (v) Officers Certificate establishing the terms of the Notes, dated April 20, 2005.⁽¹¹⁾
- (x) Form of 5.35% Senior Notes due May 1, 2015 dated October 6, 2005.⁽¹³⁾
- (y) Officers Certificate establishing the terms of the Notes, dated October 3, 2005.⁽¹³⁾
- (z) Form of 5.95% Senior Notes due June 15, 2011.⁽¹⁶⁾
- (aa) Officers' Certificate establishing the terms of the Notes, dated June 6, 2006.⁽¹⁶⁾
- (cc) Form of 3.875% Senior Convertible Notes due September 15, 2026.⁽¹⁷⁾
- (dd) Officers' Certification establishing the terms of the Notes, dated September 11, 2006.⁽¹⁷⁾
- (ee) Form of additional 3.875% Senior convertible Notes due September 15, 2026.⁽¹⁸⁾
- (ff) Form of 5.95% senior notes due June 15, 2011, dated July 21, 2006.⁽¹⁹⁾
- (gg) Officers' Certification establishing the terms of the Notes, dated July 21, 2006.⁽¹⁹⁾
- (hh) Credit agreement dated November 2, 2006 between Washington Real Estate Investment Trust as borrower and a syndicate of banks as lender with The Bank of New York as documentation agent, The Royal Bank of Scotland, plc as syndication agent and Wells Fargo Bank, NA, as agent.⁽²⁰⁾
- (ii) Form of 3.875% Convertible Senior Notes due September 15, 2026.⁽²⁴⁾
- (jj) Officers' Certificate establishing the terms of the 3.85% Convertible Senior Notes due September 15, 2026.⁽²⁴⁾
- (kk) Form of additional 3.85% Convertible Senior Notes due September 15, 2026.⁽²⁵⁾
- (ll) Supplemental Indenture by and between the Trust and the Bank of New York Trust Company, N.A. dated as of July 3, 2007.⁽²⁷⁾
- (mm) Credit agreement dated June 29, 2007 by and among Washington Real Estate Investment Trust, as borrower; the financial institutions party thereto as lenders, and SunTrust Bank as agent.⁽²⁸⁾
We are a party to a number of other instruments defining the rights of holders of long-term debt. No such instrument authorizes an amount of securities in excess of 10 percent of the total assets of the Trust and its Subsidiaries on a consolidated basis. On request, we agree to furnish a copy of each such instrument to the Commission.

10. Management Contracts, Plans and Arrangements

- (b) 1991 Incentive Stock Option Plan, as amended.⁽⁵⁾
- (e) Share Grant Plan.⁽⁶⁾
- (f) Share Option Plan for Trustees.⁽⁶⁾
- (g) Deferred Compensation Plan for Executives dated January 1, 2000, incorporated herein by reference to Exhibit 10(g) to the 2000 Form 10-K filed March 19, 2001.
- (h) Split-Dollar Agreement dated April 1, 2000, incorporated herein by reference to Exhibit 10(h) to the 2000 Form 10-K filed March 19, 2001.
- (i) 2001 Stock Option Plan incorporated herein by reference to Exhibit A to 2001 Proxy Statement dated March 29, 2001.
- (j) Share Purchase Plan.⁽⁷⁾
- (k) Supplemental Executive Retirement Plan.⁽⁷⁾
- (l) Description of Washington Real Estate Investment Trust Short-term and Long-term Incentive Plan incorporated herein by reference to Exhibit 10(l) to the 2005 Form 10-K filed March 16, 2005.
- (m) Description of Washington Real Estate Investment Trust Revised Trustee Compensation Plan incorporated herein by reference to Exhibit 10(m) to the 2005 Form 10-K filed March 16, 2005.

- (p) Supplemental Executive Retirement Plan.⁽²¹⁾
 - (q) Change in control Agreement dated May 22, 2003 with Thomas L. Regnell.⁽²¹⁾
 - (r) Change in control Agreement dated June 13, 2005 with David A. DiNardo.⁽²¹⁾
 - (s) Change in control Agreement dated May 22, 2003 with George F. McKenzie.⁽²¹⁾
 - (t) Change in control Agreement dated May 22, 2003 with Laura M. Franklin.⁽²¹⁾
 - (u) Change in control Agreement dated May 22, 2003 with Kenneth C. Reed.⁽²¹⁾
 - (v) Change in control Agreement dated May 22, 2003 with Sara L. Grootwassink.⁽²¹⁾
 - (w) Change in control Agreement dated January 1, 2006 with James B. Cederdahl.⁽²¹⁾
 - (x) Change in Control Agreement dated December 17, 1999 with Edmund B. Cronin, Jr.⁽²²⁾
 - (y) Separation Agreement dated July 10, 2006 with Christopher P. Mundy.⁽²³⁾
 - (z) Amendment No. 2 to the Share Grant Plan.
 - (aa) Long Term Incentive Plan, effective January 1, 2006.
 - (bb) Short Term Incentive Plan, effective January 1, 2006.
 - (cc) 2007 Omnibus Long Term Incentive Plan.⁽²⁶⁾
 - (dd) Change in control Agreement dated June 1, 2007 with George F. McKenzie.⁽²⁹⁾
 - (ee) Change in control Agreement dated May 14, 2007 with Michael S. Paukstis.⁽²⁹⁾
 - (ff) Deferred Compensation Plan for Directors dated December 1, 2000.
 - (gg) Deferred Compensation for Officers dated January 1, 2007.
 - (hh) Supplemental Executive Retirement Plan II dated May 23, 2007.
- 12. Computation of Ratio of Earnings to Fixed Charges
 - 21. Subsidiaries of Registrant
 - 23. Consents
 - (a) Consent of Independent Registered Public Accounting Firm.
 - 31. Rule 13a-14(a)/15(d)-14(a) Certifications
 - (a) Certification—Chief Executive Officer.
 - (b) Certification—Senior Vice President—Accounting and Administration.
 - (c) Certification—Chief Financial Officer.
 - 32. Section 1350 Certifications
 - (a) Written Statement of Chief Executive Officer and Financial Officers.

(2) Incorporated herein by reference to the Exhibit of the same designation to the Trust's Form 8-K filed August 13, 1996.

(3) Incorporated herein by reference to the Exhibit of the same designation to the Trust's Form 8-K filed February 25, 1998.

(4) Incorporated herein by reference to Exhibit 4 to the Trust's Form 10-Q filed November 14, 2000.

(5) Incorporated herein by reference to the Exhibit of the same designation to Amendment No. 2 to the Trust's Registration Statement on Form S-3 filed July 17, 1995.

(6) Incorporated herein by reference to Exhibits 4(a) and 4(b), respectively, to the Trust's Registration Statement on Form S-8 filed on March 17, 1998.

(7) Incorporated herein by reference to Exhibits of the same designation to the Trust's Form 10-Q filed November 14, 2002.

(8) Incorporated herein by reference to Exhibits 4(a) and 4(b), respectively, to the Trust's Form 8-K filed March 17, 2003.

(9) Incorporated herein by reference to Exhibits 4(a) and 4(b), respectively, to the Trust's Form 8-K filed December 11, 2003.

(11) Incorporated herein by reference to Exhibits 4.1, 4.2 and 4.3 to the Trust's Form 8-K filed April 26, 2005.

(13) Incorporated herein by reference to Exhibit 4.1 and 4.2 to the Trust's Form 8-K filed October 6, 2005.

(16) Incorporated herein by reference to Exhibits 4.1 and 4.2, respectively to the Trust's Form 8-K filed June 6, 2006.

(17) Incorporated herein by reference to the Trust's Form 424B5 filed September 11, 2006.

(18) Incorporated herein by reference to Exhibit 4.1 to the Trust's Form 8-K filed September 26, 2006.

(19) Incorporated herein by reference to the Trust's Form 424B5 filed July 21, 2006.

(20) Incorporated herein by reference to Exhibit 4.1 to the Trust's Form 8-K filed November 8, 2006.

(21) Incorporated herein by reference to Exhibit 10 to the Trust's Form 10-K filed March 16, 2006.

(22) Incorporated herein by reference to Exhibit 10 to the Trust's Form 10-Q filed May 5, 2006.

(23) Incorporated herein by reference to Exhibit 10 to the Trust's Form 10-Q filed August 8, 2006.

(24) Incorporated herein by reference to Exhibit 4.1 to the Trust's Form 8-K filed January 23, 2007.

(25) Incorporated herein by reference to Exhibit 4.1 to the Trust's Form 8-K filed February 2, 2007.

(26) Incorporated herein by reference to Appendix B to the Trust's Form DEF 14A filed April 9, 2007.

(27) Incorporated herein by reference to Exhibit 4.1 to the Trust's Form 8-K filed July 5, 2007.

(28) Incorporated herein by reference to Exhibit 4.1 to the Trust's Form 8-K filed July 6, 2007.

(29) Incorporated herein by reference to Exhibit 10 to the Trust's Form 10-Q filed August 9, 2007.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

Date: February 29, 2008

By: /s/ George F. McKenzie

George F. McKenzie
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| <u>Signature</u> | <u>Title</u> | <u>Date</u> |
|---|--|-------------------|
| <u>/s/ Edmund B. Cronin, Jr.</u> Edmund B. Cronin, Jr. | Chairman, Trustee | February 29, 2008 |
| <u>/s/ George F. McKenzie</u> George F. McKenzie | President, Chief Executive Officer and Trustee | February 29, 2008 |
| <u>/s/ John M. Derrick, Jr.</u> John M. Derrick, Jr. | Trustee | February 29, 2008 |
| <u>/s/ John P. McDaniel</u> John P. McDaniel | Trustee | February 29, 2008 |
| <u>/s/ Charles T. Nason</u> Charles T. Nason | Trustee | February 29, 2008 |
| <u>/s/ Susan J. Williams</u> Susan J. Williams | Trustee | February 29, 2008 |
| <u>/s/ Edward S. Civera</u> Edward S. Civera | Trustee | February 29, 2008 |
| <u>/s/ Thomas Edgie Russell, III</u> Thomas Edgie Russell, III | Trustee | February 29, 2008 |
| <u>/s/ Laura M. Franklin</u> Laura M. Franklin | Executive Vice President Accounting, Administration and Corporate Secretary | February 29, 2008 |
| <u>/s/ Sara L. Grootwassink</u> Sara L. Grootwassink | Executive Vice President and Chief Financial Officer | February 29, 2008 |

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Washington Real Estate Investment Trust (the "Trust") is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of internal controls over financial reporting. The Trust's internal control system over financial reporting is a process designed under the supervision of the Trust's principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions.

In connection with the preparation of the Trust's annual consolidated financial statements, management has undertaken an assessment of the effectiveness of the Trust's internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO Framework). Management's assessment included an evaluation of the design of the Trust's internal control over financial reporting and testing of the operational effectiveness of those controls.

Based on this assessment, management has concluded that as of December 31, 2007, the Trust's internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Ernst & Young LLP, the independent registered public accounting firm that audited the Trust's consolidated financial statements included in this report, have issued an unqualified opinion on the effectiveness of the Trust's internal control over financial reporting, a copy of which appears on the next page of this annual report.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Trustees and Shareholders of Washington Real Estate Investment Trust

We have audited Washington Real Estate Investment Trust and Subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Washington Real Estate Investment Trust and Subsidiaries as of December 31, 2007 and 2006 and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2007 of Washington Real Estate Investment Trust and Subsidiaries and our report dated February 27, 2008 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

McLean, Virginia

February 27, 2008

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Trustees and Shareholders of Washington Real Estate Investment Trust

We have audited the accompanying consolidated balance sheets of Washington Real Estate Investment Trust and Subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2007. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Washington Real Estate Investment Trust and Subsidiaries at December 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Washington Real Estate Investment Trust and Subsidiaries' internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 27, 2008 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

McLean, Virginia

February 27, 2008

CONSOLIDATED BALANCE SHEETS

as of December 31, 2007 and 2006

| (in thousands, except per share data) | 2007 | 2006 |
|--|-------------|-------------|
| Assets | | |
| Land | \$ 328,951 | \$ 285,103 |
| Income producing property | 1,635,169 | 1,238,548 |
| | 1,964,120 | 1,523,651 |
| Accumulated depreciation and amortization | (331,991) | (271,342) |
| Net income producing property | 1,632,129 | 1,252,309 |
| Development in progress | 98,321 | 120,656 |
| Total real estate held for investment, net | 1,730,450 | 1,372,965 |
| Investment in real estate sold or held for sale, net | 23,843 | 53,489 |
| Cash and cash equivalents | 21,488 | 8,721 |
| Restricted cash | 6,030 | 4,151 |
| Rents and other receivables, net of allowance for doubtful accounts of \$4,227 and \$3,258, respectively | 36,595 | 30,229 |
| Prepaid expenses and other assets | 78,517 | 58,049 |
| Other assets related to properties sold or held for sale | 1,403 | 3,661 |
| Total assets | \$1,898,326 | \$1,531,265 |
| Liabilities | | |
| Notes payable | \$ 879,123 | \$ 728,255 |
| Mortgage notes payable | 252,484 | 229,240 |
| Lines of credit | 192,500 | 61,000 |
| Accounts payable and other liabilities | 63,543 | 45,009 |
| Advance rents | 9,552 | 5,825 |
| Tenant security deposits | 10,487 | 9,128 |
| Other liabilities related to properties sold or held for sale | 317 | 9,138 |
| Total liabilities | 1,408,006 | 1,087,595 |
| Minority interest | 3,776 | 1,739 |
| Shareholders' equity | | |
| Shares of beneficial interest; \$0.01 par value; 100,000 shares authorized: 46,682 and 45,042 shares issued and outstanding, respectively | 468 | 451 |
| Additional paid in capital | 561,492 | 500,727 |
| Distributions in excess of net income | (75,416) | (59,247) |
| Total shareholders' equity | 486,544 | 441,931 |
| Total liabilities and shareholders' equity | \$1,898,326 | \$1,531,265 |

See accompanying notes to the financial statements.

CONSOLIDATED STATEMENTS OF INCOME

for the Years Ended December 31, 2007, 2006 and 2005

| (in thousands, except per share data) | 2007 | 2006 | 2005 |
|--|-----------|-----------|-----------|
| Revenue | | | |
| Real estate rental revenue | \$255,655 | \$208,741 | \$180,255 |
| Expenses | | | |
| Utilities | 16,826 | 12,836 | 10,399 |
| Real estate taxes | 22,207 | 17,399 | 15,080 |
| Repairs and maintenance | 9,514 | 7,693 | 6,770 |
| Property administration | 7,471 | 5,982 | 5,275 |
| Property management | 7,239 | 6,260 | 5,384 |
| Operating services and common area maintenance | 13,606 | 10,488 | 9,182 |
| Other real estate expenses | 3,051 | 2,567 | 2,438 |
| Depreciation and amortization | 69,775 | 50,915 | 44,561 |
| General and administrative | 15,099 | 12,622 | 8,005 |
| | 164,788 | 126,762 | 107,094 |
| Real estate operating income | 90,867 | 81,979 | 73,161 |
| Other income (expense) | | | |
| Interest expense | (61,906) | (47,265) | (37,193) |
| Other income | 1,875 | 906 | 918 |
| Other income from life insurance proceeds | 1,303 | — | — |
| Other income from property settlement | — | — | 504 |
| | (58,728) | (46,359) | (35,771) |
| Income from continuing operations | 32,139 | 35,620 | 37,390 |
| Discontinued operations: | | | |
| Income from operations of properties sold or held for sale | 4,720 | 3,041 | 3,237 |
| Gain on disposal | 25,022 | — | 37,011 |
| Net income | \$ 61,881 | \$ 38,661 | \$ 77,638 |
| Basic net income per share | | | |
| Continuing operations | \$ 0.70 | \$ 0.82 | \$ 0.89 |
| Discontinued operations, including gain on disposal | 0.65 | 0.07 | 0.96 |
| Net income per share | \$ 1.35 | \$ 0.89 | \$ 1.85 |
| Diluted net income per share | | | |
| Continuing operations | \$ 0.70 | \$ 0.81 | \$ 0.89 |
| Discontinued operations, including gain on disposal | 0.64 | 0.07 | 0.95 |
| Net income per share | \$ 1.34 | \$ 0.88 | \$ 1.84 |
| Weighted average shares outstanding—basic | 45,911 | 43,679 | 42,069 |
| Weighted average shares outstanding—diluted | 46,115 | 43,874 | 42,203 |
| Dividends declared and paid per share | \$ 1.68 | \$ 1.64 | \$ 1.60 |

See accompanying notes to the financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
for the Years Ended December 31, 2007, 2006 and 2005

| (in thousands) | Shares | Shares of Beneficial Interest at Par Value | Additional Paid in Capital | Distributions in Excess of Net Income | Shareholders' Equity |
|---|--------|---|----------------------------------|---|-------------------------|
| Balance, December 31, 2004 | 42,000 | \$420 | \$401,133 | \$(35,544) | \$366,009 |
| Net income | — | — | — | 77,638 | 77,638 |
| Dividends | — | — | — | (67,322) | (67,322) |
| Share options exercised | 136 | 1 | 2,845 | — | 2,846 |
| Share grants, net of share grant amortization | 3 | — | 1,134 | — | 1,134 |
| Balance, December 31, 2005 | 42,139 | 421 | 405,112 | (25,228) | 380,305 |
| Net income | — | — | — | 38,661 | 38,661 |
| Dividends | — | — | — | (72,703) | (72,703) |
| Equity offering, net | 2,745 | 28 | 90,904 | — | 90,932 |
| Share options exercised | 80 | 1 | 1,802 | — | 1,803 |
| Share grants, net of share grant amortization and forfeitures | 78 | 1 | 2,909 | 23 | 2,933 |
| Balance, December 31, 2006 | 45,042 | 451 | 500,727 | (59,247) | 441,931 |
| Net income | — | — | — | 61,881 | 61,881 |
| Dividends | — | — | — | (78,050) | (78,050) |
| Equity offering, net | 1,600 | 16 | 57,745 | — | 57,761 |
| Share options exercised | 13 | — | 313 | — | 313 |
| Share grants, net of share grant amortization and forfeitures | 27 | 1 | 2,707 | — | 2,708 |
| Balance, December 31, 2007 | 46,682 | \$468 | \$561,492 | \$(75,416) | \$486,544 |

See accompanying notes to the financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the Years Ended December 31, 2007, 2006 and 2005

| (in thousands) | 2007 | 2006 | 2005 |
|---|-----------|-----------|-----------|
| Cash flows from operating activities | | | |
| Net income | \$ 61,881 | \$ 38,661 | \$ 77,638 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | | |
| Gain on sale of real estate | (25,022) | — | (37,011) |
| Depreciation and amortization | 71,024 | 54,170 | 47,233 |
| Provision for losses on accounts receivable | 2,011 | 1,500 | 872 |
| Amortization of share grants, net | 2,707 | 2,933 | 1,134 |
| Changes in operating other assets | (12,489) | (17,927) | (6,735) |
| Changes in operating other liabilities | 15,427 | 7,196 | 4,529 |
| Net cash provided by operating activities | 115,539 | 86,533 | 87,660 |
| Cash flows from investing activities | | | |
| Real estate acquisitions, net* | (294,166) | (226,538) | (123,358) |
| Capital improvements to real estate | (41,122) | (37,846) | (30,737) |
| Development costs | (66,489) | (68,621) | (17,866) |
| Net cash received for sale of real estate | 56,344 | — | 73,879 |
| Non-real estate capital improvements | (3,200) | (1,666) | (437) |
| Net cash used in investing activities | (348,633) | (334,671) | (98,519) |
| Cash flows from financing activities | | | |
| Net proceeds from equity offering | 57,761 | 90,932 | — |
| Line of credit borrowings | 258,200 | 356,000 | 122,000 |
| Line of credit repayments | (126,700) | (319,000) | (215,000) |
| Notes payable repayments | — | (50,000) | — |
| Dividends paid | (78,050) | (72,681) | (67,322) |
| Principal payments—mortgage notes payable | (11,387) | (9,149) | (28,820) |
| Proceeds from debt offering | 150,868 | 259,465 | 198,810 |
| Financing costs | (5,144) | (5,449) | (1,782) |
| Net proceeds from exercise of share options | 313 | 1,803 | 2,846 |
| Net cash provided by financing activities | 245,861 | 251,921 | 10,732 |
| Net increase (decrease) in cash and cash equivalents | 12,767 | 3,783 | (127) |
| Cash and cash equivalents at beginning of year | 8,721 | 4,938 | 5,065 |
| Cash and cash equivalents at end of year | \$ 21,488 | \$ 8,721 | \$ 4,938 |
| Supplemental disclosure of cash flow information: | | | |
| Cash paid for interest, net of amounts capitalized | \$ 57,499 | \$ 45,878 | \$ 35,535 |

* See Note 3 for the supplemental discussion of non-cash investing and financing activities. See accompanying notes to the financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the Years Ended December 31, 2007, 2006 and 2005

1. Nature of Business

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

Federal Income Taxes

We believe that we qualify as a Real Estate Investment Trust (REIT) under Sections 856-860 of the Internal Revenue Code and intend to continue to qualify as such. To maintain our status as a REIT, we are required to distribute 90% of our ordinary taxable income to our shareholders. When selling properties, we have the option of (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. In September 2007, Maryland Trade Centers I and II were sold for a gain of \$25.0 million. The proceeds from the sale were reinvested in replacement properties. We did not dispose of any of our properties in 2006, and we distributed all of our 2007, 2006, and 2005 ordinary taxable income to our shareholders. We reinvested \$33.5 million of the gains from property disposed in 2005 in replacement properties. Approximately \$3.5 million of gains from disposed property in 2005 was distributed to shareholders. No provision for income taxes was necessary in 2007, 2006 or 2005.

The following is a breakdown of the taxable percentage of our dividends for 2007, 2006 and 2005, respectively (unaudited):

| | Ordinary Income | Return of Capital | Unrecaptured Section 1250 Gain | Capital Gain |
|------|--------------------|----------------------|--------------------------------------|-----------------|
| 2007 | 90% | 10% | 0% | 0% |
| 2006 | 84% | 16% | 0% | 0% |
| 2005 | 81% | 14% | 5% | 0% |

2. Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Trust and its majority owned subsidiaries, after eliminating all intercompany transactions.

New Accounting Pronouncements

In July 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes," an interpretation of SFAS 109, "Accounting for Income Taxes" (FIN 48). FIN 48 prescribes how we should recognize, measure and present in our financial statements uncertain tax positions that have been taken or are expected to be taken in a tax return. Pursuant to FIN 48, we can recognize a tax benefit only if it is "more likely than not" that a particular tax position will be sustained upon examination or audit. To the extent the "more likely than not" standard has been satisfied, the benefit associated with a tax position is measured as the largest amount that is greater than 50% likely of being realized upon settlement.

We are subject to U.S. federal income tax as well as income tax of the states of Maryland and Virginia and the District of Columbia but, as a REIT, we generally are not subject to income tax on our net income distributed as dividends to our shareholders. As required, we adopted FIN 48 effective January 1, 2007 and have concluded that the effect is not material to our consolidated financial statements. Accordingly, we did not record a cumulative effect adjustment related to the adoption of FIN 48.

Tax returns filed for the 2004 through 2007 tax years are subject to examination by taxing authorities. We classify interest and penalties related to uncertain tax positions, if any, in our financial statements as a component of general and administrative expense.

In September 2006, the FASB issued FASB Statement No. 157, "Fair Value Measurements" (SAFS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. On February 12, 2007, the FASB issued FASB Staff Position No. FAS 157-2, *Effective Date of FASB Statement No. 157* (the FSP). The FSP amends SFAS No. 157 to delay the effective date for all non-financial assets and non-financial liabilities, except for those that are recognized or disclosed at fair value in the financial statements on a recurring basis (i.e. at least annually). The FSP defers the effective date of SFAS No. 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for items within the scope of the proposed FSP. The effective date of the statement related to those items not covered by the deferral (all financial assets and liabilities or non-financial assets and liabilities recorded at fair value on a recurring basis) is for fiscal years beginning after November 15, 2007. We do not have significant assets or liabilities recorded at fair value on a recurring basis, and therefore do not expect adoption of this statement to have a material impact on our financial statements upon adoption. However, this statement will require us to provide expanded disclosures of our valuation techniques.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities—Including an Amendment of FASB Statement No. 115." SFAS No. 159 permits entities to choose to measure eligible items at fair value at specified election dates and report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. We have not elected the fair value option for any assets or liabilities, and therefore do not expect adoption of the statement to have a material impact on our financial statements upon adoption.

The FASB has released an exposure draft of FASB Staff Position APB 14-a (the proposed FSP) for comment. This proposed guidance clarifies the accounting for convertible debt instruments that may be settled in cash (including partial cash settlement) upon conversion. If issued in final form, the guidance will significantly impact the accounting of the Company's convertible debt. The proposed FSP would require bifurcation of a component of the debt, classification of that component in stockholders' equity, and then accretion of the resulting discount on the debt to result in interest expense equal to the issuer's nonconvertible debt borrowing rate. The calculation of earnings-per-share would not be affected, other than the impact on net income from the debt discount amortization. In a November 26, 2007 update to its website, the FASB announced it is expected to begin its redeliberations of the guidance in that proposed FSP in January 2008. Final guidance will not be issued until at least the first quarter of 2008, and we are therefore unsure of the final effective date. We believe the adoption of the proposed FSP could have a significant impact on our financial statements if adopted in its current form due to our convertible debt outstanding, but have not quantified the impact because it is uncertain what the final FSP will require.

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations," a revision of SFAS No. 141. This statement changes the accounting for acquisitions specifically eliminating the step acquisition model, changing the recognition of contingent consideration from being recognized when it is probable to being recognized at the time of acquisition, disallowing the capitalization of transaction costs, and delays when restructuring related to acquisitions can be recognized. The standard is effective for fiscal years beginning after December 15, 2008, and will only impact the accounting for acquisitions we make after our adoption. Accordingly, upon our adoption of this standard on January 1, 2009, there will not be any impact on our historical financial statements.

Also in December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements," which clarifies the classification of noncontrolling interests in consolidated statements of financial position and the accounting for and reporting of transactions between the reporting entity and holders of such noncontrolling interests. Under the new standard noncontrolling interests are considered equity and should be reported as an element of consolidated equity. Net income will encompass the total income of all consolidated subsidiaries and there will be a separate disclosure on the face of the income statement of the attribution of that income between the controlling and noncontrolling interests. Increases and

decreases in the noncontrolling ownership interest amount will be accounted for as equity transactions. The standard is effective for fiscal years beginning after December 15, 2008. The Company is in the process of assessing the impact of the revised SFAS on its financial statements.

Revenue Recognition

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

In accordance with SFAS No. 66, "Accounting for Sales of Real Estate," sales are recognized at closing only when sufficient down payments have been obtained, possession and other attributes of ownership have been transferred to the buyer and we have no significant continuing involvement.

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

Minority Interest

We entered into an operating agreement with a member of the entity that previously owned Northern Virginia Industrial Park in conjunction with the acquisition of this property in May 1998. This resulted in a minority ownership interest in this property based upon defined company ownership units at the date of purchase. The operating agreement was amended and restated in 2002 resulting in a reduced minority ownership percentage interest. We account for this activity by recording minority interest expense by applying the minority owner's percentage ownership interest to the net income of the property and including such amount in our general and administrative expenses, thereby reducing net income.

In August 2007 we acquired a 0.8 acre parcel of land located at 4661 Kenmore Avenue, Alexandria, Virginia for future medical office development. The acquisition was funded by issuing operating units in a consolidated subsidiary of WRIT. This resulted in a minority ownership interest in this property based upon defined company ownership units at the date of purchase. We account for this activity by recording minority interest expense by applying the minority owner's percentage ownership interest to the net income of the property and including such amount in our general and administrative expenses, thereby reducing net income.

Minority interest expense was \$216,900, \$204,100 and \$172,000 for the years ended December 31, 2007, 2006 and 2005 respectively. Quarterly distributions are made to the minority owner equal to the quarterly dividend per share for each ownership unit.

Deferred Financing Costs

External costs associated with the issuance or assumption of mortgages, notes payable and fees associated with the lines of credit are capitalized and amortized using the effective interest rate method or the straight-line method which approximates the effective interest rate method over the term of the related debt. As of December 31, 2007 and 2006 deferred financing costs of \$23.9 million and \$16.6 million, respectively, net of accumulated amortization of \$7.9 million and \$5.4 million, were included in Prepaid Expenses and Other Assets on the balance sheets. The amortization is included in Interest Expense in the accompanying statements of income. The amortization of debt costs included in Interest Expense totaled \$2.5 million, \$1.6 million and \$1.3 million for the years ended December 31, 2007, 2006 and 2005, respectively.

Deferred Leasing Costs

Costs associated with the successful negotiation of leases, both external commissions and internal direct costs, are capitalized and amortized on a straight-line basis over the terms of the respective leases. If an applicable lease terminates prior to the expiration of its initial lease term, the carrying amount of the costs are written-off to amortization expense. As of December 31, 2007 and 2006 deferred leasing costs of \$23.8 million and \$18.7 million, respectively, net of accumulated amortization of \$8.3 million and \$6.4 million, were included in Prepaid Expenses and Other Assets on the balance sheets. The amortization of deferred leasing costs included in Amortization Expense for properties classified as continuing operations totaled \$3.0 million, \$2.3 million and \$1.8 million for the years ended December 31, 2007, 2006 and 2005, respectively.

Real Estate and Depreciation

Buildings are depreciated on a straight line basis over estimated useful lives ranging from 28 to 50 years. All capital improvement expenditures associated with replacements, improvements, or major repairs to real property that extend its useful life are capitalized and depreciated using the straight-line method over their estimated useful lives ranging from 3 to 30 years. We also capitalize costs incurred in connection with our development projects, including capitalizing interest and other internal costs during periods in which development projects are in progress. In addition, we capitalize tenant leasehold improvements when certain criteria are met, including when we supervise construction and will own the improvements. All tenant improvements are amortized over the shorter of the useful life of the improvements or the term of the related tenant lease. Real estate depreciation expense from continuing operations for the years ended December 31, 2007, 2006 and 2005 was \$56.3 million, \$44.7 million and \$39.4 million, respectively. Maintenance and repair costs that do not extend an asset's life are charged to expense as incurred.

We capitalize interest costs incurred on borrowing obligations while qualifying assets are being readied for their intended use in accordance with SFAS No. 34, "Capitalization of Interest Cost." Total interest expense capitalized to real estate assets related to development and major renovation activities was \$6.1 million, \$3.8 million and \$1.1 million, for the years ended December 31, 2007, 2006 and 2005, respectively. Interest capitalized is amortized over the useful life of the related underlying assets upon those assets being placed into service.

We recognize impairment losses on long-lived assets used in operations and held for sale, development assets or land held for future development, if indicators of impairment are present and the net undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount and estimated undiscounted cash flows associated with future development expenditures. If such carrying amount is in excess of the estimated cash flows from the operation and disposal of the property, we would recognize an impairment loss equivalent to an amount required to adjust the carrying amount to the estimated fair value. There were no property impairments recognized during the three-year period ended December 31, 2007.

We allocate the purchase price of acquired properties to the related physical assets and in-place leases based on their fair values, in accordance with SFAS No. 141, "Business Combinations." The fair values of acquired buildings are determined on an "as-if-vacant" basis considering a variety of factors, including the physical condition and quality of the buildings, estimated rental and absorption rates, estimated future cash flows and valuation assumptions consistent with current market conditions. The "as-if-vacant" fair value is allocated to land, building and tenant improvements based on property tax assessments and other relevant information obtained in connection with the acquisition of the property. No goodwill was recorded on our acquisitions for the years ended December 31, 2007, 2006 and 2005.

The fair value of in-place leases consists of the following components—(1) the estimated cost to us to replace the leases, including foregone rents during the period of finding a new tenant and foregone recovery of tenant pass-throughs (referred to as "Absorption Cost"); (2) the estimated cost of tenant improvements, and other direct costs associated with obtaining a new tenant (referred to as "Tenant Origination Cost"); (3) estimated leasing commissions associated with obtaining a new tenant (referred to as "Leasing Commissions"); (4) the above/below market cash flow of the leases, determined by comparing the projected cash flows of the leases in place to projected cash flows of comparable market-rate leases (referred to as "Net Lease Intangible"); and (5) the value, if any, of customer relationships, determined based on our evaluation of the specific characteristics of each tenant's lease and our overall relationship with the tenant (referred to as "Customer Relationship Value").

The amounts used to calculate Net Lease Intangible are discounted using an interest rate which reflects the risks associated with the leases acquired. Tenant Origination Costs are included in Real Estate Assets on our balance sheet and are amortized as depreciation expense on a straight-line basis over the remaining life of the underlying leases. Leasing Commissions and Absorption Costs are classified as Other Assets and are amortized as amortization expense on a straight-line basis over the remaining life of the underlying leases. Net Lease Intangible Assets are classified as Other Assets and are amortized on a straight-line basis as a decrease to Real Estate Rental Revenue over the remaining term of the underlying leases. Net Lease Intangible Liabilities are classified as Other Liabilities and are amortized on a straight-line basis as an increase to Real Estate Rental Revenue over the remaining term of the underlying leases. Should a tenant terminate its lease, the unamortized portion of the Tenant Origination Cost, Leasing Commissions, Absorption Costs and Net Lease Intangible associated with that lease are written off to depreciation expense, amortization expense, and rental revenue, respectively.

Balances, net of accumulated depreciation or amortization, as appropriate, of the components of the fair value of in-place leases at December 31, 2007 and 2006 are as follows (in millions):

| | December 31, | | | | | |
|--------------------------------------|----------------------------|-----------------------------|--------|----------------------------|-----------------------------|--------|
| | 2007 | | | 2006 | | |
| | Gross Carrying Value | Accumulated Amortization | Net | Gross Carrying Value | Accumulated Amortization | Net |
| Tenant Origination Costs | \$31.3 | \$10.9 | \$20.4 | \$19.8 | \$6.4 | \$13.4 |
| Leasing Commissions/Absorption Costs | \$33.8 | \$ 8.8 | \$25.0 | \$16.3 | \$3.3 | \$13.0 |
| Net Lease Intangible Assets | \$ 8.9 | \$ 4.3 | \$ 4.6 | \$ 9.2 | \$3.5 | \$ 5.7 |
| Net Lease Intangible Liabilities | \$23.5 | \$ 6.3 | \$17.2 | \$13.0 | \$3.3 | \$ 9.7 |

Amortization of these components combined was \$9.0 million, \$4.0 million and \$3.0 million for the years ended December 31, 2007, 2006 and 2005, respectively. No value had been assigned to Customer Relationship Value at December 31, 2007 or December 31, 2006.

Discontinued Operations

We classify properties as held for sale when they meet the necessary criteria specified by SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" and EITF 03-13, "Applying the Conditions in Paragraph 42 of FASB Statement No. 144 in Determining Whether to Report Discontinued Operations." These include: senior management commits to and actively embarks upon a plan to sell the assets, the sale is expected to be completed within one year under terms usual and customary for such sales and actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Depreciation on these properties is discontinued, but operating revenues, operating expenses and interest expense continue to be recognized until the date of sale.

Under SFAS No. 144, revenues and expenses of properties that are either sold or classified as held for sale are presented as discontinued operations for all periods presented in the Statements of Income. Interest on debt that can be identified as specifically attributed to these properties is included in discontinued operations. We do not have significant continuing involvement in the operations of any of our disposed properties.

Cash and Cash Equivalents

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

Restricted Cash

Restricted cash at December 31, 2007 and December 31, 2006 consisted of \$6.0 million and \$4.2 million, respectively, in funds escrowed for tenant security deposits, real estate tax, insurance and mortgage escrows and escrow deposits required by lenders on certain of our properties to be used for future building renovations or tenant improvements.

Stock Based Compensation

We maintained a Share Grant Plan and Incentive Stock Option Plan as described in Note 7, and pursuant to those plans we made restricted share grants and granted share options to officers, eligible employees and trustees. Shares were granted to officers, non-officer employees and trustees under the Share Grant Plan. Officer share grants vesting over five years vest in annual installments commencing one year after the date of grant and share grants that vest over three years vest twenty-five percent from date of grant in years one and two and fifty percent in year three. Officer performance share units, granted under an amendment to the Share Grant Plan, cliff vest at the end of a three year performance period. Officer and non-officer employee restricted share units, granted under an amendment to the Share Grant Plan, vest over 5 years. Trustee share grants are fully vested immediately upon date of share grant and are restricted from transferability for the period of the trustee's service.

In March 2007, the WRIT Board of Trustees adopted, and in July 2007 WRIT shareholders approved, the Washington Real Estate Investment Trust 2007 Omnibus Long-Term Incentive Plan ("2007 Plan"). This plan replaced the Share Grant Plan, which expired on December 15, 2007, as well as the 2001 Stock Option Plan and Stock Option Plan for Trustees. As described above, the shares and options granted pursuant to the above plans are not affected by the adoption of the 2007 Plan. However, if an award under the Share Grant Plan is forfeited or an award of options granted under the Incentive Stock Plans expires without being exercised, the shares covered by those awards will not be available for issuance under the 2007 Plan.

The 2007 Plan provides for the award to WRIT's trustees, officers and non-officer employees of restricted shares, restricted share units, options and other awards to acquire up to an aggregate of 2,000,000 shares over the ten year period in which the plan will be in effect. If an award under the 2007 Plan of restricted shares or restricted share units is forfeited or an award of options or any other rights granted under the 2007 Plan expires without being exercised, the shares covered by any such award would again become available for issuance under new awards.

Compensation expense is recognized for share grants over the vesting period equal to the fair market value of the shares on the date of issuance. Compensation expense for the trustee grants is fully recognized upon issuance based upon the fair market value of the shares on the date of grant. The unvested portion of officer and non-officer employee share grants is recognized in compensation cost over the vesting period.

Unvested shares are forfeited upon an employee's termination except for employees eligible for retirement whose unvested shares fully vest upon retirement. For shares granted to employees who are eligible for retirement or will become eligible for retirement during the vesting period, compensation cost is recognized over the explicit service period with acceleration of expense upon the date of actual retirement for these employees. The Company will continue this practice for awards granted prior to January 1, 2006, when SFAS No. 123R was adopted, and for shares granted after the adoption of SFAS No. 123R the Company will recognize compensation expense through the date that the employee is no longer required to provide service to earn the award (e.g. the date the employee is eligible to retire).

Stock options were historically issued annually to officers, non-officer key employees and trustees under the Incentive Stock Option Plans. They were last issued to officers in 2002, to non-officer key employees in 2003 and to trustees in 2004. The options vested over a 2-year period in annual installments commencing one year after the date of grant, except for trustee options which vested immediately upon the date of grant. Stock options issued prior to the adoption of SFAS No. 123R are accounted for in accordance with APB No. 25, whereby if options are priced at fair market value or above at the date of grant and if other requirements are met then the plans are considered fixed and no compensation expense is recognized. Accordingly, we have recognized no compensation cost for stock options.

Had we determined compensation cost prior to January 1, 2006 for the Plans consistent with SFAS No. 123, "Accounting for Stock-Based Compensation," our net income and earnings per share would have been reduced to the following pro-forma amounts (in thousands, except per share data):

| Pro-forma Information | For the Year Ended December 31, 2005 |
|---|---|
| Net income, as reported | \$77,638 |
| Add: Stock-based employee compensation expense included in reported net income | 1,134 |
| Deduct: Total stock-based employee compensation expense determined under fair value method | (1,210) |
| Pro-forma net income | \$77,562 |
| Earnings per share: | |
| Basic—as reported | \$ 1.85 |
| Basic—pro-forma | \$ 1.84 |
| Diluted—as reported | \$ 1.84 |
| Diluted—pro-forma | \$ 1.84 |

Earnings per Common Share

We calculate basic and diluted earnings per share in accordance with SFAS No. 128, "Earnings per Share." "Basic earnings per share" is computed as net income divided by the weighted-average common shares outstanding. "Diluted earnings per share" is computed as net income divided by the total weighted-average common shares outstanding plus the effect of dilutive common equivalent shares outstanding for the period. Dilutive common equivalent shares reflect the assumed issuance of additional common shares pursuant to certain of our share based compensation plans that could potentially reduce or "dilute" earnings per share, based on the treasury stock method. Other potentially dilutive common shares, including shares potentially resulting from the senior convertible notes, are considered when calculating diluted earnings per share.

Use of Estimates in the Financial Statements

The preparation of financial statements in conformity with U. S. generally accepted accounting principles 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.

Other Comprehensive Income

We recorded no other comprehensive income for the years ending December 31, 2007, 2006 and 2005.

3. Real Estate Investments

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

| | December 31, | |
|----------------------------|---------------------|--------------------|
| | 2007 | 2006 |
| Office buildings | \$ 805,949 | \$ 602,875 |
| Medical office buildings | 366,044 | 246,143 |
| Retail centers | 257,966 | 254,472 |
| Multifamily | 229,241 | 145,007 |
| Industrial/Flex properties | 304,920 | 275,154 |
| | <u>\$1,964,120</u> | <u>\$1,523,651</u> |

The amounts above reflect properties classified as continuing operations, which means they are to be held and used in rental operations (income producing property).

We have several properties in development in our office and multifamily sectors during 2006 and 2007 and one property in our retail sector that was in redevelopment for 2005 and most of 2006, but placed in service in 2006. Bennett Park was substantially completed in fourth quarter 2007. At Dulles Station, the building shell completion occurred early in third quarter 2007. The cost of the development in progress of our real estate portfolio as of December 31, 2007 and 2006 is illustrated below (in thousands):

| | December 31, | |
|----------------------------|---------------------|------------------|
| | 2007 | 2006 |
| Office buildings | \$56,311 | \$ 54,168 |
| Medical office buildings | 4,016 | — |
| Retail centers | 74 | 745 |
| Multifamily | 37,920 | 65,743 |
| Industrial/Flex properties | — | — |
| | <u>\$98,321</u> | <u>\$120,656</u> |

We dispose of assets (sometimes using tax-deferred exchanges) that are inconsistent with our long-term strategic or return objectives and where market conditions for sale are favorable. The proceeds from the sales may be reinvested into other properties, used to fund development operations or to support other corporate needs, or distributed to our shareholders. Properties are considered held for sale when they meet the criteria specified by SFAS No. 144 (see Note 2—Discontinued Operations). Depreciation on these properties is discontinued at that time, but operating revenues, other operating expenses and interest continue to be recognized until the date of sale. We had two properties classified as held for sale at December 31, 2007 and four held for sale at December 31, 2006, as follows (in thousands):

| | December 31, | |
|-------------------------------|---------------------|------------------|
| | 2007 | 2006 |
| Industrial/Flex properties | \$30,320 | \$ 29,613 |
| Office buildings | — | 42,537 |
| Total | <u>\$30,320</u> | <u>\$ 72,150</u> |
| Less accumulated depreciation | (6,477) | (18,661) |
| | <u>\$23,843</u> | <u>\$ 53,489</u> |

Our results of operations are dependent on the overall economic health of our markets, tenants and the specific segments in which we own properties. These segments include general purpose office, medical office, retail, multifamily and industrial. All sectors are affected by external economic factors, such as inflation, consumer confidence, unemployment rates, etc. as well as changing tenant and consumer requirements. Because the properties are located primarily in the Washington metro region, the Company is subject to a concentration of credit risk related to these properties.

As of December 31, 2007 no single property or tenant accounted for more than 10% of total real estate assets or total revenues.

Properties we acquired during the years ending December 31, 2007, 2006 and 2005 are as follows:

| Acquisition Date | Property | Type | Rentable Square Feet (unaudited) | Contract Purchase Price (in thousands) |
|-------------------------|-----------------------------------|----------------------|---|---|
| February 8, 2007 | 270 Technology Park | Industrial/Flex | 157,000 | \$ 26,500 |
| March 1, 2007 | Monument II | Office | 205,000 | 78,200 |
| March 9, 2007 | 2440 M Street | Medical Office | 110,000 | 50,000 |
| June 1, 2007 | Woodholme Medical Office Building | Medical Office | 125,000 | 30,800 |
| June 1, 2007 | Woodholme Center | Office | 73,000 | 18,200 |
| June 1, 2007 | Ashburn Farm Office Park | Medical Office | 75,000 | 23,000 |
| August 16, 2007 | CentreMed I & II | Medical Office | 52,000 | 15,300 |
| August 30, 2007 | 4661 Kenmore Avenue | Land for Development | n/a | 3,750 |
| December 4, 2007 | 2000 M Street | Office | 227,000 | 73,500 |
| Total 2007 | | | 1,024,000 | \$319,250 |
| February 15, 2006 | Hampton Overlook | Industrial/Flex | 134,000 | \$ 10,040 |
| February 15, 2006 | Hampton South | Industrial/Flex | 168,000 | 13,060 |
| April 11, 2006 | Alexandria Professional Center | Medical Office | 113,000 | 26,900 |
| April 13, 2006 | 9707 Medical Center Drive | Medical Office | 38,000 | 15,800 |
| April 29, 2006 | 15001 Shady Grove Rd | Medical Office | 51,000 | 21,000 |
| May 16, 2006 | Montrose Shopping Center | Retail | 143,000 | 33,200 |
| May 16, 2006 | Randolph Shopping Center | Retail | 82,000 | 17,100 |
| May 26, 2006 | 9950 Business Parkway | Industrial/Flex | 102,000 | 11,700 |
| June 22, 2006 | Plumtree Medical Center | Medical Office | 33,000 | 7,700 |
| July 12, 2006 | 15005 Shady Grove Road | Medical Office | 52,000 | 22,500 |
| August 11, 2006 | 6565 Arlington Blvd | Office | 140,000 | 30,000 |
| August 25, 2006 | West Gude Drive | Office | 289,000 | 57,000 |
| August 25, 2006 | The Ridges | Office | 104,000 | 25,000 |
| August 25, 2006 | The Crescent | Medical Office | 49,000 | 12,000 |
| Total 2006 | | | 1,498,000 | \$303,000 |
| March 23, 2005 | Frederick Crossing | Retail | 295,000 | \$ 44,800 |
| April 8, 2005 | Coleman Building | Industrial/Flex | 60,000 | 8,800 |
| July 29, 2005 | Albemarle Point | Office/Industrial | 296,000 | 66,800 |
| December 2, 2005 | Dulles Station | Development | n/a | 24,700 |
| Total 2005 | | | 651,000 | \$145,100 |

We accounted for these acquisitions using the purchase method of accounting. As discussed in Note 2, we allocate the purchase price to the related physical assets (land, building and tenant improvements) and in-place leases (absorption, tenant origination costs, leasing commissions, and net lease intangible assets/liabilities) based on their fair values in accordance with SFAS No. 141, "Business Combinations." The results of operations of the acquired properties are included in the income statement as of their respective acquisition date.

We have allocated the total purchase price of the above acquisitions as follows (in millions):

| | Allocation of Purchase Price | | |
|--------------------------------------|-------------------------------------|----------------|----------------|
| | 2007 | 2006 | 2005 |
| Land | \$ 43.0 | \$ 68.8 | \$ 21.4 |
| Buildings | 258.6 | 219.6 | 124.1 |
| Tenant origination costs | 11.8 | 7.5 | 4.2 |
| Leasing commissions/Absorption costs | 17.7 | 8.9 | 2.2 |
| Net lease intangible assets | 0.4 | 2.3 | 1.3 |
| Net lease intangible liabilities | (10.5) | (4.1) | (4.8) |
| Total* | \$321.0 | \$303.0 | \$148.4 |

*Additional settlement costs, closing costs and adjustments are included in the basis for 2007, 2006 and 2005

The weighted remaining average life in months for the components above, other than land and building, are 79 months for tenant origination costs, 73 months for leasing commissions/absorption costs, 61 months for net lease intangible assets and 79 months for net lease intangible liabilities.

The acquisition of 2000 M Street on December 4, 2007 included a ground lease with 63 years remaining. The terms include a fixed annual payment as well as an additional contingent amount based on the excess of gross income over predetermined levels.

The difference in total 2007 contract purchase price of properties acquired per the above chart of \$319.3 million and the acquisition cost per the Statement of Cash Flows of \$294.2 million is the \$26.8 million in mortgages assumed on the acquisitions of Woodholme Medical Office Building, Woodholme Center and Ashburn Farm Office Park, offset by \$1.7 million for additional settlement costs, closing costs and adjustments on all acquisitions. The difference in total 2006 contract purchase price of properties acquired per the above chart of \$303.0 million and the acquisition cost per the Statement of Cash Flows of \$226.5 million is the \$76.5 million in mortgages assumed on the acquisitions of 9707 Medical Center Drive, Plumtree Medical Center, 15005 Shady Grove Road, West Gude Drive, The Ridges and Crescent.

The difference in total 2005 contract purchase price of properties acquired per the above chart of \$145.1 million and the acquisition cost per the Statement of Cash Flows of \$123.4 million is the \$25.0 million mortgage assumed on the acquisition of Frederick Crossing, offset by \$3.3 million in predevelopment costs (not included in the contract price) paid at closing for Dulles Station and closing costs on all acquisitions.

The following unaudited pro-forma combined condensed statements of operations set forth the consolidated results of operations for the years ended December 31, 2007 and 2006 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 acquisitions had been in effect for the years ended December 31, 2007 and December 31, 2006. The unaudited data presented is in thousands, except per share data.

| | Year Ended December 31, | |
|-----------------------------------|--------------------------------|-------------|
| | 2007 | 2006 |
| Real estate revenues | \$271,302 | \$243,448 |
| Income from continuing operations | \$ 35,102 | \$ 42,772 |
| Net income | \$ 64,844 | \$ 45,813 |
| Diluted earnings per share | \$ 1.41 | \$ 1.04 |

Properties that were sold or classified as held for sale during the three years ending December 31, 2007 are as follows:

| Disposition Date | Property | Type | Rentable Square Feet (unaudited) | Contract Sale Price (in thousands) |
|-------------------------|------------------------------|-------------|---|---|
| September 26, 2007 | Maryland Trade Center I & II | Office | 342,000 | \$58,000 |
| | Sullyfield Center | Industrial | 244,000 | Held for Sale |
| | The Earhart Building | Industrial | 92,000 | Held for Sale |
| Total 2007 | | | 678,000 | \$58,000 |
| February 1, 2005 | 7700 Leesburg Pike | Office | 147,000 | \$20,150 |
| February 1, 2005 | Tycon Plaza II | Office | 127,000 | 19,400 |
| February 1, 2005 | Tycon Plaza III | Office | 137,000 | 27,950 |
| September 8, 2005 | Pepsi Distribution Center | Industrial | 69,000 | 6,000 |
| Total 2005 | | | 480,000 | \$73,500 |

We sold two properties and classified two properties as held for sale in 2007. The two sold properties, Maryland Trade Centers I and II, were classified as held for sale as of March 31, 2007 and sold as of September 26, 2007. They were sold for a contract sales price of \$58.0 million, and WRIT recognized a gain on disposal of \$25.0 million, in accordance with SFAS No. 66, "Accounting for Sales of Real Estate." \$15.3 million of the proceeds from the disposition was used to fund the purchase of

CentreMed I & II on August 16, 2007 in a reverse tax free property exchange, and \$40.1 million of the proceeds from the disposition were escrowed in a tax free property exchange account and subsequently used to fund a portion of the purchase price of 2000 M Street on December 4, 2007.

In November 2007 we concluded that Sullyfield Center and The Earhart Building met the criteria specified in SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," necessary to classify these properties as held for sale. Senior management has committed to, and actively embarked upon, a plan to sell the assets, and the sale is expected to be completed within one year under terms usual and customary for such sales, with no indication that the plan will be significantly altered or abandoned. Depreciation on these properties was discontinued at that time, but operating revenues and other operating expenses continue to be recognized until the date of sale. Under SFAS No. 144, revenues and expenses of properties that are classified as held for sale or sold are treated as discontinued operations for all periods presented in the Statements of Income.

The office properties sold on February 1, 2005, classified as discontinued operations effective November 2004, were sold to a single buyer for \$67.5 million. WRIT recognized a gain on disposal of \$32.1 million, in accordance with SFAS No. 66, "Accounting for Sales of Real Estate." \$31.3 million of the proceeds from the disposition were escrowed in a tax-free property exchange account and subsequently used to fund a portion of the purchase price of Frederick Crossing Shopping Center on March 23, 2005 and the Coleman Building on April 8, 2005. The proceeds of \$31.0 million were used to pay down borrowings outstanding under Credit Facility No. 2 (See Note 5—Unsecured Lines of Credit Payable). In September 2005, the industrial property was sold for \$6.0 million for a gain of \$3.0 million. Proceeds of \$5.8 million were escrowed in a tax-free exchange account and were used to partially fund the purchase of Dulles Station on December 2, 2005. There were no properties classified as discontinued operations in 2006. Discontinued operations for 2005 consist of the properties sold in February and September 2005. There was a gain of \$1.9 million recognized in April 2005 that had been previously deferred from the sale of Boone Boulevard, which was sold in 2004.

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

| | Operating Income for the Year Ending December 31, | | |
|-------------------------------|--|-----------------|-----------------|
| | 2007 | 2006 | 2005 |
| Revenues | \$ 9,355 | \$10,921 | \$10,447 |
| Property expenses | (3,385) | (4,045) | (3,989) |
| Depreciation and amortization | (1,250) | (3,255) | (2,671) |
| Interest expense | — | (580) | (550) |
| | \$ 4,720 | \$ 3,041 | \$ 3,237 |

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

| Property | Segment | Operating Income for the Year Ending December 31, | | |
|------------------------------|----------------|--|----------------|----------------|
| | | 2007 | 2006 | 2005 |
| Maryland Trade Center I & II | Office | \$2,474 | \$1,841 | \$1,417 |
| Sullyfield Center | Industrial | 1,492 | 570 | 944 |
| The Earhart Building | Industrial | 754 | 630 | 692 |
| 7700 Leesburg | Office | — | — | 89 |
| Tycon Plaza II | Office | — | — | 30 |
| Tycon Plaza III | Office | — | — | 111 |
| Pepsi Distribution Center | Industrial | — | — | (46) |
| | | \$4,720 | \$3,041 | \$3,237 |

4. Mortgage Notes Payable

| | December 31, | |
|---|---------------------|------------------|
| | 2007 | 2006 |
| On September 27, 1999, we executed a \$50.0 million mortgage note payable secured by Munson Hill Towers, Country Club Towers, Roosevelt Towers, Park Adams Apartments and the Ashby of McLean. The mortgage bears interest at 7.14% per annum and interest only is payable monthly until October 1, 2009, at which time all unpaid principal and interest are payable in full. | \$ 50,000 | \$ 50,000 |
| On October 9, 2003, we assumed a \$36.1 million mortgage note payable and a \$13.7 million mortgage note payable as partial consideration for our acquisition of Prosperity Medical Center. The mortgages bear interest at 5.36% per annum and 5.34% per annum respectively. Principal and interest are payable monthly until May 1, 2013, at which time all unpaid principal and interest are payable in full. | 46,644 | 47,441 |
| On August 12, 2004, we assumed a \$10.1 million mortgage note payable with an estimated fair value* of \$11.2 million, as partial consideration for our acquisition of Shady Grove Medical Village II. The mortgage bears interest at 6.98% per annum. Principal and interest are payable monthly until December 1, 2011, at which time all unpaid principal and interest are payable in full. | 10,286 | 10,574 |
| On December 22, 2004, we assumed a \$15.6 million mortgage note payable with an estimated fair value of \$17.8 million, and a \$3.9 million mortgage note payable with an estimated fair value* of \$4.2 million as partial consideration for our acquisition of Dulles Business Park. The mortgages bear interest at 7.09% per annum and 5.94% per annum, respectively. Principal and interest are payable monthly until August 10, 2012, at which time all unpaid principal and interest are payable in full. | 20,235 | 20,846 |
| On March 23, 2005, we assumed a \$24.3 million mortgage note payable with an estimated fair value* of \$25.0 million as partial consideration for our acquisition of Frederick Crossing. The mortgage bears interest at 5.95% per annum. Principal and interest are payable monthly until January 1, 2013, at which time all unpaid principal and interest are payable in full. | 23,783 | 24,246 |
| On April 13, 2006, we assumed a \$5.7 million mortgage note payable as partial consideration for the acquisition of 9707 Medical Center Drive. The mortgage bears interest at 5.32% per annum. Principal and interest are payable monthly until July 1, 2028, at which time all unpaid principal and interest are payable in full. | 5,428 | 5,569 |
| On June 22, 2006, we assumed a \$4.9 million mortgage note payable as partial consideration for the acquisition of Plumtree Medical Center. The mortgage bears interest at 5.68% per annum. Principal and interest are payable monthly until March 11, 2013, at which time all unpaid principal and interest are payable in full. | 4,762 | 4,836 |
| On July 12, 2006, we assumed an \$8.8 million mortgage note payable as partial consideration for the acquisition of 15005 Shady Grove Road. The mortgage bears interest at 5.73% per annum. Principal and interest are payable monthly until March 11, 2013, at which time all unpaid principal and interest are payable in full. | 8,613 | 8,751 |
| On August 25, 2006, we assumed a \$34.2 million mortgage note payable as partial consideration for the acquisition of 20-50 West Gude Drive. The mortgage bears interest at 5.86% per annum. Principal and interest are payable monthly until March 11, 2013, at which time all unpaid principal and interest are payable in full. | 33,417 | 33,990 |
| On August 25, 2006, we assumed a \$23.1 million mortgage note payable as partial consideration for the acquisition of 902-904 Wind River Lane and 200 Orchard Ridge Road. The mortgage bears interest at 5.82%** per annum. Principal and interest are payable monthly until August 11, 2033** at which time all unpaid principal and interest are payable in full. The note may be repaid without penalty on August 11, 2010. | 22,641 | 22,987 |
| On June 1, 2007, we assumed a \$21.2 million mortgage note payable as partial consideration for the acquisition of Woodholme Medical Office Building. The mortgage bears interest at 5.29% per annum. Principal and interest are payable monthly until November 1, 2015 at which time all unpaid principal and interest are payable in full. | 21,176 | — |
| On June 1, 2007, we assumed a \$3.1 million mortgage note payable and a \$3.0 million mortgage note payable as partial consideration for our acquisition of the Ashburn Farm Office Park. The mortgages bear interest at 5.56% per annum and 5.69% per annum, respectively. Principal and interest are payable monthly until May 31, 2025 and July 31, 2023, respectively, at which time all unpaid principal and interest are payable in full. | 5,499 | — |
| | \$252,484 | \$229,240 |

| December 31, | |
|--------------|------|
| 2007 | 2006 |

Discontinued Operations:

On November 1, 2001, we assumed an \$8.5 million mortgage note payable, with an estimated fair value* of \$9.3 million, as partial consideration for our acquisition of Sullyfield Commerce Center. The mortgage bears interest at 9.00% per annum and includes a significant prepayment penalty. Principal and interest were payable monthly until February 1, 2007. All unpaid principal and interest were paid in full in January 2007.

| | | |
|----|---|----------|
| \$ | — | \$ 7,833 |
|----|---|----------|

* The fair value of the mortgage notes payable was estimated upon acquisition by the Trust based upon market information and data, such as dealer quotes for instruments with similar terms and maturities.

There is no notation when the fair value is the same as the carrying value.

** If the loan is not repaid on August 11, 2010, from and after August 11, 2010, the interest rate adjusts to one of the following rates: (i) the greater of (A) 10.82% or (B) the Treasury Rate (determined as of August 11, 2010, and defined as the yield calculated using linear interpolation approximating the period from August 11, 2010 to August 11, 2033 on the basis of Federal Reserve Stat. Release H.15-Selected Interest Rates under the heading U.S. Governmental Security/Treasury Constant Maturities) plus 5%; or (ii) if the Note is an asset of an entity formed for purposes of securitization and pursuant thereto securities rated by a rating agency have been issued, then the rate will equal: the greater of (A) 7.82% or (B) the Treasury Rate plus 2%. Due to the high probability that the mortgage will be paid off on August 11, 2010, that date is reflected in the future maturities schedule.

Total carrying amount of the above mortgaged properties was \$449.3 million and \$422.0 million at December 31, 2007 and 2006, respectively. Scheduled principal payments during the five years subsequent to December 31, 2007 and thereafter are as follows (in thousands):

| | Principal Payments |
|------------|-------------------------------|
| 2008 | \$ 4,057 |
| 2009 | 54,285 |
| 2010 | 25,973 |
| 2011 | 13,339 |
| 2012 | 21,088 |
| Thereafter | 133,742 |
| | \$252,484 |

5. Unsecured Lines of Credit Payable

As of December 31, 2007, we maintained a \$75.0 million unsecured line of credit maturing in June 2011 ("Credit Facility No. 1") and a \$200.0 million line of credit maturing in November 2010 ("Credit Facility No. 2"). For discussion of an expansion of Credit Facility No. 2 during first quarter 2008, see Note 14—Subsequent Events.

Credit Facility No. 1

We had \$70.0 million outstanding as of December 31, 2007 related to Credit Facility No. 1, and \$1.4 million in Letters of Credit issued, with \$3.6 million unused and available for subsequent acquisitions or capital improvements. No balance was outstanding under this facility at December 31, 2006. During 2007, we borrowed \$44.0 million to fund acquisitions and \$26.0 million to fund development costs, certain capital improvements to real estate and acquisition related due diligence costs.

Borrowings under the facility bear interest at our option of LIBOR plus a spread based on the credit rating of our publicly issued debt or SunTrust Bank's prime rate. All outstanding advances are due and payable upon maturity in June 2011. Interest only payments are due and payable generally on a monthly basis. For the year ended 2007, we recognized interest expense (excluding facility fees) of \$807,200, representing an average interest rate of 5.52%, per annum.

In addition, we pay a facility fee based on the credit rating of our publicly issued debt which currently equals 0.15% per annum of the \$75.0 million committed capacity, without regard to usage. Rates and fees may be adjusted up or down based on changes in our senior unsecured credit ratings. For the year ended 2007, we incurred facility fees of \$53,700.

Credit Facility No. 2

We had \$122.5 million outstanding as of December 31, 2007 related to Credit Facility No. 2, and \$0.9 million in Letters of Credit issued, with \$76.6 million unused and available for subsequent acquisitions or capital improvements. \$33.0 million was outstanding under this facility at December 31, 2006. During 2007, we borrowed \$125.2 million to fund acquisitions, \$55.0 million to fund development costs, certain capital improvements for real estate and acquisition related due diligence costs, and \$8.0 million for secured debt maturities. \$98.7 million of gross borrowing was repaid under Credit Facility No. 2 in 2007 with proceeds from the \$150.0 million 3.875% convertible notes issued in January 2007 and the June 2007 equity offering.

Advances under this agreement bear interest at our option of LIBOR plus a spread based on the credit rating of our publicly issued debt or the higher of Wells Fargo Bank's prime rate and the Federal Funds Rate in effect on that day plus 0.5%. All outstanding advances are due and payable upon maturity in November 2010. Interest only payments are due and payable generally on a monthly basis. For the years ended December 31, 2007 and 2006, we recognized interest expense (excluding facility fees) of \$4,579,000 and \$48,000 representing an average interest rate of 5.77% and 5.86%, respectively.

Currently, Credit Facility No. 2 requires us to pay the lender a facility fee on the total commitment of 0.15% per annum. These fees are payable quarterly. For the years ended December 31, 2007 and 2006, we incurred facility fees of \$304,200 and \$50,000, respectively.

Credit Facility No. 3

This \$85.0 million line of credit with Bank One, NA (now J.P. Morgan) and Wells Fargo Bank, National Association was terminated on November 2, 2006 and replaced with Credit Facility No. 2. There were no outstanding advances payable under the facility upon the termination of the agreement in November 2006. Advances under this agreement bore interest at LIBOR plus a spread based on the credit rating of our publicly issued debt. Interest only payments were due and payable generally on a monthly basis. For the years ended December 31, 2006 and 2005, we recognized interest expense (excluding unused commitment and facility fees) of \$684,000, and \$783,000, respectively, on Credit Facility No. 3, representing an average interest rate of 5.71% and 3.30%, per annum, respectively.

Credit Facility No. 3 required us to pay the lender a facility fee on the total commitment of 0.15% per annum, based on the credit rating on our publicly issued debt. These fees were payable quarterly. For the years ended December 31, 2006 and 2005, we incurred facility fees of \$108,000 and \$131,200, respectively.

Credit Facility No. 4

Credit Facility No. 4 was replaced by Credit Facility No. 1 on June 29, 2007. At December 31, 2006, \$28.0 million was outstanding under this facility, which was repaid during the first quarter with proceeds from the \$150 million 3.875% convertible notes issued in January 2007. Advances under this agreement bore interest at LIBOR plus a spread based on the credit rating on our publicly issued debt. Interest only payments were due and payable on a monthly basis. For the years ended December 31, 2007, 2006 and 2005, we recognized interest expense (excluding facility fees) of \$96,400, \$2,154,000 and \$898,000, representing an average interest rate of 5.90%, 5.64% and 3.88%, per annum, respectively.

Before its renewal in July 2005, Credit Facility No. 4 required us to pay the lender unused line of credit fees of 0.15% per annum. These fees were payable quarterly. For the year ended December 31, 2005 we incurred \$38,400 in unused commitment fees on this facility.

From July 2005 through June 2007, Credit Facility No. 4 required us to pay the lender an annual facility fee on the total commitment of 0.15%, per annum. These fees were payable quarterly. For the years ended December 31, 2007, 2006 and 2005, we incurred facility fees of \$52,800, \$109,900 and \$46,700, respectively.

Credit Facility No. 1 and No. 2 contain certain financial and non-financial covenants, all of which we have met as of December 31, 2007.

Information related to revolving credit facilities is as follows (in thousands):

| | 2007 | 2006 | 2005 |
|---|-----------|-----------|-----------|
| Total revolving credit facilities at December 31 | \$275,000 | \$270,000 | \$155,000 |
| Borrowings outstanding at December 31 | 192,500 | 61,000 | 24,000 |
| Weighted average daily borrowings during the year | 95,642 | 50,937 | 46,229 |
| Maximum daily borrowings during the year | \$192,500 | \$184,500 | \$117,000 |
| Weighted average interest rate during the year | 5.73% | 5.66% | 3.58% |
| Weighted average interest rate at December 31 | 5.41% | 6.05% | 4.97% |

6. Notes Payable

On August 13, 1996, we issued \$50.0 million of 7.25% unsecured 10-year notes due August 13, 2006 at 98.166% of par resulting in an effective interest rate of 7.49%. Net proceeds to the Trust after deducting underwriting expenses were \$48.8 million. These notes were paid in full on August 13, 2006, with advances from Credit Facility No.1 and Credit Facility No. 3.

On February 20, 1998, we issued \$50.0 million of 7.25% unsecured notes due February 25, 2028 at 98.653% to yield approximately 7.36%. We also sold \$60.0 million in unsecured Mandatory Par Put Remarketed Securities ("MOPPRS") at an effective borrowing rate through the remarketing date (February 2008) of approximately 6.74%. In February 2008, if the remarketing dealer elects not to remarket the MOPPRS, the Trust is required to redeem the MOPPRS at par. If the remarketing dealer elects to remarket the securities in February 2008, the interest rate on the MOPPRS will be established at a rate of 5.598% plus the Trust's applicable credit spread for the Trust's securities with similar maturities. The MOPPRS may be redeemed, at the Trust's option, immediately prior to their remarketing in February 2008 at an optional redemption price equal to the outstanding principal balance plus a prepayment penalty (generally equivalent to a make-whole amount necessary to compensate for the amount by which the base rate of 5.598% exceeds the then-existing 10-year treasury rate). Our costs of the borrowings and related closed hedge settlements of approximately \$7.2 million are amortized over the lives of the notes using the effective interest method. In the first quarter of 2008, we completed an extinguishment of the MOPPRS (see Note 14—Subsequent Events).

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

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

On April 26, 2005, we issued \$50.0 million of 5.05% senior unsecured notes due May 1, 2012 and \$50.0 million of 5.35% senior unsecured notes due May 1, 2015, at effective yields of 5.064% and 5.359% respectively. The net proceeds from the sale of the notes of \$99.1 million were used to repay borrowings under our lines of credit totaling \$90.5 million and the remainder was used for general corporate purposes.

On October 6, 2005, we issued an additional \$100.0 million of notes of the series of 5.35% senior unsecured notes due May 1, 2015, at an effective yield of 5.49%. \$93.5 million of the \$98.1 million net proceeds from the sale of these notes was used to repay borrowings under our lines of credit and the remainder was used to fund general corporate purposes.

On June 6, 2006, we issued \$100.0 million of 5.95% unsecured notes due June 15, 2011 at 99.951% of par, resulting in an effective interest rate of 5.96%. Our total proceeds, net of underwriting fees, were \$99.4 million. We used the proceeds of these notes to repay advances on one of our lines of credit.

On July 26, 2006, we issued an additional \$50.0 million of the series of 5.95% unsecured notes due June 15, 2011 at 100.127% of par, resulting in an effective yield of 5.92%. Our total proceeds, net of underwriting fees, were \$50.2 million. We used the proceeds of these notes to repay borrowings under our lines of credit and to fund general corporate purposes.

On September 11, 2006, we issued \$100.0 million of 3.875% senior convertible notes due September 15, 2026. On September 22, 2006, we issued an additional \$10.0 million of the 3.875% senior convertible notes due September 15, 2026, upon the exercise by the underwriter of an over-allotment option granted by WRIT. The notes were issued at 99.5% of par, resulting in an effective interest rate of 4.000%. Our total proceeds, net of underwriting fees, were \$106.7 million. We used the proceeds of these notes to repay borrowings under our lines of credit and to fund general corporate purposes.

On January 22, 2007, we issued an additional \$135.0 million of the 3.875% senior convertible notes due September 15, 2026. On January 30, 2007, we issued an additional \$15.0 million of the 3.875% senior convertible notes due September 15, 2026, upon the exercise by the underwriter of an over-allotment option granted by WRIT. The notes were issued at 100.5% of par, resulting in an effective interest rate of 4.003%. Our total proceeds, net of underwriting fees, were \$146.0 million. We used the proceeds of these notes to fund the acquisition of 270 Technology Park and a portion of the acquisition of Monument II, to repay borrowings under our lines of credit, and to fund general corporate purposes.

The senior convertible notes are convertible into shares of our common stock, at the option of the holder, under specific circumstances or on or after July 15, 2026, at an initial exchange rate of 20.090 shares of common stock per \$1,000 principal amount of notes. This is equivalent to an initial conversion price of \$49.78 per share, which represents a 22% premium over the \$40.80 closing price of our shares at the time the September 2006 transaction was priced and a 21% premium over the \$41.17 closing price of our shares at the time the January 2007 transaction was priced. Holders may convert their notes into shares of our common stock prior to the maturity date based on the applicable conversion rate during any fiscal quarter if the closing price of our common stock for at least 20 trading days in the 30 consecutive trading day period ending on the last trading day of the immediate preceding fiscal quarter is more than 130% of the conversion price per share on the last day of such preceding fiscal quarter. The initial conversion rate is subject to adjustment in certain circumstances including an adjustment to the rate if the quarterly dividend rate to common shareholders is in excess of \$0.4125 per share. In addition, the conversion rate will be adjusted if we make distributions of cash or other consideration by us or any of our subsidiaries in respect of a tender offer or exchange offer for our common stock, to the extent such cash and the value of any such other consideration per share of common stock validly tendered or exchanged exceeds the closing price of our common stock as defined in the note offering. Upon an exchange of notes, we will settle any amounts up to the principal amount of the notes in cash and the remaining exchange value, if any, will be settled, at our option, in cash, common shares or a combination thereof. The senior convertible notes could have a dilutive impact on our earnings per share calculation in the future. However, these notes are not dilutive for the years ended December 31, 2007 and 2006, and are not included in our earnings per share calculations.

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

The following is a summary of our unsecured note borrowings (in thousands):

| | December 31, | |
|--------------------------|---------------------|------------------|
| | 2007 | 2006 |
| 6.74% notes due 2008 | \$ 60,000 | \$ 60,000 |
| 5.95% notes due 2011 | 150,000 | 150,000 |
| 5.05% notes due 2012 | 50,000 | 50,000 |
| 5.125% notes due 2013 | 60,000 | 60,000 |
| 5.25% notes due 2014 | 100,000 | 100,000 |
| 5.35% notes due 2015 | 150,000 | 150,000 |
| 3.875% notes due 2026 | 260,000 | 110,000 |
| 7.25% notes due 2028 | 50,000 | 50,000 |
| Discount on notes issued | (1,999) | (2,204) |
| Premium on notes issued | 1,122 | 459 |
| Total | \$879,123 | \$728,255 |

The required principal payments excluding the effects of note discounts or premium for the remaining years subsequent to December 31, 2007 are as follows (in thousands):

| | |
|------------|------------------|
| 2008 | \$ 60,000 |
| 2009 | — |
| 2010 | — |
| 2011 | 150,000 |
| 2012 | 50,000 |
| Thereafter | 620,000 |
| | \$880,000 |

Interest on these notes is payable semi-annually. These notes contain certain financial and non-financial covenants, all of which we have met as of December 31, 2007.

The covenants under one of the line of credit agreements require us to insure our properties against loss or damage in the amount of the replacement cost of the improvements at the properties. The covenants for the notes require us to keep all of our insurable properties insured against loss or damage at least equal to their then full insurable value. We have an insurance policy which has no terrorism exclusion; however, our financial condition and results of operations are subject to the risks associated with acts of terrorism and the potential for uninsured losses as the result of any such acts. Effective November 26, 2002, under this existing coverage, any losses caused by certified acts of terrorism would be partially reimbursed by the United States under a formula established by federal law. Under this formula the United States pays 85% of covered terrorism losses exceeding the statutorily established deductible paid by the insurance provider, and insurers pay 10% until aggregate insured losses from all insurers reach \$100 billion in a calendar year. If the aggregate amount of insured losses under the Act exceeds \$100 billion during the applicable period for all insured and insurers combined, then each insurance provider will not be liable for payment of any amount which exceeds the aggregate amount of \$100 billion. On December 26, 2007, the Terrorism Risk Insurance Program Reauthorization Act of 2007 was signed into law and extends the Program through December 31, 2014.

7. Share Options and Grants

Options

In March 2007, the WRIT Board of Trustees adopted, and in July 2007 WRIT shareholders approved, the Washington Real Estate Investment Trust 2007 Omnibus Long-Term Incentive Plan ("2007 Plan"). This plan replaced the Share Grant Plan, which expired on December 15, 2007, as well as the 2001 Stock Option Plan and Stock Option Plan for Trustees. As described above, the shares and options granted pursuant to the above plans are not affected by the adoption of the 2007 Plan. However, if an award under the Share Grant Plan is forfeited or an award of options granted under the Option Plans expires without being exercised, the shares covered by those awards will not be available for issuance under the 2007 Plan.

The 2007 Plan provides for the award to WRIT's trustees, officers and non-officer employees of restricted shares, restricted share units, options and other awards to acquire up to an aggregate of 2,000,000 shares over the ten year period in which the plan will be in effect. If an award under the 2007 Plan of restricted shares or restricted share units is forfeited or an award of options or any other rights granted under the 2007 Plan expires without being exercised, the shares covered by any such award would again become available for issuance under new awards.

We adopted the Washington Real Estate Investment Trust 2001 Stock Option Plan to replace the 1991 Stock Option Plan that expired on June 25, 2001. The plans provided for the grant of qualified and non-qualified options. Options granted under the plans were granted with exercise prices equal to the market price on the date of grant vested 50% after year one and 50% after year two and expire ten years following the date of grant. We adopted the Washington Real Estate Investment Trust Stock Option Plan for Trustees in March 1998. Options granted to trustees were granted with exercise prices equal to the market price on the date of grant and were fully vested on the grant date. The last option awards to officers were in 2002, to non-officer key employees in 2003 and to trustees in 2004.

| | 2007 | | 2006 | | 2005 | |
|----------------------------|----------|------------------|----------|------------------|-----------|------------------|
| | Shares | Wtd Avg Ex Price | Shares | Wtd Avg Ex Price | Shares | Wtd Avg Ex Price |
| Outstanding at January 1 | 451,000 | \$24.42 | 531,000 | \$24.15 | 667,000 | \$23.49 |
| Granted | — | — | — | — | — | — |
| Exercised | (13,000) | 25.07 | (80,000) | 22.60 | (136,000) | 20.91 |
| Expired/Forfeited | — | — | — | — | — | — |
| Outstanding at December 31 | 438,000 | 24.40 | 451,000 | 24.42 | 531,000 | 24.15 |
| Exercisable at December 31 | 438,000 | 24.40 | 451,000 | 24.42 | 531,000 | 24.15 |

The 438,000 options outstanding at December 31, 2007, all of which are exercisable, have exercise prices between \$14.47 and \$33.09, with a weighted-average exercise price of \$24.40 and a weighted average remaining contractual life of 4.2 years. The aggregate intrinsic value of outstanding exercisable shares at December 31, 2007 was \$3.1 million. The aggregate intrinsic value of options exercised in 2007, 2006 and 2005 was \$0.1 million, \$1.2 million and \$1.3 million, respectively. There were no forfeitures of options in 2007.

Share Grants, Performance Share Units and Restricted Share Units

We maintained a Share Grant Plan for officers, trustees, and other members of management.

In 2004 and 2005, awards were granted to officers and other members of management in the form of restricted shares, with a value equal to various percentages of a participant's salary based upon WRIT's performance compared to an appropriate benchmark target, with minimum and maximum thresholds. The awards were valued based on market value at the date of grant. Shares vest ratably over a five year period from the date of grant.

In December 2006, WRIT Board of Trustees approved a program providing for the granting of restricted share units to officers and other members of management and performance share units to officers, based upon various percentages of their salaries and their positions with WRIT. For officers, one-third of the award is in the form of restricted share units that vest twenty percent per year based upon continued employment and two-thirds of the award is in the form of performance share units. Performance targets will be set annually based on appropriate benchmarks with minimum and maximum thresholds. The grants and each award are based on cumulative performance over three years, and performance share units cliff vest at the end of the three year period based upon the percentage of the performance targets achieved. For other members of management, 100% of the award is in the form of restricted shares that vest 20% per year from date of grant based on performance targets. Performance targets are set annually based on appropriate benchmarks with minimum and maximum thresholds. In 2006, WRIT's then Chairman and CEO was excluded from long-term awards under the program in view of his announced intention to retire in 2007. With respect to the performance share units, which are based on three-year cumulative performance targets set at the beginning of each year, the grant date does not occur until all such targets are set and thus the significant terms of the award are known. Because payouts are probable, the Company estimates the compensation expense at each reporting period,

until the grant date occurs and as progress towards meeting target is known, and recognizes this expense ratably over the three-year period. The estimated expense related to the 2006 performance share units at the end of the three-year period was approximately \$1.8 million of which \$575,000 and \$554,000 was recognized during the years ending 2007 and 2006, respectively. The estimated expense related to the 2007 performance share units at the end of the three-year period was approximately \$2.4 million of which \$806,000 was recognized during the year ending 2007. Participants who terminate prior to the end of the three-year performance period forfeit their entire portion of the award. There were 21,877 restricted share units awarded to officers and other members of management in December 2006, 24,344 restricted share units awarded to the former CEO in the second quarter of 2007, and 38,228 restricted share units awarded to officers and other members of management in December 2007. Performance and restricted share units awarded were valued at a weighted average price per share based upon the market value on the date of grant, as follows:

| | Shares | Wtd Avg Grant Price |
|------|---------------|--------------------------------|
| 2006 | 21,877 | \$39.54 |
| 2007 | 62,572 | 32.96 |

Beginning in 2005, annual long-term incentive compensation for trustees was changed from options of 2,000 shares plus 400 restricted shares to \$30,000 in restricted shares. In May 2007, the value of the restricted shares awarded to trustees was increased to \$55,000. These shares vest immediately and are restricted from sale for the period of the trustee's service.

During 2007, 2006 and 2005 we issued 15,962, 75,128 and 11,182 share grants, respectively, to officers and other members of management. Of the restricted shares awarded in 2005, 11,182 were awarded by the Trust pursuant to the Employment Agreement of the Executive Vice President and Chief Investment Officer (CIO) in October 2005. These shares were fully vested upon the CIO's severance from the Trust in June 2006. The 75,128 shares awarded in 2006 included an award of 64,700 shares to officers as the Trust transitions from 100% restricted share grants to the terms of the share grant plan as amended in December 2006. The 64,700 shares vest twenty-five percent from date of grant in years one and two and fifty percent in year three except shares awarded to the retiring CEO, totaling 21,349 shares, who retired in 2007, which shares vested and were expensed immediately upon date of grant. The 15,962 shares awarded in 2007 were issued to the former CEO at a price of \$37.59 per share based on the market value on the date of grant. They vested and were expensed immediately upon date of grant.

The following are tables of activity for the years ended December 31, 2007, 2006 and 2005 related to our share grants and restricted share unit grants.

Share Grants

| | 2007 | | 2006 | | 2005 | |
|-------------------------|---------------|--------------------------------|---------------|--------------------------------|---------------|--------------------------------|
| | Shares | Wtd Avg Grant Price | Shares | Wtd Avg Grant Price | Shares | Wtd Avg Grant Price |
| Unvested at January 1 | 115,492 | \$33.16 | 103,989 | \$30.76 | 137,684 | \$30.56 |
| Granted | 27,571 | 34.57 | 79,683 | 36.34 | 17,044 | 31.10 |
| Vested during year | (80,433) | 32.85 | (67,042) | 32.78 | (36,708) | 30.10 |
| Expired/Forfeited | (100) | 32.50 | (1,138) | 32.50 | (14,031) | 30.85 |
| Unvested at December 31 | 62,530 | 34.15 | 115,492 | 33.16 | 103,989 | 30.76 |
| Vested at December 31 | 271,650 | 28.97 | 191,217 | 27.17 | 124,175 | 24.14 |

The total fair value of shares vested during the years ending December 31, 2007, 2006 and 2005 is \$2.9 million, \$2.5 million and \$1.1 million, respectively. As of December 31, 2007, the total compensation cost related to non-vested share awards not yet recognized was \$1.4 million, which is expected to be recognized over a weighted average period of 19 months on a straight-line basis.

Restricted Share Units

| | 2007 | |
|-------------------------|---------|---------------------|
| | Shares | Wtd Avg Grant Price |
| Unvested at January 1 | 21,877 | \$39.54 |
| Granted | 62,572 | 32.96 |
| Vested during year | (4,328) | 39.54 |
| Expired/Forfeited | (247) | 39.54 |
| Unvested at December 31 | 79,874 | 34.39 |
| Vested at December 31 | 4,328 | 39.54 |

The value of unvested restricted share units at December 31, 2007 was \$2.6 million, which is expected to be recognized as compensation cost over a weighted average period of 48 months on a straight-line basis.

Total compensation expense recognized for stock based awards in each of the three years ending 2007 was (in millions):

| | Stock-based Compensation Expense |
|---------------------|----------------------------------|
| 2005 | \$1.2 |
| 2006 ⁽¹⁾ | \$2.7 |
| 2007 ⁽¹⁾ | \$2.7 |

(1) In 2006, included \$1.2 million related to the accelerated vesting of CEO share grant awards as required by SFAS No. 123R—Share Based Payments and \$358,000 related to the severance of the former CIO. In 2007, included \$0.6 million related to the accelerated vesting of retiring CEO share grant awards as required by SFAS No. 123R—Share Based Payments.

8. Other Benefit Plans

We have a Retirement Savings Plan (the “401K Plan”), which permits all eligible employees to defer a portion of their compensation in accordance with the Internal Revenue Code. Under the 401K Plan, the Company may make discretionary contributions on behalf of eligible employees. For the years ended December 31, 2007, 2006 and 2005, the Company made contributions to the 401K plan of \$0.4 million, \$0.3 million and \$0.3 million, respectively.

We have adopted a non-qualified deferred compensation plan for the officers and members of the Board of Trustees. The plan allows for a deferral of a percentage of annual cash compensation and trustee fees. The plan is unfunded and payments are to be made out of the general assets of the Trust. The deferred compensation liability was \$2.1 million, \$1.8 million and \$1.6 million at December 31, 2007, 2006 and 2005, respectively. Effective in 2007 under the Long Term Incentive Plan, elected deferrals of short term incentive awards by officers are converted into restricted share units and WRIT will match 25% of the deferred short term incentive in restricted share units.

We established a Supplemental Executive Retirement Plan (“SERP”) effective July 1, 2002 for the benefit of the retiring CEO. Under this plan, upon the retiring CEO's termination of employment from the Trust for any reason other than death or discharge for cause he is entitled to receive an annual benefit equal to his accrued benefit times his vested interest. We account for this plan in accordance with SFAS No. 87, “Employers' Accounting for Pensions,” whereby we accrue benefit cost in an amount that resulted in an accrued balance at the end of the retiring CEO's employment in June 2007 which was not less than the present value of the estimated benefit payments to be made. At December 31, 2007 the accrued benefit liability was \$1.8 million. For the three years ended December 31, 2007, 2006 and 2005, we recognized current service cost of \$253,000, \$467,000 and \$419,000, respectively. On December 31, 2006, WRIT adopted the recognition and disclosure provisions of SFAS No. 158. SFAS No. 158 required the Trust to recognize the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of its pension plan in the December 31, 2006 statement of financial position, with a corresponding adjustment to accumulated other comprehensive income, net of tax. Because the retiring CEO's SERP is unfunded, the adoption of SFAS No. 158 did not have an effect on the Trust's consolidated financial condition at December 31, 2006, or for any prior period presented and it will not affect the Trust's operating results in future periods. The Trust

currently has an investment in corporate owned life insurance intended to meet the SERP benefit liability since the CEO's retirement. Benefit payments to the retiring CEO will begin in 2008.

In November 2005, the Board of Trustees approved the establishment of a SERP for the benefit of the officers, other than the retiring CEO. This is a defined contribution plan under which, upon a participant's termination of employment from the Trust for any reason other than discharge for cause, the participant will be entitled to receive a benefit equal to the participant's accrued benefit times the participant's vested interest. We account for this plan in accordance with EITF 97-14, "Accounting for Deferred Compensation Arrangements Where Amounts Earned are Held in a Rabbi Trust and Invested" and SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," whereby the investments are reported at fair value, and unrealized holding gains and losses are included in earnings. For the years ended December 31, 2007, 2006 and 2005, we recognized current service cost of \$245,000, \$269,000 and \$146,000, respectively. This plan supersedes the split dollar life insurance plan terminated in April 2006. The Company terminated the split dollar agreements regaining ownership of the policies.

9. Fair Value of Financial Instruments

SFAS No. 107 "Disclosures about Fair Value of Financial Instruments" requires disclosure of the fair value of financial instruments. Whenever possible, the estimated fair value has been determined using quoted market information as of December 31, 2007. The estimated market values have not been updated since December 31, 2007; therefore, current estimates of fair value may differ significantly from the amounts presented.

Below is a summary of significant methodologies used in estimating fair values and a schedule of fair values at December 31, 2007.

Cash and Cash Equivalents

Cash and cash equivalents include cash and commercial paper with remaining maturities of less than 90 days, which are valued at the carrying value, which approximates fair value.

Mortgage Notes Payable

Mortgage notes payable consist of instruments in which certain of our real estate assets are used for collateral. The fair value of the mortgage notes payable is estimated based upon dealer quotes for instruments with similar terms and maturities.

Lines of Credit Payable

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

Notes Payable

The fair value of these securities is estimated based on dealer quotes for securities with similar terms and characteristics.

| (in thousands) | 2007 | | 2006 | |
|---------------------------|----------------|------------|----------------|------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Cash and cash equivalents | \$ 27,518 | \$ 27,518 | \$ 12,872 | \$ 12,872 |
| Mortgage notes payable | \$252,484 | \$249,911 | \$229,240 | \$231,885 |
| Lines of credit payable | \$192,500 | \$192,500 | \$ 61,000 | \$ 61,000 |
| Notes payable | \$879,123 | \$853,275 | \$728,255 | \$736,081 |

10. Rentals under Operating Leases

Non-cancelable commercial operating leases provide for minimum rental income from continuing operations during each of the next five years and thereafter as follows (in millions):

| | Rental Income |
|------------|----------------------|
| 2008 | \$197.2 |
| 2009 | 174.9 |
| 2010 | 146.7 |
| 2011 | 109.7 |
| 2012 | 83.4 |
| Thereafter | 211.6 |
| | <hr/> \$923.5 <hr/> |

Apartment leases are not included as the terms are generally for one year. Most of these commercial leases increase in future years based on agreed-upon percentages or in some instances, changes in the Consumer Price Index. Percentage rents from retail centers, based on a percentage of tenants' gross sales, were \$0.3 million, \$0.4 million and \$0.1 million in 2007, 2006 and 2005, respectively. Real estate tax, operating expense and common area maintenance reimbursement income from continuing operations was \$25.8 million, \$18.1 million and \$14.6 million for the years ended December 31, 2007, 2006 and 2005, respectively.

11. Commitments and Contingencies

Development Commitments

At December 31, 2007 and 2006, we had various contracts outstanding with third parties in connection with our ongoing development projects. Total accumulated spending, including land costs, for development projects at December 31, 2007 and December 31, 2006 were \$191.8 million and \$125.3 million, respectively. Remaining contractual commitments for development projects at December 31, 2007 were \$8.0 million.

Litigation

We are involved from time to time in various legal proceedings, lawsuits, examinations by various tax authorities and claims that have arisen in the ordinary course of business. Management believes that the resolution of such matters will not have a material adverse effect on our financial condition or results of operations.

Other

At December 31, 2007, we were contingently liable under unused letters of credit in the amounts of \$885,000 and \$815,000, related to our assumption of mortgage debt on Dulles Business Park and West Gude, respectively, to ensure the funding of certain tenant improvements and leasing commissions over the term of the debt. We were also contingently liable under unused letters of credit totaling \$588,000 related to our development projects at Clayborne Apartments, the Shoppes at Foxchase and Bennett Park, to ensure the complete installation of public improvements in accordance with the projects' related site plans.

12. Segment Information

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

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

| | Year Ended December 31, | | |
|-----------------|--------------------------------|-------------|-------------|
| | 2007 | 2006 | 2005 |
| Office | 40% | 38% | 39% |
| Medical office | 15% | 12% | 10% |
| Retail | 16% | 18% | 18% |
| Multifamily | 13% | 15% | 17% |
| Industrial/Flex | 16% | 17% | 16% |

The percentage of total income producing real estate assets, at cost, for each of the five reportable operating segments is as follows:

| | December 31, | |
|-----------------|---------------------|-------------|
| | 2007 | 2006 |
| Office | 41% | 40% |
| Medical office | 19% | 16% |
| Retail | 13% | 17% |
| Multifamily | 12% | 9% |
| Industrial/Flex | 15% | 18% |

The accounting policies of each of the segments are the same as those described in Note 2. We evaluate performance based upon operating income from the combined properties in each segment. Our reportable operating segments are consolidations of similar properties. SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," 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 revenues less direct segment operating expenses.

The following table presents revenues and net operating income for the years ended December 31, 2007, 2006 and 2005 from these segments, and reconciles net operating income of reportable segments to operating income as reported (in thousands):

| | 2007 | | | | | | |
|-------------------------------------|------------|----------------|-----------|-------------|---------------------|------------------------|--------------|
| | Office | Medical Office | Retail | Multifamily | Industrial/ Flex | Corporate and Other | Consolidated |
| Real estate rental revenue | \$ 101,578 | \$ 38,892 | \$ 41,512 | \$ 34,287 | \$ 39,386 | \$ — | \$ 255,655 |
| Real estate expenses | 34,487 | 12,022 | 8,921 | 14,962 | 9,522 | — | 79,914 |
| Real estate operating income | \$ 67,091 | \$ 26,870 | \$ 32,591 | \$ 19,325 | \$ 29,864 | \$ — | \$ 175,741 |
| Depreciation and amortization | | | | | | | (69,775) |
| Interest expense | | | | | | | (61,906) |
| General and administrative | | | | | | | (15,099) |
| Other income | | | | | | | 3,178 |
| Income from discontinued operations | | | | | | | 4,720 |
| Gain on disposal | | | | | | | 25,022 |
| Net income | | | | | | | \$ 61,881 |
| Capital expenditures | \$ 25,356 | \$ 4,684 | \$ 2,757 | \$ 3,578 | \$ 4,747 | \$ 3,200 | \$ 44,322 |
| Total assets | \$759,943 | \$356,709 | \$230,851 | \$209,105 | \$289,227 | \$52,491 | \$1,898,326 |
| | | | | | | | |
| | 2006 | | | | | | |
| | Office | Medical Office | Retail | Multifamily | Industrial/ Flex | Corporate and Other | Consolidated |
| Real estate rental revenue | \$ 79,691 | \$ 24,660 | \$ 37,263 | \$ 32,478 | \$ 34,649 | \$ — | \$ 208,741 |
| Real estate expenses | 26,682 | 7,186 | 7,983 | 13,220 | 8,154 | — | 63,225 |
| Real estate operating income | \$ 53,009 | \$ 17,474 | \$ 29,280 | \$ 19,258 | \$ 26,495 | \$ — | \$ 145,516 |
| Depreciation and amortization | | | | | | | (50,915) |
| Interest expense | | | | | | | (47,265) |
| General and administrative | | | | | | | (12,622) |
| Other income | | | | | | | 906 |
| Income from discontinued operations | | | | | | | 3,041 |
| Net income | | | | | | | \$ 38,661 |
| Capital expenditures | \$ 17,268 | \$ 1,126 | \$ 966 | \$ 13,290 | \$ 5,218 | \$ 1,666 | \$ 39,534 |
| Total assets | \$599,062 | \$236,552 | \$233,810 | \$159,720 | \$269,341 | \$32,780 | \$1,531,265 |
| | | | | | | | |
| | 2005 | | | | | | |
| | Office | Medical Office | Retail | Multifamily | Industrial/ Flex | Corporate and Other | Consolidated |
| Real estate rental revenue | \$ 71,192 | \$ 18,024 | \$ 31,907 | \$ 30,529 | \$ 28,603 | \$ — | \$ 180,255 |
| Real estate expenses | 23,523 | 4,649 | 6,879 | 12,815 | 6,662 | — | 54,528 |
| Real estate operating income | \$ 47,669 | \$ 13,375 | \$ 25,028 | \$ 17,714 | \$ 21,941 | \$ — | \$ 125,727 |
| Depreciation and amortization | | | | | | | (44,561) |
| Interest expense | | | | | | | (37,193) |
| General and administrative | | | | | | | (8,005) |
| Other income | | | | | | | 1,422 |
| Income from discontinued operations | | | | | | | 3,237 |
| Gain on disposal | | | | | | | 37,011 |
| Net income | | | | | | | \$ 77,638 |
| Capital expenditures | \$ 14,625 | \$ 609 | \$ 1,904 | \$ 10,955 | \$ 2,644 | \$ 437 | \$ 31,174 |
| Total assets | \$457,398 | \$133,274 | \$175,141 | \$115,589 | \$237,808 | \$19,949 | \$1,139,159 |

13. Selected Quarterly Financial Data (in thousands, except for per share data, unaudited)

The following table summarizes our financial data by quarter for 2007 and 2006:

| | Quarter ⁽¹⁾⁽²⁾ | | | |
|---|---------------------------|----------|----------|----------|
| | First | Second | Third | Fourth |
| 2007: | | | | |
| Real estate rental revenue | \$59,852 | \$63,255 | \$65,020 | \$67,528 |
| Income from continuing operations | \$ 9,674 | \$ 6,836 | \$ 7,965 | \$ 7,664 |
| Net income | \$10,712 | \$ 8,337 | \$34,390 | \$ 8,442 |
| Income from continuing operations per share | | | | |
| Basic | \$ 0.22 | \$ 0.15 | \$ 0.17 | \$ 0.16 |
| Diluted | \$ 0.21 | \$ 0.15 | \$ 0.17 | \$ 0.16 |
| Net income per share | | | | |
| Basic | \$ 0.24 | \$ 0.18 | \$ 0.74 | \$ 0.18 |
| Diluted | \$ 0.24 | \$ 0.18 | \$ 0.73 | \$ 0.18 |
| 2006: | | | | |
| Real estate rental revenue | \$48,135 | \$50,386 | \$53,938 | \$56,282 |
| Income from continuing operations | \$ 9,680 | \$ 7,005 | \$ 9,485 | \$ 9,450 |
| Net income | \$10,632 | \$ 7,719 | \$10,230 | \$10,081 |
| Income from continuing operations per share | | | | |
| Basic | \$ 0.23 | \$ 0.16 | \$ 0.21 | \$ 0.21 |
| Diluted | \$ 0.23 | \$ 0.16 | \$ 0.21 | \$ 0.21 |
| Net income per share | | | | |
| Basic | \$ 0.25 | \$ 0.18 | \$ 0.23 | \$ 0.22 |
| Diluted | \$ 0.25 | \$ 0.18 | \$ 0.23 | \$ 0.22 |

(1) With regard to per share calculations, the sum of the quarterly results may not equal full year results due to rounding.

(2) The prior quarters' results have been restated to conform to the current quarter's presentation. Specifically, results related to properties sold or held for sale have been reclassified into discontinued operations.

14. Subsequent Events

On January 25, 2008, WRIT exercised the right to increase the capacity of the unsecured revolving credit facility with a syndicate of banks led by Wells Fargo Bank, National Association from \$200 million to \$262 million. The maturity date and all other terms remain materially unchanged. WRIT has the option to further increase the capacity under the facility up to \$400 million to the extent banks (from the syndicate or otherwise) agree to provide the additional commitment.

On February 22, 2008 WRIT acquired 6100 Columbia Park Road, and 150,000 square foot industrial warehouse in Landover, MD for \$11.2 million. The acquisition was funded with cash from operations and borrowings on WRIT's line of credit.

On February 25, 2008, WRIT repaid the \$60 million outstanding principal balance under its 6.898% 10-year Mandatory Par Put Remarketed Securities ("MOPPRS") notes. The total aggregate consideration paid to repurchase the notes was \$70.8 million, which amount included the \$8.7 million remarketing option value paid to the remarketing dealer and accrued interest paid to the holders. Accordingly, WRIT recognized a loss on extinguishment of debt of \$8.4 million, net of unamortized loan premium costs, upon settlement of these securities. WRIT refinanced the repurchase of these notes, and refinanced a portion of line outstandings, by issuing a \$100 million 2-year term loan, which will be swapped for a fixed rate of 4.5%.

SCHEDULE III CONSOLIDATED REAL ESTATE AND ACCUMULATED DEPRECIATION

| Properties | Location | Initial Cost ^(b) | | Net Improvements (Retirements) since Acquisition |
|--|----------------|-----------------------------|----------------------------------|--|
| | | Land | Buildings and Improvements | |
| Office Buildings | | | | |
| 1901 Pennsylvania Avenue | Washington, DC | \$ 892,000 | \$ 3,481,000 | \$ 13,538,000 |
| 51 Monroe Street | Maryland | 840,000 | 10,869,000 | 18,070,000 |
| 515 King Street | Virginia | 4,102,000 | 3,931,000 | 4,195,000 |
| The Lexington Building | Maryland | 1,180,000 | 1,262,000 | 2,065,000 |
| The Saratoga Building | Maryland | 1,464,000 | 1,554,000 | 2,604,000 |
| Brandywine Center | Maryland | 718,000 | 735,000 | 1,597,000 |
| 6110 Executive Boulevard | Maryland | 4,621,000 | 11,926,000 | 8,171,000 |
| 1220 19th Street | Washington, DC | 7,803,000 | 11,366,000 | 3,617,000 |
| 1600 Wilson Boulevard | Virginia | 6,661,000 | 16,742,000 | 10,970,000 |
| 7900 Westpark Drive | Virginia | 12,049,000 | 71,825,000 | 25,896,000 |
| 600 Jefferson Plaza | Maryland | 2,296,000 | 12,188,000 | 2,642,000 |
| 1700 Research Boulevard | Maryland | 1,847,000 | 11,105,000 | 2,842,000 |
| Parklawn Plaza | Maryland | 714,000 | 4,053,000 | 1,016,000 |
| Wayne Plaza | Maryland | 1,564,000 | 6,243,000 | 6,243,000 |
| Courthouse Square | Virginia | 0 | 17,096,000 | 3,310,000 |
| One Central Plaza | Maryland | 5,480,000 | 39,107,000 | 8,321,000 |
| Atrium Building | Maryland | 3,182,000 | 11,281,000 | 2,130,000 |
| 1776 G Street | Washington, DC | 31,500,000 | 54,327,000 | 1,738,000 |
| Albermarle Point | Virginia | 1,326,000 | 18,211,000 | 572,000 |
| Dulles Station ^(f) | Virginia | 24,465,000 | 1,719,000 | 41,323,000 |
| West Gude ^(a) | Maryland | 11,580,000 | 43,240,000 | 2,676,000 |
| The Ridges ^(a) | Maryland | 4,058,000 | 19,207,000 | 353,000 |
| 6565 Arlington Boulevard | Virginia | 5,584,000 | 23,195,000 | 1,115,000 |
| Monument II | Virginia | 10,244,000 | 65,205,000 | 121,000 |
| Woodholme Center | Maryland | 2,194,000 | 16,711,000 | 42,000 |
| 2000 M Street | Washington, DC | 0 | 74,150,000 | 0 |
| | | \$ 146,364,000 | \$ 550,729,000 | \$ 165,167,000 |
| Medical Office | | | | |
| Woodburn Medical Park I | Virginia | \$ 2,563,000 | \$ 12,460,000 | \$ 2,614,000 |
| Woodburn Medical Park II | Virginia | 2,632,000 | 17,574,000 | 1,141,000 |
| 8501 Arlington Blvd ^(a) | Virginia | 2,071,000 | 26,317,000 | 252,000 |
| 8503 Arlington Blvd ^(a) | Virginia | 1,598,000 | 25,850,000 | 117,000 |
| 8505 Arlington Blvd ^(a) | Virginia | 2,819,000 | 19,680,000 | 111,000 |
| Shady Grove Medical II ^(a) | Maryland | 1,995,000 | 16,601,000 | -26,000 |
| 8301 Arlington Boulevard | Virginia | 1,251,000 | 6,589,000 | 522,000 |
| Alexandria Professional Ctr | Virginia | 6,783,000 | 19,676,000 | 1,100,000 |
| 9707 Medical Center Drive ^(a) | Maryland | 3,069,000 | 11,777,000 | 330,000 |
| 15001 Shady Grove Road | Maryland | 4,094,000 | 16,410,000 | 117,000 |
| 15005 Shady Grove Road ^(a) | Maryland | 4,186,000 | 17,548,000 | 95,000 |
| Plum Tree Medical Center ^(a) | Maryland | 1,723,000 | 5,749,000 | 228,000 |
| The Crescent ^(a) | Maryland | 2,060,000 | 9,451,000 | 46,000 |
| 2440 M Street | Washington, DC | 12,500,000 | 37,321,000 | 921,000 |
| Woodholme Medical Center ^(a) | Maryland | 3,744,000 | 24,587,000 | 123,000 |
| Ashburn Farm Office Park ^(a) | Virginia | 3,770,000 | 19,200,000 | 121,000 |
| CentreMed I & II | Virginia | 2,062,000 | 12,506,000 | 16,000 |
| 4661 Kenmore ^(f) | Virginia | 3,764,000 | 0 | 252,000 |
| | | \$ 62,684,000 | \$ 299,296,000 | \$ 8,080,000 |

| Gross Amounts at Which Carried at December 31, 2007 | | | Accumulated Depreciation at December 31, 2007 | Year of Construction | Date of Acquisition | Net Rentable Square Feet ^(e) | Units | Depreci- ation Life ^(d) |
|--|----------------------------------|----------------------|---|-------------------------|------------------------|---|-------|--|
| Land | Buildings and Improvements | Total ^(c) | | | | | | |
| \$ 892,000 | \$ 17,019,000 | \$ 17,911,000 | \$ 10,723,000 | 1960 | May 1977 | 97,000 | | 28 Years |
| 840,000 | 28,939,000 | 29,779,000 | 17,621,000 | 1975 | Aug 1979 | 210,000 | | 41 Years |
| 4,102,000 | 8,126,000 | 12,228,000 | 2,806,000 | 1966 | Jul 1992 | 76,000 | | 50 Years |
| 1,180,000 | 3,327,000 | 4,507,000 | 1,372,000 | 1970 | Nov 1993 | 46,000 | | 50 Years |
| 1,464,000 | 4,158,000 | 5,622,000 | 1,997,000 | 1977 | Nov 1993 | 58,000 | | 50 Years |
| 718,000 | 2,332,000 | 3,050,000 | 1,009,000 | 1969 | Nov 1993 | 35,000 | | 50 Years |
| 4,621,000 | 20,097,000 | 24,718,000 | 9,849,000 | 1971 | Jan 1995 | 198,000 | | 30 Years |
| 7,803,000 | 14,983,000 | 22,786,000 | 6,273,000 | 1976 | Nov 1995 | 102,000 | | 30 Years |
| 6,661,000 | 27,712,000 | 34,373,000 | 8,009,000 | 1973 | Oct 1997 | 166,000 | | 30 Years |
| 12,049,000 | 97,721,000 | 109,770,000 | 31,653,000 | 1972/86/99 | Nov 1997 | 523,000 | | 30 Years |
| 2,296,000 | 14,830,000 | 17,126,000 | 4,622,000 | 1985 | May 1999 | 112,000 | | 30 Years |
| 1,847,000 | 13,947,000 | 15,794,000 | 4,363,000 | 1982 | May 1999 | 101,000 | | 30 Years |
| 714,000 | 5,069,000 | 5,783,000 | 1,526,000 | 1986 | Nov 1999 | 40,000 | | 30 Years |
| 1,564,000 | 12,486,000 | 14,050,000 | 2,771,000 | 1970 | May 2000 | 91,000 | | 30 Years |
| 0 | 20,406,000 | 20,406,000 | 5,459,000 | 1979 | Oct 2000 | 113,000 | | 30 Years |
| 5,480,000 | 47,428,000 | 52,908,000 | 12,280,000 | 1974 | Apr 2001 | 267,000 | | 30 Years |
| 3,182,000 | 13,411,000 | 16,593,000 | 3,239,000 | 1980 | Jul 2002 | 80,000 | | 30 Years |
| 31,500,000 | 56,065,000 | 87,565,000 | 10,183,000 | 1979 | Aug 2003 | 263,000 | | 30 Years |
| 1,326,000 | 18,783,000 | 20,109,000 | 1,831,000 | 2001/03/05 | Jul 2005 | 89,000 | | 30 Years |
| 24,465,000 | 43,042,000 | 67,507,000 | 299,000 | 2007 | Dec 2005 | 0 | | 31 Years |
| 11,580,000 | 45,916,000 | 57,496,000 | 2,743,000 | 1984/86/88 | Aug 2006 | 289,000 | | 30 Years |
| 4,058,000 | 19,560,000 | 23,618,000 | 1,033,000 | 1990 | Aug 2006 | 104,000 | | 30 Years |
| 5,584,000 | 24,310,000 | 29,894,000 | 1,331,000 | 1967 | Aug 2006 | 140,000 | | 30 Years |
| 10,244,000 | 65,326,000 | 75,570,000 | 2,122,000 | 2000 | Mar 2007 | 205,000 | | 30 Years |
| 2,194,000 | 16,753,000 | 18,947,000 | 404,000 | 1989 | Jun 2007 | 73,000 | | 30 Years |
| 0 | 74,150,000 | 74,150,000 | 128,000 | 1971 | Dec 2007 | 227,000 | | 30 Years |
| \$146,364,000 | \$715,896,000 | \$862,260,000 | \$145,646,000 | | | 3,705,000 | | |
| \$ 2,563,000 | \$ 15,074,000 | \$ 17,637,000 | \$ 4,422,000 | 1984 | Nov 1998 | 71,000 | | 30 Years |
| 2,632,000 | 18,715,000 | 21,347,000 | 5,732,000 | 1988 | Nov 1998 | 96,000 | | 30 Years |
| 2,071,000 | 26,569,000 | 28,640,000 | 4,106,000 | 2000 | Oct 2003 | 92,000 | | 30 Years |
| 1,598,000 | 25,967,000 | 27,565,000 | 3,964,000 | 2001 | Oct 2003 | 88,000 | | 30 Years |
| 2,819,000 | 19,791,000 | 22,610,000 | 3,062,000 | 2002 | Oct 2003 | 75,000 | | 30 Years |
| 1,995,000 | 16,575,000 | 18,570,000 | 2,005,000 | 1999 | Aug 2004 | 66,000 | | 30 Years |
| 1,251,000 | 7,111,000 | 8,362,000 | 927,000 | 1965 | Oct 2004 | 49,000 | | 30 Years |
| 6,783,000 | 20,776,000 | 27,559,000 | 1,318,000 | 1968 | Apr 2006 | 113,000 | | 30 Years |
| 3,069,000 | 12,107,000 | 15,176,000 | 826,000 | 1994 | Apr 2006 | 38,000 | | 30 Years |
| 4,094,000 | 16,527,000 | 20,621,000 | 1,120,000 | 1999 | Apr 2006 | 51,000 | | 30 Years |
| 4,186,000 | 17,643,000 | 21,829,000 | 954,000 | 2002 | Jul 2006 | 52,000 | | 30 Years |
| 1,723,000 | 5,977,000 | 7,700,000 | 364,000 | 1991 | Jun 2006 | 33,000 | | 30 Years |
| 2,060,000 | 9,497,000 | 11,557,000 | 517,000 | 1989 | Aug 2006 | 49,000 | | 30 Years |
| 12,500,000 | 38,242,000 | 50,742,000 | 1,351,000 | 1986/06 | Mar 2007 | 110,000 | | 30 Years |
| 3,744,000 | 24,710,000 | 28,454,000 | 597,000 | 1996 | Jun 2007 | 125,000 | | 30 Years |
| 3,770,000 | 19,321,000 | 23,091,000 | 428,000 | 1998/00/02 | Jun 2007 | 75,000 | | 30 Years |
| 2,062,000 | 12,522,000 | 14,584,000 | 188,000 | 1998 | Aug 2007 | 52,000 | | 30 Years |
| 3,764,000 | 252,000 | 4,016,000 | 0 | n/a | Aug 2007 | n/a | | n/a |
| \$ 62,684,000 | \$307,376,000 | \$370,060,000 | \$ 31,881,000 | | | 1,235,000 | | |

**SCHEDULE III CONSOLIDATED REAL ESTATE AND ACCUMULATED DEPRECIATION
(CONTINUED)**

| Properties | Location | Initial Cost ^(b) | | Net Improvements (Retirements) since Acquisition |
|------------------------------------|----------------|-----------------------------|----------------------------------|--|
| | | Land | Buildings and Improvements | |
| Retail Center | | | | |
| Takoma Park | Maryland | \$ 415,000 | \$ 1,084,000 | \$ 95,000 |
| Westminster | Maryland | 519,000 | 1,775,000 | 9,216,000 |
| Concord Centre | Virginia | 413,000 | 850,000 | 3,218,000 |
| Wheaton Park | Maryland | 796,000 | 857,000 | 4,009,000 |
| Bradlee | Virginia | 4,152,000 | 5,383,000 | 7,042,000 |
| Chevy Chase Metro Plaza | Washington, DC | 1,549,000 | 4,304,000 | 4,151,000 |
| Montgomery Village Center | Maryland | 11,625,000 | 9,105,000 | 1,868,000 |
| Shoppes of Foxchase | Virginia | 5,838,000 | 2,979,000 | 12,664,000 |
| Frederick County Square | Maryland | 6,561,000 | 6,830,000 | 2,251,000 |
| 800 S. Washington Street | Virginia | 2,904,000 | 5,489,000 | -971,000 |
| Centre at Hagerstown | Maryland | 13,029,000 | 25,415,000 | 431,000 |
| Frederick Crossing ^(a) | Maryland | 12,759,000 | 35,477,000 | 650,000 |
| Randolph Shopping Center | Maryland | 4,928,000 | 13,025,000 | 118,000 |
| Montrose Shopping Center | Maryland | 11,612,000 | 22,410,000 | 1,215,000 |
| | | \$ 77,100,000 | \$ 134,983,000 | \$ 45,957,000 |
| Multifamily Properties | | | | |
| 3801 Connecticut Avenue | Washington, DC | \$ 420,000 | \$ 2,678,000 | \$ 7,238,000 |
| Roosevelt Towers ^(a) | Virginia | 336,000 | 1,996,000 | 8,449,000 |
| Country Club Towers ^(a) | Virginia | 299,000 | 2,562,000 | 11,810,000 |
| Park Adams ^(a) | Virginia | 287,000 | 1,654,000 | 7,246,000 |
| Munson Hill Towers ^(a) | Virginia | 322,000 | 3,337,000 | 12,785,000 |
| The Ashby at McLean ^(a) | Virginia | 4,356,000 | 17,102,000 | 10,949,000 |
| Walker House Apartments | Maryland | 2,851,000 | 7,946,000 | 5,394,000 |
| Bethesda Hill Apartments | Maryland | 3,900,000 | 13,412,000 | 9,123,000 |
| Avondale | Maryland | 3,460,000 | 9,244,000 | 4,247,000 |
| Bennett Park ^(f) | Virginia | 2,861,000 | 917,000 | 74,682,000 |
| The Clayborne ^(f) | Virginia | 269,000 | — | 35,029,000 |
| | | \$ 19,361,000 | \$ 60,848,000 | \$ 186,952,000 |

| Gross Amounts at Which Carried at December 31, 2007 | | | Accumulated Depreciation at December 31, 2007 | Year of Construction | Date of Acquisition | Net Rentable Square Feet ^(e) | Units | Depreci- ation Life ^(d) |
|--|----------------------------------|----------------------|---|-------------------------|------------------------|---|-------|--|
| Land | Buildings and Improvements | Total ^(c) | | | | | | |
| \$ 415,000 | \$ 1,179,000 | \$ 1,594,000 | \$ 1,035,000 | 1962 | Jul 1963 | 51,000 | | 50 Years |
| 519,000 | 10,991,000 | 11,510,000 | 4,055,000 | 1969 | Sep 1972 | 151,000 | | 37 Years |
| 413,000 | 4,068,000 | 4,481,000 | 2,512,000 | 1960 | Dec 1973 | 76,000 | | 33 Years |
| 796,000 | 4,866,000 | 5,662,000 | 2,407,000 | 1967 | Sep 1977 | 72,000 | | 50 Years |
| 4,152,000 | 12,425,000 | 16,577,000 | 7,102,000 | 1955 | Dec 1984 | 168,000 | | 40 Years |
| 1,549,000 | 8,455,000 | 10,004,000 | 4,105,000 | 1975 | Sep 1985 | 49,000 | | 50 Years |
| 11,625,000 | 10,973,000 | 22,598,000 | 3,585,000 | 1969 | Dec 1992 | 198,000 | | 50 Years |
| 5,838,000 | 15,643,000 | 21,481,000 | 1,953,000 | 1960 | Jun 1994 | 134,000 | | 50 Years |
| 6,561,000 | 9,081,000 | 15,642,000 | 4,140,000 | 1973 | Aug 1995 | 227,000 | | 30 Years |
| 2,904,000 | 4,518,000 | 7,422,000 | 1,488,000 | 1951/55/59/90 | Jun 1998 | 44,000 | | 30 Years |
| 13,029,000 | 25,846,000 | 38,875,000 | 5,111,000 | 2000 | Jun 2002 | 332,000 | | 30 Years |
| 12,759,000 | 36,127,000 | 48,886,000 | 3,762,000 | 1999-2003 | Mar 2005 | 295,000 | | 30 Years |
| 4,928,000 | 13,143,000 | 18,071,000 | 923,000 | 1972 | May 2006 | 82,000 | | 30 Years |
| 11,612,000 | 23,625,000 | 35,237,000 | 1,370,000 | 1970 | May 2006 | 143,000 | | 30 Years |
| \$ 77,100,000 | \$ 180,940,000 | \$ 258,040,000 | \$ 43,548,000 | | | 2,022,000 | | |
| \$ 420,000 | \$ 9,916,000 | \$ 10,336,000 | \$ 6,688,000 | 1951 | Jan 1963 | 179,000 | 307 | 30 Years |
| 336,000 | 10,445,000 | 10,781,000 | 4,755,000 | 1964 | May 1965 | 170,000 | 191 | 40 Years |
| 299,000 | 14,372,000 | 14,671,000 | 5,855,000 | 1965 | Jul 1969 | 163,000 | 227 | 35 Years |
| 287,000 | 8,900,000 | 9,187,000 | 5,072,000 | 1959 | Jan 1969 | 173,000 | 200 | 35 Years |
| 322,000 | 16,122,000 | 16,444,000 | 8,580,000 | 1963 | Jan 1970 | 259,000 | 279 | 33 Years |
| 4,356,000 | 28,051,000 | 32,407,000 | 10,926,000 | 1982 | Aug 1996 | 252,000 | 253 | 30 Years |
| 2,851,000 | 13,340,000 | 16,191,000 | 5,387,000 | 1971/03 | Mar 1996 | 159,000 | 212 | 30 Years |
| 3,900,000 | 22,535,000 | 26,435,000 | 7,331,000 | 1986 | Nov 1997 | 226,000 | 195 | 30 Years |
| 3,460,000 | 13,491,000 | 16,951,000 | 4,232,000 | 1987 | Sep 1999 | 170,000 | 237 | 30 Years |
| 4,774,000 | 73,686,000 | 78,460,000 | 739,000 | 2007 | Feb 2001 | 268,000 | 211 | 28 Years |
| 700,000 | 34,598,000 | 35,298,000 | 0 | n/a | Jun 2003 | n/a | n/a | n/a |
| \$ 21,705,000 | \$ 245,456,000 | \$ 267,161,000 | \$ 59,565,000 | | | 2,019,000 | 2,312 | |

**SCHEDULE III CONSOLIDATED REAL ESTATE AND ACCUMULATED DEPRECIATION
(CONTINUED)**

| Properties | Location | Initial Cost ^(b) | | Net Improvements (Retirements) since Acquisition |
|-------------------------------------|----------|-----------------------------|----------------------------------|--|
| | | Land | Buildings and Improvements | |
| Industrial Properties | | | | |
| Fullerton Business Center | Virginia | \$ 950,000 | \$ 3,317,000 | \$ 1,206,000 |
| Charleston Business Center | Maryland | 2,045,000 | 2,091,000 | 770,000 |
| Tech 100 Industrial Park | Maryland | 2,086,000 | 4,744,000 | 2,135,000 |
| Crossroads Distribution Center | Maryland | 894,000 | 1,946,000 | 885,000 |
| The Alban Business Center | Virginia | 878,000 | 3,298,000 | 749,000 |
| The Earhart Building | Virginia | 916,000 | 4,129,000 | 1,532,000 |
| Ammendale Technology Park I | Maryland | 1,335,000 | 6,466,000 | 2,245,000 |
| Ammendale Technology Park II | Maryland | 862,000 | 4,996,000 | 1,901,000 |
| Pickett Industrial Park | Virginia | 3,300,000 | 4,920,000 | 1,327,000 |
| Northern Virginia Industrial Park | Virginia | 4,971,000 | 25,670,000 | 10,205,000 |
| 8900 Telegraph Road | Virginia | 372,000 | 1,489,000 | 160,000 |
| Dulles South IV | Virginia | 913,000 | 5,997,000 | 888,000 |
| Sully Square | Virginia | 1,052,000 | 6,506,000 | 689,000 |
| Amvax | Virginia | 246,000 | 1,987,000 | -2,000 |
| Sullyfield Center | Virginia | 2,803,000 | 19,711,000 | 1,230,000 |
| Fullerton Industrial | Virginia | 2,465,000 | 8,397,000 | 645,000 |
| 8880 Gorman Road | Maryland | 1,771,000 | 9,230,000 | -100,000 |
| Dulles Business Park ^(a) | Virginia | 6,085,000 | 50,504,000 | 1,544,000 |
| Albermarle Point | Virginia | 6,159,000 | 40,154,000 | 380,000 |
| Hampton | Maryland | 7,048,000 | 16,223,000 | 719,000 |
| 9950 Business Parkway | Maryland | 2,035,000 | 9,236,000 | 37,000 |
| 270 Technology Park | Maryland | 4,704,000 | 21,115,000 | 79,000 |
| | | \$ 53,890,000 | \$ 252,126,000 | \$ 29,224,000 |
| Total | | \$359,399,000 | \$1,297,982,000 | \$435,380,000 |

Notes:

- a) At December 31, 2007, our properties were encumbered by non-recourse mortgage amounts as follows: \$33,417,000 on West Gude Drive, \$22,641,000 on The Ridges and The Crescent, \$46,644,000 on Prosperity Medical Center, \$10,286,000 on Shady Grove Medical Village, \$5,428,000 on 9707 Medical Center Drive, \$8,613,000 on 15005 Shady Grove Road, \$4,762,000 on Plum Tree Medical Center, \$21,176,000 on Woodholme Medical Center, \$5,499,000 on Ashburn Farm Office Park II, \$23,783,000 on Frederick Crossing, \$8,360,000 on Roosevelt Towers, \$7,755,000 on Country Club Towers, \$9,625,000 on Park Adams, \$10,560,000 on Munson Hill Towers, \$13,700,000 on the Ashby, and \$20,235,000 on Dulles Business Park.
- b) The purchase cost of real estate investments has been divided between land and buildings and improvements on the basis of management's determination of the relative fair values.
- c) At December 31, 2007, total land, buildings and improvements are carried at \$2,161,547,000 for federal income tax purposes.
- d) The useful life shown is for the main structure. Buildings and improvements are depreciated over various useful lives ranging from 3 to 50 years.
- e) Residential properties are presented in gross square feet.
- f) As of December 31, 2007, WRIT had under development a residential and retail project with 224 apartment units (211 units had been completed at year-end) and 5,800 square feet of retail space in Arlington, VA (Bennett Park), a mixed-use project with 75 residential units and 2,700 square feet of retail space in Alexandria, VA (The Clayborne Apartments at South Washington), and an office project with 540,000 square feet of office space and a parking garage to be developed in two phases in Herndon, VA (Dulles Station). As of December 31, 2007, the Dulles Station Phase I garage had been completed. WRIT also held a 0.8 acre parcel of land at 4661 Kenmore for future medical office development. The total land value not yet placed in service of our development projects at December 31, 2007 was \$29.1 million.

| Gross Amounts at Which Carried at December 31, 2007 | | | Accumulated Depreciation at December 31, 2007 | Year of Construction | Date of Acquisition | Net Rentable Square Feet ^(e) | Units | Depreci- ation Life ^(d) |
|--|----------------------------------|----------------------|---|-------------------------|------------------------|---|-------|--|
| Land | Buildings and Improvements | Total ^(c) | | | | | | |
| \$ 950,000 | \$ 4,523,000 | \$ 5,473,000 | \$ 2,177,000 | 1980 | Sep 1985 | 104,000 | | 50 Years |
| 2,045,000 | 2,861,000 | 4,906,000 | 964,000 | 1973 | Nov 1993 | 85,000 | | 50 Years |
| 2,086,000 | 6,879,000 | 8,965,000 | 2,887,000 | 1990 | May 1995 | 166,000 | | 30 Years |
| 894,000 | 2,831,000 | 3,725,000 | 1,146,000 | 1987 | Dec 1995 | 85,000 | | 30 Years |
| 878,000 | 4,047,000 | 4,925,000 | 1,662,000 | 1981/82 | Oct 1996 | 87,000 | | 30 Years |
| 916,000 | 5,661,000 | 6,577,000 | 2,316,000 | 1987 | Dec 1996 | 92,000 | | 30 Years |
| 1,335,000 | 8,711,000 | 10,046,000 | 3,641,000 | 1985 | Feb 1997 | 167,000 | | 30 Years |
| 862,000 | 6,897,000 | 7,759,000 | 2,514,000 | 1986 | Feb 1997 | 107,000 | | 30 Years |
| 3,300,000 | 6,247,000 | 9,547,000 | 2,300,000 | 1973 | Oct 1997 | 246,000 | | 30 Years |
| 4,971,000 | 35,875,000 | 40,846,000 | 13,179,000 | 1968/91 | May 1998 | 787,000 | | 30 Years |
| 372,000 | 1,649,000 | 2,021,000 | 609,000 | 1985 | Sep 1998 | 32,000 | | 30 Years |
| 913,000 | 6,885,000 | 7,798,000 | 1,936,000 | 1988 | Jan 1999 | 83,000 | | 30 Years |
| 1,052,000 | 7,195,000 | 8,247,000 | 2,042,000 | 1986 | Apr 1999 | 95,000 | | 30 Years |
| 246,000 | 1,985,000 | 2,231,000 | 548,000 | 1986 | Sep 1999 | 31,000 | | 30 Years |
| 2,803,000 | 20,941,000 | 23,744,000 | 4,161,000 | 1985 | Nov 2001 | 244,000 | | 30 Years |
| 2,465,000 | 9,042,000 | 11,507,000 | 1,518,000 | 1980/82 | Jan 2003 | 137,000 | | 30 Years |
| 1,771,000 | 9,130,000 | 10,901,000 | 1,172,000 | 2000 | Mar 2004 | 141,000 | | 30 Years |
| 6,085,000 | 52,048,000 | 58,133,000 | 6,312,000 | 1999/04/05 | Dec/Apr '04/'05 | 324,000 | | 30 Years |
| 6,159,000 | 40,534,000 | 46,693,000 | 3,916,000 | 2001/03/05 | Jul 2005 | 207,000 | | 30 Years |
| 7,048,000 | 16,942,000 | 23,990,000 | 1,356,000 | 1989/05 | Feb 2006 | 302,000 | | 30 Years |
| 2,035,000 | 9,273,000 | 11,308,000 | 632,000 | 2005 | May 2006 | 102,000 | | 30 Years |
| 4,704,000 | 21,194,000 | 25,898,000 | 840,000 | 1986-1987 | Feb 2007 | 157,000 | | 30 Years |
| \$ 53,890,000 | \$ 281,350,000 | \$ 335,240,000 | \$ 57,828,000 | | | 3,781,000 | — | |
| \$361,743,000 | \$1,731,018,000 | \$2,092,761,000 | \$338,468,000 | | | 12,762,000 | 2,312 | |

SUMMARY OF REAL ESTATE INVESTMENTS AND ACCUMULATED DEPRECIATION

The following is a reconciliation of real estate assets and accumulated depreciation for the years ended December 31, 2007, 2006 and 2005:

| (in thousands) | 2007 | 2006 | 2005 |
|---|-------------|-------------|-------------|
| Real Estate Assets | | | |
| Balance, beginning of period | \$1,716,457 | \$1,309,160 | \$1,162,448 |
| Additions —property acquisitions* | 313,355 | 295,853 | 149,696 |
| —improvements* | 106,298 | 111,784 | 50,858 |
| Deductions—write-off of disposed assets | (454) | (340) | (4,099) |
| Deductions—property sales | (42,895) | — | (49,743) |
| Balance, end of period | \$2,092,761 | \$1,716,457 | \$1,309,160 |
| Accumulated Depreciation | | | |
| Balance, beginning of period | \$ 290,003 | \$ 240,153 | \$ 213,173 |
| Additions —depreciation | 62,274 | 50,190 | 43,876 |
| Deductions—write-off of disposed assets | (454) | (340) | (4,099) |
| Deductions—property sales | (13,355) | — | (12,797) |
| Balance, end of period | \$ 338,468 | \$ 290,003 | \$ 240,153 |

* Includes non-cash accruals for capital items and assumed mortgages.

EXHIBIT 31A CERTIFICATION

I, George F. McKenzie, certify that:

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

Date: February 29, 2008

/s/ George F. McKenzie

George F. McKenzie

Chief Executive Officer

EXHIBIT 31B CERTIFICATION

I, Laura M. Franklin, certify that:

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

Date: February 29, 2008

/s/ Laura M. Franklin

Laura M. Franklin

Executive Vice President

Accounting, Administration and Corporate Secretary

EXHIBIT 31C CERTIFICATION

I, Sara L. Grootwassink, certify that:

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

Date: February 29, 2008

/s/ Sara L. Grootwassink

Sara L. Grootwassink

Chief Financial Officer

EXHIBIT 32

Written Statement of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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

- (a) the Annual Report on Form 10-K for the year ended December 31, 2007 filed on the date hereof with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of WRIT.

Date: February 29, 2008 /s/ George F. McKenzie
George F. McKenzie
President & CEO

Date: February 29, 2008 /s/ Laura M. Franklin
Laura M. Franklin
Executive Vice President
Accounting, Administration and Corporate Secretary

Date: February 29, 2008 /s/ Sara L. Grootwassink
Sara L. Grootwassink
Chief Financial Officer

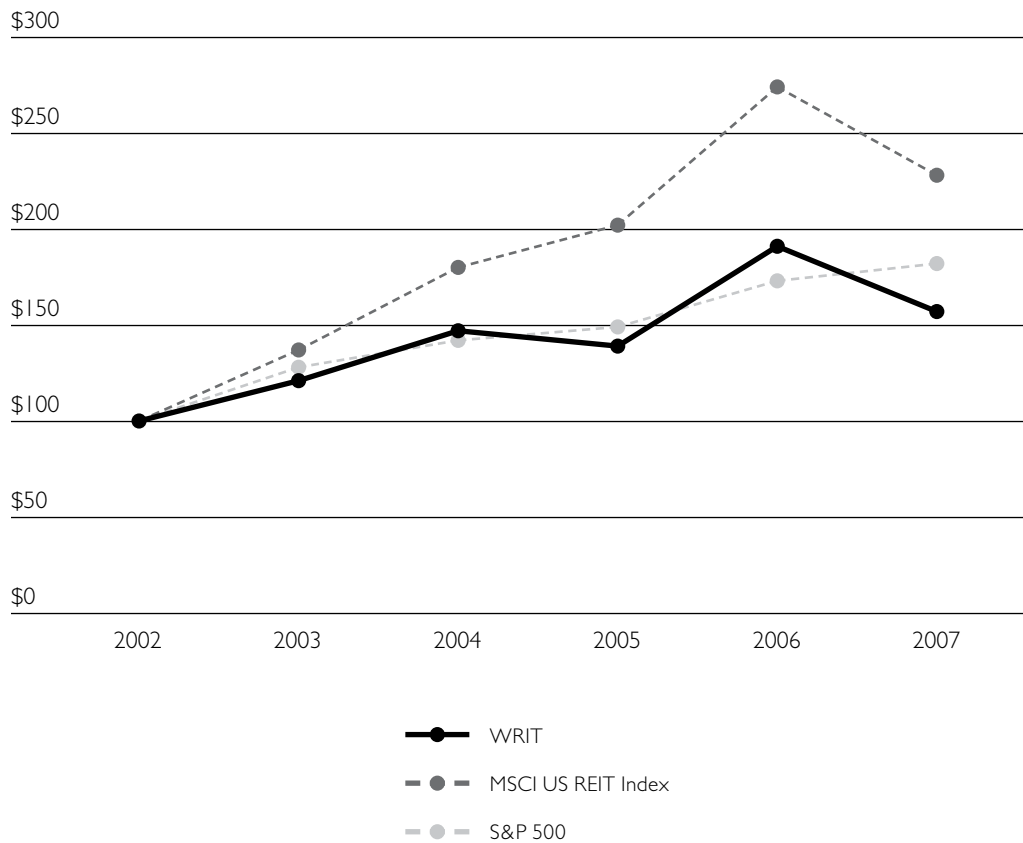
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PERFORMANCE GRAPH

Set forth below is a graph comparing the cumulative total shareholder return (assumes reinvestment of dividends) on the Shares with the cumulative total return of companies making up the Standard & Poor's 500 Stock Index and the MSCI US REIT Index. The MSCI US REIT Index is a total-return index representing approximately 85% of the US REIT universe.

Comparison of Five Year Cumulative Total Return



CORPORATE INFORMATION

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Rockville, Maryland 20852-3927
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800.565.9748
Fax 301.984.9610
www.writ.com

Counsel

Arent Fox LLP
1050 Connecticut Avenue, N.W.
Washington, D.C. 20036-5339

Independent Registered Public Accounting Firm

Ernst & Young LLP
8484 Westpark Drive
McLean, Virginia 22102

Transfer Agent

Computershare Trust Company, N.A.
P.O. Box 43078
Providence, Rhode Island 02940-3078

Annual Meeting

WRIT will hold its annual meeting of stockholders on May 15, 2008, at 11:00 a.m. at the Bethesda North Marriott Hotel & Conference Center, 5701 Marinelli Road, North Bethesda, Maryland.

WRIT Direct

WRIT's dividend reinvestment and direct stock purchase plan permits cash investment of up to \$25,000 per month, plus dividends, and is IRA eligible.

Stock Information

WRIT is traded on the New York Stock Exchange. The symbol listed in the newspaper is WRIT. The trading symbol is WRE.

Member

National Association of
Real Estate Investment Trusts®
1875 Eye Street, N.W., Suite 600
Washington, D.C. 20006-5413

Annual CEO Certification

WRIT submitted the CEO Certification required by the NYSE under Section 303A.12(a) without qualifications.



(FRONT ROW FROM LEFT) SARA L. GROOTWASSINK, GEORGE F. MCKENZIE, LAURA M. FRANKLIN
 (BACK ROW FROM LEFT) THOMAS L. REGNELL, JAMES B. CEDERDAHL, DAVID A. DINARDO, MICHAEL S. PAUKSTITUS

TRUSTEES

Edmund B. Cronin, Jr.
*Chairman of the Board of Trustees,
 Washington Real Estate Investment Trust;
 Chairman,
 Georgetown University Hospital*

Edward S. Civera
*Chairman, HealthExtras, Inc.;
 Director,
 MedStar Health;
 MCG Capital Corporation*

John M. Derrick, Jr.
*Retired Chairman, President and
 Chief Executive Officer,
 Pepco Holdings Inc.*

John P. McDaniel
*Retired Chief Executive Officer,
 MedStar Health;
 Chief Executive Officer,
 MedStar Health Foundation;
 Director,
 Thrivent Financial for Lutherans;
 1st Mariner Bank;
 Trustee,
 Georgetown University*

George F. McKenzie
*President and Chief Executive Officer,
 Washington Real Estate Investment Trust*

Charles T. Nason
*Retired Chairman, President and
 Chief Executive Officer,
 The Acacia Group;
 Director,
 MedStar Health;
 Chairman,
 Washington & Jefferson College*

Thomas E. Russell, III
*Retired President and
 Chief Executive Officer,
 Partners Realty Trust, Inc.;
 Director,
 Good Samaritan Hospital;
 Keswick Multi-Care Center*

Susan J. Williams
*President and Chief Executive Officer,
 Williams Aron & Associates*

OFFICERS

George F. McKenzie
President and Chief Executive Officer

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

Sara L. Grootwassink
Executive Vice President and Chief Financial Officer

Michael S. Paukstitus
Senior Vice President, Real Estate

Thomas L. Regnell
Senior Vice President, Acquisitions

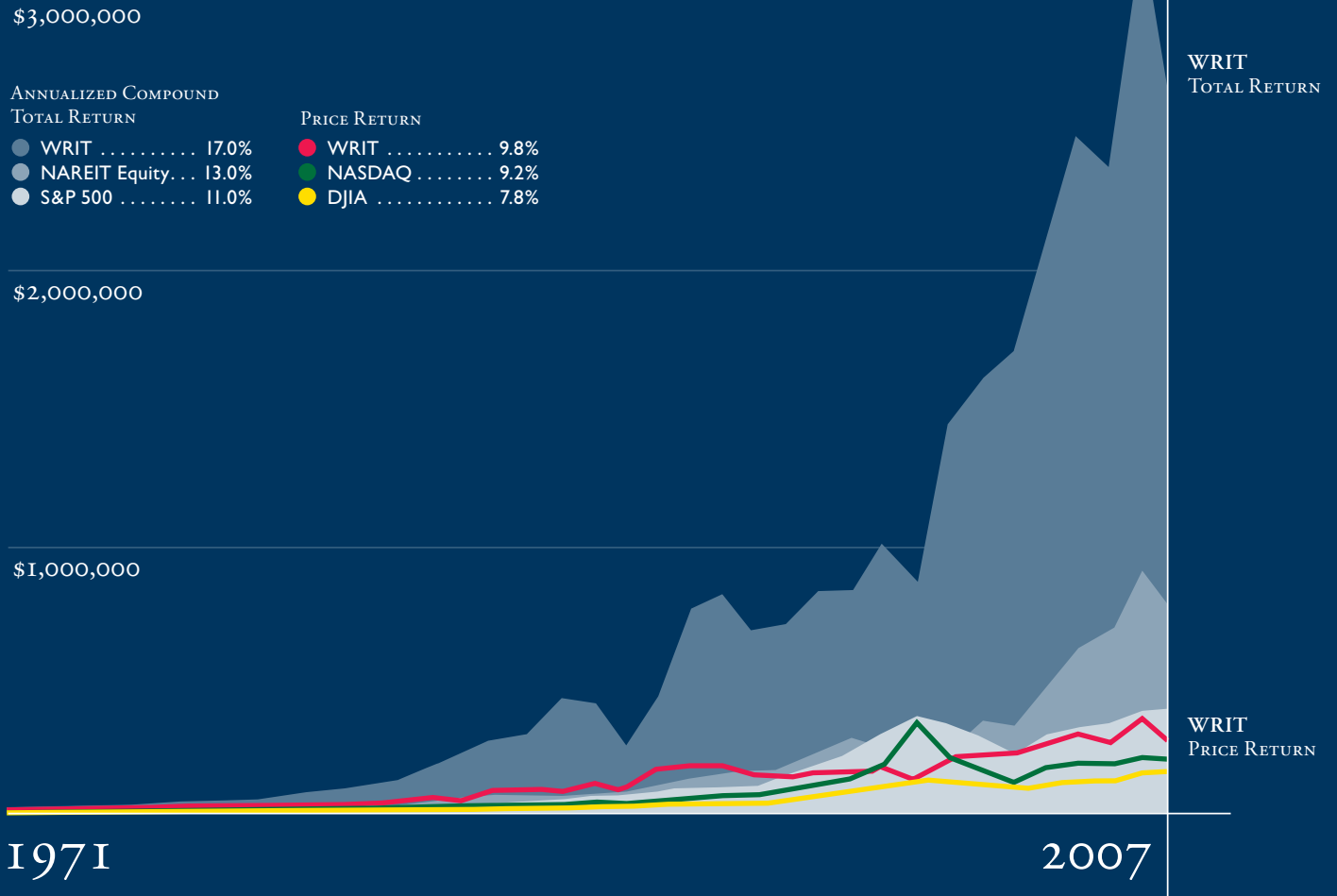
James B. Cederdahl
*Managing Director,
 Property Management*

David A. DiNardo
Managing Director, Leasing

RETURNS

\$10,000 invested in WRIT since December 31, 1971, with dividends reinvested, would be worth \$2,826,200 as of December 31, 2007.

Source: Bloomberg, www.nareit.com, WRIT



WRIT WASHINGTON
REAL ESTATE
INVESTMENT
TRUST

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