

WASHINGTON REAL ESTATE INVESTMENT TRUST
Form 10-K
February 27, 2012

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

FORM 10-K

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

For fiscal year ended December 31, 2011

OR

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

COMMISSION FILE NO. 1-6622

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

MARYLAND 53-0261100
(State of incorporation) (IRS Employer Identification Number)
6110 EXECUTIVE BOULEVARD, SUITE 800, ROCKVILLE, MARYLAND 20852
(Address of principal executive office) (Zip code)
Registrant's telephone number, including area code: (301) 984-9400

Securities registered pursuant to Section 12(b) of the Act:
Title of Each Class Name of exchange on which registered
Shares of Beneficial Interest New York Stock Exchange
Securities registered pursuant to Section 12(g) of the Act: None

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 12 months (or such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past ninety (90) days. YES NO

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

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

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

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

As of June 30, 2011, the aggregate market value of such shares held by non-affiliates of the registrant was approximately \$2,133,692,094 (based on the closing price of the stock on June 30, 2011).

As of February 21, 2012, 66,271,263 common shares were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of our definitive Proxy Statement relating to the 2012 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.

WASHINGTON REAL ESTATE INVESTMENT TRUST
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PART I

ITEM 1: BUSINESS

WRIT Overview

Washington Real Estate Investment Trust (“we” or “WRIT”) 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 operation of income-producing real property in the greater Washington metro region. We own a diversified portfolio of office buildings, medical office buildings, multifamily buildings and retail centers.

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 Washington within two hours by car. While we have historically focused most of our investments in the greater Washington metro region, in order to maximize acquisition opportunities we will consider investments within the two-hour radius described above. We also may, in the future, consider opportunities to duplicate our Washington-focused approach in other geographic markets which meet the criteria described above.

Our current strategy is focused on properties inside the Washington metro region’s Beltway, near major transportation nodes and in areas with strong employment drivers and superior growth demographics. We will seek to continue to upgrade our portfolio as opportunities arise, funding acquisitions with a combination of cash, equity, debt and proceeds from property sales.

All of our officers and employees live and work in the greater Washington metro region and all but one of our officers have over 20 years of experience in this region.

Over the last five years, dividends paid per share have been \$1.735 for 2011, \$1.73125 for 2010, \$1.73 for 2009, \$1.72 for 2008 and \$1.68 for 2007.

The Greater Washington Metro Area Economy

The Washington metro region remained among the top economic centers in the nation in 2011, but uncertainty about the impact of proposed cuts to the federal budget slowed the pace of the region's economic growth. Current estimates by Delta Associates / Transwestern Commercial Services (“Delta”), a national full service real estate firm that provides market research and evaluation services for commercial property, indicate that the Washington metro region gained only 5,900 jobs during the 12 month period ending October 2011. The region's unemployment rate was 5.7% at October 2011, down from 5.9% in the prior year. The region's unemployment rate remains the lowest rate among all of the nation's largest metro areas. Projected 2011 GRP growth is expected to be 2.5% as compared to the national increase of 1.6%. The federal government remains the region's most important industry, providing approximately one third of the region's GRP.

Delta expects the Washington metro region's economy to grow in 2012 at a similar pace to 2011. Delta forecasts GRP growth for the Washington metro region to continue to exceed the national average in 2012.

Greater Washington Metro Region Real Estate Markets

The Washington metro region's economy has translated into improving relative real estate market performance in each of our segments, compared to other national metropolitan regions, as reported by Delta. Market statistics and information from Delta are set forth below:

Office and Medical Office Sectors

▲Average effective rents decreased 0.9% in 2011 in the region compared to a decrease of 6.5% in 2010.

●Overall vacancy was 12.1% at year-end 2011, up from 11.9 % at year-end 2010 but down from 13.0% at year-end 2009. The region has the fourth lowest vacancy rate of large metro areas in the United States.

Net absorption (defined as the change in occupied, standing inventory from one period to the next) totaled 1.1 million square feet in 2011, down from 6.4 million square feet in 2010 and below the 6.2 million square foot long-term average.

Of the 7.0 million square feet of office space under construction at year-end 2011 (up from 5.0 million square feet at year-end 2010), 52% is pre-leased compared to 61% one year ago.

Retail Sector

Rental rates at grocery-anchored centers were up 2.1% in the region in 2011, compared to the 2.4% decrease in 2010.

Vacancy for grocery-anchored centers was 5.5% at year-end 2011, down from 5.6% at year-end 2010.

Average Household Income for the Washington metro region in 2011 was \$102,600, 46% higher than the national average.

Multifamily Sector

Net effective rents for all investment grade apartments increased 2.1% in the greater Washington metro region during 2011. Class A rents increased by 2.4% in 2011, compared to an increase of 7.8% in 2010.

The vacancy rate for all apartments was 3.8% at year-end 2011, compared to 3.4% at year-end 2010. The national rate was 5.8% at year-end 2011, which places the Washington metro region as one of the lowest vacancy rates of any metro area in the nation. Class A vacancy increased to 5.0% at year-end 2011 from 4.6% at year-end 2010.

Our Portfolio

As of December 31, 2011, we owned a diversified portfolio of 71 properties, totaling approximately 8.6 million square feet of commercial space and 2,540 residential units, and land held for development. These 71 properties consist of 26 office properties, 18 medical office properties, 16 retail centers and 11 multifamily properties. 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 2011, 2010 and 2009, and the percent leased, calculated as the percentage of physical net rentable area leased, as of December 31, 2011, were as follows:

Percent Leased		Real Estate Rental Revenue ⁽¹⁾			
December 31, 2011		2011	2010	2009	
90%	Office	49	% 48	% 48	%
89%	Medical office	16	% 17	% 18	%
94%	Retail	17	% 16	% 16	%
96%	Multifamily	18	% 19	% 18	%
		100	% 100	% 100	%

⁽¹⁾ Data excludes discontinued operations.

On a combined basis, our commercial portfolio (i.e., our office, medical office and retail properties, but not our multifamily properties) was 91% leased at December 31, 2011 and 2010, and 93% leased at December 31, 2009.

The commercial lease expirations for the next five years are as follows:

	# of Leases	Square Feet	Gross Annual Rent (in thousands)	Percentage of Total Gross Annual Rent	
2012	216	734,304	\$23,340	10	%
2013	196	1,055,537	27,283	12	%
2014	171	1,036,983	34,600	15	%
2015	143	949,144	32,186	14	%
2016	139	899,910	27,020	12	%
2017 and thereafter	316	2,544,027	89,499	37	%
Total	1,181	7,219,905	\$233,928	100	%

Total real estate rental revenue from continuing operations was \$289.5 million for 2011, \$258.5 million for 2010 and \$256.5 million for 2009. During the three year period ended December 31, 2011, we acquired six office buildings, one medical office building and two retail centers. During that same time frame, we sold eight office buildings, one multifamily building and our entire industrial segment.

No single tenant accounted for more than 3.7% of real estate rental revenue in 2011, 3.8% of real estate rental revenue in 2010 and 3.8% of real estate rental revenue in 2009. All federal government tenants in the aggregate accounted for approximately 1.7% of our 2011 real estate rental revenue. Federal government tenants include the Department of

Defense, Social Security Administration, Federal Bureau of Investigation, Office of Personnel Management and the National Institutes of Health.

Our ten largest tenants, in terms of aggregate occupied square feet, are as follows:

1. World Bank
2. General Services Administration
3. Advisory Board Company
4. L-3 Services, Inc
5. Booz Allen Hamilton, Inc.
6. Patton Boggs LLP
7. INOVA Health System
8. Sunrise Assisted Living, Inc.
9. Children's Hospital
10. General Dynamics

We expect to continue investing in additional income-producing properties. We invest in properties which we believe will increase in income and value. Our properties typically 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 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 2011, 2010, and 2009 are discussed in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, under the heading "Capital Improvements and Development Costs."

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, 2012, we had 303 employees including 216 persons engaged in property management functions and 87 persons engaged in corporate, financial, leasing, asset management and other functions.

REIT Tax Status

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 (a) reinvesting the sales proceeds of properties sold, allowing for a deferral of income taxes on the sale, (b) paying out capital gains to the shareholders with no tax to us or (c) treating the capital gains as having been distributed to our shareholders, paying the tax on the gain deemed distributed and allocating the tax paid as a credit to our shareholders.

Tax Treatment of Recent Disposition Activity

We sold several properties during the three year period ended December 31, 2011:

Disposition Date	Property	Type	Rentable Square Feet (unaudited)	Contract Sales Price (in thousands)	Gain on Sale (in thousands)
Various ⁽¹⁾	Industrial Portfolio ⁽¹⁾	Industrial/Office	3,092,000	\$ 350,900	\$97,491
April 5, 2011	Dulles Station, Phase I	Office	180,000	58,800	—
		Total 2011	3,272,000	\$ 409,700	\$97,491
June 18, 2010	Parklawn Portfolio ⁽²⁾	Office/Industrial	229,000	\$ 23,400	\$7,900
December 21, 2010	The Ridges	Office	104,000	27,500	4,500
December 22, 2010	Ammendale I&II/ Amvax	Industrial	305,000	23,000	9,200
		Total 2010	638,000	\$ 73,900	\$21,600
May 13, 2009	Avondale	Multifamily	170,000	\$ 19,800	\$6,700
July 23, 2009	Tech 100 Industrial Park	Industrial	166,000	10,500	4,100
July 31, 2009	Brandywine Center	Office	35,000	3,300	1,000
November 13, 2009	Crossroads Distribution Center	Industrial	85,000	4,400	1,500
		Total 2009	456,000	\$ 38,000	\$ 13,300

The Industrial Portfolio consists of every property in our industrial segment and two office properties (the Crescent and Albemarle Point), and we closed on the sale on three separate dates. On September 2, 2011, we closed on the sale of the two office properties (the Crescent and Albemarle Point) and 8880 Gorman Road, Dulles South IV, Fullerton Business Center, Hampton Overlook, Alban Business Center, Pickett Industrial Park, Northern Virginia Industrial Park I, 270 Technology Park, Fullerton Industrial Center, Sully Square, 9950 Business Parkway, Hampton South and 8900 Telegraph Road. On October 3, 2011, we closed the sale of Northern Virginia Industrial Park II. On November 1, 2011, we closed on the sale of 6100 Columbia Park Road and Dulles Business Park I and II.

⁽²⁾ The Parklawn Portfolio consists of three office properties (Parklawn Plaza, Lexington Building and Saratoga Building) and one industrial property (Charleston Business Center).

All disclosed gains on sale are calculated in accordance with U.S. generally accepted accounting principles (“GAAP”). A portion of the sales proceeds were reinvested in replacement properties, with the remainder paid out to shareholders.

We distributed all of our 2011, 2010 and 2009 ordinary taxable income to our shareholders.

Generally, and subject to our ongoing qualification as a REIT, no provisions for income taxes are necessary except for taxes on undistributed REIT taxable income and taxes on the income generated by our taxable REIT subsidiaries (“TRS’s”). Our TRS’s are subject to corporate federal and state income tax on their taxable income at regular statutory rates. On April 5, 2011, we settled on the sale of Dulles Station, Phase I, an office property held by one of our TRS’s. With the application of available net operating loss carryforwards, we recognized \$1.1 million in current net federal and state income tax liabilities in connection with this sale.

During the fourth quarter of 2011 we recognized a \$14.5 million impairment charge at Dulles Station, Phase II, a development property held by one of our TRS’s (see note 3 to the consolidated financial statements). The impairment charge created a deferred tax asset of \$5.7 million at this TRS, but we have determined that it is more likely than not that this deferred tax asset will not be realized. We have therefore recorded a valuation allowance for the full amount

of the deferred tax asset related to the impairment charge at Dulles Station, Phase II.

As of December 31, 2011, our TRS's had a net deferred tax asset of \$0.1 million and a net deferred tax liability of \$0.5 million, primarily related to temporary differences in the timing of the recognition of revenue, amortization and depreciation. There were no material income tax provisions or material net deferred income tax items for our TRS's for the years ended December 31, 2010 and 2009.

Availability of Reports

Copies 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 WRIT as our “common 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 49.

Our performance and value are subject to risks associated with our real estate assets and with the real estate industry. Our financial performance and the value of our real estate assets are subject to the risk that if our office, medical office, retail and multifamily properties do not generate revenues sufficient to meet our operating expenses, 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 cash flow generated by our commercial and multifamily properties:

- downturns in the national, regional and local economic climate;
- the economic health of our tenants and the ability to collect rents;
- consumer confidence, unemployment rates, and consumer tastes and preferences;
- competition from similar asset type properties;
- local real estate market conditions, such as oversupply or reduction in demand for office, medical office, retail and multifamily 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;
- civil disturbances, earthquakes and other natural disasters, terrorist acts or acts of war; and
- decreases in the underlying value of our real estate.

We cannot assure you we will continue to pay dividends at historical rates.

Cash flows from operations are an important factor in our ability to sustain our dividend at its current rate. If our cash flows from operations were to decline significantly, we may have to borrow on our lines of credit to sustain the dividend rate or reduce our dividend. Our ability to continue to pay dividends on our common shares at historical rates or to increase our common share dividend rate will depend on a number of factors, including, among others, the following:

- our future financial condition and results of operations;
- the performance of lease terms by tenants;
- the terms of our loan covenants; and
- our ability to acquire, finance, develop or redevelop and lease additional properties at attractive rates.

If we do not maintain or increase the dividend rate on our common shares in the future, it could have an adverse effect on the market price of our common shares.

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

All of our properties are located in the Washington metropolitan region, which may expose us to a greater amount of market dependent 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 the event of negative economic changes in our region, we may experience a negative impact to our profitability and may be limited in our ability to meet our financial obligations when due and/or make distributions to our shareholders.

We may be adversely affected by any significant reductions in federal government spending.

As a REIT operating exclusively in the Washington, D.C. metropolitan area, a significant portion of our properties is occupied by United States Government tenants or tenants that are directly or indirectly serving the United States

Government as federal contractors or otherwise. A significant reduction in federal government spending could adversely affect the ability of these tenants to fulfill lease obligations or decrease the likelihood that they will renew their leases with us. Further, economic conditions in the Washington, D.C. metropolitan area are significantly dependent upon the level of federal government spending in the region. In the event of a significant reduction in federal government spending, there could be negative economic changes in our region which

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could adversely impact the ability of our tenants to perform their financial obligations under our leases or the likelihood of their lease renewal. As a result, if such a reduction in federal government spending were to occur, we could experience an adverse effect on our financial condition, results of operations, cash flows and ability to make distributions to our shareholders.

Disruptions in the financial markets could affect our ability to obtain financing or have other adverse effects on us or the market price of our common shares.

The United States and global equity and credit markets have experienced significant price volatility and liquidity disruptions which caused the market prices of stocks to fluctuate substantially and the spreads on prospective debt financings to widen considerably. These circumstances significantly and negatively impacted liquidity in the financial markets, making terms for certain financings less attractive or unavailable. Any disruption in the equity and credit markets could negatively impact our ability to access additional financing at reasonable terms or at all. If such disruption were to occur, in the event of a debt financing, our cost of borrowing in the future would likely be significantly higher than historical levels. As well, in the case of a common equity financing, the disruptions in the financial markets could have a material adverse effect on the market value of our common shares, potentially requiring us to issue more shares than we would otherwise have issued with a higher market value for our common shares. Disruption in the financial markets also could negatively affect our ability to make acquisitions, undertake new development projects and refinance our debt. In addition, it could also make it more difficult for us to sell properties and could adversely affect the price we receive for properties that we do sell, as prospective buyers experience increased costs of financing and difficulties in obtaining financing.

Disruptions in the financial markets also could adversely affect many of our tenants and their businesses, including their ability to pay rents when due and renew their leases at rates at least as favorable as their current rates. As well, our ability to attract prospective new tenants in the future could be adversely affected by disruption in the financial markets.

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 results may be exposed to the following risks:

- we may be unable to finance acquisitions on favorable terms;
- the acquired properties may fail to perform as we expected in analyzing our investments;
- the actual returns realized on acquired properties may not exceed our average cost of capital;
- even if we enter into an acquisition agreement for a property, we may be unable to complete that acquisition after making a non-refundable deposit and incurring certain other acquisition-related costs;
- we may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into our existing operations;
- competition from other real estate investors may significantly increase the purchase price;
- our estimates of capital expenditures required for an acquired property, including the costs of repositioning or redeveloping, may be inaccurate;
- 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; and
- 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.

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.

Real estate investments are illiquid, and we may not be able to sell our properties on a timely basis when we determine it is appropriate to do so.

Real estate investments can be difficult to sell and convert to cash quickly, especially if market conditions are not favorable, and we may find that to be the case under the current economic conditions due to limited credit availability for potential buyers. Such illiquidity could limit our ability to quickly change our portfolio of properties in response to changes in economic or other conditions. Moreover, under certain circumstances, the Internal Revenue Code imposes penalties on a REIT that sells property held for less than two years and or sells more than a specified number of properties in a given year. In addition, for properties that we acquire by issuing units in an operating partnership, we may be restricted by agreements with the sellers of the properties for a certain

period of time from entering into transactions (such as the sale or refinancing of the acquired property) that will result in a taxable gain to the sellers without the sellers' consent. Due to these factors, we may be unable to sell a property at an advantageous time.

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

As of December 31, 2011, leases on our commercial properties will expire from 2012 through 2016 as follows:

	% of leased square footage
2012	10%
2013	12%
2014	15%
2015	14%
2016	12%
Total	63%

We derive substantially all of our income from rent received from tenants. 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. Multifamily properties are leased under operating leases with terms of generally one year or less. For the years ended 2011, 2010 and 2009, the multifamily tenant retention rate was 56%, 61% and 54%, respectively. Similar to our commercial properties, if our multifamily tenants decide not to renew their leases, we may not be able to re-let the space, or the terms of the renewal may be less favorable than current lease terms. As a result of the foregoing, our cash flow could decrease and our ability to make distributions to our shareholders could be adversely affected.

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. 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. As a result, 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.

We face risks associated with property development.

Developing properties presents a number of risks for us, including risks that:

- if we are unable to obtain all necessary zoning and other required governmental permits and authorizations or cease development of the project for any other reason, the development opportunity may be abandoned after expending significant resources, resulting in the loss of deposits or failure to recover expenses already incurred;
- the development and construction costs of the project may exceed original estimates due to increased interest rates and increased cost of materials, labor, leasing or other expenditures, 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, or ability to satisfy our debt service obligations.

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We may suffer economic harm as a result of the actions of our partners in real estate joint ventures and other investments.

We invest in joint ventures in which we are not the exclusive investor or principal decision maker. Investments in such entities may involve risks not present when a third party is not involved, including the possibility that the other parties to these investments might become bankrupt or fail to fund their share of required capital contributions. Our partners in these entities may have economic, tax or other business interests or goals which are inconsistent with our business interests or goals, and may be in a position to take actions contrary to our policies or objectives. Such investments may also lead to impasses, for example, as to whether to sell a property, because neither we nor the other parties to these investments may have full control over the entity. In addition, we may in certain circumstances be liable for the actions of the other parties to these investments. Each of these factors could have an adverse effect on our financial condition, results of operations, cash flows and ability to make distributions to our shareholders.

Our properties face significant competition.

We face significant competition from developers, owners and operators of office, medical office, retail, multifamily 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 rents than the space in our properties.

We face risks associated with the use of debt, including refinancing risk.

We rely on borrowings under our credit facilities and offerings of debt securities to finance acquisitions and development activities and for general corporate purposes. The commercial real estate debt markets have in the recent past experienced significant 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 resulted in investors decreasing the availability of debt financing as well as increasing the cost of debt financing. We believe that circumstances could again arise in which 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 a significant 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.

Our degree of leverage could limit our ability to obtain additional financing or affect the market price of our common shares or debt securities.

On February 21, 2012, our total consolidated debt was approximately \$1.2 billion. Consolidated debt to consolidated market capitalization ratio, which measures total consolidated debt as a percentage of the aggregate of total consolidated debt plus the market value of outstanding equity securities, is often used by analysts to assess leverage for equity REITs such as us. Our market value is calculated using the price per share of our common shares. Using the closing share price of \$29.54 per share of our common shares on February 21, 2012, multiplied by the number of our common shares, our consolidated debt to total consolidated market capitalization ratio was approximately 37% as of February 21, 2012.

Our degree of leverage could affect our ability to obtain additional financing for working capital, capital expenditures, acquisitions, development or other general corporate purposes. Our senior unsecured debt is currently rated investment grade by the two major rating agencies. However, there can be no assurance that we will be able to maintain this rating, and in the event our senior debt is downgraded from its current rating, we would likely incur higher borrowing costs and/or difficulty in obtaining additional financing. Our degree of leverage could also make us more vulnerable to a downturn in business or the economy generally. There is a risk that changes in our debt to market capitalization ratio, which is in part a function of our share price, or our ratio of indebtedness to other measures of

asset value used by financial analysts, may have an adverse effect on the market price of our equity or debt securities. 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 that other parties to the agreements may not perform 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 a minimum tangible net worth and certain ratios, including a maximum of total liabilities to total gross asset value, a maximum of secured indebtedness to gross asset value, a minimum of annual EBITDA to fixed charges, a minimum of unencumbered asset value to unsecured indebtedness, a minimum of net operating income from unencumbered properties to unsecured interest expense and a maximum of permitted investments to gross asset value. Our ability to borrow under our credit facilities is subject to compliance with our financial and other covenants. The recent economic downturn may adversely affect our ability to comply with these 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. In particular, we could suffer a default under one of our secured debt instruments that could exceed a cross default threshold under our unsecured credit facilities, causing an event of default under the unsecured credit facilities. Alternatively, even if a secured debt instrument is below the cross default threshold for non-recourse secured debt under our unsecured credit facilities, a default under such secured debt instrument may still cause a cross default under our unsecured credit facilities because such secured debt instrument may not qualify as “non-recourse” under the definition in our unsecured credit facilities. Another possible cross default could occur between our unsecured credit facilities, on the one hand, and our senior unsecured notes, on the other hand. Any of the foregoing default or cross default events could cause our lenders to accelerate the timing of payments and/or prohibit future borrowings, either of which would have a material adverse effect on our business, operations, financial condition and liquidity.

We face risks associated with short-term liquid investments.

We have significant cash balances from time to time that we invest in a variety of short-term investments that are intended to preserve principal value and maintain a high degree of liquidity while providing current income. From time to time, these investments may include (either directly or indirectly):

• direct obligations issued by the U.S. Treasury;

• obligations issued or guaranteed by the U.S. government or its agencies;

• taxable municipal securities;

• obligations (including certificates of deposit) of banks and thrifts;

• commercial paper and other instruments consisting of short-term U.S. dollar denominated obligations issued by corporations and banks;

• repurchase agreements collateralized by corporate and asset-backed obligations;

• both registered and unregistered money market funds; and

• other highly rated short-term securities.

Investments in these securities and funds are not insured against loss of principal. Under certain circumstances we may be required to redeem all or part of our investment, and our right to redeem some or all of our investment may be delayed or suspended. In addition, there is no guarantee that our investments in these securities or funds will be redeemable at par value. A decline in the value of our investment or a delay or suspension of our right to redeem may have a material adverse effect on our results of operations or financial condition.

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, including 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.

Compliance or failure to comply with the Americans with Disabilities Act and other laws and regulations 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 results of operations.

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 fair housing, rent control and 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 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 results of 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 August 2012. There are other types of losses, such as from wars or catastrophic events, for which we cannot obtain insurance at all or at a reasonable cost.

We have an insurance policy which has no terrorism exclusion, except for non-certified nuclear, chemical and biological acts of terrorism. 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 this program 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. We continue to monitor the state of the insurance market in general, and the scope and costs of coverage for acts of terrorism in particular, but we cannot anticipate what amount of coverage will be available on commercially reasonable terms in future policy years.

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.

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.

Actual or threatened terrorist attacks may adversely affect our ability to generate revenues and the value of our properties.

All of our properties are located in or near Washington D.C., a metropolitan area that has been and may in the future be the target of actual or threatened terrorism attacks. As a result, some tenants in our market may choose to relocate their businesses to other markets. This could result in an overall decrease in the demand for commercial space in this market generally, which could increase vacancies in our properties or necessitate that we lease our properties on less favorable terms, or both. In addition, future terrorist attacks in or near Washington D.C. could directly or indirectly damage our properties, both physically and financially, or cause losses that materially exceed our insurance coverage. As a result of the foregoing, our ability to generate revenues and the value of our properties could decline materially. 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, the U.S. Occupational Safety and Health Administration and other state and local governmental authorities are increasingly involved in indoor air quality standards, especially with

respect to asbestos, mold, medical waste and lead-based paint. The clean up of any environmental contamination, including asbestos and mold, can be costly. If environmental problems arise, we may have to make substantial payments which could adversely affect our financial condition and results of operations 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.

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. However, they do not always involve invasive techniques such as soil and ground water sampling. Where appropriate, on a property-by-property basis, our general practice is to have these consultants conduct additional testing. However, even though these additional assessments may be 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 or changes in applicable environmental laws and regulations could result in environmental liability to us.

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. However, we cannot assure you that we are qualified as such, or that we will remain qualified as such in the future. This is because qualification as a REIT involves the application of highly technical and complex provisions of the Internal Revenue Code as to which there are only limited judicial and administrative interpretations and involves the determination of facts and circumstances not entirely within our control. Future legislation, new regulations, administrative interpretations or court decisions may significantly change the tax laws or the application of the tax laws with respect to qualification as a REIT for federal income tax purposes or the federal income tax consequences of such qualification.

If we fail to qualify as a REIT we could face serious tax consequences that could substantially reduce our 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 have a material adverse impact on our results of operations, financial condition and liquidity.

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. These factors include:

level of institutional interest in us;
perceived attractiveness of investment in us, 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;
changes in federal tax laws;
changes in our credit ratings;
relatively low trading volume of shares of REITs in general, which tends to exacerbate a market trend with respect to our shares; and
any negative change in the level of our dividend or the partial payment thereof in common shares.

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

- a provision where a corporation is not permitted 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 after that holder becomes an "interested stockholder;" and
- a provision where the voting rights of "control shares" acquired in a "control share acquisition," as defined in the MGCL, may be restricted, such that the "control shares" have no voting rights, except to the extent approved by a vote of holders of two-thirds of the common shares entitled to vote on the matter.

These provisions may delay, defer, or prevent a transaction or a change in control that may involve a premium price for holders of our shares or otherwise be in their best interests. Our bylaws currently provide that the foregoing provision regarding "control share acquisitions" will not apply to WRIT. However, our board of trustees could, in the future, modify our bylaws such that the foregoing provision regarding "control share acquisitions" would be applicable to WRIT.

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, 2011, which consisted of 71 properties and land held for development.

As of December 31, 2011, 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 12/31/2011	
Office Buildings						
1901 Pennsylvania Avenue	Washington, D.C.	1977	1960	98,000	81	%
51 Monroe Street	Rockville, MD	1979	1975	218,000	90	%
515 King Street	Alexandria, VA	1992	1966	73,000	100	%
6110 Executive Boulevard	Rockville, MD	1995	1971	199,000	89	%
1220 19 th Street	Washington, D.C.	1995	1976	102,000	97	%
1600 Wilson Boulevard	Arlington, VA	1997	1973	168,000	97	%
7900 Westpark Drive	McLean, VA	1997	1972/1986/1999	533,000	94	%
600 Jefferson Plaza	Rockville, MD	1999	1985	113,000	95	%
1700 Research Boulevard	Rockville, MD	1999	1982	101,000	77	%
Wayne Plaza	Silver Spring, MD	2000	1970	94,000	83	%
Courthouse Square	Alexandria, VA	2000	1979	114,000	91	%
One Central Plaza	Rockville, MD	2001	1974	267,000	94	%
The Atrium Building	Rockville, MD	2002	1980	80,000	94	%
1776 G Street	Washington, D.C.	2003	1979	262,000	100	%
6565 Arlington Blvd	Falls Church, VA	2006	1967/1998	130,000	97	%
West Gude Drive	Rockville, MD	2006	1984/1986/1988	275,000	80	%
Monument II	Herndon, VA	2007	2000	207,000	67	%
Woodholme Center	Pikesville, MD	2007	1989	75,000	73	%
2000 M Street	Washington, D.C.	2007	1971	239,000	72	%
2445 M Street	Washington, D.C.	2008	1986	290,000	100	%
925 Corporate Drive	Stafford, VA	2010	2007	134,000	100	%
1000 Corporate Drive	Stafford, VA	2010	2009	136,000	100	%
1140 Connecticut Avenue	Washington, D.C.	2011	1966	185,000	86	%
1227 25 th Street	Washington, D.C.	2011	1988	132,000	72	%
Braddock Metro Center	Alexandria, VA	2011	1985	345,000	92	%
John Marshall II	Tysons Corner, VA	2011	1996/2010	223,000	100	%
Subtotal				4,793,000	90	%

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Properties	Location	Year Acquired	Year Constructed	Net Rentable Square Feet	Percent Leased 12/31/2011	
Medical Office Buildings						
Woodburn Medical Park I	Annandale, VA	1998	1984	73,000	98	%
Woodburn Medical Park II	Annandale, VA	1998	1988	96,000	97	%
Prosperity Medical Center I	Merrifield, VA	2003	2000	92,000	96	%
Prosperity Medical Center II	Merrifield, VA	2003	2001	89,000	93	%
Prosperity Medical Center III	Merrifield, VA	2003	2002	75,000	95	%
Shady Grove Medical Village II	Rockville, MD	2004	1999	66,000	84	%
8301 Arlington Boulevard	Fairfax, VA	2004	1965	49,000	61	%
Alexandria Professional Center	Alexandria, VA	2006	1968	114,000	96	%
9707 Medical Center Drive	Rockville, MD	2006	1994	38,000	86	%
15001 Shady Grove Road	Rockville, MD	2006	1999	51,000	100	%
Plumtree Medical Center	Bel Air, MD	2006	1991	33,000	95	%
15005 Shady Grove Road	Rockville, MD	2006	2002	52,000	100	%
2440 M Street	Washington, D.C.	2007	1986/2006	112,000	95	%
Woodholme Medical Office Bldg	Pikesville, MD	2007	1996	123,000	93	%
Ashburn Farm Office Park	Ashburn, VA	2007	1998/2000/2002	75,000	91	%
CentreMed I & II	Centreville, VA	2007	1998	52,000	95	%
Sterling Medical Office Building	Sterling, VA	2008	1986/2000	36,000	77	%
Lansdowne Medical Office Building	Leesburg, VA	2009	2009	85,000	32	%
Subtotal				1,311,000	89	%
Retail Centers						
Takoma Park	Takoma Park, MD	1963	1962	51,000	100	%
Westminster	Westminster, MD	1972	1969	150,000	96	%
Concord Centre	Springfield, VA	1973	1960	76,000	91	%
Wheaton Park	Wheaton, MD	1977	1967	74,000	87	%
Bradlee	Alexandria, VA	1984	1955	168,000	99	%
Chevy Chase Metro Plaza	Washington, D.C.	1985	1975	49,000	100	%
Montgomery Village Center	Gaithersburg, MD	1992	1969	198,000	85	%
Shoppes of Foxchase ¹	Alexandria, VA	1994	1960/2006	134,000	95	%
Frederick County Square	Frederick, MD	1995	1973	227,000	93	%
800 S. Washington Street	Alexandria, VA	1998/2003	1955/1959	47,000	96	%
Centre at Hagerstown	Hagerstown, MD	2002	2000	332,000	91	%
Frederick Crossing	Frederick, MD	2005	1999/2003	295,000	94	%
Randolph Shopping Center	Rockville, MD	2006	1972	82,000	95	%
Montrose Shopping Center	Rockville, MD	2006	1970	145,000	93	%
Gateway Overlook	Columbia, MD	2010	2007	223,000	90	%
Olney Village Center	Olney, MD	2011	1979	198,000	100	%
Subtotal				2,449,000	94	%

Properties	Location	Year Acquired	Year Constructed	# of Units	Net Rentable Square Feet	Percent Leased 12/31/2011	
Multifamily Buildings							
3801 Connecticut Avenue	Washington, D.C.	1963	1951	308	179,000	95	%
Roosevelt Towers	Falls Church, VA	1965	1964	191	170,000	95	%
Country Club Towers	Arlington, VA	1969	1965	227	159,000	97	%
Park Adams	Arlington, VA	1969	1959	200	173,000	97	%
Munson Hill Towers	Falls Church, VA	1970	1963	279	258,000	97	%
The Ashby at McLean	McLean, VA	1996	1982	256	274,000	96	%
Walker House Apartments	Gaithersburg, MD	1996	1971/2003	212	158,000	98	%
Bethesda Hill Apartments	Bethesda, MD	1997	1986	195	226,000	94	%
Bennett Park	Arlington, VA	2007	2007	224	214,000	96	%
Clayborne	Alexandria, VA	2008	2008	74	60,000	93	%
Kenmore	Washington, D.C.	2008	1948	374	268,000	94	%
Subtotal				2,540	2,139,000	96	%
TOTAL					10,692,000		

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

* Multifamily buildings are presented in gross square feet.

ITEM 3: LEGAL PROCEEDINGS

None.

ITEM 4: MINE SAFETY DISCLOSURES

N/A.

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 5,525 shareholders of record. The high and low sales price for our shares for 2011 and 2010, by quarter, and the amount of dividends we paid per share are as follows:

Quarter		Dividends Per Share	Quarterly Share Price Range	
			High	Low
2011				
	Fourth	\$0.43375	\$30.96	\$25.64
	Third	\$0.43375	\$33.88	\$25.51
	Second	\$0.43375	\$34.53	\$30.13
	First	\$0.43375	\$31.60	\$29.09
2010				
	Fourth	\$0.43375	\$34.05	\$29.25
	Third	\$0.43250	\$32.14	\$26.67
	Second	\$0.43250	\$32.75	\$27.32
	First	\$0.43250	\$30.77	\$25.09

We have historically paid dividends on a quarterly basis.

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 year covered by this report.

ITEM 6: SELECTED FINANCIAL DATA

The following table sets forth our selected financial data on a historical basis, which has been revised for properties disposed of or classified as held for sale (see note 3 to the consolidated financial statements). The following data should be read in conjunction with our financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this Form 10-K.

	2011	2010	2009	2008	2007
	(in thousands, except per share data)				
Real estate rental revenue	\$289,527	\$258,490	\$256,549	\$229,496	\$202,601
Income (loss) from continuing operations	\$(1,128)	\$992	\$9,723	\$(8,842)	\$8,082
Discontinued operations:					
Income from operations of properties sold or held for sale	\$9,015	\$14,968	\$17,877	\$20,860	\$24,564
Gain on sale of real estate	\$97,491	\$21,599	\$13,348	\$15,275	\$25,022
Net income	\$105,378	\$37,559	\$40,948	\$27,293	\$57,668
Net income attributable to the controlling interests	\$104,884	\$37,426	\$40,745	\$27,082	\$57,451
Income (loss) from continuing operations attributable to the controlling interests per share – diluted	\$(0.02)	\$0.02	\$0.17	\$(0.18)	\$0.17
Net income attributable to the controlling interests per share – diluted	\$1.58	\$0.60	\$0.71	\$0.55	\$1.24
Total assets	\$2,120,758	\$2,167,881	\$2,045,225	\$2,109,407	\$1,897,018
Lines of credit payable	\$99,000	\$100,000	\$128,000	\$67,000	\$192,500
Mortgage notes payable	\$427,710	\$361,860	\$364,594	\$379,399	\$209,608
Notes payable	\$657,470	\$753,587	\$688,912	\$890,679	\$861,819
Shareholders' equity	\$859,044	\$857,080	\$745,255	\$636,630	\$502,540
Cash dividends paid	\$115,045	\$108,949	\$100,221	\$85,564	\$78,050
Cash dividends declared and paid per share	\$1.74	\$1.73	\$1.73	\$1.72	\$1.68

ITEM 7: MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

- Overview. Discussion of our business, operating results, investment activity and capital requirements, and summary of our significant transactions to provide context for the remainder of MD&A.
- Critical Accounting Policies and Estimates. Descriptions of accounting policies that reflect significant judgments and estimates used in the preparation of our consolidated financial statements.
- Results of Operations. Discussion of our financial results comparing 2011 to 2010 and comparing 2010 to 2009.
- Liquidity and Capital Resources. Discussion of our financial condition and analysis of changes in our capital structure and cash flows.

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

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

Rental rates.

Leasing activity, including new leases, renewals and expirations.

For purposes of evaluating comparative operating performance, we categorize our properties as “same-store”, “non-same-store” or discontinued operations. A “same-store” property is one that was owned for the entirety of the periods being evaluated, is stabilized from an occupancy standpoint and is included in continuing operations. A “non-same-store” property is one that was acquired or placed into service during either of the periods being evaluated and is included in continuing operations. We classify results for properties sold or held for sale during any of the periods evaluated as discontinued operations.

Overview

Business

Our revenues are derived primarily from the ownership and operation of income-producing properties in the greater Washington metro region. As of December 31, 2011, we owned a diversified portfolio of 71 properties, totaling approximately 8.6 million square feet of commercial space and 2,540 multifamily units, and land held for development. These 71 properties consisted of 26 office properties, 18 medical office properties, 16 retail centers and 11 multifamily properties.

We have a fundamental strategy of regional focus and diversification by property type. In recent years, we have sought to upgrade our portfolio by selling properties that do not fit our current strategy (as described above at "Item 1: Business - WRIT Overview"), and acquiring or developing higher quality and better-located properties that we believe are consistent with such strategy. We will seek to continue to upgrade our portfolio as opportunities arise, funding acquisitions with a combination of cash, equity, debt and proceeds from property sales.

Operating Results

Real estate rental revenue, NOI, net income attributable to the controlling interests and FFO for 2011 and 2010 were as follows (in thousands):

	2011	2010	Change
Real estate rental revenue	\$289,527	\$258,490	\$31,037
NOI ⁽¹⁾	\$192,335	\$171,830	\$20,505

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Net income attributable to the controlling interests	\$ 104,884	\$ 37,426	\$ 67,458	
FFO ⁽²⁾	\$ 110,058	\$ 111,566	\$ (1,508)

(1) See pages 31 and 37 of the MD&A for reconciliations of NOI to net income.

(2) See page 51 of the MD&A for reconciliations of FFO to net income.

Real estate rental revenues increased by \$31.0 million and NOI increased by \$20.5 million primarily due to acquisitions. Real estate rental revenue and NOI from same-store properties had small increases, as higher rental rates were offset by lower occupancy.

The \$1.5 million decrease in FFO primarily reflects a \$14.5 million impairment charge to reduce the carrying value of the land and parking garage at Dulles Station, Phase II, higher acquisition costs and the loss of income from properties we sold during 2011 and 2010. The impairment charge resulted from the determination that the development of the land at Dulles Station, Phase II is not probable under current market conditions. These were partially offset by an \$8.2 million decrease in losses on extinguishment of debt and the increase in NOI from acquisitions.

While we expect slow but steady improvement in the real estate market conditions in the region during 2012, we anticipate continued challenges in leasing vacant space. We also anticipate circumstances where rents on new or renewal leases will be lower than the existing portfolio rents, putting further downward pressure on NOI. We plan to continue actively pursuing property acquisitions throughout 2012, which may generate future NOI growth. However, any NOI growth in 2012 from acquisitions would likely be offset by acquisition costs.

The performance of our four operating segments and the market conditions in our region are discussed in greater detail below (industry data is as reported by Delta):

The region's office market did not improve during 2011, with overall vacancy increasing to 12.1% from 11.9% in the prior year. Vacancy in the submarkets was 13.8% for Northern Virginia, 14.4% for Suburban Maryland, and 8.4% in the District of Columbia. Net absorption (defined as the change in occupied, standing inventory from one year to the next) decreased to 1.1 million square feet from 6.4 million square feet in 2010. The region's effective rents only decreased by 0.9%, as compared to a 6.5% decrease in 2010. Delta expects the region's office market to remain slow during 2012, with uncertainty over the federal budget affecting leasing activity. Our office segment was 89.7% leased at year-end 2011, a decrease from 90.7% leased at year-end 2010. By submarket, our office segment was 92.9% leased in Northern Virginia, 86.5% leased in Suburban Maryland, and 88.3% leased in the District of Columbia at year end 2011.

Our medical office segment was 88.6% leased at year-end 2011, a decrease from 90.2% at year-end 2010. The segment's leased percentage reflects the 2009 acquisition of the newly-constructed Lansdowne Medical Office Building, which was 32.0% leased at year-end 2011. Excluding Lansdowne Medical Office Building, the segment was 92.5% leased at year-end 2011, as compared to 95.2% at year-end 2010.

The region's retail market improved in 2011, with rental rates at grocery-anchored centers increasing by 2.1%, as compared to a 2.4% decrease in 2010. Vacancy rates decreased to 5.5% from 5.6% in 2010. Our retail segment was 93.5% leased at year-end 2011, up from 92.2% at year-end 2010.

The region's multifamily market remained strong during 2011. The region's vacancy rate for investment grade apartments increased to 3.8%, up from 3.4% one year ago but significantly better than the national vacancy rate of 5.8%. During the same period rents increased by 2.1%. Our multifamily segment was 95.8% leased at year-end 2011, down from 97.4% at year-end 2010.

Investment Activity

We sold our entire industrial segment and three office properties during 2011, and executed five property acquisitions. In addition, we executed two separate land acquisitions for multifamily development as the majority partner in consolidated joint ventures. These acquisitions are consistent with our current strategy of focusing on properties inside the Washington metro region's Beltway, near major transportation nodes and in areas with strong employment drivers and superior growth demographics. We will continue to seek to acquire properties that fit our strategy during 2012, while partially financing these acquisitions with the sale of properties from our portfolio that we believe have lower potential for growth.

Capital Requirements

Over the past year, we continued to focus on strengthening our balance sheet in order to minimize our refinancing risk and prepare for future acquisitions as transaction volume increases. To this end, we executed an unsecured credit facility agreement that had the effect of expanding the total borrowing capacity on our unsecured lines of credit by \$138.0 million. Our unsecured lines of credit had \$99.0 million outstanding and a \$0.8 million letter of credit issued at December 31, 2011, leaving a remaining borrowing capacity of \$375.2 million. Our \$75.0 million unsecured line of credit matures in June 2012. We currently expect to enter into a new unsecured revolving credit facility at an amount at least equal to our \$75.0 million unsecured line of credit which expires in 2012.

We have a combined \$71.7 million of unsecured and mortgage notes payable that mature in 2012. We currently expect to pay these maturities with some combination of proceeds from new debt, property sales and equity issuances.

Significant Transactions

We summarize below our significant transactions during the two years ended December 31, 2011:

2011

The disposition of our industrial segment and two office properties, totaling approximately 3.1 million square feet, under five separate sales contracts for an aggregate contract sales price of \$350.9 million and a gain on sale of \$97.5 million.

The disposition of Dulles Station, Phase I, a 180,000 square foot office building in Herndon, Virginia, for a contract sales price of \$58.8 million.

The acquisition of four office buildings for \$301.8 million, adding approximately 882,000 square feet.

The acquisition a retail property for \$58.0 million, adding approximately 199,000 square feet.

The acquisition of approximately 37,000 square feet of land in Arlington, Virginia for \$11.8 million through a consolidated joint venture of which WRIT is the 90% owner. The joint venture intends to develop a mid-rise apartment property on this land.

The acquisition of approximately one acre of land in Alexandria, Virginia for \$13.9 million through a consolidated joint venture of which WRIT is the 95% owner. The joint venture intends to develop a high-rise apartment property on this land.

The execution of an unsecured credit facility agreement with Wells Fargo that replaced and expanded Credit Facility No. 2 (i.e., our previous credit facility with Wells Fargo) from \$262.0 million to \$400.0 million, with an accordion feature that allows us to increase the facility to \$600.0 million, subject to additional lender commitments. The new unsecured line of credit matures on July 1, 2014, with a one-year extension option, and currently bears an interest rate at LIBOR plus a margin of 122.5 basis points.

The execution of new leases for 1.0 million square feet of commercial space, with an average rental rate increase of 9.1% over expiring leases (excluding first generation leases at recently-built properties and sold properties).

2010

The acquisition of two office buildings for \$68.0 million, adding approximately 271,000 square feet.

The acquisition of a retail property for \$88.4 million, adding approximately 223,000 square feet.

The disposition of the Parklawn Portfolio, consisting of three office properties and one industrial property totaling approximately 229,000 square feet, for a contract sales price of \$23.4 million and a gain on sale of \$7.9 million.

The disposition of a 104,000 square foot office property, the Ridges, for a contract sales price of \$27.5 million and a gain on sale of \$4.5 million.

The disposition of three industrial properties totaling 305,000 square feet, Ammendale I & II and Amvax, for a contract sales price of \$23.0 million and a gain on sale of \$9.2 million.

The issuance of \$250.0 million of 4.95% unsecured notes due October 1, 2020, with net proceeds of \$245.8 million.

The notes bear an effective interest rate of 5.053%.

The repurchases by tender offer of \$122.8 million of our 3.875% convertible notes at 102.8% of par, resulting in a net loss on extinguishment of debt of \$6.5 million. Prior to the tender offer, we had executed repurchases of our 3.875% convertible notes totaling \$8.8 million at 100.1% of par, resulting in a net loss on extinguishment of debt of \$0.3 million.

The repurchases by tender offer of \$56.1 million of our 5.95% senior notes at 103.8% of par, resulting in a net loss on extinguishment of debt of \$2.4 million.

The issuance of 5.6 million common shares at a weighted average price of \$30.34 under our sales agency financing agreement, raising \$168.9 million in net proceeds.

The execution of new leases for 1.0 million square feet of commercial space, with an average rental rate increase of 13.6% over expiring leases (excluding first generation leases at recently-built properties).

Critical Accounting Policies and Estimates

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

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

Allowance for Doubtful Accounts

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

Accounting for Real Estate Acquisitions

We record acquired or assumed assets, including physical assets and in-place leases, and liabilities, based on their fair values. We record goodwill when the purchase price exceeds the fair value of the assets and liabilities acquired. We determine the estimated fair values of the assets and liabilities in accordance with current GAAP fair value provisions. We determine the fair values of acquired buildings on an "as-if-vacant" basis considering a variety of factors, including the replacement cost of the property, estimated rental and absorption rates, estimated future cash flows and valuation assumptions consistent with current market conditions. We determine the fair value of land based on comparisons to similar properties that have been recently marketed for sale or sold.

The fair value of in-place leases consists of the following components: (a) the estimated cost to us to replace the leases, including foregone rents during the period of finding a new tenant and foregone recovery of tenant pass-throughs (referred to as "absorption cost"); (b) the estimated cost of tenant improvements, and other direct costs associated with obtaining a new tenant (referred to as "tenant origination cost"); (c) estimated leasing commissions associated with obtaining a new tenant (referred to as "leasing commissions"); (d) the above/at/below market cash flow of the leases, determined by comparing the projected cash flows of the leases in place to projected cash flows of comparable market-rate leases (referred to as "net lease intangible"); and (e) the value, if any, of customer relationships, determined based on our evaluation of the specific characteristics of each tenant's lease and our overall relationship with the tenant (referred to as "customer relationship value").

We discount the amounts used to calculate net lease intangibles using an interest rate which reflects the risks associated with the leases acquired. We include tenant origination costs in income producing property on our balance sheet and amortize the tenant origination costs as depreciation expense on a straight-line basis over the useful life of the asset, which is typically the remaining life of the underlying leases. We classify leasing commissions and absorption costs as other assets and amortize leasing commissions and absorption costs as amortization expense on a straight-line basis over the remaining life of the underlying leases. We classify above market net lease intangible assets as other assets and amortize them on a straight-line basis as a decrease to real estate rental revenue over the remaining term of the underlying leases. We classify below market net lease intangible liabilities as other liabilities and amortize them on a straight-line basis as an increase to real estate rental revenue over the remaining term of the underlying leases. Should a tenant terminate its lease, we accelerate the amortization of the unamortized portion of the

tenant origination cost (if it has no future value), leasing commissions, absorption costs and net lease intangible associated with that lease over its new shorter term.

Capitalized Interest

We capitalize interest costs incurred on borrowing obligations while qualifying assets are being readied for their intended use. We

amortize capitalized interest over the useful life of the related underlying assets upon those assets being placed into service.

Real Estate Impairment

We recognize impairment losses on long-lived assets used in operations and held for sale, development assets or land held for future development, if indicators of impairment are present and the net undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount and estimated undiscounted cash flows associated with future development expenditures. If such carrying amount is in excess of the estimated cash flows from the operation and disposal of the property, we would recognize an impairment loss equivalent to an amount required to adjust the carrying amount to the estimated fair value. The estimated fair value would be calculated in accordance with current GAAP fair value provisions.

Stock Based Compensation

We recognize compensation expense for service-based share awards ratably over the period from the service inception date through the vesting period based on the fair market value of the shares on the date of grant. We initially measure compensation expense for awards with performance conditions at fair value at the service inception date based on probability of payout, and we remeasure compensation expense at subsequent reporting dates until all of the award's key terms and conditions are known and the grant date is established. We amortize awards with performance conditions over the performance period using the graded expense method. We measure compensation expense for awards with market conditions based on the grant date fair value, as determined using a Monte Carlo simulation, and we amortize the expense ratably over the requisite service period, regardless of whether the market conditions are achieved and the awards ultimately vest. Compensation expense for the trustee grants, which fully vest immediately, is fully recognized upon issuance based upon the fair market value of the shares on the date of grant.

Federal Income Taxes

Generally, and subject to our ongoing qualification as a REIT, no provisions for income taxes are necessary except for taxes on undistributed REIT taxable income and taxes on the income generated by our taxable REIT subsidiaries ("TRS's"). Our TRS's are subject to corporate federal and state income tax on their taxable income at regular statutory rates. During the fourth quarter of 2011 we recognized a \$14.5 million impairment charge at Dulles Station, Phase II, a development property held by one of our TRS's (see note 3 to the consolidated financial statements). The impairment charge created a deferred tax asset of \$5.7 million at this TRS, and we have determined that it is more likely than not that this deferred tax asset will not be realized, as we cannot reliably project sufficient future taxable income in the TRS's to realize all or part of the deferred tax asset. We have therefore recorded a valuation allowance for the full amount of the deferred tax asset related to the impairment charge at Dulles Station, Phase II. As of December 31, 2011, our TRS's had a net deferred tax asset of \$0.1 million and a net deferred tax liability of \$0.5 million, primarily related to temporary differences in the timing of the recognition of revenue, amortization and depreciation. There were no material income tax provisions or material net deferred income tax items for our TRS's for the years ended December 31, 2010 and 2009.

Results of Operations

The discussion that follows is based on our consolidated results of operations for the years ended December 31, 2011, 2010 and 2009. The ability to compare one period to another is significantly affected by acquisitions completed and dispositions made during those years.

For purposes of evaluating comparative operating performance, we categorize our properties as "same-store", "non-same-store" or discontinued operations. A "same-store" property is one that was owned for the entirety of the periods being evaluated and is included in continuing operations. A "non-same-store" property is one that was acquired or placed into service during either of the periods being evaluated and is included in continuing operations. We classify results for properties sold or held for sale during any of the periods evaluated as discontinued operations.

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Properties we acquired during the years ending December 31, 2011, 2010 and 2009 are as follows:

Acquisition Date	Property	Type	Rentable Square Feet	Contract Purchase Price (In thousands)
January 11, 2011	1140 Connecticut Ave	Office	184,000	\$80,250
March 30, 2011	1127 25th St	Office	130,000	47,000
June 15, 2011	650 North Glebe Road	Land	N/A	11,800
August 30, 2011	Olney Village	Retail	199,000	58,000
September 13, 2011	Braddock Metro	Office	345,000	101,000
September 15, 2011	John Marshall II	Office	223,000	73,500
November 23, 2011	1219 First Street	Land	N/A	13,850
		Total 2011	1,081,000	\$385,400
June 3, 2010	925 and 1000 Corporate Drive	Office	271,000	\$68,000
December 1, 2010	Gateway Overlook	Retail	223,000	88,400
		Total 2010	494,000	\$156,400
August 13, 2009	Lansdowne Medical Office Building	Medical Office	87,000	\$19,900
		Total 2009	87,000	\$19,900

Properties we sold or classified as held for sale during the three years ending December 31, 2011 are as follows:

Disposition Date	Property	Type	Rentable Square Feet	Contract Purchase Price (In thousands)
April 5, 2011	Dulles Station, Phase I	Office	180,000	\$58,800
Various ⁽¹⁾	Industrial Portfolio ⁽¹⁾	Industrial/Office	3,092,000	350,900
		Total 2011	3,272,000	\$409,700
June 18, 2010	Parklawn Portfolio ⁽²⁾	Office/Industrial	229,000	\$23,400
December 21, 2010	The Ridges	Office	104,000	27,500
December 22, 2010	Ammendale I&II/Amvax	Industrial	305,000	23,000
		Total 2010	638,000	\$73,900
May 13, 2009	Avondale	Multifamily	170,000	\$19,800
July 23, 2009	Tech 100 Industrial Park	Industrial	166,000	10,500
July 31, 2009	Brandywine Center	Office	35,000	3,300
November 13, 2009	Crossroads Distribution Center	Industrial	85,000	4,400
		Total 2009	456,000	\$38,000

The Industrial Portfolio consists of every property in our industrial segment and two office properties (the Crescent and Albemarle Point), and we closed on the sale on three separate dates. On September 2, 2011, we closed on the sale of the two office properties (the Crescent and Albemarle Point) and 8880 Gorman Road, Dulles South IV, Fullerton Business Center, Hampton Overlook, Alban Business Center, Pickett Industrial Park, Northern Virginia Industrial Park I, 270 Technology Park, Fullerton Industrial Center, Sully Square, 9950 Business Parkway, Hampton South and 8900 Telegraph Road. On October 3, 2011, we closed the sale of Northern Virginia Industrial Park II. On November 1, 2011, we closed on the sale of 6100 Columbia Park Road and Dulles Business Park I and II.

(1)

(2)

The Parklawn Portfolio consists of three office properties (Parklawn Plaza, Lexington Building and Saratoga Building) and one industrial property (Charleston Business Center).

To provide more insight into our operating results, we divide our discussion into two main sections: (a) the consolidated results of operations section, in which we provide an overview analysis of results on a consolidated basis, and (b) the net operating income

(“NOI”) section, in which we provide a detailed analysis of same-store versus non-same-store NOI results by segment. NOI is a non-GAAP measure calculated as real estate rental revenue less real estate expenses excluding depreciation and amortization and general and administrative expenses.

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):

	2011	2010	2009	2011 vs 2010	% Change	2010 vs 2009	% Change	
Minimum base rent	\$256,016	\$227,604	\$222,733	\$28,412	12.5	% \$4,871	2.2	%
Recoveries from tenants	26,058	24,484	27,571	1,574	6.4	% (3,087)	(11.2)	%
Provisions for doubtful accounts	(4,627)	(4,307)	(4,236)	(320)	7.4	% (71)	1.7	%
Lease termination fees	517	349	1,075	168	48.1	% (726)	(67.5)	%
Parking and other tenant charges	11,563	10,360	9,406	1,203	11.6	% 954	10.1	%
	\$289,527	\$258,490	\$256,549	\$31,037	12.0	% \$1,941	0.8	%

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

Minimum Base Rent: Minimum base rent increased by \$28.4 million in 2011 primarily due to acquisitions (\$26.5 million). Minimum base rent from same-store properties increased by \$1.9 million primarily due to higher rental rates (\$5.0 million), partially offset by lower occupancy (\$2.5 million) and higher amortization of capitalized lease incentives (\$0.4 million).

Minimum base rent increased by \$4.9 million in 2010 primarily due to acquisitions (\$5.6 million) and higher rental rates at same-store properties (\$3.9 million), partially offset by lower occupancy (\$3.5 million) and lower amortization of intangible lease liabilities (\$0.8 million) at same-store properties.

Recoveries from Tenants: Recoveries from tenants increased by \$1.6 million in 2011 primarily due to acquisitions (\$3.1 million), partially offset by lower real estate tax recoveries from same-store properties (\$1.2 million) caused by lower property tax assessments across the portfolio.

Recoveries from tenants decreased by \$3.1 million in 2010 primarily due to lower real estate tax recoveries (\$2.1 million) caused by lower property tax assessments across the portfolio, as well as lower operating expense and electricity reimbursements (\$1.3 million) caused by lower electricity rates and lower occupancy. These were partially offset by recoveries from tenants at non-same-store properties (\$0.2 million).

Provisions for Doubtful Accounts: Provisions for doubtful accounts increased by \$0.3 million in 2011 due to higher provisions in the retail (\$0.9 million) and medical office (\$0.2 million) segments, partially offset by lower provisions in the office (\$0.7 million) and multifamily (\$0.1 million) segments.

Provisions for doubtful accounts increased by \$0.1 million in 2010 due to higher provisions in the medical office (\$0.1 million), retail (\$0.1 million) and multifamily (\$0.1 million) segments, partially offset by lower provisions in the office segment (\$0.2 million).

Lease Termination Fees: Lease termination fees increased by \$0.2 million in 2011 primarily due to higher fees in the retail (\$0.1 million) segment.

Lease termination fees decreased by \$0.7 million in 2010 primarily due to lower fees in the office (\$0.3 million) and retail (\$0.3 million) segments.

Parking and Other Tenant Charges: Parking and other tenant charges increased by \$1.2 million in 2011 primarily due to acquisitions (\$0.7 million), as well as increases in parking income (\$0.3 million) and antenna rent (\$0.1 million)

from same-store properties.

Parking and other tenant charges increased by \$1.0 million in 2010 primarily due to an increase in antenna rent (\$0.5 million) caused by new antenna leases in the office and multifamily segments, as well as an increase in parking income (\$0.4 million).

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

Segment	2011	2010	2009	2011 vs 2010	2010 vs 2009
Office	89.0	% 89.4	% 91.6	% (0.4)	)% (2.2)
Medical Office	86.5	% 88.5	% 87.9	% (2.0)	)% 0.6
Retail	93.3	% 92.1	% 93.6	% 1.2	% (1.5)
Multifamily	94.9	% 95.7	% 94.2	% (0.8)	)% 1.5
Total	90.8	% 91.3	% 92.1	% (0.5)	)% (0.8)

Occupancy represents occupied square footage indicated as a percentage of total square footage as of the last day of that period.

Our overall occupancy decreased to 90.8% in 2011 from 91.3% in 2010, as declines in office, medical office and multifamily occupancy were partially offset by an increase in retail occupancy.

Our overall occupancy decreased to 91.3% in 2010 from 92.1% in 2009, as declines in office and retail occupancy were partially offset by increases in medical office and multifamily occupancy.

A detailed discussion of occupancy by sector can be found in the Net Operating Income section.

Real Estate Expenses

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

	2011	2010	2009	2011 vs 2010	% Change	2010 vs 2009	% Change
Property operating expenses	\$69,954	\$61,617	\$62,217	\$8,337	13.5	% \$(600)	(1.0)
Real estate taxes	27,238	25,043	27,072	2,195	8.8	% (2,029)	(7.5)
	\$97,192	\$86,660	\$89,289	\$10,532	12.2	% \$(2,629)	(2.9)

Real estate expenses as a percentage of revenue were 33.6% for 2011, 33.5% for 2010 and 34.8% for 2009.

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

Property operating expenses increased \$8.3 million in 2011 primarily due to acquisitions (\$6.3 million). Property operating expenses from same-store properties increased by \$1.9 million primarily due to higher administrative (\$0.5 million), repairs and maintenance (\$0.6 million), legal (\$0.5 million) and vacant space preparation (\$0.2 million) expenses.

Property operating expenses decreased \$0.6 million in 2010 primarily due to lower bad debt expense (\$1.7 million) at same-store properties, partially offset by operating expenses from acquisitions (\$1.2 million).

Real Estate Taxes: Real estate taxes increased \$2.2 million in 2011 due to acquisitions (\$3.5 million), partially offset by lower real estate taxes at same-store properties (\$1.3 million) due to lower property assessments.

Real estate taxes decreased \$2.0 million in 2010 due primarily to lower property assessments across the portfolio.

Other Operating Expenses

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

	2011	2010	2009	2011 vs 2010	% Change	2010 vs 2009	% Change
Depreciation and amortization	\$93,297	\$80,066	\$77,549	\$13,231	16.5	% \$2,517	3.2
Interest expense	66,473	67,229	72,694	(756)	(1.1)	)% (5,465)	(7.5)
General and administrative	15,728	14,406	13,118	1,322	9.2	% 1,288	9.8
	\$175,498	\$161,701	\$163,361	\$13,797	8.5	% \$(1,660)	(1.0)

Depreciation and Amortization: Depreciation and amortization expense increased by \$13.2 million in 2011 as compared to 2010 primarily due to operating properties acquired and placed into service of \$359.8 million and \$156.4 million in 2011 and 2010, respectively.

Depreciation and amortization expense increased by \$2.5 million in 2010 as compared to 2009 primarily due to properties acquired and placed into service of \$156.4 million and \$19.9 million in 2010 and 2009, respectively. Interest Expense: A summary of interest expense for the years ended December 31, 2011, 2010 and 2009 appears below (in millions, except percentage amounts):

Debt Type	2011	2010	2009	2011 vs 2010	% Change	2010 vs 2009	% Change
Notes payable	\$38.9	\$41.7	\$48.2	\$(2.8)	(6.7)%	\$(6.5)	(13)%
Mortgages	23.5	22.5	24.4	1.0	4.4%	(1.9)	(8)%
Lines of credit/ short-term note payable	4.8	3.8	1.5	1.0	26.3%	2.3	153%
Capitalized interest	(0.7)	(0.8)	(1.4)	0.1	(12.5)%	0.6	(43)%
Total	\$66.5	\$67.2	\$72.7	\$(0.7)	(1.0)%	\$(5.5)	—

The \$2.8 million decrease in notes payable interest during 2011 is due to paying off our 3.875% convertible notes and our 5.95% senior notes during 2011, partially offset by the issuance of our 4.95% senior notes in September 2010. The \$1.0 million increase in mortgage interest expense is due to the assumption of mortgage notes with the acquisitions of Olney Village Center and John Marshall II, partially offset by the pay-off of the mortgage note secured by Shady Grove Medical Village II during 2011. The \$1.0 million increase during 2011 in interest expense on our unsecured lines of credit is attributable to having larger borrowings outstanding on average during 2011 in order to partially finance our property acquisitions and the pay-off of our 5.95% senior notes.

Interest expense decreased by \$5.5 million during 2010 as compared to 2009. We paid off a \$100.0 million term loan in December 2009 using one of our lines of credit, resulting in a net interest expense decrease of \$2.9 million during 2010. Additionally, we used the proceeds from the issuance of 4.95% senior notes to pay down significant portions of our 3.875% convertible notes and our 5.95% senior notes, resulting in a net interest expense decrease of \$1.4 million. Mortgage interest expense decreased by \$1.9 million due to the payoff of a \$50.0 million mortgage note in July 2009. These were partially offset by a \$0.6 million decrease in capitalized interest.

General and Administrative Expense: General and administrative expense increased by \$1.3 million in 2011 primarily due to higher compensation expense driven by severance costs related to the disposal of the industrial segment and annual pay increases.

General and administrative expense increased by \$1.3 million in 2010 as compared to 2009 due primarily to higher incentive compensation expense and the reorganization of the leasing department.

Real Estate Impairment

We recognized a \$0.6 million impairment charge for Dulles Station, Phase I during the first quarter of 2011 to reflect the property's fair value less any selling costs based on its contract sales price. This expense related to a sold property is included in income from properties sold or held for sale on the consolidated statements of operation.

Dulles Station, Phase II consists of undeveloped land in Herndon, Virginia and a half interest in a parking garage that is adjacent to this land. The land is zoned for development as an office building. In connection with the preparation of financial statements for this Annual Report on Form 10-K, we reviewed changes in market conditions, specifically higher vacancy and lower rental rates in the Washington metro region office market and other circumstances affecting the Herndon submarket, such as the increased uncertainty surrounding the timing of the completion of the second phase of the Dulles Metrorail project, and reassessed the likelihood that we would follow through on these development plans. Based upon the foregoing review and assessment, we determined that the development of the land at Dulles Station, Phase II is not probable under current market conditions. Due to this determination, we recognized a \$14.5 million impairment charge during the fourth quarter of 2011 in order to reduce the carrying value of the land and garage at Dulles Station, Phase II to its fair value of \$12.1 million.

Discontinued Operations

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

	2011	2010	2009	2011 vs 2010	% Change	2010 vs 2009	% Change	
Revenues	\$26,154	\$47,646	\$53,726	\$(21,492)	(45.1)%	\$(6,080)	(11.3)%	
Property expenses	(7,697)	(15,248)	(16,646)	7,551	(49.5)%	1,398	(8.4)%	
Real estate impairment	(599)	—	—	(599)				
Depreciation and amortization	(7,231)	(15,680)	(16,896)	8,449	(53.9)%	1,216	(7.2)%	
Interest expense	(474)	(1,750)	(2,307)	1,276	(72.9)%	557	(24.1)%	
Total	\$10,153	\$14,968	\$17,877	\$(4,815)	(32.2)%	\$(2,909)	(16.3)%	

Income from operations of properties sold or held for sale decreased by \$4.8 million in 2011 due to the sales of the industrial portfolio and Dulles Station, Phase I.

Income from operations of properties sold or held for sale decreased by \$2.9 million in 2010 due to the sales of the Parklawn Portfolio, the Ridges, Ammendale I and II and Amvax in 2010.

Net Operating Income

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

2011 Compared to 2010

The following tables of selected operating data reconcile NOI to net income attributable to the controlling interests and provide the basis for our discussion of NOI in 2011 compared to 2010. All amounts are in thousands except percentage amounts.

	Years Ended December 31,				
	2011	2010	\$ Change	% Change	
Real Estate Rental Revenue					
Same-store	\$253,639	\$252,837	\$802	0.3	%
Non-same-store ⁽¹⁾	35,888	5,653	30,235	534.8	%
Total real estate rental revenue	\$289,527	\$258,490	\$31,037	12.0	%
Real Estate Expenses					
Same-store	\$85,358	\$84,723	\$635	0.7	%
Non-same-store ⁽¹⁾	11,834	1,937	9,897	510.9	%
Total real estate expenses	\$97,192	\$86,660	\$10,532	12.2	%
NOI					
Same-store	\$168,281	\$168,114	\$167	0.1	%
Non-same-store ⁽¹⁾	24,054	3,716	20,338	547.3	%
Total NOI	\$192,335	\$171,830	\$20,505	11.9	%
Reconciliation to Net Income					
NOI	\$192,335	\$171,830			
Other income	1,144	1,193			
Acquisition costs	(3,607	) (1,161)		
Interest expense	(66,473	) (67,229)		
Depreciation and amortization	(93,297	) (80,066)		
General and administrative	(15,728	) (14,406)		
Real estate impairment	(14,526) —			
Gain (loss) on extinguishment of debt	(976	) (9,176)		
Gain on non disposal activities	—	7			
Discontinued operations ⁽²⁾	10,153	14,968			
Gain on sale of real estate	97,491	21,599			
Income tax expense	(1,138) —			
Net income	105,378	37,559			
Less: Net income attributable to noncontrolling interests	(494	) (133)		
Net income attributable to the controlling interests	\$104,884	\$37,426			
Occupancy			2011	2010	
Same-store			91.1	% 91.8	%
Non-same-store ⁽¹⁾			89.5	% 82.7	%
Total			90.8	% 91.3	%

⁽¹⁾ Non-same-store properties include:

2011 Office acquisitions – 1140 Connecticut Avenue, 1227 2nd Street, Braddock Metro Center and John Marshall II
 2011 Retail acquisition – Olney Village Center
 2010 Office acquisitions – 925 and 1000 Corporate Drive
 2010 Retail acquisition – Gateway Overlook
 2009 Medical Office acquisition – Lansdowne Medical Office Building

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

2011 dispositions - Dulles Station, Phase I and the Industrial Portfolio

2010 dispositions - Parklawn Portfolio, the Ridges, Ammendale I&II and Amvax

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Real estate rental revenue from same-store properties increased by \$0.8 million in 2011 primarily due to higher rental rates (\$5.0 million), partially offset by lower occupancy (\$2.5 million) and lower recoveries from tenants (\$1.5 million).

Real estate expenses from same-store properties increased by \$0.6 million in 2011 primarily due to higher repairs and maintenance (\$0.6 million), administrative (\$0.5 million), legal (\$0.5 million) and vacant space preparation (\$0.2 million) expenses, partially offset by lower real estate taxes (\$1.3 million).

Same-store occupancy decreased to 91.1% in 2011 from 91.8% in 2010, with the largest decrease in the medical office segment. Non-same-store occupancy increased to 89.5% in 2011 from 82.7% in 2010, driven by the acquisitions in 2011 of John Marshall II and Olney Village Center, each of which were 100.0% occupied at the end of 2011. During 2011, 59.4% of the commercial square footage expiring was renewed as compared to 60.8% in 2010, excluding properties sold or classified as held for sale. During 2011, 1.0 million commercial square feet were leased at an average rental rate of \$31.34 per square foot, an increase of 9.1%, with average tenant improvements and leasing costs of \$22.02 per square foot. These leasing statistics exclude first generation leases at recently-built properties. An analysis of NOI by segment follows.

Office Segment:

	Years Ended December 31,		\$ Change	% Change	
	2011	2010			
Real Estate Rental Revenue					
Same-store	\$117,161	\$118,913	\$(1,752)	(1.5))%
Non-same-store ⁽¹⁾	25,709	4,947	20,762	419.7	%
Total real estate rental revenue	\$142,870	\$123,860	\$19,010	15.3	%
Real Estate Expenses					
Same-store	\$39,974	\$41,095	\$(1,121)	(2.7))%
Non-same-store ⁽¹⁾	8,986	1,297	7,689	592.8	%
Total real estate expenses	\$48,960	\$42,392	\$6,568	15.5	%
NOI					
Same-store	\$77,187	\$77,818	\$(631)	(0.8))%
Non-same-store ⁽¹⁾	16,723	3,650	13,073	358.2	%
Total NOI	\$93,910	\$81,468	\$12,442	15.3	%
Occupancy			2011	2010	
Same-store			88.0	% 88.6	%
Non-same-store ⁽¹⁾			92.3	% 100.0	%
Total			89.0	% 89.4	%

⁽¹⁾ Non-same-store properties include:

2011 acquisitions – 1140 Connecticut Avenue, 1227 2nd Street, Braddock Metro Center and John Marshall II

2010 acquisitions – 925 and 1000 Corporate Drive

Real estate rental revenue from same-store properties decreased by \$1.8 million in 2011 primarily due to lower occupancy (\$1.6 million) and lower real estate tax reimbursements from tenants (\$1.2 million), partially offset by higher rental rates (\$1.1 million).

Real estate expenses from same-store properties decreased by \$1.1 million in 2011 primarily due lower real estate taxes (\$1.2 million).

Same-store occupancy decreased to 88.0% in 2011 from 88.6% in 2010, primarily due to higher vacancy at 2000 M Street and West Gude Drive. During 2011, 44.9% of the square footage that expired was renewed compared to 47.3% in 2010, excluding properties sold or classified as held for sale. During 2011, we executed new leases for 0.6 million square feet of office space at an average rental rate of \$32.64 per square foot, an increase of 6.4%, with average tenant improvements and leasing costs of \$25.25 per square foot.

Medical Office Segment:

	Years Ended December 31,		\$ Change	% Change	
	2011	2010			
Real Estate Rental Revenue					
Same-store	\$44,627	\$44,949	\$(322)	(0.7))%
Non-same-store ⁽¹⁾	630	79	551	697.5	%
Total real estate rental revenue	\$45,257	\$45,028	\$229	0.5	%
Real Estate Expenses					
Same-store	\$13,644	\$14,205	\$(561)	(3.9))%
Non-same-store ⁽¹⁾	598	510	88	17.3	%
Total real estate expenses	\$14,242	\$14,715	\$(473)	(3.2))%
NOI					
Same-store	\$30,983	\$30,744	\$239	0.8	%
Non-same-store ⁽¹⁾	32	(431)	) 463	(107.4))%
Total NOI	\$31,015	\$30,313	\$702	2.3	%
Occupancy			2011	2010	
Same-store			90.6	% 93.8	%
Non-same-store ⁽¹⁾			27.0	% 14.7	%
Total			86.5	% 88.5	%

⁽¹⁾ Non-same-store properties include:

2009 acquisition – Lansdowne Medical Office Building

Real estate rental revenue from same-store properties decreased by \$0.3 million in 2011 primarily due to lower occupancy (\$0.9 million) and lower expense reimbursements from tenants (\$0.7 million), partially offset by higher rental rates (\$1.4 million).

Real estate expenses from same-store properties decreased by \$0.6 million in 2011 primarily due to recoveries of bad debt (\$0.3 million) and lower real estate taxes (\$0.1 million).

Same-store occupancy decreased to 90.6% in 2011 from 93.8% in 2010, primarily due to higher vacancy at Woodholme Medical Center and Shady Grove Medical Village II. Non-same-store occupancy increased to 27.0% from 14.7%, reflecting the progress made in the lease-up of Lansdowne Medical Office Building, which was vacant when acquired during the third quarter of 2009. This building was 32.0% leased as of the end of 2011. During 2011, 72.7% of the square footage that expired was renewed compared to 78.9% in 2010. During 2011, we executed new leases for 0.2 million square feet of medical office space at an average rental rate of \$37.52, an increase of 13.4%, with average tenant improvements and leasing costs of \$20.26 per square foot. These leasing statistics exclude first generation leases at Lansdowne Medical Office Building, which was newly-constructed and vacant when acquired.

Retail Segment:

	Years Ended December 31,		\$ Change	% Change	
	2011	2010			
Real Estate Rental Revenue					
Same-store	\$40,872	\$40,376	\$496	1.2	%
Non-same-store ⁽¹⁾	9,549	627	8,922		
Total real estate rental revenue	\$50,421	\$41,003	\$9,418	23.0	%
Real Estate Expenses					
Same-store	\$12,023	\$10,180	\$1,843	18.1	%
Non-same-store ⁽¹⁾	2,250	130	2,120		
Total real estate expenses	\$14,273	\$10,310	\$3,963	38.4	%
NOI					
Same-store	\$28,849	\$30,196	\$(1,347)	(4.5))%
Non-same-store ⁽¹⁾	7,299	497	6,802		
Total NOI	\$36,148	\$30,693	\$5,455	17.8	%
Occupancy			2011	2010	
Same-store			93.0	% 92.5	%
Non-same-store ⁽¹⁾			94.7	% 88.2	%
Total			93.3	% 92.1	%

⁽¹⁾ Non-same-store properties include:

2011 acquisition – Olney Village Center

2010 acquisition – Gateway Overlook

Real estate rental revenue from same-store properties increased by \$0.5 million in 2011 primarily due to higher rental rates (\$0.6 million), expense reimbursements from tenants (\$0.4 million) and occupancy (\$0.2 million), partially offset by higher reserves for uncollectible revenue (\$0.8 million).

Real estate expenses from same-store properties increased by \$1.8 million in 2011 due to higher bad debt (\$0.8 million), legal expenses (\$0.5 million) and vacant space preparation expenses (\$0.2 million).

Same-store occupancy increased to 93.0% in 2011 from 92.5% in 2010, driven by higher occupancy at Montrose Shopping Center. Non-same-store occupancy increased to 94.7% from 88.2% due to the acquisition of the fully-leased Olney Village Center. During 2011, 87.8% of the square footage that expired was renewed compared to 72.7% in 2010. During 2011, we executed new leases for 0.2 million square feet of retail space at an average rental rate of \$21.52, an increase of 16.6%, with average tenant improvements and leasing costs of \$13.69 per square foot.

Multifamily Segment:

	Years Ended December 31,				
	2011	2010	\$ Change	% Change	
Real Estate Rental Revenue					
Total	\$50,979	\$48,599	\$2,380	4.9	%
Real Estate Expenses					
Total	\$19,717	\$19,243	\$474	2.5	%
NOI					
Total	\$31,262	\$29,356	\$1,906	6.5	%
Occupancy			2011	2010	
Total			94.9	% 95.7	%

Real estate rental revenue increased by \$2.4 million in 2011 primarily due to higher rental rates (\$1.9 million) and lower rent abatements (\$0.4 million).

Real estate expenses increased by \$0.5 million in 2011 due primarily to higher administrative (\$0.3 million) and repairs and maintenance (\$0.2 million) expenses.

Occupancy decreased to 94.9% in 2011 from 95.7% in 2010, driven by lower occupancy at The Kenmore, 3801 Connecticut Avenue and Bethesda Hill Apartments.

2010 Compared to 2009

The following tables of selected operating data reconcile NOI to net income attributable to the controlling interests and provide the basis for our discussion of NOI in 2010 compared to 2009. All amounts are in thousands except percentage amounts.

	Years Ended December 31,				
	2010	2009	\$ Change	% Change	
Real Estate Rental Revenue					
Same-store	\$244,805	\$249,586	\$(4,781)	(1.9))%
Non-same-store ⁽¹⁾	13,685	6,963	6,722	96.5	%
Total real estate rental revenue	\$258,490	\$256,549	\$1,941	0.8	%
Real Estate Expenses					
Same-store	\$81,348	\$85,499	\$(4,151)	(4.9))%
Non-same-store ⁽¹⁾	5,312	3,790	1,522	40.2	%
Total real estate expenses	\$86,660	\$89,289	\$(2,629)	(2.9))%
NOI					
Same-store	\$163,457	\$164,087	\$(630)	(0.4))%
Non-same-store ⁽¹⁾	8,373	3,173	5,200	163.9	%
Total NOI	\$171,830	\$167,260	\$4,570	2.7	%
Reconciliation to Net Income					
NOI	\$171,830	\$167,260			
Other income	1,193	1,205			
Acquisition costs	(1,161)	(788))		
Income from non-disposal activities	7	71			
Interest expense	(67,229)	(72,694))		
Depreciation and amortization	(80,066)	(77,549))		
General and administrative expenses	(14,406)	(13,118))		
Gain (loss) on extinguishment of debt	(9,176)	5,336)		
Discontinued operations ⁽²⁾	14,968	17,877			
Gain on sale of real estate	21,599	13,348			
Net income	37,559	40,948			
Less: Net income attributable to noncontrolling interests	(133)	(203))		
Net income attributable to the controlling interests	\$37,426	\$40,745			
Occupancy			2010	2009	
Same-store			91.8	% 93.0	%
Non-same-store ⁽¹⁾			85.6	% 70.9	%
Total			91.3	% 92.1	%

⁽¹⁾ Non-same-store properties include:

Multifamily development properties – Clayborne Apartments and Bennett Park
 2010 Office acquisitions – 925 and 1000 Corporate Drive
 2010 Retail acquisition – Gateway Overlook
 2009 Medical Office acquisition – Lansdowne Medical Office Building

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

2011 dispositions - Dulles Station, Phase I and the Industrial Portfolio

2010 dispositions - Parklawn Portfolio, the Ridges, Ammendale I&II and Amvax

2009 dispositions - Avondale, Tech 100 Industrial Park, Brandywine Center and Crossroads Distribution Center

Real estate rental revenue from same-store properties decreased by \$4.8 million in 2010 primarily due to lower occupancy (\$4.3 million), lower recoveries from tenants (\$3.4 million) and lower lease termination fees (\$0.7 million), partially offset by higher

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rental rates (\$3.8 million).

Real estate expenses from same-store properties decreased by \$4.2 million in 2010 primarily due to lower real estate taxes (\$2.4 million) and recoveries of bad debt (\$1.7 million).

Same-store occupancy decreased to 91.8% in 2010 from 93.0% in 2009, with the most severe decrease in the office segment. Non-same-store occupancy increased to 85.6% in 2010 from 70.9% in 2009, driven by the acquisitions in 2010 of Quantico Corporate Center (925 and 1000 Corporate Drive) and Gateway Overlook, which were 100.0% and 88.2% occupied, respectively, at the end of 2010. During 2010, 60.8% of the commercial square footage expiring was renewed as compared to 63.7% in 2009, excluding properties sold or classified as held for sale. During 2010, 1.0 million commercial square feet were leased at an average rental rate of \$29.80 per square foot, an increase of 13.6%, with average tenant improvements and leasing costs of \$25.09 per square foot. These leasing statistics exclude first generation leases at recently-built properties.

An analysis of NOI by segment follows.

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Office Segment:

	Years Ended December 31,		\$ Change	% Change	
	2010	2009			
Real Estate Rental Revenue					
Same-store	\$118,913	\$123,347	\$(4,434)	(3.6))%
Non-same-store ⁽¹⁾	4,947	—	4,947		
Total real estate rental revenue	\$123,860	\$123,347	\$513	0.4	%
Real Estate Expenses					
Same-store	\$41,095	\$43,881	\$(2,786)	(6.3))%
Non-same-store ⁽¹⁾	1,297	16	1,281	8,006.3	%
Total real estate expenses	\$42,392	\$43,897	\$(1,505)	(3.4))%
NOI					
Same-store	\$77,818	\$79,466	\$(1,648)	(2.1))%
Non-same-store ⁽¹⁾	3,650	(16)	3,666	(22,912.5))%
Total NOI	\$81,468	\$79,450	\$2,018	2.5	%
Occupancy			2010	2009	
Same-store			88.6	% 91.6	%
Non-same-store ⁽¹⁾			100.0	% N/A	
Total			89.4	% 91.6	%

⁽¹⁾ Non-same-store properties include:

Acquisitions – 925 and 1000 Corporate Drive

Real estate rental revenue from same-store properties decreased by \$4.4 million in 2010 as compared to 2009 primarily due to lower same-store occupancy (\$3.5 million), lower recoveries from tenants (\$2.7 million) and higher rent abatements (\$0.5 million), partially offset by higher rental rates (\$2.2 million).

Real estate expenses from same-store properties decreased by \$2.8 million in 2010 as compared to 2009 primarily due to lower real estate taxes (\$1.5 million) caused by lower property assessments, higher recoveries of bad debt (\$1.0 million) and lower electricity rates (\$0.7 million). These were offset by higher repairs and maintenance costs (\$0.3 million)

Same-store occupancy decreased to 88.6% in 2010 from 91.6% in 2009, primarily caused by higher vacancy at Monument II due to the non-renewal of a major tenant. The non-same-store occupancy of 100.0% reflects the acquisition of the fully-leased 925 and 1000 Corporate Drive. During 2010, 47.3% of the square footage that expired was renewed compared to 68.0% in 2009, excluding properties sold or classified as held for sale. During 2010, we executed new leases for 0.6 million square feet of office space at an average rental rate of \$31.11 per square foot, an increase of 9.9%, with average tenant improvements and leasing costs of \$34.28 per square foot.

Medical Office Segment:

	Years Ended December 31,		\$ Change	% Change	
	2010	2009			
Real Estate Rental Revenue					
Same-store	\$44,949	\$44,911	\$38	0.1	%
Non-same-store ⁽¹⁾	79	—	79		
Total real estate rental revenue	\$45,028	\$44,911	\$117	0.3	%
Real Estate Expenses					
Same-store	\$14,205	\$15,051	\$(846)	(5.6)	%
Non-same-store ⁽¹⁾	510	167	343	205.4	%
Total real estate expenses	\$14,715	\$15,218	\$(503)	(3.3)	%
NOI					
Same-store	\$30,744	\$29,860	\$884	3.0	%
Non-same-store ⁽¹⁾	(431)	(167)	(264)	158.1	%
Total NOI	\$30,313	\$29,693	\$620	2.1	%
Occupancy			2010	2009	
Same-store			93.8	% 94.2	%
Non-same-store ⁽¹⁾			14.7	% —	%
Total			88.5	% 87.9	%

⁽¹⁾ Non-same-store properties include:

2009 acquisition – Lansdowne Medical Office Building

Real estate rental revenue from same-store properties slightly increased as higher rental rates (\$1.3 million) were offset by higher vacancy (\$0.4 million), lower tenant reimbursements for real estate taxes (\$0.7 million) and higher reserves for uncollectible revenue (\$0.1 million).

Real estate expenses from same-store properties decreased by \$0.8 million in 2010 as compared to 2009 due primarily to lower real estate taxes (\$0.6 million) and lower electricity rates (\$0.3 million).

Same-store occupancy decreased to 93.8% in 2010 from 94.2% in 2009 due to small decreases in occupancy at several properties. Non-same-store occupancy increased to 14.7% from 0.0%, reflecting the limited progress made in the lease-up of Lansdowne Medical Office Building, which was vacant when acquired during the third quarter of 2009. This building was 20.0% leased as of the end of 2010. During 2010, 78.9% of the square footage that expired was renewed compared to 64.4% in 2009. During 2010, we executed new leases for 0.2 million square feet of medical office space at an average rental rate of \$37.78, an increase of 19.2%, with average tenant improvements and leasing costs of \$25.30 per square foot. These leasing statistics exclude first generation leases at Lansdowne Medical Office Building, which was newly-constructed and vacant when acquired.

Retail Segment:

	Years Ended December 31,		\$ Change	% Change	
	2010	2009			
Real Estate Rental Revenue					
Same-store	\$40,376	\$41,821	\$(1,445)	(3.5))%
Non-same-store ⁽¹⁾	627	—	627		
Total real estate rental revenue	\$41,003	\$41,821	\$(818)	(2.0))%
Real Estate Expenses					
Same-store	\$10,180	\$10,680	\$(500)	(4.7))%
Non-same-store ⁽¹⁾	130	—	130		
Total real estate expenses	\$10,310	\$10,680	\$(370)	(3.5))%
NOI					
Same-store	\$30,196	\$31,141	\$(945)	(3.0))%
Non-same-store ⁽¹⁾	497	—	497		
Total NOI	\$30,693	\$31,141	\$(448)	(1.4))%
Occupancy			2010	2009	
Same-store			92.5	% 93.6	%
Non-same-store ⁽¹⁾			88.2	% N/A	
Total			92.1	% 93.6	%

⁽¹⁾ Non-same-store properties include:

2010 acquisition – Gateway Overlook

Real estate rental revenue from same-store properties decreased by \$1.4 million in 2010 as compared to 2009 due to higher vacancy (\$1.2 million) and lower tenant reimbursements for real estate taxes (\$0.3 million).

Real estate expenses from same-store properties decreased by \$0.5 million in 2010 as compared to 2009 due to lower legal fees.

Same-store occupancy decreased to 92.5% in 2010 from 93.6% in 2009, driven by lower occupancy at Frederick Crossing and Wheaton Park, which was partially offset by higher occupancy at the Centre at Hagerstown. The non-same-store occupancy of 88.2% reflects the acquisition of Gateway Overlook during the fourth quarter of 2010. During 2010, 72.7% of the square footage that expired was renewed compared to 52.2% in 2009. During 2010, we executed new leases for 0.3 million square feet of retail space at an average rental rate of \$21.39, an increase of 18.6% from 2009, with average tenant improvements and leasing costs of \$6.11 per square foot.

Multifamily Segment:

	Years Ended December 31,		\$ Change	% Change	
	2010	2009			
Real Estate Rental Revenue					
Same-store	\$40,567	\$39,507	\$1,060	2.7	%
Non-same-store ⁽¹⁾	8,032	6,963	1,069	15.4	%
Total	\$48,599	\$46,470	\$2,129	4.6	%
Real Estate Expenses					
Same-store	\$15,868	\$15,887	\$(19)	(0.1))%
Non-same-store ⁽¹⁾	3,375	3,607	(232)	(6.4))%
Total real estate expenses	\$19,243	\$19,494	\$(251)	(1.3))%
NOI					
Same-store	\$24,699	\$23,620	\$1,079	4.6	%
Non-same-store ⁽¹⁾	4,657	3,356	1,301	38.8	%
Total NOI	\$29,356	\$26,976	\$2,380	8.8	%
Occupancy			2010	2009	
Same-store			96.3	% 94.3	%
Non-same-store ⁽¹⁾			91.9	% 93.5	%
Total			95.7	% 94.2	%

⁽¹⁾ Non-same-store properties include:

Development properties – Clayborne Apartments and Bennett Park

Real estate rental revenue from same-store properties increased by \$1.1 million in 2010 as compared to 2009 due primarily to higher occupancy (\$0.8 million) and lower rent abatements (\$0.2 million). The \$1.1 million increase in real estate rental revenue from non-same-store properties reflects the lease-up of our development properties.

Real estate expenses from same-store properties slightly decreased in 2010 as compared to 2009, while real estate expenses from non-same-store properties decreased by \$0.2 million due primarily to lower real estate tax assessments at our development properties.

Same-store occupancy increased to 96.3% in 2010 from 94.3% in 2009, driven by higher occupancy at our two Washington, DC properties, the Kenmore and 3801 Connecticut Avenue. These were partially offset by lower occupancy at Munson Hill Towers and the Ashby at McLean. Non-same-store occupancy decreased to 91.9% from 93.5%, reflecting lower occupancy at Bennett Park.

Liquidity and Capital Resources

Capital Structure

We manage our capital structure to reflect a long-term investment approach, generally seeking to match the cash flow of our assets with a mix of equity and various debt instruments. We expect that our capital structure will allow us to obtain additional capital from diverse sources that could include additional equity offerings of common shares, public and private secured and unsecured debt financings, and possible asset dispositions. Our ability to raise funds through the sale of debt and equity securities is dependent on, among other things, general economic conditions, general market conditions for REITs, our operating performance, our debt rating and the current trading price of our common shares. We analyze which source of capital we believe to be most advantageous to us at any particular point in time. However, the capital markets may not consistently be available on terms that we consider attractive. While we have seen increased investor appetite for securities issued by REIT's, we have learned from the recent economic downturn that investor appetite can change dramatically in a very short period of time. As a result, there can be no assurance that we will be able to access the public or private debt and equity markets at a given point in the future.

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

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

During 2012, 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 noncontrolling interest distributions to third party unit holders;
- Capital to refinance the \$71.7 million of remaining 2012 maturities on our mortgage notes payable and unsecured notes payable;
- Capital to refinance our \$75.0 million unsecured line of credit which expires in 2012;
- Approximately \$45.0 - \$60.0 million to invest in our existing portfolio of operating assets, including approximately \$20.0 - \$25.0 million to fund tenant-related capital requirements and leasing commissions;
- Approximately \$1.0 million to fund first generation tenant-related capital requirements and leasing commissions;
- Approximately \$12.9 million to invest in our development projects;
- Funding to cover any costs related to property acquisitions; and
- Funding for potential property acquisitions throughout the remainder of 2012, with a portion expected to be offset by proceeds from potential property dispositions.

We currently believe that we will generate sufficient cash flow from operations and have access to the capital resources necessary to fund our requirements in 2012. However, as a result of general market conditions in the greater Washington metro region, economic conditions 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 need to alter capital spending needs which may limit growth. If capital were not available, we may not be able to pay the dividend required to maintain our status as a REIT, make required principal and interest payments, make strategic acquisitions or make necessary routine capital improvements or undertake re-development opportunities with respect to our existing portfolio of operating assets.

Debt Financing

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

Our total debt at December 31, 2011 and 2010 is summarized as follows (in thousands):

	2011	2010
Fixed rate mortgages ⁽¹⁾	\$427,710	\$361,860
Unsecured credit facilities	99,000	100,000
Unsecured notes payable	657,470	753,587
	\$1,184,180	\$1,215,447

Mortgage notes payable secured by Dulles Business Park I & II with a balance of \$17.5 million was included in ⁽¹⁾ “Other liabilities related to properties sold or held for sale” at December 31, 2010. These mortgage notes payable were prepaid during the fourth quarter of 2011 in connection with the sale of the secured property.

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

Mortgage Debt

At December 31, 2011, our \$427.7 million in fixed rate mortgages, which includes a net \$4.5 million in unamortized discounts due to fair value adjustments, bore an effective weighted average fair value interest rate of 5.9% and had a weighted average maturity of 5.0 years. We may either initiate secured mortgage debt or assume mortgage debt from time-to-time in conjunction with property acquisitions.

On September 1, 2011, we repaid without penalty the remaining \$9.1 million of principal on the mortgage note secured by Shady Grove Medical Village II.

On October 5, 2011, we entered into an amendment to the purchase and sale agreement for 6100 Columbia Park Road and Dulles Business Park, under which we agreed to seek prepayment of the mortgage notes secured by Dulles Business Park prior to closing the sale. Under the terms of the amendment, if we prepaid the mortgage notes prior to November 1, 2011, then the sales price would be increased by \$875,000 in order to partially offset the penalties incurred by us for the prepayment of the mortgage notes. On October 7, 2011, we prepaid the remaining \$17.5 million of principal on the mortgage notes, incurring prepayment penalties of approximately \$1.0 million.

Unsecured Credit Facilities

Our primary source of liquidity is our two revolving credit facilities. We can borrow up to \$475.0 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 maturing in June 2012. We had \$74.0 million in borrowings outstanding and \$0.8 million in letters of credit issued as of December 31, 2011, related to Credit Facility No. 1. Borrowings under the facility bear interest at our option of LIBOR plus a spread based on the credit rating on our publicly issued debt or the higher of SunTrust Bank’s prime rate and the Federal Funds Rate in effect plus 0.5%. The interest rate spread is currently 42.5 basis points. All outstanding advances are due and payable upon maturity in June 2012. Interest only payments are due and payable generally on a monthly basis. In addition, we pay a facility fee based on the credit rating of our publicly issued debt which currently equals 0.15% per annum of the \$75.0 million committed capacity, without regard to usage. Rates and fees may be adjusted up or down based on changes in our senior unsecured credit ratings.

We anticipate that, prior to the June 2012 expiration of Credit Facility No. 1, we will negotiate a replacement facility in the same or greater amount than the expiring facility. While we anticipate that the interest rate and facility fee of the replacement facility will be higher than the current facility, we do not expect the new terms to have a material adverse effect on our financial results.

Credit Facility No. 2 is a four-year \$400.0 million unsecured credit facility maturing in July 2014, and may be extended for one year at our option. We had \$25.0 million in borrowings outstanding as of December 31, 2011 related

to Credit Facility No. 2. Advances under this agreement bear interest at our option of LIBOR plus a spread based on the credit rating of our publicly issued debt or the higher of Wells Fargo Bank's prime rate and the Federal Funds Rate in effect on that day plus 1.0%. The interest rate spread is currently 122.5 basis points. All outstanding advances are due and payable upon maturity in July 2014, and may be extended for one year at our option. Interest only payments are due and payable generally on a monthly basis. Credit Facility No. 2 requires us to pay the lender a facility fee on the total commitment of 0.225% per annum. These fees are payable quarterly.

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

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

Failure to comply with any of the covenants under our unsecured credit facilities or other debt instruments could result in a default under one or more of our debt instruments. This could cause our lenders to accelerate the timing of payments and would therefore have a material adverse effect on our business, operations, financial condition and liquidity. As of December 31, 2011, we were in compliance with our loan covenants. In addition, our ability to draw on our unsecured credit facilities or incur other unsecured debt in the future could be restricted by the loan covenants. We anticipate that in the near term we may rely to a greater extent upon our unsecured credit facilities and potentially maintain balances on our unsecured credit facilities for longer periods than has been our historical practice. To the extent that we maintain larger balances on our unsecured credit facilities or maintain balances on our unsecured credit facilities for longer periods, adverse fluctuations in interest rates could have a material adverse effect on earnings.

Unsecured Notes

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

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

Our unsecured notes have maturities ranging from May 2012 through February 2028, as follows (in thousands):

	December 31, 2011
5.05% notes due 2012	\$ 50,000
5.125% notes due 2013	60,000
5.25% notes due 2014	100,000
5.35% notes due 2015	150,000
4.95% notes due 2020	250,000
7.25% notes due 2028	50,000
	\$ 660,000

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.

Failure to comply with any of the covenants under our unsecured notes could result in a default under one or more of our debt instruments. This could cause our debt holders to accelerate the timing of payments and would therefore have a material adverse effect on our business, operations, financial condition and liquidity. As of December 31, 2011, we were in compliance with our unsecured notes covenants.

We repaid the remaining \$93.9 million of our 5.95% unsecured notes on their due date of June 15, 2011, using borrowings on our unsecured lines of credit and proceeds from the sale of Dulles Station, Phase I.

We repaid the remaining \$2.7 million of our 3.875% convertible notes without penalty in September 2011, using proceeds from the sale of the Industrial Portfolio.

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

Common Equity

We have authorized for issuance 100.0 million common shares, of which 66.3 million shares were outstanding at December 31, 2011.

We are party to a sales agency financing agreement with BNY Mellon Capital Markets, LLC relating to the issuance and sale of up to \$250.0 million of our common shares from time to time over a period of no more than 36 months from November 2009. Sales of our common shares are made at market prices prevailing at the time of sale. We use net proceeds for the sale of common shares under this program for the repayment of borrowings under our lines of credit, acquisitions and general corporate purposes. We did not issue any common shares under this program during 2011, and issued 5.6 million common shares at a weighted average price of \$30.34 under this program during 2010, raising \$168.9 million in net proceeds.

We have a dividend reinvestment program, whereby shareholders may use their dividends and optional cash payments to purchase common shares. The common shares sold under this program may either be common shares issued by us or common shares purchased in the open market. We used the net proceeds under this program for general corporate purposes. During 2011, we issued 0.2 million common shares at a weighted average price of \$29.97 per share, raising \$5.0 million in net proceeds. During 2010, we issued 0.2 million common shares at a weighted average price of \$30.36 per share, raising \$5.3 million in net proceeds.

Preferred Equity

WRIT's board of trustees can, at its discretion, authorize the issuance of up to 10.0 million shares of preferred stock. The ability to issue preferred equity provides WRIT an additional financing tool that may be used to raise capital for future acquisitions or other business purposes. As of December 31, 2011, no shares of preferred stock had been authorized or issued.

Dividends

We pay dividends quarterly. The maintenance of these dividends is subject to various factors, including the discretion of our Board of Trustees, our results of operations, the ability to pay dividends under Maryland law, the availability of cash to make the necessary dividend payments and the effect of REIT distribution requirements, which require at least 90% of our taxable income to be distributed to shareholders. The table below details our dividend and distribution payments for 2011, 2010 and 2009 (in thousands):

	2011	2010	2009
Common dividends	\$115,045	\$108,949	\$100,221
Noncontrolling interest distributions	2,488	163	190
	\$117,533	\$109,112	\$100,411

Dividends paid for 2011 as compared to 2010 increased primarily due to a small increase in the dividend paid per share and small increases in shares outstanding due to our dividend reinvestment program. The increase in noncontrolling interests distributions reflects an extraordinary return of capital distribution in connection with the sale of Northern Virginia Industrial Park, whose noncontrolling interest holder received a portion of the sale proceeds. Dividends paid for 2010 as compared to 2009 increased primarily due to our issuance of 5.6 million shares under our sales agency financing agreement during 2010.

Capital Commitments

We will require capital for development and redevelopment projects currently underway and in the future. As of December 31, 2011, we had under development a high-rise apartment property at 1219 First Street in Alexandria, VA, a mid-rise apartment property at 650 N. Glebe Road in Arlington, VA and a medical office property at 4661 Kenmore Avenue in Alexandria, VA. Our total investment in 1219 First Street is expected to be \$95.3 million, including land

costs and the non-controlling partner's 5% share. We expect to secure or provide debt financing for approximately 70% of the project's cost. As of December 31, 2011, we had invested \$14.4 million in 1219 First Street including land costs and we expect to fund \$6.2 million during 2012. Our total investment in 650 N. Glebe Road is expected to be \$45.0 million, including land costs and the non-controlling partner's 10% share. We expect to secure or provide debt financing for approximately 70% of the project's cost. As of December 31, 2011, we had invested \$13.4 million in 650 N. Glebe Road including land costs and we expect to fund \$4.5 million in 2012 on this project. As of December 31, 2011, our investment in 4661 Kenmore Avenue including land costs was \$5.8 million. We are evaluating a

number of potential redevelopment projects at properties such as Montgomery Village and 7900 Westpark. There were no projects placed into service in 2011. As of December 31, 2011, we had \$4.7 million in outstanding contractual commitments related to our development projects, and expect to fund approximately \$12.9 million of total development spending during 2012.

Dulles Station, Phase II consists of undeveloped land in Herndon, Virginia and a half interest in a parking garage that is adjacent to this land. The land is zoned and planned for development as an office building. In connection with the preparation of financial statements for this Annual Report on Form 10-K, we reviewed changes in market conditions, specifically higher vacancy and lower rental rates in the Washington metro region office market and other circumstances affecting the Herndon submarket, and reassessed the likelihood that we would follow through on these development plans. Based upon the foregoing review and assessment, we determined that the development of the land at Dulles Station, Phase II is not probable under current market conditions. Due to this determination, we recognized a \$14.5 million impairment charge during the fourth quarter of 2011 in order to reduce the carrying value of the land and garage at Dulles Station, Phase II to its fair value of \$12.1 million. Of the \$12.1 million, \$8.5 million is included in held for development on our balance sheet and the remaining \$3.6 million is included in income producing property.

We anticipate funding several major renovation projects in our portfolios during 2012, as follows (in thousands):

Segment	Project Spending
Office buildings	\$ 13,635
Medical office buildings	1,906
Retail centers	497
Multifamily	5,782
Total	\$21,820

These projects include a new heating and air conditioning system at one of our multifamily properties; the installation of a conference center at one of our office properties; unit bathroom and kitchen upgrades at several of our multifamily properties; and sprinkler system, heating and air conditioning and common area upgrades at several of our office and medical properties. Not all of the anticipated spending had been committed via executed construction contracts at December 31, 2011. 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⁾	\$ 1,514,415	\$ 210,173	\$ 583,187	\$ 287,847	\$ 433,208
Purchase obligations ⁽²⁾	\$ 11,162	\$ 8,417	\$ 2,745	\$ —	\$ —
Estimated development commitments ⁽³⁾	\$ 4,700	\$ 1,938	\$ 2,762	\$ —	\$ —
Tenant-related capital ⁽⁴⁾	\$ 5,017	\$ 5,017	\$ —	\$ —	\$ —
Building capital ⁽⁵⁾	\$ 8,605	\$ 8,605	\$ —	\$ —	\$ —
Operating leases	\$ 210	\$ 61	\$ 149	\$ —	\$ —

(1) See notes 4, 5 and 6 of our consolidated financial statements. Amounts include principal, interest, unused commitment fees and facility fees.

(2) Represents elevator maintenance contracts with terms through 2012, electricity sales agreements with terms through 2013, and natural gas purchase agreements with terms through 2012.

- (3) Committed development obligations based on contracts in place as of December 31, 2011.
- (4) Committed tenant-related capital based on executed leases as of December 31, 2011.
- (5) Committed building capital additions based on contracts in place as of December 31, 2011.

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, electricity sales 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. 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 \$15.2 million in 2012. Due to the competitive office leasing market we expect that tenant-related capital costs will continue at this level into 2012.

Historical Cash Flows

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

	For the year ended December 31,			Variance	
	2011	2010	2009	2011 vs. 2010	2010 vs. 2009
Cash provided by operating activities	\$117.9	\$111.9	\$102.9	\$6.0	\$9.0
Cash provided by (used in) investing activities	\$61.1	\$(111.2)	\$(12.8)	\$172.3	\$(98.4)
Cash provided by (used in) financing activities	\$(245.0)	\$66.8	\$(90.8)	\$(311.8)	\$157.6

Operations generated \$117.9 million of net cash in 2011 compared to \$111.9 million in 2010. The increase in cash provided by operating activities in 2011 as compared to 2010 was primarily due to acquisitions.

Operations generated \$111.9 million of net cash in 2010 compared to \$102.9 million in 2009. The increase in cash provided by operating activities in 2010 as compared to 2009 was primarily due to lower interest payments.

Our investing activities generated \$61.1 million of net cash in 2011 and used net cash of \$111.2 million in 2010. The increase in cash generated by investing activities in 2011 was primarily due to sale of our industrial segment in 2011, partially offset by greater acquisitions activity.

Our investing activities used net cash of \$111.2 million in 2010 and \$12.8 million in 2009. The increase in cash used by investing activities in 2010 was primarily due to the increase in cash invested in acquisitions, net of assumed debt, throughout 2010, which was \$136.1 million higher than 2009.

Our financing activities used net cash of \$245.0 million in 2011 and provided \$66.8 million in 2010. This change in 2011 was primarily the result of paying off senior notes and three mortgage notes.

Our financing activities generated \$66.8 million of net cash in 2010 and used \$90.8 million in 2009. The net increase in net cash provided by financing activities in 2010 was primarily the result of the proceeds from our debt offering and equity issued under our sales agency financing agreement.

Capital Improvements and Development Costs

Capital improvements and development costs of \$58.7 million were completed in 2011, including tenant improvements. These improvements to our properties in 2010 and 2009 were \$26.4 million and \$29.5 million, respectively. We consider capital improvements to be accretive to revenue and not necessarily to net income.

Our capital improvement and development costs for the three years ending December 31, 2011 were as follows (in thousands):

	Year Ended December 31,		
	2011	2010	2009
Accretive capital improvements:			
Acquisition related	\$2,549	\$1,007	\$2,696
Expansions and major renovations	9,435	3,180	5,557
Development/redevelopment	25,929	1,337	2,135
Tenant improvements (including first generation leases)	13,350	15,162	12,874
Total accretive capital improvements	51,263	20,686	23,262
Other capital improvements:	7,481	5,696	6,210
Total	\$58,744	\$26,382	\$29,472

Accretive Capital Improvements

Acquisition Related Improvements: Acquisition related improvements are capital improvements to properties acquired during the preceding three years which were anticipated at the time we acquired the properties. These types of improvements were made in 2011 to 1140 Connecticut Avenue, NW, 1227 25th Street NW, Braddock Metro and Olney Village 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. 2011 expansions and major renovations included HVAC modifications at 2000 M Street; elevator and lobby modernization at 1220 19th Street, 1600 Wilson Boulevard and West Gude; and roof replacement at the Centre at Hagerstown.

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 1219 First Street, 650 N. Glebe Road, Dulles Station II and 4661 Kenmore Avenue.

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, excluding first generation leases, were as follows during the three years ended December 31, 2011:

	Year Ended December 31,		
	2011	2010	2009
Office Buildings*	\$13.80	\$19.83	\$10.72
Medical Office Buildings	\$10.72	\$16.24	\$13.87
Retail Centers	\$7.07	\$3.23	\$3.91

* Excludes properties sold or classified as held for sale.

The \$6.03 decrease in 2011 and the \$9.11 increase in 2010 in tenant improvement costs per square foot of space leased for office buildings was primarily due to leases executed with single tenants in 2010 requiring \$5.4 million in tenant improvements at Monument II, 2000 M Street, 7900 Westpark and 1600 Wilson Boulevard. The \$5.52 decrease in 2011 and \$2.37 increase in 2010 in tenant improvement costs per square foot of space leased for medical office buildings was primarily due to single tenant leases executed in 2010 at Shady Grove Medical requiring \$1.3 million in tenant improvements. The \$3.84 increase in tenant improvement costs per square foot of retail space in 2011 was due to leases executed with a single tenant at the Centre at Hagerstown and Frederick Crossing requiring \$0.7 million in tenant improvements at each location. The \$0.68 decrease in tenant improvement costs per square foot of retail space leased in 2010 was primarily due to a single tenant lease executed at the Centre at Hagerstown in 2009 requiring \$0.7 million in tenant improvements. The retail tenant improvement costs are substantially lower than office and medical office improvement costs due to the tenant improvements required in these property types being substantially less extensive than in office and medical. Excluding properties sold or classified as held for sale, approximately 59% of our tenants renewed their leases with us in 2011, compared to 61% in 2010 and 64% in 2009. 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 multifamily 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 2011, and averaged \$909 per apartment for the 44% of apartments turned over relative to our total portfolio of apartment units. In our commercial properties and multifamily properties aside from apartment turnover discussed above, improvements

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 2011, we incurred repair and maintenance expenses of \$13.5 million that were not capitalized, to maintain the quality of our buildings.

Forward-Looking Statements

This Form 10-K contains forward-looking statements which involve risks and uncertainties. Such forward looking statements include each of the statements in “Item 1: Business” and “Item 7: Management’s Discussion and Analysis of Financial Conditions and Results of Operations” concerning the Washington metro region’s economy, gross regional product, unemployment and job

growth and real estate market performance. 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 common 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 Form 10-K, could affect our future results and could cause those results to differ materially from those expressed in the forward-looking statements:

- (a) the effect of credit and financial market conditions;
- (b) the availability and cost of capital;
- (c) fluctuations in interest rates;
- (d) the economic health of our tenants;
- (e) the timing and pricing of lease transactions;
- (f) the economic health of the greater Washington Metro region, or other markets we may enter;
- (g) the effects of changes in Federal government spending;
- (h) the supply of competing properties;
- (i) consumer confidence;
- (j) unemployment rates;
- (k) consumer tastes and preferences;
- (l) our future capital requirements;
- (m) inflation;
- (n) compliance with applicable laws, including those concerning the environment and access by persons with disabilities;
- (o) governmental or regulatory actions and initiatives;
- (p) changes in general economic and business conditions;
- (q) terrorist attacks or actions;
- (r) acts of war;
- (s) weather conditions;
- (t) the effects of changes in capital available to the technology and biotechnology sectors of the economy; and
- (u) other factors discussed under the caption “Risk Factors.”

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,			
	2011	2010	2009	
Earnings to fixed charges	(a)	1.00	x 1.11	x
Debt service coverage	2.7	x 2.6	x 2.4	x

(a) Due to WRIT's loss from continuing operations during 2011, the earnings to fixed charges ratio was less than 1:1. WRIT must generate additional earnings of \$2.3 million to achieve a ratio of 1:1.

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

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

Funds From Operations

FFO is a widely used measure of operating performance for real estate companies. We provide FFO as a supplemental measure to net income calculated in accordance with GAAP. Although FFO is a widely used measure of operating performance for REITs, FFO does not represent net income calculated in accordance with GAAP. As such, it should not be considered an alternative to net income as an indication of our operating performance. In addition, FFO does not represent cash generated from operating activities in accordance with GAAP, nor does it represent cash available to pay distributions and should not be considered as an alternative to cash flow from operating activities, determined in accordance with GAAP, as a measure of our liquidity. The National Association of Real Estate Investment Trusts, Inc. ("NAREIT") defines FFO (April, 2002 White Paper) as net income (computed in accordance with GAAP) excluding gains (or losses) from sales of property and impairments of depreciable real estate, if any, 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):

	2011	2010	2009
Net income attributable to the controlling interests	\$ 104,884	\$ 37,426	\$ 40,745
Adjustments:			
Depreciation and amortization	93,297	80,066	77,549
Gain from non-disposal activities	—	(7	) (71
Discontinued operations:			
Depreciation and amortization	7,231	15,680	16,896
Gain on sale of real estate attributable to the controlling interests	(97,091	) (21,599	) (13,348
Real estate impairment	599	—	—
Income tax expense (benefit)	1,138	—	—
FFO as defined by NAREIT	\$ 110,058	\$ 111,566	\$ 121,771

ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The principal material financial market risk to which we are exposed is interest rate risk. Our exposure to 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, 2011.

	2012	2013	2014	2015	2016	Thereafter	Total	Fair Value
(In thousands)								
Unsecured fixed rate debt								
Principal	\$50,000	\$60,000	\$100,000	\$150,000	\$—	\$300,000	\$660,000	\$713,797
Interest payments	\$33,613	\$30,812	\$26,650	\$20,012	\$16,000	\$91,188	\$218,275	
Interest rate on debt maturities	5.06	% 5.23	% 5.34	% 5.45	% —	% 5.44	% 5.38	%
Unsecured variable rate debt								
Principal	\$74,000	\$—	\$25,000	\$—	\$—	\$—	\$99,000	\$99,000
Variable interest rate on debt maturities (a)	0.70	% —	1.50	% —	% —	% —	% 0.90	%
Mortgages								
Principal amortization (30 year schedule)	\$27,000	\$87,580	\$3,724	\$22,390	\$134,943	\$156,548	\$432,185	\$463,238
Interest payments	\$24,605	\$19,689	\$18,107	\$17,797	\$12,426	\$9,950	\$102,574	
Weighted average interest rate on principal amortization	5.52	% 5.57	% 5.30	% 5.29	% 5.73	% 6.56	% 5.93	%

(a) Variable interest rates based on LIBOR in effect on our borrowings outstanding at December 31, 2011.

ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data appearing on pages 62 to 100 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 – Accounting and Administration, 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 – Accounting and Administration, of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2011. Based on the foregoing, our Chief Executive Officer, Chief Financial Officer and Executive Vice President – Accounting and Administration concluded that our disclosure controls and procedures were effective at a reasonable assurance level.

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, 2011, there was no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B: OTHER INFORMATION

None.

PART III

Certain information required by Part III is omitted from this Form 10-K in that we will file a definitive proxy statement pursuant to Regulation 14A with respect to our 2012 Annual Meeting (the "Proxy Statement") no later than 120 days after the end of the fiscal year covered by this Form 10-K, 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, 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⁽¹⁾

Plan Category	Number of securities to be	Weighted-average exercise	Number of securities
	issued upon exercise of outstanding options, warrants and rights	price of outstanding options, warrants and rights	remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	65,141	\$ 26.83	1,220,265
Equity compensation plans not approved by security holders	24,000	⁽²⁾ \$ 30.04	—
Total	89,141	\$ 27.69	1,220,265

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. See note 7 to the consolidated financial statements for further discussion.

⁽²⁾ These securities are options issued under a Share Grant Plan for officers, trustees and non-officer employees. This plan expired on December 15, 2007 and options may no longer be issued thereunder.

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 herein by reference to the Proxy Statement.

PART IV

ITEM 15: EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(A). The following documents are filed as part of this Form 10-K:

1. Financial Statements						Page
	Management's Report on Internal Control Over Financial Reporting					<u>59</u>
	Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting					<u>60</u>
	Report of Independent Registered Public Accounting Firm					<u>61</u>
	Consolidated Balance Sheets as of December 31, 2011 and 2010					<u>62</u>
	Consolidated Statements of Income for the Years Ended December 31, 2011, 2010 and 2009					<u>63</u>
	Consolidated Statements of Changes in Shareholders' Equity for the Years Ended December 31, 2011, 2010 and 2009					<u>64</u>
	Consolidated Statements of Cash Flows for the Years Ended December 31, 2011, 2010 and 2009					<u>67</u>
	Notes to Consolidated Financial Statements					<u>68</u>
2. Financial Statement Schedules						
	Schedule III – Consolidated Real Estate and Accumulated Depreciation					<u>97</u>
3. Exhibits:						
		Incorporated by Reference				
Exhibit Number	Exhibit Description	Form	File Number	Exhibit	Filing Date	Filed Herewith
3.1	Articles of Amendment and Restatement, effective as of May 17, 2011	DEF 14A	001-06622	B	4/1/2011	
3.2	Amended and Restated Bylaws of Washington Real Estate Investment Trust, as adopted on May 17, 2011	8-K	001-06622	3.3	5/23/2011	
4.1	Indenture dated as of August 1, 1996 between WRIT and The First National Bank of Chicago	8-K	001-06622	(c)	8/13/1996	
4.2	Form of 2028 Notes	8-K	001-06622	99.1	2/25/1998	
4.3	Officer's Certificate Establishing Terms of the 2013 Notes, dated March 12, 2003	8-K	001-06622	4(a)	3/17/2003	
4.4	Form of 2013 Notes	8-K	001-06622	4(b)	3/17/2003	
4.5	Officers' Certificate Establishing Terms of the 2014 Notes, dated December 8, 2003	8-K	001-06622	4(a)	12/11/2003	
4.6	Form of 2014 Notes	8-K	001-06622	4(b)	12/11/2003	
4.7	Form of 5.05% Senior Notes due May 1, 2012	8-K	001-06622	4.1	4/26/2005	
4.8	Form of 5.35% Senior Notes due May 1, 2015 dated April 26, 2005	8-K	001-06622	4.2	4/26/2005	
4.9	Officers Certificate establishing the terms of the 2012 and 2015 Notes, dated April 20, 2005	8-K	001-06622	4.3	4/26/2005	
4.10	Form of 5.35% Senior Notes due May 1, 2015 dated October 6, 2005	8-K	001-06622	4.1	10/6/2005	
4.11	Officers Certificate establishing the terms of the 2015 Notes, dated October 3, 2005	8-K	001-06622	4.2	10/6/2005	
4.12	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	8-K	001-06622	4,100	11/8/2006	

New York as documentation agent, The Royal Bank of Scotland, plc as syndication agent and Wells Fargo Bank, NA, as agent

4.13	Supplemental Indenture by and between WRIT and the Bank of New York Trust Company, N.A. dated as of July 3, 2007	8-K	001-06622	4,100	7/5/2007
4.14	Credit agreement dated June 29, 2007 by and among WRIT, as borrower, the financial institutions party thereto as lenders, and SunTrust Bank as agent	8-K	001-06622	4,100	7/6/2007
4.15	Multifamily Note Agreement (Walker House Apartments) dated as of May 29, 2008, by and between WRIT and Wells Fargo Bank, National Association	10-Q	001-06622	4,000	8/8/2008

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Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File Number	Exhibit	Filing Date	
4.16	Multifamily Note Agreement (3801 Connecticut Avenue) dated as of May 29, 2008, by and between WRIT and Wells Fargo Bank, National Association	10-Q	001-06622	4.0	8/8/2008	
4.17	Multifamily Note Agreement (Bethesda Hill Apartments) dated as of May 29, 2008, by and between WRIT and Wells Fargo Bank, National Association	10-Q	001-06622	4.0	8/8/2008	
4.18	Form of 4.95% Senior Notes due October 1, 2020	8-K	001-06622	4.1	9/30/2010	
4.19	Officers' Certificate establishing the terms of the 4.95% Senior Notes due October 1, 2020	8-K	001-06622	4.2	9/30/2010	
4.20	Credit Agreement, dated as of July 1, 2011, by and among Washington Real Estate Investment Trust, as borrower, the financial institutions party thereto as lenders, each of The Bank of New York Mellon, Citibank, N.A. and Credit Suisse AG, Cayman Islands Branch as a documentation agent, Wells Fargo Securities, LLC, as lead arranger and bookrunner, and Wells Fargo Bank, National Association, as administrative agent.	8-K	001-06622	4.1	7/6/2011	
4.21	Second Amendment to Credit Agreement, dated as of December 23, 2011, with Suntrust Bank.					X
10.1	Purchase and Sale Agreement dated as of June 16, 2008, for 2445 M Street, NW, Washington, DC	10-Q	001-06622	10.0	8/8/2008	
10.2*	1991 Incentive Stock Option Plan, as amended	S-3	033-60581	10(b)	7/17/1995	
10.3*	Deferred Compensation Plan for Executives dated January 1, 2000	10-K	001-06622	10(g)	3/19/2001	
10.4*	Split-Dollar Agreement dated April 1, 2000	10-K	001-06622	10(h)	3/19/2001	
10.5*	2001 Stock Option Plan	DEF 14A	001-06622	A	3/29/2001	
10.6*	Share Purchase Plan	10-Q	001-06622	10(j)	11/14/2002	
10.7*	Supplemental Executive Retirement Plan	10-Q	001-06622	10(k)	11/14/2002	
10.8*	Description of WRIT Short-term and Long-term Incentive Plan	10-K	001-06622	10(l)	3/16/2005	
10.9*	Description of WRIT Revised Trustee Compensation Plan	10-K	001-06622	10(m)	3/16/2005	
10.10*	Supplemental Executive Retirement Plan	10-K	001-06622	10(p)	3/16/2006	
10.11*	2007 Omnibus Long Term Incentive Plan	DEF 14A	001-06622	B	4/9/2007	
10.12*	Deferred Compensation Plan for Directors dated December 1, 2000	10-K	001-06622	10(ff)	2/29/2008	
10.13*	Deferred Compensation Plan for Officers dated January 1, 2007	10-K	001-06622	10(gg)	2/29/2008	
10.14*	Supplemental Executive Retirement Plan II dated May 23, 2007	10-K	001-06622	10(hh)	2/29/2008	
10.15*		10-Q	001-06622	10(ii)	5/9/2008	

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	Amended Long Term Incentive Plan, effective January 1, 2008				
10.16*	Form of Indemnification Agreement by and between WRIT and the indemnitee	8-K	001-06622	10(nn)	7/27/2009
10.17*	Long Term Incentive Plan, effective January 1, 2009	10-K	001-06622	10.28	2/26/2010
10.18*	Short Term Incentive Plan, effective January 1, 2009	10-K	001-06622	10.29	2/26/2010
10.19*	Amended and Restated Deferred Compensation Plan for Directors, adopted October 27, 2010	10-Q	001-06622	10.30	11/4/2010
10.20*	Executive Stock Ownership Policy, adopted October 27, 2010	8-K	001-06622	10.31	11/2/2010
10.21*	Amendment to Deferred Compensation Plan for Officers, adopted October 27, 2010	8-K	001-06622	10.32	11/2/2010
10.22*	Long Term Incentive Plan, effective January 1, 2011	10-Q	001-06622	10.34	5/6/2011
10.23*	Short Term Incentive Plan, effective January 1, 2011	10-Q	001-06622	10.35	5/6/2011
10.24*	Deferred Compensation Plan for Directors, effective January 1, 2011	10-Q	001-06622	10.36	5/6/2011
10.25	Purchase and Sale Agreement, dated as of August 5, 2011, for 8880 Gorman Road, Dulles South IV, Fullerton Business Center, Hampton Overlook and Alban Business Center.	8-K	001-06622	10.37	8/9/2011
10.26	Purchase and Sale Agreement, dated as of August 5, 2011, for Pickett Industrial Park and Northern Virginia Industrial Park I.	8-K	001-06622	10.38	8/9/2011
10.27	Purchase and Sale Agreement, dated as of August 5, 2011, for Albemarle Point, 270 Technology Park I, 270 Technology Park II, The Crescent, Fullerton Industrial Center, Sully Square, 9950 Business Parkway, Hampton South Phase I, Hampton South Phase II and 8900 Telegraph Road.	8-K	001-06622	10.39	8/9/2011
10.28	Purchase and Sale Agreement, dated as of August 5, 2011, for Northern Virginia Industrial Park II.	8-K	001-06622	10.40	8/9/2011
10.29	Purchase and Sale Agreement, dated as of August 5, 2011, for 6100 Columbia Park Road, Dulles Business Park I and Dulles Business Park II.	8-K	001-06622	10.41	8/9/2011
10.30	First Amendment to Purchase and Sale Agreement, dated as of October 5, 2011, for 6100 Columbia Park Road, Dulles Business Park I and Dulles Business Park II.	8-K/A	001-06622	10.42	10/6/2011

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Exhibit Number	Exhibit Description	Incorporated by Reference			Filing Date	Filed Herewith
		Form	File Number	Exhibit		
10.31*	Amended and restated change in control agreement dated December 1, 2011 with George F. McKenzie					X
10.32*	Amended and restated change in control agreement dated December 1, 2011 with William T. Camp					X
10.33*	Amended and restated change in control agreement dated December 1, 2011 with Laura M. Franklin					X
10.34*	Amended and restated change in control agreement dated December 1, 2011 with Thomas C. Morey					X
10.35*	Amended and restated change in control agreement dated December 1, 2011 with Thomas L. Regnell					X
10.36*	Amended and restated change in control agreement dated December 1, 2011 with Michael S. Paukstitus					X
10.37*	Amended and restated change in control agreement dated December 1, 2011 with James B. Cederdahl					X
12	Computation of Ratio of Earnings to Fixed Charges					X
21	Subsidiaries of Registrant					X
23.1	Consent of Independent Registered Public Accounting Firm					X
24	Power of Attorney					X
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended ("the Exchange Act")					X
31.2	Certification of the Executive Vice President – Accounting and Administration pursuant to Rule 13a-14(a) of the Exchange Act					X
31.3	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act					X
32	Certification of the Chief Executive Officer, Executive Vice President – Accounting and Administration and Chief Financial Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101	The following materials from our Annual Report on Form 10-K for the year ended December 31, 2011 formatted in eXtensible Business Reporting Language ("XBRL"): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Shareholders' Equity, (iv) the Consolidated Statements of Cash Flows, and (v) notes to these consolidated financial statements.					X

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

In accordance with Item 601(b)(4)(iii)(A) of Regulation S-K, copies of certain instruments defining the rights of holders of long-term debt of WRIT or its subsidiaries are not filed herewith. Pursuant to this regulation, we hereby agree to furnish a copy of any such instrument to the SEC upon request.

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 27, 2012

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.

Signature	Title	Date
/s/ John P. McDaniel* John P. McDaniel	Chairman, Trustee	February 27, 2012
/s/ George F. McKenzie George F. McKenzie	President, Chief Executive Officer and Trustee	February 27, 2012
/s/ William G. Byrnes* William G. Byrnes	Trustee	February 27, 2012
/s/ Edward S. Civera* Edward S. Civera	Trustee	February 27, 2012
/s/ Terence C. Golden* Terence C. Golden	Trustee	February 27, 2012
/s/ Charles T. Nason* Charles T. Nason	Trustee	February 27, 2012
/s/ Thomas Edgie Russell, III* Thomas Edgie Russell, III	Trustee	February 27, 2012
/s/ Wendelin A. White* Wendelin A. White	Trustee	February 27, 2012
/s/ Anthony L. Winns* Anthony L. Winns	Trustee	February 27, 2012
/s/ William T. Camp William T. Camp	Executive Vice President and Chief Financial Officer	February 27, 2012
/s/ Laura M. Franklin Laura M. Franklin	Executive Vice President Accounting, Administration and Corporate Secretary	February 27, 2012
* By: /s/ Laura M Franklin through power of attorney Laura M Franklin		

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, 2011, 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, 2011, the Trust's internal control over financial reporting was effective at a reasonable assurance level 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 the accompanying consolidated balance sheets of Washington Real Estate Investment Trust and Subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2011. Our audits also included the financial statement schedule listed in the Index at Item 15(A). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule 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, 2011 and 2010, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, 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, 2011, 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, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
McLean, Virginia
February 27, 2012

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' internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Washington Real Estate Investment Trust'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, Washington Real Estate Investment Trust and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, 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 at December 31, 2011 and 2010, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2011 of Washington Real Estate Investment Trust and Subsidiaries and our report dated February 27, 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
McLean, Virginia
February 27, 2012

WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2011 AND 2010
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	December 31, 2011	December 31, 2010
Assets		
Land	\$472,196	\$381,338
Income producing property	1,934,587	1,670,598
	2,406,783	2,051,936
Accumulated depreciation and amortization	(535,732	) (460,678
Net income producing property	1,871,051	1,591,258
Held for development	43,089	26,240
Total real estate held for investment, net	1,914,140	1,617,498
Investment in real estate sold or held for sale, net	—	286,842
Cash and cash equivalents	12,765	78,767
Restricted cash	19,424	20,486
Rents and other receivables, net of allowance for doubtful accounts of \$8,921 and \$7,422, respectively	53,828	44,280
Prepaid expenses and other assets	120,601	92,040
Other assets related to properties sold or held for sale	—	27,968
Total assets	\$2,120,758	\$2,167,881
Liabilities		
Notes payable	\$657,470	\$753,587
Mortgage notes payable	427,710	361,860
Lines of credit	99,000	100,000
Accounts payable and other liabilities	51,145	49,138
Advance rents	13,739	11,099
Tenant security deposits	8,862	7,390
Other liabilities related to properties sold or held for sale	—	23,949
Total liabilities	1,257,926	1,307,023
Equity		
Shareholders' equity		
Shares of beneficial interest; \$0.01 par value; 100,000 shares authorized: 66,265 and 65,870 shares issued and outstanding, respectively	662	659
Additional paid in capital	1,138,478	1,127,825
Distributions in excess of net income	(280,096	) (269,935
Accumulated other comprehensive income (loss)	—	(1,469
Total shareholders' equity	859,044	857,080
Noncontrolling interests in subsidiaries	3,788	3,778
Total equity	862,832	860,858
Total liabilities and shareholders' equity	\$2,120,758	\$2,167,881
See accompanying notes to the financial statements.		

WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	2011	2010	2009
Revenue			
Real estate rental revenue	\$289,527	\$258,490	\$256,549
Expenses			
Utilities	19,960	18,233	18,866
Real estate taxes	27,238	25,044	27,072
Repairs and maintenance	13,461	11,903	11,104
Property administration	9,650	8,652	8,845
Property management	8,942	7,312	6,237
Operating services and common area maintenance	14,786	13,528	13,132
Other real estate expenses	3,155	1,988	4,033
Depreciation and amortization	93,297	80,066	77,549
General and administrative	15,728	14,406	13,118
	206,217	181,132	179,956
Real estate operating income	83,310	77,358	76,593
Other income (expense)			
Interest expense	(66,473)	(67,229)	(72,694)
Other income	1,144	1,193	1,205
Acquisition costs	(3,607)	(1,161)	(788)
Real estate impairment	(14,526)	—	—
Gain (loss) on extinguishment of debt, net	(976)	(9,176)	5,336
Gain from non-disposal activities	—	7	71
	(84,438)	(76,366)	(66,870)
Income (loss) from continuing operations	(1,128)	992	9,723
Discontinued operations:			
Income from operations of properties sold or held for sale	10,153	14,968	17,877
Gain on sale of real estate	97,491	21,599	13,348
Income tax expense	(1,138)	—	—
Net income	105,378	37,559	40,948
Less: Net income attributable to noncontrolling interests in subsidiaries	(494)	(133)	(203)
Net income attributable to the controlling interests	104,884	37,426	40,745
Basic net income (loss) attributable to the controlling interests per share			
Continuing operations	\$(0.02)	\$0.02	\$0.17
Discontinued operations, including gain on sale of real estate	1.60	0.58	0.54
Net income attributable to the controlling interests per share	\$1.58	\$0.60	\$0.71
Diluted net income (loss) attributable to the controlling interests per share			
Continuing operations	\$(0.02)	\$0.02	\$0.17
Discontinued operations, including gain on sale of real estate	1.60	0.58	0.54
Net income attributable to the controlling interests per share	\$1.58	\$0.60	\$0.71
Weighted average shares outstanding – basic	65,982	62,140	56,894
Weighted average shares outstanding – diluted	65,982	62,264	56,968
Dividends declared and paid per share	\$1.7350	\$1.7313	\$1.7300
See accompanying notes to the financial statements.			

WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009
(IN THOUSANDS)

	Shares	Shares of Beneficial Interest at Par Value	Additional Paid in Capital	Distributions in Excess of Net Income Attributable to the Controlling Interests	Accumulated Other Comprehensive Income	Total Shareholders' Equity	Non-controlling Interests in Subsidiaries	Total Equity
Balance, December 31, 2008	52,434	\$ 526	\$ 777,375	\$ (138,936)	\$ (2,335)	\$ 636,630	\$ 3,795	\$ 640,425
Comprehensive income:								
Net income attributable to the controlling interests	—	—	—	40,745	—	40,745	—	40,745
Net income attributable to noncontrolling interests	—	—	—	—	—	—	203	203
Change in fair value of interest rate hedge	—	—	—	—	578	578	—	578
Total comprehensive income	—	—	—	—	—	41,323	203	41,526
Distributions to noncontrolling interests	—	—	—	—	—	—	(190)	(190)
Dividends	—	—	—	(100,221)	—	(100,221)	—	(100,221)
Equity offerings, net of issuance costs	7,240	72	160,843	—	—	160,915	—	160,915
Shares issued under Dividend Reinvestment Program	88	1	2,478	—	—	2,479	—	2,479
Share options exercised	3	—	45	—	—	45	—	45
Share grants, net of share grant amortization and forfeitures	46	—	4,084	—	—	4,084	—	4,084
Balance, December 31, 2009	59,811	\$ 599	\$ 944,825	\$ (198,412)	\$ (1,757)	\$ 745,255	\$ 3,808	\$ 749,063

See accompanying notes to the financial statements.

WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009
(IN THOUSANDS)

	Shares	Shares of Beneficial Interest at Par Value	Additional Paid in Capital	Distributions in Excess of Net Income Attributable to the Controlling Interests	Accumulated Other Comprehensive Income	Total Shareholders' Equity	Non controlling Interests in Subsidiaries	Total Equity
Balance, December 31, 2009	59,811	\$ 599	\$944,825	\$ (198,412)	\$ (1,757)	\$ 745,255	\$ 3,808	\$749,063
Comprehensive income:								
Net income attributable to the controlling interests	—	—	—	37,426	—	37,426	—	37,426
Net income attributable to noncontrolling interests	—	—	—	—	—	—	133	133
Change in fair value of interest rate hedge	—	—	—	—	288	288	—	288
Total comprehensive income	—	—	—	—	—	37,714	133	37,847
Distributions to noncontrolling interests	—	—	—	—	—	—	(163)	(163)
Dividends	—	—	—	(108,949)	—	(108,949)	—	(108,949)
Equity offerings, net of issuance costs	5,645	56	168,824	—	—	168,880	—	168,880
Shares issued under Dividend Reinvestment Program	175	2	5,284	—	—	5,286	—	5,286
Share options exercised	164	2	3,961	—	—	3,963	—	3,963
Share grants, net of share grant amortization and forfeitures	75	—	4,931	—	—	4,931	—	4,931
Balance, December 31, 2010	65,870	\$ 659	\$1,127,825	\$ (269,935)	\$ (1,469)	\$ 857,080	\$ 3,778	\$860,858

See accompanying notes to the financial statements.

WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009
(IN THOUSANDS)

	Shares	Shares of Beneficial Interest at Par Value	Additional Paid in Capital	Distributions in Excess of Net Income Attributable to the Controlling Interests	Accumulated Other Comprehensive Income	Total Shareholders' Equity	Non controlling Interests in Subsidiaries	Total Equity
Balance, December 31, 2010	65,870	\$659	\$1,127,825	\$ (269,935)	\$ (1,469)	\$ 857,080	\$ 3,778	\$860,858
Comprehensive income:								
Net income attributable to the controlling interests	—	—	—	104,884	—	104,884	—	104,884
Net income attributable to noncontrolling interests	—	—	—	—	—	—	494	494
Change in fair value of interest rate hedge	—	—	—	—	1,469	1,469	—	1,469
Total comprehensive income	—	—	—	—	—	106,353	494	106,847
Distributions to noncontrolling interests	—	—	—	—	—	—	(2,488)	(2,488)
Contribution from noncontrolling interest	—	—	—	—	—	—	2,004	2,004
Dividends	—	—	—	(115,045)	—	(115,045)	—	(115,045)
Equity offerings, net of issuance costs	—	—	—	—	—	—	—	—
Shares issued under Dividend Reinvestment Program	170	2	5,041	—	—	5,043	—	5,043
Share options exercised	51	1	1,291	—	—	1,292	—	1,292
Share grants, net of share grant amortization and forfeitures	174	—	4,321	—	—	4,321	—	4,321
Balance, December 31, 2011	66,265	\$662	\$1,138,478	\$ (280,096)	\$ —	\$ 859,044	\$ 3,788	\$862,832

See accompanying notes to the financial statements.

WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009
(IN THOUSANDS)

	2011	2010	2009
Cash flows from operating activities			
Net income	\$ 105,378	\$ 37,559	\$ 40,948
Adjustments to reconcile net income to net cash provided by operating activities:			
Gain on sale of real estate	(97,491)	(21,599)	(13,348)
Depreciation and amortization, including amounts in discontinued operations	100,528	95,746	94,447
Provision for losses on accounts receivable	4,005	4,150	6,889
Real estate impairment, including amounts in discontinued operations	15,125	—	—
Amortization of share grants, net	4,321	4,931	3,085
Amortization of debt premiums, discounts and related financing costs	3,194	5,532	6,957
Loss (gain) on extinguishment of debt, net	—	9,176	(5,336)
Changes in operating other assets	(14,911)	(20,053)	(14,576)
Changes in operating other liabilities	(2,294)	(3,509)	(16,165)
Net cash provided by operating activities	117,855	111,933	102,901
Cash flows from investing activities			
Real estate acquisitions, net*	(281,701)	(155,881)	(19,828)
Capital improvements to real estate	(32,815)	(25,045)	(27,337)
Held for development	(25,929)	(1,337)	(2,135)
Net cash received for sale of real estate	402,164	71,505	36,842
Non-real estate capital improvements	(621)	(392)	(351)
Net cash provided by (used in) investing activities	61,098	(111,150)	(12,809)
Cash flows from financing activities			
Line of credit borrowings	261,000	68,800	214,500
Line of credit repayments	(262,000)	(96,800)	(153,500)
Dividends paid	(115,045)	(108,949)	(100,221)
Distributions to noncontrolling interests	(2,488)	(163)	(190)
Proceeds from equity offerings under dividend reinvestment program	5,043	5,286	2,479
Proceeds from mortgage notes payable	—	—	37,500
Principal payments – mortgage notes payable	(32,331)	(25,985)	(54,030)
Proceeds from debt offering	—	247,998	—
Financing costs	(3,905)	(2,450)	(847)
Net proceeds from equity offerings	—	168,880	160,915
Notes payable repayments, including penalties for early extinguishment	(96,521)	(193,799)	(197,414)
Net proceeds from exercise of share options	1,292	3,963	45
Net cash provided by (used in) financing activities	(244,955)	66,781	(90,763)
Net increase (decrease) in cash and cash equivalents	(66,002)	67,564	(671)
Cash and cash equivalents at beginning of year	78,767	11,203	11,874
Cash and cash equivalents at end of year	\$ 12,765	\$ 78,767	\$ 11,203
Supplemental disclosure of cash flow information:			
Cash paid for interest, net of amounts capitalized	\$ 63,916	\$ 60,622	\$ 69,292

* See note 3 to the consolidated financial statements for the supplemental disclosure of non-cash investing and financing activities, including the assumption of mortgage debt in conjunction with some of our real estate acquisitions.

See accompanying notes to the financial statements.

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WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND 2009

NOTE 1: NATURE OF BUSINESS

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

Federal Income Taxes

We believe that we qualify as a real estate investment trust (“REIT”) under Sections 856-860 of the Internal Revenue Code and intend to continue to qualify as such. To maintain our status as a REIT, we are required to distribute 90% of our ordinary taxable income to our shareholders. When selling properties, we have the option of (a) reinvesting the sale proceeds of properties sold, allowing for a deferral of income taxes on the sale, (b) paying out capital gains to the shareholders with no tax to WRIT or (c) treating the capital gains as having been distributed to the shareholders, paying the tax on the gain deemed distributed and allocating the tax paid as a credit to the shareholders. During the three years ended December 31, 2011, we sold the following properties:

Disposition Date	Property	Type	Gain on Sale (in thousands)
April 5, 2011	Dulles Station, Phase I	Office	\$—
Various ⁽¹⁾	Industrial Portfolio ⁽¹⁾	Office/Industrial	97,491
		Total 2011	\$97,491
June 18, 2010	Parklawn Portfolio ⁽²⁾	Office/Industrial	\$7,900
December 21, 2010	The Ridges	Office	4,500
December 22, 2010	Ammendale I&II/Amvax	Industrial	9,200
		Total 2010	\$21,600
May 13, 2009	Avondale	Multifamily	\$6,700
July 23, 2009	Tech 100 Industrial Park	Industrial	4,100
July 31, 2009	Brandywine Center	Office	1,000
November 13, 2009	Crossroads Distribution Center	Industrial	1,500
		Total 2009	\$13,300

(1) The Industrial Portfolio consists of every property in our industrial segment and two office properties (the Crescent and Albemarle Point), and we closed on the sale on three separate dates. On September 2, 2011, we closed on the sale of the two office properties (the Crescent and Albemarle Point) and 8880 Gorman Road, Dulles South IV, Fullerton Business Center, Hampton Overlook, Alban Business Center, Pickett Industrial Park, Northern Virginia Industrial Park I, 270 Technology Park, Fullerton Industrial Center, Sully Square, 9950 Business Parkway, Hampton South and 8900 Telegraph Road. On October 3, 2011, we closed the sale of Northern Virginia Industrial Park II. On November 1, 2011, we closed on the sale of 6100 Columbia Park Road and Dulles Business Park I and II.

(2) The Parklawn Portfolio consists of three office properties (Parklawn Plaza, Lexington Building and Saratoga Building) and one industrial property (Charleston Business Center).

A portion of the sales proceeds were reinvested in replacement properties, with the remainder paid out to the shareholders.

Generally, and subject to our ongoing qualification as a REIT, no provisions for income taxes are necessary except for taxes on undistributed REIT taxable income and taxes on the income generated by our taxable REIT subsidiaries

("TRS's"). Our TRS's are subject to corporate federal and state income tax on their taxable income at regular statutory rates, or as calculated under the alternative minimum tax, as appropriate. On April 5, 2011, we settled on the sale of Dulles Station, Phase I, an office property held by one of our TRS's. After the application of available net operating loss carryforwards, we recognized \$1.1 million in current net federal and state income tax liabilities during 2011 in connection with the sale and operations of the entities.

During the fourth quarter of 2011 we recognized a \$14.5 million impairment charge at Dulles Station, Phase II, a development property held by one of our TRS's (see note 3 to the consolidated financial statements). The impairment charge created a deferred tax asset of \$5.7 million at this TRS, but we have determined that it is more likely than not that this deferred tax asset will not be realized. We have therefore recorded a valuation allowance for the full amount of the deferred tax asset related to the impairment charge at Dulles Station, Phase II.

As of December 31, 2011, our TRS's had a net deferred tax asset of \$0.1 million and a net deferred tax liability of \$0.5 million, primarily related to temporary differences in the timing of the recognition of revenue, amortization and depreciation. There were no material income tax provisions or material net deferred income tax items for our TRS's for the years ended December 31, 2010 and 2009.

The following is a breakdown of the taxable percentage of our dividends for 2011, 2010 and 2009, respectively (unaudited):

	2011	2010	2009	
Ordinary income	60	% 55	% 75	%
Return of capital	17	% 31	% 17	%
Qualified dividends	5	% —	% —	%
Unrecaptured Section 1250 gain	13	% 11	% 7	%
Capital gain	5	% 3	% 1	%

NOTE 2: ACCOUNTING POLICIES

Principles of Consolidation and Basis of Presentation

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

We have prepared the accompanying audited financial statements pursuant to the rules and regulations of the Securities and Exchange Commission. In addition, in the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the results for the periods presented have been included.

New Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") ASU No. 2011-04, Fair Value Measurement, which requires new disclosures about fair value measurements. Specifically, additional disclosures are required regarding significant unobservable inputs used for Level 3 fair value measurements, a company's valuation process, transfers between Levels 1 and 2, and hierarchy classifications for items whose fair value is not recorded on the balance sheet, but disclosed in the notes. For WRIT, the primary impact of this ASU is to require disclosure of the hierarchy classifications (Level 1, 2 or 3) for our disclosures of the fair values of financial instruments in our notes to the consolidated financial statements. This ASU is effective for fiscal years (including interim periods) beginning after December 15, 2011.

In June 2011, the FASB issued ASU 2011-05, Comprehensive Income, which requires the presentation of comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This ASU eliminates the option of presenting the components of other comprehensive income as part of the statement of changes in shareholders' equity. This ASU is effective for fiscal years (including interim periods) beginning after December 15, 2011. For WRIT, the primary impact of this ASU is to require presentation of single continuous statement of comprehensive income or in two separate but consecutive statements.

Revenue Recognition

We lease multifamily properties under operating leases with terms of generally one year or less. We lease commercial properties (our office, medical office and retail segments) under operating leases with average terms of three to five years. We recognize rental income and rental abatements from our multifamily and commercial leases when earned on

a straight-line basis over the lease term. 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. We base this estimate on our historical experience and a review of the current status of our receivables. We recognize percentage rents, which represent additional rents based on gross tenant sales, when tenants' sales exceed specified thresholds.

We recognize sales of real estate 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.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable primarily represents amounts accrued and unpaid from tenants in accordance with the terms of the respective leases, subject to our revenue recognition policy. We review receivables monthly and establish reserves when, in the opinion of management, collection of the receivable is doubtful. We established reserves for doubtful accounts of \$3.9 million, \$3.4 million and \$5.1 million during the years ended December 31, 2011, 2010 and 2009, respectively. Write-offs of accounts receivable totaled \$2.4 million, \$1.2 million and \$3.8 million for the years ended December 31, 2011, 2010 and 2009, respectively. We establish reserves for tenants whose rent payment history or financial condition casts doubt upon the tenants' ability to perform under their lease obligations. When we deem the collection of a receivable to be doubtful in the same quarter that we established the receivable, then we recognize the allowance for that receivable as an offset to real estate revenues. When we deem a receivable that was initially established in a prior quarter to be doubtful, then we recognize the allowance as an operating expense. In addition to rents due currently, accounts receivable include amounts representing minimal rental income accrued on a straight-line basis to be paid by tenants over the remaining term of their respective leases.

We include the following notes receivable balances in our accounts receivable balances (in millions):

	December 31, 2011	December 31, 2010
Notes receivable, net	\$7.3	\$8.1

Deferred Financing Costs

We capitalize and amortize external costs associated with the issuance or assumption of mortgages, notes payable and fees associated with the lines of credit 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, 2011 and 2010 deferred financing costs were included in prepaid expenses and other assets as follows (in millions):

	December 31, 2011			2010		
	Gross Carrying Value	Accumulated Amortization	Net	Gross Carrying Value	Accumulated Amortization	Net
Deferred financing costs	\$16.1	7.6	\$8.5	\$13.8	6.7	\$7.1

We record the amortization of deferred financing costs as interest expense. Amortization of deferred financing costs for the three years ended December 31, 2011 was as follows (in millions):

	2011	2010	2009
Deferred financing costs amortization	\$2.3	\$2.4	\$3.1

Deferred Leasing Costs

We capitalize and amortize costs associated with the successful negotiation of leases, both external commissions and internal direct costs, on a straight-line basis over the terms of the respective leases. As of December 31, 2011 and 2010 deferred leasing costs were included in prepaid expenses and other assets as follows (in millions):

	December 31, 2011			2010		
	Gross Carrying Value	Accumulated Amortization	Net	Gross Carrying Value	Accumulated Amortization	Net
Deferred leasing costs	\$33.4	12.7	\$20.7	\$31.6	12.1	\$19.5

We record the amortization of deferred leasing costs as amortization expense. If an applicable lease terminates prior to the expiration of its initial lease term, we write off the carrying amount of the costs to amortization expense. Amortization and writes-offs of deferred leasing costs for the three years ended December 31, 2011 were as follows (in millions):

	2011	2010	2009
Deferred leasing costs amortization	\$4.6	\$4.4	\$4.0

We capitalize and amortize against revenue leasing incentives associated with the successful negotiation of leases on a straight-line basis over the terms of the respective leases. As of December 31, 2011 and 2010 deferred leasing incentives were included in prepaid expenses and other assets as follows (in millions):

	December 31, 2011			2010		
	Gross Carrying Value	Accumulated Amortization	Net	Gross Carrying Value	Accumulated Amortization	Net
Deferred leasing incentives	\$4.8	1.0	\$3.8	\$2.6	0.4	\$2.2

If an applicable lease terminates prior to the expiration of its initial lease term, we write off the carrying amount of the costs as a reduction of revenue. We record the amortization of deferred leasing incentives as a reduction of revenue. Amortization and write-offs of deferred leasing costs for the three years ended December 31, 2011 were as follows (in millions):

	2011	2010	2009
Deferred leasing incentives amortization	\$0.7	\$0.2	\$0.1

Real Estate and Depreciation

We depreciate buildings on a straight-line basis over estimated useful lives ranging from 28 to 50 years. We capitalize all capital improvement expenditures associated with replacements, improvements or major repairs to real property that extend its useful life and depreciate them 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 qualifying expenditures have been made and activities necessary to get the development projects ready for their intended use 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. We depreciate all tenant improvements 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 three years ended December 31, 2011 was as follows (in millions):

	2011	2010	2009
Real estate depreciation	\$71.2	\$64.8	\$62.3

We charge maintenance and repair costs that do not extend an asset's life to expense as incurred.

We capitalize interest costs incurred on borrowing obligations while qualifying assets are being readied for their intended use. Total interest expense capitalized to real estate assets related to development and major renovation activities for the three years ended December 31, 2010 was as follows (in millions):

	2011	2010	2009
Capitalized interest	\$0.7	\$0.9	\$1.4

We amortize capitalized interest over the useful life of the related underlying assets upon those assets being placed into service.

We recognize impairment losses on long-lived assets used in operations and held for sale, development assets or land held for future development, if indicators of impairment are present and the net undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount and estimated undiscounted cash flows associated with future development expenditures. If such carrying amount is in excess of the estimated cash flows from the operation and disposal of the property, we would recognize an impairment loss equivalent to an amount

required to adjust the carrying amount to the estimated fair value. The estimated fair value would be calculated in accordance with current GAAP fair value provisions. During 2011, we recognized in continuing operations an impairment charge of \$14.5 million for the development project at Dulles Station, Phase II. In addition, we recognized in discontinued operations an impairment charge of \$0.6 million at Dulles Station, Phase I, which was sold during 2011 (see note 3 to the consolidated financial statements for further discussion). During 2009 we expensed \$0.1 million, included in general and administrative expenses, related to development projects no longer considered probable of completion. There were

no impairments recognized during the year ended December 31, 2010.

We record real estate acquisitions as business combinations in accordance with GAAP. We record acquired or assumed assets, including physical assets and in-place leases, and liabilities, based on their fair values. We record goodwill when the purchase price exceeds the fair value of the assets and liabilities acquired. We determine the estimated fair values of the assets and liabilities in accordance with current GAAP fair value provisions. We determine the fair values of acquired buildings on an “as-if-vacant” basis considering a variety of factors, including the replacement cost of the property, estimated rental and absorption rates, estimated future cash flows and valuation assumptions consistent with current market conditions. We determine the fair value of land based on comparisons to similar properties that have been recently marketed for sale or sold.

The fair value of in-place leases consists of the following components – (a) the estimated cost to us to replace the leases, including foregone rents during the period of finding a new tenant and foregone recovery of tenant pass-throughs (referred to as “absorption cost”), (b) the estimated cost of tenant improvements, and other direct costs associated with obtaining a new tenant (referred to as “tenant origination cost”); (c) estimated leasing commissions associated with obtaining a new tenant (referred to as “leasing commissions”); (d) the above/at/below market cash flow of the leases, determined by comparing the projected cash flows of the leases in place to projected cash flows of comparable market-rate leases (referred to as “net lease intangible”); and (e) the value, if any, of customer relationships, determined based on our evaluation of the specific characteristics of each tenant’s lease and our overall relationship with the tenant (referred to as “customer relationship value”). We have attributed no value to customer relationship value as of December 31, 2011 and 2010.

We discount the amounts used to calculate net lease intangibles using an interest rate which reflects the risks associated with the leases acquired. We include tenant origination costs in income producing property on our balance sheet and amortize the tenant origination costs as depreciation expense on a straight-line basis over the remaining life of the underlying leases. We classify leasing commissions and absorption costs as other assets and amortize leasing commissions and absorption costs as amortization expense on a straight-line basis over the remaining life of the underlying leases. We classify net lease intangible assets as other assets and amortize them on a straight-line basis as a decrease to real estate rental revenue over the remaining term of the underlying leases. We classify net lease intangible liabilities as other liabilities and amortize them on a straight-line basis as an increase to real estate rental revenue over the remaining term of the underlying leases. Should a tenant terminate its lease, we accelerate the amortization of the unamortized portion of the tenant origination cost, leasing commissions, absorption costs and net lease intangible associated with that lease, over its new, shorter term.

Balances, net of accumulated depreciation or amortization, as appropriate, of the components of the fair value of in-place leases at December 31, 2011 and 2010 are as follows (in millions):

	December 31,			2010		
	Gross Carrying Value	Accumulated Amortization	Net	Gross Carrying Value	Accumulated Amortization	Net
Tenant origination costs	\$55.7	\$25.5	\$30.2	\$40.5	\$19.6	\$20.9
Leasing commissions/absorption costs	\$86.7	\$34.8	\$51.9	\$58.0	\$24.9	\$33.1
Net lease intangible assets	\$14.5	\$5.7	\$8.8	\$7.6	\$4.3	\$3.3
Net lease intangible liabilities	\$32.0	\$19.3	\$12.7	\$29.8	\$16.1	\$13.7
Below-market ground lease intangible asset	\$12.1	\$0.8	\$11.3	\$12.1	\$0.6	\$11.5

Amortization of these components combined was as follows (in millions):

	2011	2010	2009
Amortization	\$15.4	\$7.7	\$7.3

Amortization of these components combined over the next five years is projected to be as follows (in millions):

	Amortization
2012	\$19.4
2013	\$15.8
2014	\$13.7
2015	\$11.3
2016	\$8.2

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Discontinued Operations

We classify properties as held for sale when they meet the necessary criteria, which include: (a) senior management commits to and actively embarks upon a plan to sell the assets, (b) the sale is expected to be completed within one year under terms usual and customary for such sales and (c) 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. We generally consider that a property has met these criteria when a sale of the property has been approved by the Board of Trustees, or a committee with authorization from the Board, there are no known significant contingencies related to the sale and management believes it is probable that the sale will be completed within one year. Depreciation on these properties is discontinued, but operating revenues, operating expenses and interest expense continue to be recognized until the date of sale.

Revenues and expenses of properties that are either sold or classified as held for sale are presented as discontinued operations for all periods presented in the consolidated statements of income. 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, 2011 and December 31, 2010 consisted of \$19.4 million and \$20.5 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 currently maintain equity based compensation plans for trustees, officers and employees and previously also maintained option plans for trustees, officers and employees.

We recognize compensation expense for service-based share awards ratably over the period from the service inception date through the vesting period based on the fair market value of the shares on the date of grant. We initially measure compensation expense for awards with performance conditions at fair value at the service inception date based on probability of payout, and we remeasure compensation expense at subsequent reporting dates until all of the award's key terms and conditions are known and the grant date is established. We amortize awards with performance conditions over the performance period using the graded expense method. We measure compensation expense for awards with market conditions based on the grant date fair value, as determined using a Monte Carlo simulation, and we amortize the expense ratably over the requisite service period, regardless of whether the market conditions are achieved and the awards ultimately vest. Compensation expense for the trustee grants, which fully vest immediately, is fully recognized upon issuance based upon the fair market value of the shares on the date of grant.

Accounting for Uncertainty in Income Taxes

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 that 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 recognized 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. However, as a REIT, we generally are not subject to income tax on our net income distributed as dividends to our shareholders.

Tax returns filed for 2007 through 2011 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.

Use of Estimates in the Financial Statements

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

Reclassifications

Certain prior year amounts have been reclassified from continuing operations to discontinued operations to conform to the current year presentation (see note 3 to the consolidated financial statements).

Other Comprehensive Income (Loss)

We had accumulated other comprehensive loss of \$1.5 million as of December 31, 2010, to account for the changes in valuation of interest rate swaps. The last of our interest rate swaps expired in November 2011. Accordingly, we recorded other comprehensive income of \$1.5 million in 2011, leaving no accumulated other comprehensive income or loss as of December 31, 2011.

NOTE 3: REAL ESTATE INVESTMENTS

Continuing Operations

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

	December 31,	
	2011	2010
Office	\$1,268,136	\$980,263
Medical office	404,793	398,559
Retail	408,897	351,395
Multifamily	324,957	321,719
	\$2,406,783	\$2,051,936

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 the office segment, we have land for development at Dulles Station, Phase II. In the medical office segment, we have land under development at 4661 Kenmore Avenue. In the residential segment, we have land for development at 650 North Glebe Road and 1219 First Street. The cost of our real estate portfolio held for development as of December 31, 2011 and 2010 is illustrated below (in thousands):

	December 31,	
	2011	2010
Office	\$8,953	\$20,172
Medical office	5,758	5,463
Retail	576	546
Multifamily	27,802	59
	\$43,089	\$26,240

Dulles Station, Phase II consists of undeveloped land in Herndon, Virginia and a half interest in a parking garage that is adjacent to this land. The land is zoned for development as an office building. During the fourth quarter of 2011, we reviewed changes in market conditions, specifically higher vacancy and lower rental rates in the Washington metro region office market and other circumstances affecting the Herndon submarket, such as the increased uncertainty surrounding the timing of the completion of the second phase of the Dulles Metrorail project, and reassessed the likelihood that we would follow through on these development plans. Based upon the foregoing review and assessment, we determined that the development of the land at Dulles Station, Phase II is not probable under current market conditions. Due to this determination, we recognized a \$14.5 million impairment charge during the fourth quarter of 2011 in order to reduce the carrying value of the land and garage at Dulles Station, Phase II to its fair value of \$12.1 million.

We used a combination of internal models and third-party valuation estimates to determine the fair value of Dulles Station, Phase II. This fair valuation incorporated both market and income approaches, including recent comparable land sales, return on cost of development metrics and input from third-party real estate brokers on the value of the land and the half share of the parking garage. The valuation is inherently subjective because there are not many observable market transactions for similar land, and therefore we, through discussions with market participants, made certain significant assumptions with respect to appropriate comparable transactions to consider, cash flow estimates and

discount rates. Our estimate of the land was further corroborated by an independent third-party valuation specialist. This fair valuation falls into Level 3 in the fair value hierarchy due to its reliance on significant unobservable inputs.

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 and multifamily. All segments 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 in the Washington metro region, the Company is subject to a concentration of credit risk related to these properties. As of December 31, 2011 no single property or tenant accounted for more than 10% of total assets or total real estate rental revenue.

Acquisitions

Properties and land for development we acquired during the years ending December 31, 2011, 2010 and 2009 are as follows:

Acquisition Date	Property	Type	Rentable Square Feet (unaudited)	Contract Purchase Price (In thousands)
January 11, 2011	1140 Connecticut Ave	Office	184,000	\$80,250
March 30, 2011	1227 25th Street	Office	130,000	47,000
June 15, 2011	650 North Glebe Road ⁽¹⁾	Mutifamily	N/A	11,800
August 30, 2011	Olney Village Center	Retail	199,000	58,000
September 13, 2011	Braddock Metro Center	Office	345,000	101,000
September 15, 2011	John Marshall II	Office	223,000	73,500
November 23, 2011	1219 First Street ⁽¹⁾	Mutifamily	N/A	13,850
		Total 2011	1,081,000	\$385,400
June 3, 2010	925 and 1000 Corporate Drive	Office	271,000	\$68,000
December 1, 2010	Gateway Overlook	Retail	223,000	88,400
		Total 2010	494,000	\$156,400
August 13, 2009	Lansdowne Medical Office Building	Medical Office	87,000	\$19,900
		Total 2009	87,000	\$19,900

⁽¹⁾ Land for development

The results of operations from acquired operating properties are included in the consolidated statements of income as of their acquisition dates.

The revenue and earnings of our 2011 and 2010 acquisitions are as follows (amounts in thousands):

	December 31,	
	2011	2010
Real estate revenue	\$35,259	\$5,575
Net income	\$4,701	\$1,460

As discussed in note 2 to the consolidated financial statements, we record the acquired physical assets (land, building and tenant improvements), in-place leases (absorption, tenant origination costs, leasing commissions, and net lease intangible assets/liabilities), and any other liabilities at their fair values. Our sole 2009 acquisition, Lansdowne Medical Office Building, was vacant as of the acquisition date, so we did not acquire any absorption costs, leasing commissions, tenant origination costs or net intangible lease assets/liabilities during 2009.

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

	Recordation of Purchase Price		
	2011	2010	2009
Land	\$90.9	\$38.2	\$1.3
Buildings	219.6	93.3	18.6
Tenant origination costs	15.7	9.1	—
Leasing commissions/absorption costs	29.7	15.4	—
Net lease intangible assets	6.8	1.4	—
Net lease intangible liabilities	(2.5	) (1.5) —
Fair value of assumed mortgage	(78.5) —	—
Total	\$281.7	\$155.9	\$19.9

The weighted remaining average life in months for the 2011 acquisition components above, other than land and building, are 62 months for tenant origination costs, 51 months for leasing commissions/absorption costs, 65 months for net lease intangible assets and 62 months for net lease intangible liabilities.

The difference in total contract price of \$385.4 million and the acquisition cost per the consolidated statements of cash flows of \$281.7 million is primarily related to the two mortgage notes assumed for \$76.7 million relating to John Marshall II and Olney Village Center, cash paid for the acquisition of land at 650 North Glebe Road for \$11.8 million and at 1219 First Street for \$13.9 million included in development, and credits received at settlement totaling \$1.3 million.

The \$0.5 million difference in total 2010 contract purchase price of \$156.4 million and the recordation of purchase price of \$155.9 million is due to a credit received at settlement for future tenant allowance obligations for Gateway Overlook.

The following unaudited pro-forma combined condensed statements of operations set forth the consolidated results of operations for the years ended December 31, 2011 and 2010 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, 2011 and December 31, 2010. The unaudited data presented is in thousands, except per share data.

	Year Ended December 31,	
	2011	2010
Real estate revenues	\$308,027	\$295,767
Income from continuing operations	\$(1,701	) \$1,083
Net income	\$104,311	\$37,517
Diluted earnings per share	\$1.57	\$0.60

Noncontrolling Interests in Subsidiaries

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 partnership units in an operating partnership, which is a consolidated subsidiary of WRIT. This resulted in a noncontrolling ownership interest in this property based upon defined company operating partnership units at the date of purchase. The operating partnership units could have a dilutive impact on our earnings per share calculation. They are not dilutive for the years ended December 31, 2011, 2010 and 2009, and are not included in our earnings per share calculations.

On June 15, 2011 we executed a joint venture operating agreement with a real estate development company to develop a mid-rise multifamily property at 650 North Glebe Road in Arlington, Virginia. We estimate the total cost of the project to be \$43.5 million, with approximately 70% of the project financed with debt. WRIT is the 90% owner of the joint venture, and will have management and leasing responsibilities when the project is completed and stabilized (defined as 90% of the residential units leased). The real estate development company owns 10% of the joint venture and is responsible for the development, construction and lease-up of the property.

On November 23, 2011 we executed a joint venture operating agreement with a real estate development company to develop a high-rise multifamily property at 1219 First Street in Alexandria, Virginia. We estimate the total cost of the project to be \$95.0 million, with approximately 70% of the project financed with debt. WRIT is the 95% owner of the joint venture and will have management and leasing responsibilities when the project is completed and stabilized. The real estate development company

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owns 5% of the joint venture and is responsible for the development, construction and lease-up of the property.

We have determined that the 650 North Glebe Road and 1219 First Street joint ventures are variable interest entities ("VIE's") primarily based on the fact that the equity investment at risk is not sufficient to permit either entity to finance its activities without additional financial support. We expect that 70% of the total development costs will be financed through debt. We have also determined that WRIT is the primary beneficiary of each VIE due to the fact that WRIT is providing 90% to 95% of the equity contributions, obtaining the debt financing, and will manage each property after stabilization.

We include the joint venture land acquisitions on our consolidated balance sheets in held for development. As of December 31, 2011, the land and capitalized development costs are as follows (in millions):

	December 31, 2011
650 North Glebe	\$ 13.4
1219 First Street	\$ 14.4

In May 1998, we entered into an operating partnership agreement with a member of the entity that previously owned Northern Virginia Industrial Park in conjunction with the acquisition of this property. We accounted for this activity by applying the noncontrolling owner's percentage ownership interest to the net income of the property and reporting such amount in our net income attributable to noncontrolling interests. In October 2011, we closed on the sale of Northern Virginia Industrial Park II, thereby terminating this noncontrolling interest in our earnings. As a result of this transaction, we recorded a gain on sale relating to the noncontrolling interest of \$0.4 million. The amounts reported on the consolidated statements of income for noncontrolling interests are related to Northern Virginia Industrial Park II and classified as discontinued operations.

Discontinued Operations

We dispose of assets (sometimes using tax-deferred exchanges) that no longer meet our long-term strategy or return objectives and where market conditions for sale are favorable. The proceeds from the sales may be reinvested into other properties, used to fund development operations or to support other corporate needs, or distributed to our shareholders. Properties are considered held for sale when they meet specified criteria (see "Discontinued Operations" in note 2 to the consolidated financial statements). Depreciation on these properties is discontinued at that time, but operating revenues, other operating expenses and interest continue to be recognized until the date of sale. We had no properties classified as sold or held for sale at December 31, 2011 and had the industrial portfolio plus three office properties as sold or held for sale at December 31, 2010, as follows (in thousands):

	December 31,	
	2011	2010
Office property	\$—	\$80,024
Industrial/Flex properties	—	284,926
Total	\$—	\$364,950
Less accumulated depreciation	—	(78,108)
	\$—	\$286,842

On August 5, 2011 we entered into five separate purchase and sale agreements to effectuate the sale of our entire industrial segment and two office assets (the Crescent and Albemarle Point) for an aggregate purchase price of \$350.9 million, resulting in a \$97.5 million gain on sale of real estate.

The impact of the disposal of our industrial segment on revenues and net income is summarized as follows (amounts in thousands, except per share data):

	December 31,		
	2011	2010	2009
Real estate revenues	\$23,045	\$32,191	\$34,288
Net income	\$16,484	\$22,857	\$24,905
Basic net income per share	\$0.23	\$0.36	\$0.43
Diluted net income per share	\$0.23	\$0.36	\$0.43

We sold the following properties during the three years ended December 31, 2011:

Disposition Date	Property	Type	Rentable Square Feet (unaudited)	Contract Sales Price (in thousands)	Gain on Sale (in thousands)
Various ⁽¹⁾ April 5, 2011	Industrial Portfolio ⁽¹⁾ Dulles Station, phase I	Industrial/Office	3,092,000	\$350,900	\$97,491
		Office	180,000	58,800	—
		Total 2011	3,272,000	\$409,700	\$97,491
June 18, 2010 December 21, 2010	Parklawn Portfolio ⁽²⁾ The Ridges	Office/Industrial	229,000	\$23,400	\$7,900
		Office	104,000	27,500	4,500
		Total 2010	638,000	\$73,900	\$21,600
December 22, 2010	Ammendale I&II and Amvax	Industrial	305,000	23,000	9,200
May 13, 2009	Avondale	Multifamily	170,000	\$19,800	\$6,700
July 23, 2009	Tech 100 Industrial Park	Industrial	166,000	10,500	4,100
July 31, 2009	Brandywine Center	Office	35,000	3,300	1,000
November 13, 2009	Crossroads Distribution Center	Industrial	85,000	4,400	1,500
		Total 2009	456,000	\$38,000	\$13,300

The Industrial Portfolio consists of every property in our industrial segment and two office properties (the Crescent and Albemarle Point), and we closed on the sale on three separate dates. On September 2, 2011, we closed on the sale of the two office properties (the Crescent and Albemarle Point) and 8880 Gorman Road, Dulles South IV, Fullerton Business Center, Hampton Overlook, Alban Business Center, Pickett Industrial Park, Northern Virginia Industrial Park I, 270 Technology Park, Fullerton Industrial Center, Sully Square, 9950 Business Parkway, Hampton South and 8900 Telegraph Road. On October 3, 2011, we closed the sale of Northern Virginia Industrial Park II. On November 1, 2011, we closed on the sale of 6100 Columbia Park Road and Dulles Business Park I and II.

(1)

(2)

The Parklawn Portfolio consists of three office properties (Parklawn Plaza, Lexington Building and Saratoga Building) and one industrial property (Charleston Business Center).

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

	Operating Income For the Year Ending December 31,		
	2011	2010	2009
Revenues	\$26,154	\$47,646	\$53,726
Property expenses	(7,697)	) (15,248	) (16,646
Real estate impairment	(599)) —) —
Depreciation and amortization	(7,231)	) (15,680	) (16,896
Interest expense	(474)	) (1,750	) (2,307
	\$10,153	\$14,968	\$17,877

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

Property	Segment	Operating Income For the Year Ending December 31,		
		2011	2010	2009
Avondale	Multifamily	\$—	\$—	\$392
Tech 100 Industrial Park	Industrial	—	—	261
Brandywine Center	Office	—	—	85
Crossroads Distribution Center	Industrial	—	—	153
Parklawn Plaza	Office	—	132	147
Lexington Building	Office	—	65	127
Saratoga Building	Office	—	225	436
Charleston Business Center	Industrial	—	370	688
The Ridges	Office	—	678	175
Ammendale I&II	Industrial	—	1,023	986
Amvax	Industrial	—	336	327
Dulles Station, Phase I	Office	(468	) 492	449
Industrial Portfolio	Industrial/Office	10,621	11,647	13,651
		\$10,153	\$14,968	\$17,877

NOTE 4: MORTGAGE NOTES PAYABLE

We had outstanding mortgage notes payable, each collateralized by one or more buildings and related land from our portfolio, as follows (dollars in thousands):

Properties	Assumption/Issuance Date ⁽¹⁾	Effective Interest Rate ⁽²⁾	December 31,		Maturity Date
			2011	2010	
Prosperity Medical Center	10/9/2003	5.36	% \$31,169	\$31,886	5/1/2013
Prosperity Medical Center	10/9/2003	5.34	% 11,828	12,101	5/1/2013
Shady Grove Medical Village II	8/12/2004	6.98	% —	9,375	12/1/2011
Frederick Crossing	3/23/2005	5.95	% 21,700	22,268	11/1/2012
9707 Medical Center Drive ⁽³⁾	4/13/2006	5.32	% 4,780	4,955	7/1/2028
Plumtree Medical Center	6/22/2006	5.68	% 4,419	4,512	3/11/2013
15005 Shady Grove Road	7/12/2006	5.73	% 7,974	8,149	3/11/2013
West Gude Drive	8/25/2006	5.86	% 30,761	31,486	2/11/2013
Woodholme Medical Office Center	6/1/2007	5.29	% 19,954	20,285	11/1/2015
Ashburn Farm Office Park	6/1/2007	5.56	% 2,438	2,556	5/31/2025
Ashburn Farm Office Park	6/1/2007	5.69	% 2,159	2,285	7/31/2023
3801 Connecticut Avenue, Walker House and Bethesda Hill ⁽⁴⁾	5/29/2008	5.71	% 81,029	81,029	6/1/2017
2445 M Street ⁽⁵⁾	12/2/2008	5.62	% 95,593	94,339	1/6/2017
Kenmore Apartments	2/2/2009	5.37	% 36,097	36,634	3/1/2019
Olney Village Center	8/30/2011	4.94	% 23,873	—	11/1/2023
John Marshall II	9/15/2011	5.79	% 53,936	—	5/6/2016
			\$427,710	\$361,860	

⁽¹⁾ Each of these mortgages was assumed with the acquisition of the collateralized properties, except for the mortgage notes secured by 3801 Connecticut Avenue, Walker House, Bethesda Hill and Kenmore Apartments, which were originally executed by WRIT. We record mortgages assumed in an acquisition at fair value, and balances presented include any recorded premiums or discounts.

(2) Yield on the assumption/issuance date, including the effects of any premiums, discounts or fair value adjustments on the notes.

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(3) The mortgage bears a set interest rate through June 30, 2012, at which time the rate will be reset based on the Moody's Long-term Corporate Bond Yield Average, but never lower than 5.0% per annum. The interest rate will be reset annually thereafter for the duration of the note. Principal and interest are payable monthly until July 1, 2028, at which time all unpaid principal and interest are payable in full. During the first 90 days of 2013, the lender has the option to elect to accelerate the maturity date of the note to July 1, 2013. For the remainder of 2013, we have the right to prepay the note without any prepayment penalties.

(4) Interest only is payable monthly until the maturity date, which can be extended for one year upon which the interest rate is reset on June 1, 2016. At maturity on June 1, 2017, all unpaid principal and interest are payable in full.

(5) Interest only is payable monthly until the maturity date upon which all unpaid principal and interest are payable in full.

Except as noted above, principal and interest are payable monthly until the maturity date, upon which all unpaid principal and interest are payable in full.

Total carrying amount of the above mortgaged properties was \$678.9 million and \$570.5 million at December 31, 2011 and 2010, respectively.

On September 1, 2011, we repaid without penalty the remaining \$9.1 million of principal on the mortgage note secured by Shady Grove Medical Village II.

On October 5, 2011, we entered into an amendment to the purchase and sale agreement for 6100 Columbia Park Road and Dulles Business Park, under which we agreed to seek prepayment of the mortgage notes secured by Dulles Business Park prior to closing the sale. Under the terms of the amendment, if we prepaid the mortgage notes prior to November 1, 2011, then the sales price would be increased by \$875,000 in order to partially offset the penalties incurred by us for the prepayment of the mortgage notes. On October 7, 2011, we prepaid the remaining \$17.5 million of principal on the mortgage notes, incurring prepayment penalties of \$1.0 million. Because Dulles Business Park was sold (see note 3 to the consolidated financial statements), these mortgage notes are included in "Other liabilities related to properties sold or held for sale" on the consolidated balance sheets as of December 31, 2010.

Scheduled principal payments during the five years subsequent to December 31, 2011 and thereafter are as follows (in thousands):

2012	\$27,000
2013	87,580
2014	3,724
2015	22,390
2016	134,943
Thereafter	156,548
	432,185
Net discounts/premiums	(4,475)
Total	\$427,710

NOTE 5: UNSECURED LINES OF CREDIT PAYABLE

As of December 31, 2011, we maintained a \$75.0 million unsecured line of credit maturing in June 2012 ("Credit Facility No. 1") and a \$400.0 million unsecured line of credit maturing in July 2014 ("Credit Facility No. 2"). The amounts of these lines of credit unused and available at December 31, 2011 are as follows (in millions):

	Credit Facility No. 1	Credit Facility No. 2
Committed capacity	\$75.0	\$400.0
Borrowings outstanding	(74.0)	(25.0)
Letters of credit issued	(0.8)	—
Unused and available	\$0.2	\$375.0

We executed borrowings and repayments on the unsecured lines of credit during 2011 as follows (in millions):

	Credit Facility No. 1	Credit Facility No. 2
Balance at December 31, 2010	\$—	\$100.0
Borrowings	92.0	169.0
Repayments	(18.0	) (244.0
Balance at December 31, 2011	\$74.0	\$25.0

We made borrowings under Credit Facility No. 1 during 2011 to partially fund our acquisitions of 1140 Connecticut Avenue and 1227 25th Street, and for general corporate purposes. We made borrowings under Credit Facility No. 2 to repay unsecured notes, to partially fund the acquisitions of Olney Village Center, John Marshall II and Braddock Gateway and for general corporate purposes. We made repayments during 2011 using proceeds from the sales of the Industrial Portfolio and the sale of Dulles Station, Phase I.

Borrowings under Credit Facility No. 1 bear interest at our option of LIBOR plus a spread based on the credit rating on our publicly issued debt or the higher of SunTrust Bank's prime rate and the Federal Funds Rate in effect plus 0.5%. Borrowings under Credit Facility No. 2 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 plus 1.0%. The interest rate spreads are 42.5 basis points and 122.5 basis points for Credit Facilities No. 1 and 2, respectively.

All outstanding advances for Credit Facilities No. 1 and 2 are due and payable upon maturity in June 2012 and July 2014, respectively. Credit Facility No. 2 may be extended for one year at our option. Interest only payments are due and payable generally on a monthly basis. For the years ended December 31, 2011, 2010 and 2009, we recognized interest expense (excluding facility fees) as follows (in millions):

	2011	2010	2009
Credit Facility No. 1	\$0.4	\$0.1	\$—
Credit Facility No.2	\$2.7	\$2.7	\$0.5

The average interest rate on borrowings for the years ended December 31, 2011, 2010 and 2009 was as follows:

	2011	2010	2009	
Credit Facility No. 1	0.65	% 0.71	% 0.70	%
Credit Facility No.2	2.54	% 2.65	% 1.81	%

In addition, we pay a facility fee based on the credit rating of our publicly issued debt which currently equals 0.15% and 0.225% per annum of the committed capacity of Credit Facility No. 1 and Credit Facility No. 2, respectively, without regard to usage. Rates and fees may be adjusted up or down based on changes in our senior unsecured credit ratings. For the years ended December 31, 2011, 2010 and 2009, we incurred facility fees as follows (in millions):

	2011	2010	2009
Credit Facility No. 1	\$0.1	\$0.1	\$0.1
Credit Facility No.2	\$0.7	\$0.4	\$0.4

Credit Facilities No. 1 and No. 2 contain certain financial and non-financial covenants, all of which we have met as of December 31, 2011. Included in these covenants is the requirement to maintain a minimum level of net worth, as well as limits on our total liabilities, secured indebtedness and required debt service payments.

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

	2011	2010	2009	
Total revolving credit facilities at December 31	\$475,000	\$337,000	\$337,000	
Borrowings outstanding at December 31	\$99,000	\$100,000	\$128,000	
Weighted average daily borrowings during the year	\$160,090	\$112,573	\$33,656	
Maximum daily borrowings during the year	\$281,000	\$141,000	\$128,000	
Weighted average interest rate during the year	1.90	% 2.43	% 1.62	%
Weighted average interest rate at December 31	0.90	% 2.53	% 2.79	%

NOTE 6: NOTES PAYABLE

The following table summarizes our unsecured notes outstanding as of December 31, 2011 (dollars in thousands):

	Coupon/Stated Rate	Effective Rate ⁽¹⁾	Principal Amount	Maturity Date ⁽²⁾
10 Year Unsecured Notes	5.050	% 5.064	% \$50,000	5/1/2012
10 Year Unsecured Notes	5.125	% 5.230	% 60,000	3/25/2013
10 Year Unsecured Notes	5.250	% 5.340	% 100,000	1/15/2014
10 Year Unsecured Notes	5.350	% 5.359	% 50,000	5/1/2015
10 Year Unsecured Notes	5.350	% 5.490	% 100,000	5/1/2015
10 Year Unsecured Notes	4.950	% 5.053	% 250,000	10/1/2020
30 Year Unsecured Notes	7.250	% 7.360	% 50,000	2/25/2028
Total principal			660,000	
Net unamortized discount			(2,530)
Total			\$657,470	

⁽¹⁾ Yield on issuance date, including the effects of discounts on the notes.

⁽²⁾ No principal amounts are due prior to maturity.

We repaid the remaining \$93.9 million of our 5.95% unsecured notes on their due date of June 15, 2011, using borrowings on our unsecured lines of credit and proceeds from the sale of Dulles Station, Phase I.

We repaid the remaining \$2.7 million of our 3.875% convertible notes without penalty in September 2011, using proceeds from the sale of the Industrial Portfolio.

The required principal payments excluding the effects of note discounts or premium for the remaining years subsequent to December 31, 2011 are as follows (in thousands):

2012	\$50,000
2013	60,000
2014	100,000
2015	150,000
2016	—
Thereafter	300,000
	\$660,000

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, 2011. Included in these covenants is the requirement to maintain a minimum level of unencumbered assets, as well as limits on our total indebtedness, secured indebtedness and required debt service payments.

The covenants under our line of credit agreements require us to insure our properties against loss or damage in amounts customarily maintained by similar businesses or as they may be required by applicable law. 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, except for non-certified nuclear, chemical and biological acts of terrorism. 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 this program 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.

NOTE 7: STOCK BASED COMPENSATION

WRIT maintains short-term and long-term incentive plans that allow for stock-based awards to officers and non-officer employees. Stock based awards are provided to officers and non-officer employees, as well as trustees, under the Washington Real Estate Investment Trust 2007 Omnibus Long-Term Incentive Plan which allows for awards in the form of restricted shares, restricted share units, options, and other awards up to an aggregate of 2,000,000 shares over the ten year period in which the plan will be in effect. Restricted share units are converted into shares of our stock upon full vesting through the issuance of new shares.

WRIT's Compensation Committee conducted an extensive review of our executive compensation philosophy and a fundamental redesign of our short-term and long-term incentive plans for our officers, resulting in new short-term incentive ("New STIP") and new long-term incentive ("New LTIP") plans, which were approved by the Compensation Committee and Board on February 17, 2011 and were effective as of January 1, 2011. In addition, the Compensation Committee approved a new long-term incentive plan for non-officer employees as of January 1, 2011, with minimal changes from the prior long-term incentive plan for non-officer employees.

New STIP

Under the New STIP, officers earn awards, payable 50% in cash and 50% in restricted shares, based on a percentage of salary and achieving various performance conditions within a one-year performance period (except for 15% of such restricted share awards which will be exclusively service-based). With respect to the 50% of the New STIP award payable in restricted shares, (i) the restricted shares subject to performance conditions will vest over a three-year period commencing on the January 1 following the end of the one-year performance period, and (ii) the restricted shares subject only to a service condition will vest over a three-year period commencing at the beginning of the one-year performance period.

With respect to the 50% of the award payable in cash, the officer may elect to defer up to 80% of the cash portion pursuant to WRIT's deferred compensation plan for officers. If the officer makes such election, the cash will be converted to restricted share units and WRIT will match 25% of deferred amounts in restricted share units.

For the service based awards we recognize compensation expense based on the grant date fair value, ratably over a three-year period commencing with the start of the performance period. With respect to the restricted shares subject to performance conditions expected to be awarded under the New STIP at the end of the one-year performance period, we recognize compensation expense based on the current fair market value of the probable award until the performance condition has been met, according to a graded vesting schedule over a four-year period commencing with the date the performance targets were established. Approximately 20% of the restricted shares subject to performance conditions awarded by the Compensation Committee at the end of the one-year performance period are based on subjective strategic acquisition and disposition goal criteria, for which we recognize compensation expense when the grant date occurs at the end of the one-year period through the three-year vesting period.

New LTIP

Under the New LTIP, officers earn awards, payable 50% in unrestricted shares and 50% in restricted shares, based on a percentage of salary and achieving various market and performance conditions during a defined three-year performance period (e.g., commencing on January 1, 2011 and concluding on December 31, 2013).

New LTIP performance is evaluated on objective and subjective performance goals and weightings. Of the officers' total potential award, 40% is subject to market conditions based on absolute total shareholder return ("TSR") and relative TSR. The remaining 60% of the award is based primarily on strategic plan fulfillment, evaluated and

determined by the Compensation Committee in its discretion at the end of the three-year performance period.

The unrestricted shares vest immediately at the end of the three-year performance period, and the restricted shares vest over a one-year period commencing on the January 1 following the end of the three-year performance period.

With respect to the 40% of the New LTIP subject to market conditions we recognize compensation expense ratably (over three years for the 50% unrestricted shares and over four years for the 50% restricted shares) based on the grant date fair value, as determined using a Monte Carlo simulation, and regardless of whether the market conditions are achieved and the awards ultimately vest. With respect to the 60% subjective portion of the New LTIP, we will recognize compensation expense for the 50% unrestricted shares when the grant date has occurred at the end of the three-year performance period. We will recognize compensation expense for the 50% restricted shares over the one-year vesting period commencing upon the grant date at the end of the three-year

performance period.

We use a binomial model which employs the Monte Carlo method as of the grant date to determine the fair value of the 40% of the New LTIP subject to market conditions referenced above. The market condition performance measurement is the cumulative three-year total shareholder return on both an absolute basis (50% weighting) and relative to a defined population of 20 peer companies (50% weighting). The model evaluates the awards for changing total shareholder return over the term of the vesting, on an absolute basis and relative to a peer companies, and uses random simulations that are based on past stock characteristics as well as income growth and other factors for WRIT and each of the peer companies. The assumptions used to value the 40% of the New LTIP subject to market conditions were an expected volatility of 58.1%, a risk-free interest rate of 1.2% and an expected life of 3 and 4 years. We based the expected volatility upon the historical volatility of our daily closing share price. The price at the grant date, February 17, 2011, was \$30.91. We based the risk-free interest rate used on U.S. treasury constant maturity bonds on the measurement date with a maturity equal to the market condition performance period. We based the expected term on the market condition performance period. The officers' total award opportunity under the new LTIP stated as a percentage of base salary ranges from 65% to 150% at target level. The calculated grant date fair value as a percentage of base salary for the officers ranged from 79% to 185% for the 40% of the New LTIP subject to market conditions.

Non-officer employees earn restricted share awards under the New LTIP based upon various percentages of their salaries and annual performance calculations. The restricted share awards vest ratably over three years from the grant date based upon continued employment. We recognize compensation expense for these awards according to a graded vesting schedule over four years from the date the performance target was established.

Modification of Prior LTIP Awards

In connection with the adoption of the New STIP and the New LTIP, the previous long-term incentive plan ("prior LTIP") for officers was amended such that awards subject to performance and market conditions through 2012 under the prior LTIP were converted when the new plans were adopted into 154,400 restricted share units as of February 17, 2011, of which 59,100 were previously granted and unvested as of December 31, 2010. Such restricted share units will vest consistent with the periods in which they otherwise would have vested under the terms of the prior LTIP (i.e., either December 31, 2011 or December 31, 2012). We accounted for the amendment of these awards as a modification. With the exception of the above, no other awards under the prior LTIP were modified, and such awards continue to vest based on their applicable terms.

Prior LTIP

Other non-officer members of management earned restricted share units under the prior LTIP based on one-year performance targets that vest ratably over five years from the grant date based upon continued employment. We recognize compensation expense for these awards according to a graded vesting schedule over six years from the date the performance target was established.

Officers earned restricted share units under the prior LTIP based on various percentages of their salaries that vest ratably over five years from the grant date based upon continued employment. We recognize compensation expense for these awards ratably over five years from the grant date.

Trustee Awards

We continue to award trustees share based compensation on an annual basis in the form of restricted shares which vest immediately and are restricted from sale for the period of the trustees' service. The value of share-based compensation for each trustee was \$55,000 for each of the years ended December 31, 2011, 2010 and 2009.

Total Compensation Expense

Total compensation expense recognized in the consolidated financial statements for all share based awards, was as follows (in millions):

	Years Ended December 31,		
	2011	2010	2009
Stock-based compensation expense	\$5.6	\$5.9	\$3.5

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The following is the activity for the years ended December 31, 2011, 2010 and 2009 related to our restricted share awards, excluding those subject to market conditions.

Restricted Share Awards

	2011		2010		2009	
	Shares	Wtd Avg Grant Fair Value	Shares	Wtd Avg Grant Fair Value	Shares	Wtd Avg Grant Fair Value
Vested at January 1	490,832	\$30.20	423,145	\$30.24	340,920	\$29.70
Unvested at January 1	193,339	\$27.71	160,276	\$28.13	141,411	\$31.72
Granted	303,168	\$29.48	101,870	\$28.37	102,841	\$26.67
Vested during year	(161,971)	\$29.80	(67,687)	\$30.01	(82,225)	\$32.44
Forfeited	(3,533)	\$28.10	(1,120)	\$28.45	(1,751)	\$29.77
Unvested at December 31	331,003	\$28.39	193,339	\$27.71	160,276	\$28.13
Vested at December 31	652,803	\$30.06	490,832	\$30.20	423,145	\$30.24

The total fair value of share grants vested was as follows (in millions):

	Years Ended December 31,		
	2011	2010	2009
Fair value of share grants vested	\$4.9	\$2.1	\$1.9

As of December 31, 2011, the total compensation cost related to non-vested share awards not yet recognized was \$5.9 million, which we expect to recognize over a weighted average period of 29 months.

Restricted and Unrestricted Shares with Market Conditions

Stock based awards with market conditions under the New LTIP were granted in February 2011 with fair market values, as determined using a Monte Carlo simulation, as follows (in thousands):

	Grant Date Fair Value	
	Restricted	Unrestricted
Relative TSR	\$1,066	\$1,066
Absolute TSR	\$365	\$365

The unamortized value of these awards with market conditions as of December 31, 2011 was as follows (in thousands):

	Unamortized Value at December 31, 2011	
	Restricted	Unrestricted
Relative TSR	\$742	\$826
Absolute TSR	\$254	\$283

Options

The previous option plans provided for the grant of qualified and non-qualified options. The last option awards to officers were in 2002, to non-officer key employees in 2003 and to trustees in 2004. 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. 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. We accounted for option awards in accordance with APB No. 25, and we have recognized no compensation cost for stock options.

The following chart details the previously issued and currently outstanding and exercisable stock options:

	2011		2010		2009	
	Shares	Wtd Avg Ex Price	Shares	Wtd Avg Ex Price	Shares	Wtd Avg Ex Price
Outstanding at January 1	145,950	\$26.74	314,250	\$25.39	317,000	\$25.31
Granted	—	\$—	—	\$—	—	\$—
Exercised	(51,081)	) \$25.29	(164,300)	) \$24.11	(2,750)	) \$16.34
Expired/Forfeited	(5,763)	) \$24.85	(4,000)	) \$28.23	—	\$—
Outstanding at December 31	89,106	\$27.69	145,950	\$26.74	314,250	\$25.39
Exercisable at December 31	89,106	\$27.69	145,950	\$26.74	314,250	\$25.39

The 89,106 options outstanding at December 31, 2011, all of which are exercisable, have exercise prices between \$25.61 and \$33.09, with a weighted-average exercise price of \$27.69 and a weighted average remaining contractual life of 1.5 years. The outstanding exercisable shares at December 31, 2011 had no aggregate intrinsic value. The aggregate intrinsic value of options exercised was \$0.3 million in 2011, \$1.0 million in 2010 and minimal in 2009. There were minimal options forfeited in 2011 and 2010.

NOTE 8: OTHER BENEFIT PLANS

We have a Retirement Savings Plan (the “401(k) Plan”), which permits all eligible employees to defer a portion of their compensation in accordance with the Internal Revenue Code. Under the 401(k) Plan, we may make discretionary contributions on behalf of eligible employees. For the years ended December 31, 2011, 2010 and 2009, we made contributions to the 401(k) plan as follows (in millions):

	Years Ended December 31,		
	2011	2010	2009
401(k) plan contributions	\$0.5	\$0.4	\$0.4

We have adopted non-qualified deferred compensation plans for the officers and members of the Board of Trustees. The plans allow for a deferral of a percentage of annual cash compensation and trustee fees. The plans are unfunded and payments are to be made out of the general assets of WRIT. During 2008, the prior Chief Executive Officer (“prior CEO”) received a lump sum distribution of the present value of his deferred compensation.

The deferred compensation liability at December 31, 2011 and 2010 was as follows (in millions):

	December 31,	
	2011	2010
Deferred compensation liability	\$1.2	\$1.1

We established a Supplemental Executive Retirement Plan (“SERP”) effective July 1, 2002 for the benefit of our prior CEO. Under this plan, upon the prior CEO’s termination of employment from WRIT for any reason other than death, permanent and total disability, or discharge for cause, he is entitled to receive an annual benefit equal to his accrued benefit times his vested interest. We accounted for this plan in accordance with FASB ASC 715-30 (formerly SFAS No. 87, Employers’ Accounting for Pensions), whereby we accrued benefit cost in an amount that resulted in an accrued balance at the end of the prior 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, 2011 and 2010, the accrued benefit liability was \$1.5 million and \$1.6 million, respectively.

For the three years ended December 31, 2011, 2010 and 2009, we recognized current service cost as follows (in millions):

	Years Ended December 31,		
	2011	2010	2009
Prior CEO SERP current service cost	\$0.1	\$0.1	\$0.1

We currently have an investment in corporate owned life insurance intended to meet the SERP benefit liability since the prior CEO’s retirement. Benefit payments to the prior CEO began in 2008.

In November 2005, the Board of Trustees approved the establishment of a SERP for the benefit of the officers, other than the prior CEO. This is a defined contribution plan under which, upon a participant's termination of employment from WRIT for any reason other than death, discharge for cause or total and permanent disability, 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 FASB ASC

710-10 (formerly EITF 97-14, Accounting for Deferred Compensation Arrangements Where Amounts Earned are Held in a Rabbi Trust and Invested) and FASB ASC 320-10 (formerly 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, 2011, 2010 and 2009, we recognized current service cost as follows (in millions):

	Years Ended December 31,		
	2011	2010	2009
Officer SERP current service cost	\$0.3	\$0.3	\$0.3

NOTE 9: FAIR VALUE DISCLOSURES

Assets and Liabilities Measured at Fair Value

For assets and liabilities measured at fair value on a recurring basis, quantitative disclosures about the fair value measurements are required to be disclosed separately for each major category of assets and liabilities. The only assets or liabilities we had at December 31, 2011 and 2010 that are recorded at fair value on a recurring basis are the assets held in the SERP and the interest rate hedge contracts. We base the valuations related to these items on assumptions derived from significant other observable inputs and accordingly these valuations fall into Level 2 in the fair value hierarchy. The fair values of these assets and liabilities at December 31, 2011 and 2010 are as follows (in millions):

	December 31, 2011				December 31, 2010			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:								
SERP	\$1.7	\$—	\$1.7	\$—	\$1.7	\$—	\$1.7	\$—
Liabilities:								
Derivatives	\$—	\$—	\$—	\$—	\$1.5	\$—	\$1.5	\$—

Financial Assets and Liabilities Not Measured at Fair Value

The following disclosures of estimated fair value were determined by management using available market information and established valuation methodologies, including discounted cash flow. Many of these estimates involve significant judgment. The estimated fair value disclosed may not necessarily be indicative of the amounts we could realize on disposition of the financial instruments. The use of different market assumptions or estimation methodologies could have an effect on the estimated fair value amounts. In addition, fair value estimates are made at a point in time and thus, estimates of fair value subsequent to December 31, 2011 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, 2011.

Cash and Cash Equivalents

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

Notes Receivable

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

Derivatives

The company reports its interest rate swap at fair value in accordance with GAAP, and thus the carrying value is the 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 by discounting the contractual cash flows at a rate equal to the relevant treasury rates (with respect to the timing of each cash flow) plus credit spreads estimated through independent comparisons to real estate assets

or loans with similar characteristics.

Lines of Credit Payable

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

Notes Payable

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

(in thousands)	2011		2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and cash equivalents, including restricted cash	\$32,189	\$32,189	\$99,253	\$99,253
2445 M Street note receivable	\$6,975	\$7,721	\$7,090	\$8,048
Mortgage notes payable	\$427,710	\$463,238	\$361,860	\$380,360
Lines of credit payable	\$99,000	\$99,000	\$100,000	\$100,000
Notes payable	\$657,470	\$713,797	\$753,587	\$785,637

NOTE 10: DERIVATIVE INSTRUMENTS

We enter into interest rate swaps from time to time to manage our exposure to variable interest rate risk. We do not purchase derivatives for speculation. In February 2008, we entered into an interest rate swap with a notional amount of \$100 million that expired in February 2010. In May 2009, we entered into a forward interest rate swap with a notional amount of \$100 million that expired in November 2011. Both interest rate swaps qualified as cash flow hedges. Our cash flow hedges were recorded at fair value in accordance with GAAP, based on discounted cash flow methodologies and observable inputs. We recorded the effective portion of changes in fair value of cash flow hedges in other comprehensive income. The change in fair value of cash flow hedges was the only activity in other comprehensive income (loss) during periods presented in our consolidated financial statements. We assessed the effectiveness of our cash flow hedges both at inception and on an ongoing basis. We deemed the hedges to be effective for the year ended December 31, 2010 and for periods prior to expiration in 2011. We had no derivative instruments outstanding as of December 31, 2011.

The fair value and balance sheet locations of the interest rate swaps as of December 31, 2011 and 2010, are as follows (in millions):

	December 31, 2011	December 31, 2010
	Fair Value	Fair Value
Accounts payable and other liabilities	\$—	\$1.5

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

	Year Ended December 31,	
	2011	2010
	Fair Value	Fair Value
Change in other comprehensive income (loss)	\$1.5	\$0.3

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

NOTE 11: EARNINGS PER COMMON SHARE

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

awards and units by the weighted-average number of common shares outstanding for the period.

We also determine “Diluted earnings per share” under the two-class method with respect to the unvested restricted share awards. We further evaluate any other potentially dilutive securities at the end of the period and adjust the basic earnings per share calculation for the impact of those securities that are dilutive. Our dilutive earnings per share calculation includes the dilutive impact of employee stock options based on the treasury stock method and our performance share units under the contingently issuable method. The dilutive earnings per share calculation also considers our operating partnership units and 3.875% convertible notes under the if-converted method. The operating partnership units were anti-dilutive for the three years ended December 31, 2011. The 3.875% convertible notes were repaid in full as of December 31, 2011, and were anti-dilutive for the years ended December 31, 2010 and 2009.

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

	2011	2010	2009
Numerator:			
Income from continuing operations	\$ (1,128)	\$ 992	\$ 9,723
Allocation of undistributed earnings to unvested restricted share awards and units to continuing operations	—	(4)	(26)
Adjusted income from continuing operations attributable to the controlling interests	(1,128)	988	9,697
Income from discontinued operations, including gain on sale of real estate, net of taxes	106,506	36,567	31,225
Net income attributable to noncontrolling interests	(494)	(133)	(203)
Allocation of undistributed earnings to unvested restricted share awards and units to discontinued operations	(712)	(140)	(85)
Adjusted income from discontinued operations attributable to the controlling interests	105,300	36,294	30,937
Adjusted net income attributable to the controlling interests	\$ 104,172	\$ 37,282	\$ 40,634
Denominator:			
Weighted average shares outstanding – basic	65,982	62,140	56,894
Effect of dilutive securities:			
Employee stock options and restricted share awards	—	124	74
Weighted average shares outstanding – diluted	65,982	62,264	56,968
Earnings per common share, basic:			
Continuing operations	\$ (0.02)	\$ 0.02	\$ 0.17
Discontinued operations	\$ 1.60	\$ 0.58	\$ 0.54
	\$ 1.58	\$ 0.60	\$ 0.71
Earnings per common share, diluted:			
Continuing operations	\$ (0.02)	\$ 0.02	\$ 0.17
Discontinued operations	\$ 1.60	\$ 0.58	\$ 0.54
	\$ 1.58	\$ 0.60	\$ 0.71

NOTE 12: 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
2012	\$211.3
2013	191.1
2014	160.2
2015	134.7
2016	102.1
Thereafter	250.2
	\$1,049.6

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 as follows (in millions):

	2011	2010	2009
Percentage rents	\$0.2	\$0.1	\$0.2
Real estate tax, operating expense and common area maintenance reimbursement income from continuing operations was as follows (in millions):			
	2011	2010	2009
Reimbursement income	\$26.1	\$24.5	\$27.6

NOTE 13: COMMITMENTS AND CONTINGENCIES**Development Commitments**

At December 31, 2011, we had \$4.7 million in committed contracts outstanding with third parties in connection with our development projects at 1219 First Street and 650 North Glebe Road.

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, 2011, we were contingently liable under unused letters of credit in the amounts of \$815,000, related to our assumption of mortgage debt on West Gude to ensure the funding of certain tenant improvements and leasing commissions over the term of the debt.

NOTE 14: SEGMENT INFORMATION

We have four reportable segments: office, medical office, retail, and multifamily 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.

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

	Year Ended December 31,			
	2011	2010	2009	
Office	49	% 48	% 48	%
Medical office	16	% 17	% 18	%
Retail	17	% 16	% 16	%
Multifamily	18	% 19	% 18	%

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

	December 31,		
	2011	2010	
Office	53	% 48	%
Medical office	17	% 19	%
Retail	17	% 17	%
Multifamily	13	% 16	%

The accounting policies of each of the segments are the same as those described in note 2 to the consolidated financial statements. We evaluate performance based upon operating income from the combined properties in each segment. Our reportable operating segments are consolidations of similar properties. GAAP requires that segment disclosures present the measure(s) used by the chief operating decision maker for purposes of assessing segments' performance. Net operating income is a key measurement of our segment profit and loss. Net operating income is defined as segment real estate rental revenue less segment real estate expenses.

The following table presents revenues and net operating income for the years ended December 31, 2011, 2010 and 2009 from these segments, and reconciles net operating income of reportable segments to net income as reported (in thousands):

	2011						Consolidated
	Office	Medical Office	Retail	Multifamily	Industrial/Flex	Corporate and Other	
Real estate rental revenue	\$ 142,870	\$ 45,257	\$ 50,421	\$ 50,979		\$—	\$ 289,527
Real estate expenses	48,960	14,242	14,273	19,717		—	97,192
Net operating income	\$ 93,910	\$ 31,015	\$ 36,148	\$ 31,262		\$—	\$ 192,335
Depreciation and amortization							(93,297)
Interest expense							(66,473)
General and administrative							(15,728)
Acquisition costs							(3,607)
Other income (expense)							1,144
Real estate impairment							(14,526)
Loss on extinguishment of debt, net							(976)
Gain from non-disposal activities							—
Discontinued operations:							
Income from discontinued operations							10,153
Gain on sale of real estate							97,491
Income tax benefit (expense)							(1,138)
Net income							105,378
Less: Net income attributable to noncontrolling interests							(494)
Net income attributable to the controlling interests							\$ 104,884
Capital expenditures	\$ 21,065	\$ 5,654	\$ 2,922	\$ 2,823	\$ 351	\$ 621	\$ 33,436
Total assets	\$ 1,118,074	\$ 347,735	\$ 365,164	\$ 247,170	\$ —	\$ 42,615	\$ 2,120,758

	2010						
	Office	Medical Office	Retail	Multifamily	Industrial/Flex	Corporate and Other	Consolidated
Real estate rental revenue	\$ 123,860	\$ 45,028	\$ 41,003	\$ 48,599	\$ —	\$ —	\$ 258,490
Real estate expenses	42,392	14,715	10,310	19,243	—	—	86,660
Net operating income	\$ 81,468	\$ 30,313	\$ 30,693	\$ 29,356	\$ —	\$ —	\$ 171,830
Depreciation and amortization							(80,066)
Interest expense							(67,229)
General and administrative							(14,406)
Acquisition costs							(1,161)
Other income (expense)							1,193
Loss on extinguishment of debt, net							(9,176)
Gain from non-disposal activities							7
Discontinued operations:							
Income from discontinued operations							14,968
Gain on sale of real estate							21,599
Net income							37,559
Less: Net income attributable to noncontrolling interests							(133)
Net income attributable to the controlling interests							\$ 37,426
Capital expenditures	\$ 13,983	\$ 4,986	\$ 1,982	\$ 2,387	\$ 1,707	\$ 392	\$ 25,437
Total assets	\$ 938,638	\$ 353,508	\$ 313,003	\$ 228,769	\$ 225,206	\$ 108,757	\$ 2,167,881

	2009						
	Office	Medical Office	Retail	Multifamily	Industrial/Flex	Corporate and Other	Consolidated
Real estate rental revenue	\$ 123,347	\$ 44,911	\$ 41,821	\$ 46,470	\$ —	\$ —	\$ 256,549
Real estate expenses	43,897	15,218	10,680	19,494	—	—	89,289
Net operating income	\$ 79,450	\$ 29,693	\$ 31,141	\$ 26,976	\$ —	\$ —	\$ 167,260
Depreciation and amortization							(77,549)
Interest expense							(72,694)
General and administrative							(13,118)
Acquisition costs							(788)
Other income (expense)							1,205
Gain on extinguishment of debt, net							5,336
Gain from non-disposal activities							71
Discontinued operations:							
Income from discontinued operations							17,877
Gain on sale of real estate							13,348
Net income							40,948
Less: Net income attributable to noncontrolling interests							(203)
Net income attributable to the controlling interests							\$ 40,745
Capital expenditures	\$ 14,200	\$ 6,613	\$ 1,270	\$ 2,287	\$ 2,967	\$ 351	\$ 27,688
Total assets	\$ 926,433	\$ 360,220	\$ 225,548	\$ 240,442	\$ 251,986	\$ 40,596	\$ 2,045,225

NOTE 15: SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table summarizes our financial data by quarter for 2011 and 2010 (in thousands, except for per share data):

	Quarter ⁽¹⁾⁽²⁾			
	First	Second	Third	Fourth
2011				
Real estate rental revenue	\$69,204	\$71,684	\$71,931	\$76,708
Income (loss) from continuing operations	\$2,119	\$4,431	\$2,707	\$(10,385)
Net income	\$4,688	\$6,556	\$63,036	\$31,098
Net income attributable to the controlling interests	\$4,665	\$6,522	\$63,008	\$30,689
Income (loss) from continuing operations per share				
Basic	\$0.03	\$0.07	\$0.04	\$(0.16)
Diluted	\$0.03	\$0.07	\$0.04	\$(0.16)
Net income per share				
Basic	\$0.07	\$0.10	\$0.95	\$0.46
Diluted	\$0.07	\$0.10	\$0.95	\$0.46
2010				
Real estate rental revenue	\$64,007	\$64,087	\$65,032	\$65,364
Income from continuing operations	\$1,418	\$3,444	\$3,093	\$(6,963)
Net income	\$5,265	\$15,021	\$6,658	\$10,615
Net income attributable to the controlling interests	\$5,216	\$14,994	\$6,625	\$10,591
Income from continuing operations per share				
Basic	\$0.02	\$0.05	\$0.05	\$(0.11)
Diluted	\$0.02	\$0.05	\$0.04	\$(0.11)
Net income per share				
Basic	\$0.09	\$0.24	\$0.11	\$0.16
Diluted	\$0.09	\$0.24	\$0.10	\$0.16

(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 quarter results have been restated to conform to the current quarter presentation. Specifically, results related to properties sold or held for sale have been reclassified into discontinued operations.

NOTE 16: SHAREHOLDERS' EQUITY

During the fourth quarter of 2009, we entered into a sales agency financing agreement with BNY Mellon Capital Markets, LLC relating to the issuance and sale of up to \$250.0 million of our common shares from time to time over a period of no more than 36 months, replacing a previous agreement made during the third quarter of 2008. Sales of our common shares are made at market prices prevailing at the time of sale. Net proceeds for the sale of common shares under this program are used for the repayment of borrowings under our lines of credit, acquisitions, and general corporate purposes. We did not issue any shares under this program during 2011. We executed issuances under this program during 2010 and 2009 as follows (in millions, except for weighted average issue price):

	2010	2009
Common shares issued	5.6	2.0
Weighted average issue price	\$30.34	\$27.37
Net proceeds	\$168.9	\$53.8

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

	2011	2010	2009
Common shares issued	0.2	0.2	0.1
Weighted average issue price	\$29.97	\$30.36	\$28.34
Net proceeds	\$5.0	\$5.3	\$2.5

SCHEDULE III

Properties	Location	Initial Cost (b)			Net Improvements (Retirement) since Acquisition	Gross Amounts at Which Carried at December 31, 2011			Accumulated Depreciation at December 31, 2011
		Land	Buildings and Improvements			Land	Buildings and Improvements	Total (c)	
Multifamily Properties									
3801 Connecticut Avenue (a)	Washington, DC	\$420,000	\$2,678,000		\$7,999,000	\$420,000	\$10,677,000	\$11,097,000	\$8,145,000
Roosevelt Towers	Virginia	\$336,000	\$1,996,000		\$8,932,000	\$336,000	\$10,928,000	\$11,264,000	\$6,759,000
Country Club Towers	Virginia	\$299,000	\$2,562,000		\$13,532,000	\$299,000	\$16,094,000	\$16,393,000	\$8,763,000
Park Adams	Virginia	\$287,000	\$1,654,000		\$8,568,000	\$287,000	\$10,222,000	\$10,509,000	\$6,902,000
Munson Hill Towers	Virginia	\$322,000	\$3,337,000		\$14,496,000	\$322,000	\$17,833,000	\$18,155,000	\$11,855,000
The Ashby at McLean Walker House Apartments (a)	Virginia	\$4,356,000	\$17,102,000		\$13,414,000	\$4,356,000	\$30,516,000	\$34,872,000	\$16,628,000
Bethesda Hill Apartments (a)	Maryland	\$2,851,000	\$7,946,000		\$6,424,000	\$2,851,000	\$14,370,000	\$17,221,000	\$7,892,000
Bennett Park	Virginia	\$2,861,000	\$917,000		\$78,969,000	\$4,774,000	\$77,973,000	\$82,747,000	\$16,432,000
The Clayborne	Virginia	\$269,000	\$—		\$30,376,000	\$699,000	\$29,946,000	\$30,645,000	\$7,288,000
The Kenmore (a)	Washington, DC	\$28,222,000	\$33,955,000		\$839,000	\$28,222,000	\$34,794,000	\$63,016,000	\$4,431,000
650 N. Glebe Rd (g)	Virginia	\$12,787,000	\$—		\$619,000	\$13,406,000	\$—	\$13,406,000	\$—
1219 First Street (g)	Virginia	\$14,046,000	\$—		\$350,000	\$14,396,000	\$—	\$14,396,000	\$—
		\$70,956,000	\$85,559,000		\$196,244,000	\$74,268,000	\$278,491,000	\$352,759,000	\$107,508,000
Office Buildings									
1901 Pennsylvania Avenue	Washington, DC	\$892,000	\$3,481,000		\$13,985,000	\$892,000	\$17,466,000	\$18,358,000	\$12,918,000
51 Monroe Street	Maryland	\$840,000	\$10,869,000		\$22,095,000	\$840,000	\$32,964,000	\$33,804,000	\$23,326,000
515 King Street	Virginia	\$4,102,000	\$3,931,000		\$5,116,000	\$4,102,000	\$9,047,000	\$13,149,000	\$4,323,000
6110 Executive	Maryland	\$4,621,000	\$11,926,000		\$10,447,000	\$4,621,000	\$22,373,000	\$26,994,000	\$14,418,000

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Boulevard 1220 19th Street	Washington, DC	\$7,803,000	\$11,366,000	\$6,650,000	\$7,802,000	\$18,017,000	\$25,819,000	\$9,156,000
1600 Wilson Boulevard 7900	Virginia	\$6,661,000	\$16,742,000	\$13,632,000	\$6,661,000	\$30,374,000	\$37,035,000	\$13,647,000
Westpark Drive	Virginia	\$12,049,000	\$71,825,000	\$33,755,000	\$12,049,000	\$105,580,000	\$117,629,000	\$51,980,000
600 Jefferson Plaza 1700	Maryland	\$2,296,000	\$12,188,000	\$5,307,000	\$2,296,000	\$17,495,000	\$19,791,000	\$7,594,000
Research Boulevard	Maryland	\$1,847,000	\$11,105,000	\$3,378,000	\$1,847,000	\$14,483,000	\$16,330,000	\$7,129,000
Wayne Plaza	Maryland	\$1,564,000	\$6,243,000	\$7,678,000	\$1,564,000	\$13,921,000	\$15,485,000	\$5,853,000
Courthouse Square	Virginia	\$—	\$17,096,000	\$4,884,000	\$—	\$21,980,000	\$21,980,000	\$8,935,000
One Central Plaza	Maryland	\$5,480,000	\$39,107,000	\$15,717,000	\$5,480,000	\$54,824,000	\$60,304,000	\$21,157,000
Atrium Building	Maryland	\$3,182,000	\$11,281,000	\$2,844,000	\$3,182,000	\$14,125,000	\$17,307,000	\$5,626,000
1776 G Street	Washington, DC	\$31,500,000	\$54,327,000	\$4,193,000	\$31,500,000	\$58,520,000	\$90,020,000	\$18,549,000
Dulles Station II (f)	Virginia	\$15,001,000	\$494,000	\$(3,425,000)	\$4,130,000	\$7,940,000	\$12,070,000	\$—
West Gude (a) 6565	Maryland	\$11,580,000	\$43,240,000	\$5,817,000	\$11,580,000	\$49,057,000	\$60,637,000	\$10,659,000
Arlington Boulevard	Virginia	\$5,584,000	\$23,195,000	\$4,120,000	\$5,584,000	\$27,315,000	\$32,899,000	\$6,215,000
Monument II	Virginia	\$10,244,000	\$65,205,000	\$3,159,000	\$10,244,000	\$68,364,000	\$78,608,000	\$12,801,000
Woodholme Center	Maryland	\$2,194,000	\$16,711,000	\$1,807,000	\$2,194,000	\$18,518,000	\$20,712,000	\$3,315,000
2000 M Street	Washington, DC	\$—	\$61,101,000	\$7,731,000	\$—	\$68,832,000	\$68,832,000	\$10,779,000
2445 M Street (a)	Washington, DC	\$46,887,000	\$106,743,000	\$2,002,000	\$46,887,000	\$108,745,000	\$155,632,000	\$13,033,000
Quantico Building E	Virginia	\$4,518,000	\$24,801,000	\$63,000	\$4,518,000	\$24,864,000	\$29,382,000	\$2,234,000
Quantico Building G	Virginia	\$4,897,000	\$25,376,000	\$48,000	\$4,897,000	\$25,424,000	\$30,321,000	\$2,373,000
1140 Connecticut Avenue, NW	Washington, DC	\$25,226,000	\$50,495,000	\$2,327,000	\$25,226,000	\$52,822,000	\$78,048,000	\$2,188,000

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Properties	Location	Initial Cost (b)			Net Improvements (Retirement) since Acquisition	Gross Amounts at Which Carried at December 31, 2011			Accum Deprec at Decem 2011
		Land	Buildings and Improvements			Land	Buildings and Improvements	Total (c)	
1227 25th Street	Washington, DC	\$17,505,000	\$21,319,000	\$467,000	\$17,505,000	\$21,786,000	\$39,291,000	\$874,000	
John Marshall II (a)	Virginia	\$13,490,000	\$53,024,000	\$(41,000)	\$13,490,000	\$52,983,000	\$66,473,000	\$646,000	
Braddock Metro	Virginia	\$18,817,000	\$71,250,000	\$112,000	\$18,818,000	\$71,361,000	\$90,179,000	\$1,157,000	
		\$258,780,000	\$844,441,000	\$173,868,000	\$247,909,000	\$1,029,180,000	\$1,277,089,000	\$270,800,000	
Medical Office Woodburn	Virginia	\$2,563,000	\$12,460,000	\$4,198,000	\$2,563,000	\$16,658,000	\$19,221,000	\$7,339,000	
Park I Woodburn	Virginia	\$2,632,000	\$17,574,000	\$3,960,000	\$2,632,000	\$21,534,000	\$24,166,000	\$9,290,000	
Park II 8501	Virginia	\$2,071,000	\$26,317,000	\$914,000	\$2,071,000	\$27,231,000	\$29,302,000	\$8,036,000	
Arlington Boulevard (a) 8503	Virginia	\$1,598,000	\$25,850,000	\$881,000	\$1,598,000	\$26,731,000	\$28,329,000	\$7,736,000	
Arlington Boulevard (a) 8505	Virginia	\$2,819,000	\$19,680,000	\$612,000	\$2,819,000	\$20,292,000	\$23,111,000	\$6,065,000	
Shady Grove Medical II 8301	Maryland	\$1,995,000	\$16,601,000	\$1,361,000	\$1,995,000	\$17,962,000	\$19,957,000	\$4,426,000	
Arlington Boulevard Alexandria	Virginia	\$1,251,000	\$6,589,000	\$1,460,000	\$1,251,000	\$8,049,000	\$9,300,000	\$2,259,000	
Professional Center 9707	Virginia	\$6,783,000	\$19,676,000	\$4,164,000	\$6,783,000	\$23,840,000	\$30,623,000	\$4,896,000	
Medical Center Drive (a)	Maryland	\$3,069,000	\$11,777,000	\$863,000	\$3,069,000	\$12,640,000	\$15,709,000	\$2,812,000	
15001 Shady Grove Road	Maryland	\$4,094,000	\$16,410,000	\$1,650,000	\$4,094,000	\$18,060,000	\$22,154,000	\$3,903,000	
	Maryland	\$4,186,000	\$17,548,000	\$331,000	\$4,186,000	\$17,879,000	\$22,065,000	\$3,566,000	

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Properties	Location	Initial Cost (b)		Net Improvements (Retirement) since Acquisition	Gross Amounts at Which Carried at December 31, 2011			Accumulated Depreciation at December 31, 2011
		Land	Buildings and Improvements		Land	Buildings and Improvements	Total (c)	
Retail Centers								
Takoma Park	Maryland	\$415,000	\$1,084,000	\$96,000	\$415,000	\$1,180,000	\$1,595,000	\$1,146,000
Westminster	Maryland	\$519,000	\$1,775,000	\$9,041,000	\$519,000	\$10,816,000	\$11,335,000	\$5,801,000
Concord Centre	Virginia	\$413,000	\$850,000	\$3,399,000	\$413,000	\$4,249,000	\$4,662,000	\$2,822,000
Wheaton Park	Maryland	\$796,000	\$857,000	\$4,247,000	\$796,000	\$5,104,000	\$5,900,000	\$3,050,000
Bradlee	Virginia	\$4,152,000	\$5,383,000	\$8,057,000	\$4,152,000	\$13,440,000	\$17,592,000	\$8,796,000
Chevy Chase Metro Plaza	Washington, DC	\$1,549,000	\$4,304,000	\$4,811,000	\$1,549,000	\$9,115,000	\$10,664,000	\$5,344,000
Montgomery Village Center	Maryland	\$11,625,000	\$9,105,000	\$2,953,000	\$11,625,000	\$12,058,000	\$23,683,000	\$4,814,000
Shoppes of Foxchase	Virginia	\$5,838,000	\$2,979,000	\$13,017,000	\$5,838,000	\$15,996,000	\$21,834,000	\$4,239,000
Frederick County Square	Maryland	\$6,561,000	\$6,830,000	\$2,781,000	\$6,561,000	\$9,611,000	\$16,172,000	\$5,552,000
800 S. Washington Street	Virginia	\$2,904,000	\$5,489,000	\$5,965,000	\$2,904,000	\$11,454,000	\$14,358,000	\$3,255,000
Centre at Hagerstown	Maryland	\$13,029,000	\$25,415,000	\$1,995,000	\$13,029,000	\$27,410,000	\$40,439,000	\$8,800,000
Frederick Crossing (a)	Maryland	\$12,759,000	\$35,477,000	\$1,675,000	\$12,759,000	\$37,152,000	\$49,911,000	\$8,959,000
Randolph Shopping Center	Maryland	\$4,928,000	\$13,025,000	\$625,000	\$4,928,000	\$13,650,000	\$18,578,000	\$2,874,000
Montrose Shopping Center	Maryland	\$11,612,000	\$22,410,000	\$2,220,000	\$11,612,000	\$24,630,000	\$36,242,000	\$5,080,000
Gateway Overlook	Maryland	\$28,816,000	\$52,249,000	\$290,000	\$29,394,000	\$51,961,000	\$81,355,000	\$2,862,000
Olney Village Center (a)	Maryland	\$15,842,000	\$39,133,000	\$178,000	\$15,842,000	\$39,311,000	\$55,153,000	\$582,000
		\$121,758,000	\$226,365,000	\$61,350,000	\$122,336,000	\$287,137,000	\$409,473,000	\$73,976,000
Total	\$514,396,000	1,470,262,000	\$465,214,000	\$509,409,000	\$1,940,463,000	\$2,449,872,000	\$535,732,000	10,692,000

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- a) At December 31, 2011, our properties were encumbered by non-recourse mortgage amounts as follows: \$35,399,000 on 3801 Connecticut Avenue, \$16,531,000 on Walker House, \$29,099,000 on Bethesda Hill, \$36,097,000 on The Kenmore, \$30,761,000 on West Gude Drive, \$95,593,000 on 2445 M Street, \$53,936,000 on John Marshall II, \$42,997,000 on Prosperity Medical Center, \$4,780,000 on 9707 Medical Center Drive, \$7,974,000 on 15005 Shady Grove Road, \$4,419,000 on Plum Tree Medical Center, \$19,954,000 on Woodholme Medical Center, \$4,597,000 on Ashburn Farm, \$21,700,000 on Frederick Crossing, and \$23,873,000 on Olney Village Center.
- 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 fair values.
- c) At December 31, 2011, total land, buildings and improvements are carried at \$2,148,544,000 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, 2011, WRIT had land held for development in Herndon, VA (Dulles Station, Phase II). WRIT also held a 0.8 acre parcel of land at 4661 Kenmore for future medical office development. Additionally, WRIT had investments in various smaller development or redevelopment projects. The total land value not yet placed in service of these development projects at December 31, 2011 was \$9.4 million. \$0.5 million of Dulles Station, Phase II land was placed into service upon the completion of a portion of the parking garage structure.
- g) As of December 31, 2011, WRIT had under development via joint venture arrangements, a mid-rise multifamily property in Arlington, Virginia (650 North Glebe) and a high-rise multifamily property in Alexandria, Virginia (1219 First Street). The total land value not yet placed into service of these development projects via joint venture arrangements at December 31, 2011 was \$27.8 million.

WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES
SUMMARY OF REAL ESTATE INVESTMENTS AND ACCUMULATED DEPRECIATION
(IN THOUSANDS)

The following is a reconciliation of real estate assets and accumulated depreciation for the years ended December 31, 2011, 2010 and 2009:

(In Thousands)	2011	2010	2009
Real estate assets			
Balance, beginning of period	\$2,443,127	\$2,341,461	\$2,326,646
Additions - property acquisitions*	352,658	140,584	20,086
- improvements*	36,386	28,196	30,399
Deductions - impairment write-down	(16,416)) —	—
Deductions - write-off of disposed assets	(1,648)	) (866)	) (2,451)
Deductions - property sales	(364,235)	) (66,248)	) (33,219)
Balance, end of period	\$2,449,872	\$2,443,127	\$2,341,461
Accumulated depreciation			
Balance, beginning of period	\$538,786	\$475,245	\$406,241
Additions - depreciation	84,167	83,302	82,022
Deductions - impairment write-down	(1,291)) —	—
Deductions - write-off of disposed assets	(1,648)	) (866)	) (2,451)
Deductions - property sales	(84,282)	) (18,895)	) (10,567)
Balance, end of period	\$535,732	\$538,786	\$475,245

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