

WASHINGTON REAL ESTATE INVESTMENT TRUST

Form DEF 14A

March 28, 2005

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SCHEDULE 14A

(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Under Rule 14a-12

Washington Real Estate Investment Trust

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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3. Filing Party:
4. Date Filed:

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WASHINGTON REAL ESTATE INVESTMENT TRUST

6110 Executive Boulevard, Suite 800

Rockville, Maryland 20852

Telephone 301-984-9400

Facsimile 301-984-9610

Website www.writ.com

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

March 28, 2005

Dear Shareholder,

You are cordially invited to attend the Annual Meeting of Shareholders of Washington Real Estate Investment Trust to be held on Thursday, May 12, 2005. The formal Notice of the meeting and a Proxy Statement describing the proposals to be voted upon are enclosed.

Two Trustees are nominated for election at the meeting, and the Board of Trustees recommends that shareholders vote in favor of their election. In addition, the Proxy Statement includes a shareholder proposal concerning compensation. The Board of Trustees recommends that shareholders vote against the proposal as not in their best interest.

Please read the Proxy Statement, then complete, sign and return your proxy card in the enclosed envelope. You may also vote via telephone or the Internet. Just follow the instructions on the enclosed card.

Regardless of the number of shares you own, your vote is important.

Please note: The location of this year's annual shareholder meeting has been changed from previous years.

Best Regards,

/s/ Edmund B. Cronin, Jr.

Edmund B. Cronin, Jr.

Chairman of the Board

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WASHINGTON REAL ESTATE INVESTMENT TRUST

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

March 28, 2005

Dear Shareholder,

The Annual Meeting of the Shareholders (the Annual Meeting) of the Washington Real Estate Investment Trust (the Trust or WRIT) will be held at the **Bethesda North Marriott Hotel & Conference Center, 5701 Marinelli Road, North Bethesda, Maryland** (Northwest corner of Rockville Pike and Marinelli Rd., across the street from the White Flint Metro Stop) on Thursday, May 12, 2005 at 11:00 a.m., for the following purposes:

1. To elect two Trustees;
2. To consider a shareholder proposal concerning compensation;
3. To transact such other business as may properly come before the meeting.

The Trustees have fixed the close of business on March 17, 2005 as the record date for shares entitled to notice of and to vote at the Annual Meeting.

The Annual Report of the Trust, Proxy Statement and a Proxy Card are enclosed with this Notice.

You are requested, whether or not you plan to be present at the Annual Meeting, to sign and promptly return the Proxy Card in the enclosed business reply envelope. Alternatively, you may vote by telephone or the Internet, if you prefer. To do so, you should follow the instructions on the enclosed Proxy Card.

Sincerely,

/s/ Laura M. Franklin

Laura M. Franklin

Corporate Secretary

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WASHINGTON REAL ESTATE INVESTMENT TRUST

6110 Executive Boulevard, Suite 800

Rockville, Maryland 20852

PROXY STATEMENT

This Proxy Statement is furnished by the Trust's Board of Trustees (the Board) in connection with its solicitation of proxies for use at the Annual Meeting of Shareholders on May 12, 2005 and at any and all adjournments thereof. Mailing of this Proxy Statement, the form of Proxy and the Annual Report of the Trust will commence on or about March 28, 2005 to shareholders of record as of March 17, 2005. All proxies will be voted in accordance with the instructions contained therein, and if no instructions are specified, the proxies will be voted in accordance with the recommendations of the Board. Therefore, if no instructions are specified, the proxies will be voted FOR the election of the two Trustee nominees listed and AGAINST the shareholder proposal. Abstentions and broker non-votes (proxies that indicate that brokers or nominees have not received instructions from the beneficial owner of shares) are counted for purposes of determining the presence or absence of a quorum for the transaction of business. Abstentions are counted in tabulating the total number of votes cast on proposals presented to shareholders, whereas broker non-votes are not counted for purposes of determining the total number of votes cast. A Proxy on the enclosed form may be revoked by the shareholder at any time prior to its exercise at the Annual Meeting by submitting, to the Corporate Secretary of the Trust, a duly executed Proxy bearing a later date or by attending the Annual Meeting and orally withdrawing the Proxy.

The voting securities of the Trust consist of shares of beneficial interest, \$0.01 par value (Shares), of which 42,003,659 Shares were issued and outstanding at the close of business on March 17, 2005. The Trust has no other class of voting security. Each Share outstanding on March 17, 2005 will be entitled to one vote. Shareholders do not have cumulative voting rights.

THE BOARD OF TRUSTEES AND MANAGEMENT

The Board of Trustees

The Board consists of seven Trustees divided into two classes of two Trustees each and one class of three Trustees. The terms of the Trustees continue until the Annual Meetings to be held in 2005, 2006 and 2007, respectively, and until their respective successors are elected. At each Annual Meeting, two or three Trustees are elected, subject to the limitations described below, for a term of three years to succeed those Trustees whose terms expire at such Annual Meeting. The Trust's By-Laws provide that no person shall be nominated for election as a Trustee after their 72nd birthday.

The Board held eight meetings in 2004. During 2004, each incumbent Trustee attended more than 75% of the total number of Board and committee meetings he or she was eligible to attend. The Trust's non-management Trustees meet at regularly scheduled executive sessions without management, presided by Mr. McDaniel, the chairman of the Corporate Governance Committee.

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The Board has determined that all Trustees with the exception of Mr. Cronin are independent as that term is defined in the applicable listing standards of the New York Stock Exchange. The Board has determined that Mr. Osnos is an independent Board member as that term is defined in the New York Stock Exchange rules. In making this determination, the Board concluded that, although Mr. Osnos is an employee of the Trust's outside counsel, because the Trust's payments to such counsel are not material to the firm or the Trust, the relationship does not constitute a material relationship with the Trust.

The Board provides a process for shareholders to send communications to the entire Board, or any of the Trustees. Shareholders may send these written communications c/o Corporate Secretary, Washington Real Estate Investment Trust, 6110 Executive Boulevard, Suite 800, Rockville, Maryland 20852. All communications will be compiled by the Corporate Secretary and submitted to the Board or the Trustees on a periodic basis.

All members of the Board attended the Annual Shareholders Meeting in 2004. The Board does not have a formal written policy requiring Trustees to attend the Annual Shareholders Meeting, although Trustees have traditionally attended.

The *Corporate Governance/Nominating Committee* held one meeting in 2004. The Committee members are Messrs. McDaniel, Derrick, Osnos and Ms. Williams. All members of the Committee are independent as that term is defined in the applicable listing standards of the New York Stock Exchange. The Committee performs the duties described in the Corporate Governance/Nominating Committee Charter, adopted by the Board, a copy of which, as revised on November 29, 2004, is included as Appendix A. Among other things, the Committee develops and recommends corporate governance principles,

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evaluates the performance of the Chief Executive Officer in light of Trust goals and objectives, and recommends nominees for election to the Board of Trustees as outlined in Appendix A. The Committee will consider nominees to the Board submitted by shareholders in writing addressed to the attention of the Committee at the executive offices of the Trust in Rockville, Maryland. The Committee's minimum qualifications and specific qualities and skills required for Trustees are set forth in item number 7 of Appendix A on page A-2. In addition to considering candidates suggested by shareholders, the Committee considers potential candidates recommended by current Trustees, Trust Officers, employees and others. The Committee screens all potential candidates in the same manner regardless of the source of the recommendation. The Committee's review is typically based on any written materials provided with respect to the potential candidate. The Committee determines whether the candidate meets the Trust's minimum qualifications and specific qualities and skills for Trustees and whether requesting additional information or an interview is appropriate.

The *Compensation Committee* met five times in 2004. Committee members are Messrs. Nason, Kendall and Ms. Williams. All members of the Committee are independent as that term is defined in the applicable listing standards of the New York Stock Exchange. The Committee is responsible for making recommendations to the Board with respect to executive compensation decisions. See the *Report on Executive Compensation* on page 7 of this Proxy Statement. A copy of the Compensation Committee Charter, adopted by the Board, as revised on November 29, 2004, is included in Appendix B.

The *Audit Committee* met ten times in 2004. The Committee members are currently Messrs. Kendall, Derrick, McDaniel and Nason. Mr. Osnos resigned from the Committee on March 14, 2005. All members of the Committee are independent as that term is defined in the applicable listing standards of the New York Stock Exchange. The Board has determined that Mr. Kendall qualifies as an Audit Committee Financial Expert, as that term is defined in the rules of the SEC. The Audit Committee assists the Board in discharging its responsibility of oversight, but the existence of the Committee does not alter the responsibilities of the Trust's management and the independent accountant with respect to the accounting and control functions and financial statement presentation. For a more detailed description of the Audit Committee's duties and responsibilities see the *Audit Committee Report* on page 10 of this Proxy Statement. A copy of the Audit Committee Charter adopted by the Board, as revised on November 29, 2004, is included in Appendix C.

The six non-officer Trustees of the Trust received an annual retainer of \$20,000 plus a \$1,100 per meeting fee for attending Board and committee meetings. In addition, each non-officer Trustee received an annual grant of 2,000 Share options and 400 unrestricted Shares, both vested immediately. The Trust has approved a non-qualified deferred compensation plan for the Trustees. The plan will allow any Trustee to defer a percentage of his or her cash compensation. Compensation deferred will be credited with interest. Upon the expiration of a Trustee's term, the compensation plus interest can be paid in either a lump sum or in installments at the discretion of the Trustee. Upon death, the Trustee's beneficiary will receive a lump sum pay out. The plan is unfunded and payments are to be made from general assets of the Trust.

In November 2004, the Board of Trustees approved revisions to the Trustee Compensation Program, which specifies the compensation of Trustees who are not employees of the Trust. The first cash and Share grant benefits under the amended Program will be paid in 2005. The Program, as revised, provides for Trustee compensation as follows:

The annual retainer will be increased from \$20,000 to \$25,000.

Board meeting fees will be eliminated.

Committee meeting fees will be \$1,000 per meeting.

The Committee Chair annual retainers are as follows:

1. Audit Committee	\$7,500
2. Corporate Governance Committee	\$3,000
3. Compensation Committee	\$3,000

Audit Committee members will be paid an additional annual retainer of \$3,750.

Trustee annual long-term incentive compensation will be changed from options for 2,000 Shares and 400 restricted Shares to \$30,000 in restricted Shares. Restricted Shares will vest immediately upon grant and will be restricted from sale for the period of the Trustees' service.

During 2004, the Trust utilized the legal services of the law firm of Arent Fox PLLC, of which Trustee David M. Osnos is of-counsel. The amount of fees paid to Arent Fox did not exceed 5% of that firm's 2004 gross revenues.

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The following table sets forth the names and biographical information concerning each of the current Trustees.

NAME	PRINCIPAL OCCUPATION	SERVED AS TRUSTEE SINCE	AGE	TERM EXPIRES
Clifford M. Kendall	Director, VSE Corporation	1999	73	2005
Susan J. Williams	Chief Executive Officer and President, Williams Aron & Associates	1999	64	2005
John M. Derrick, Jr.	(Retired) Chairman, Pepco Holdings, Inc.	1997	65	2006
Charles T. Nason	Chairman, Acacia Life Insurance Company	2000	58	2006
Edmund B. Cronin, Jr.	Chairman, President and Chief Executive Officer, WRIT	1994	67	2007
John P. McDaniel	Chief Executive Officer, MedStar Health	1998	62	2007
David M. Osnos	Attorney, Arent Fox PLLC	1987	73	2007

Mr. Edmund B. Cronin, Jr. is Chairman, President and Chief Executive Officer (CEO) of the Trust. Prior to joining the Trust in 1994, Mr. Cronin was President and CEO of H.G. Smithy Company and its subsidiaries from 1976 to 1994, providing a full range of corporate and institutional real estate services. Mr. Cronin is also a Director of Pepco Holdings, Inc. (formerly PEPCO), John J. Kirlin Companies (mechanical contractors), Federal City Council, Economic Club of Washington, the National Association of Real Estate Investment Trusts (NAREIT) and Chairman of the Board of Georgetown University Hospital.

Mr. John P. McDaniel is CEO of MedStar Health, a multi-institutional, not-for-profit healthcare organization serving Washington D.C., Maryland, Virginia and the mid-Atlantic region, since its inception in 1982. Mr. McDaniel serves on the Board of Directors of LifelinkMD and Thrivent Financial for Lutherans, and is a Trustee of Georgetown University. Mr. McDaniel is a past Chairman of the Greater Washington Board of Trade, a member of the Executive Committee of the Federal City Council, a member of the Maryland State Racing Commission, and a member of the Board of the Greater Baltimore Committee. Mr. McDaniel is a Fellow of the American College of Healthcare Executives and a member of the Economic Club of Washington.

Mr. David M. Osnos is of-counsel with Arent Fox PLLC (legal counsel to the Trust) and has been an attorney with the firm since 1956. His principal areas of practice include real estate, tax, securities, corporate, estate planning and sports law. He is a Director or Trustee of numerous organizations including EastGroup Properties (real estate investment trust), VSE Corporation (engineering) and Washington Wizards Basketball Club.

Mr. Clifford M. Kendall is a Director of VSE Corporation and was Chairman of the Board of On-Site Sourcing, Inc., until it was sold on February 20, 2004. Previously Mr. Kendall served as Chairman and CEO of Computer Data Systems, Inc. (CDSI) from 1971 to 1991 and as Chairman from 1991 to 1997, and after the merger of Affiliated Computer Service, Inc. (ACS) and CDSI, as a Director of ACS from 1997 through 2003. Mr. Kendall is a past Chairman of the Board and Executive Committee for The Technology Council of Maryland. He is a Director of The Lighthouse. Mr. Kendall serves on the Board of Trustees of George Washington University and is Chairman of the Board of Regents for the University System of Maryland. He is past Chairman of the Greater Washington Board of Trade and has served as Chairman of the Montgomery/Prince Georges County CEO Roundtable.

Ms. Susan J. Williams is CEO of Williams Aron & Associates, a public affairs consulting firm. Ms. Williams was Founding Partner and served as President of Bracy Williams & Company, government affairs and public relations consultants from 1982 to 2001. Ms. Williams' career includes public service as a legislative professional on Capitol Hill as well as Assistant Secretary of Transportation. She also played a founding role in Project Head Start. Ms. Williams is a past Chair of The Greater Washington Board of Trade. She served on the Board of Directors of the Henry L. Stimson Center, the American Institute for Public Service, the Historical Society of Washington, D.C., the National Aquarium in Baltimore, and the D.C. Agenda Project. She is currently a member of the Economic Club of Washington and the Federal City Council.

Mr. John M. Derrick Jr. is retired Chairman of Pepco Holdings, Inc. He joined Potomac Electric Power Company (PEPCO) its predecessor in 1961 and served as President and CEO from 1997 until 1999 and as Chairman and CEO from 1999 until July 2003. In August 2002, PEPCO became Pepco Holdings, Inc. From 1992 until 1997, he served as President and Chief Operating Officer. Mr. Derrick is a member of the Institute of Electrical and Electronic Engineers, the National Society of Professional Engineers, the Washington Society of Engineers and the Edison Electric Institute. He is past Chairman of the United States Energy Association, a Director of the United States Chamber of Commerce, a trustee of the Federal City Council and Chairman of the Greater Washington Initiative. He is past Chairman of the Maryland Chamber of Commerce and the Greater Washington Board of Trade.

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Mr. Charles T. Nason currently serves as Chairman of Acacia Life Insurance Company, as well as Acacia Federal Savings Bank and Calvert Group Limited, all Acacia subsidiaries. He had previously served as Chief Executive Officer of Acacia from 1988 through 2003. The Acacia Group is a Washington D.C. based financial services organization with assets under management in excess of \$12 billion. Mr. Nason is a director of The Greater Washington Board of Trade, The Federal City Council, MedStar, Inc. and is a member of The Economic Club of Washington. He is also Vice-Chairman of the Board of Trustees of Washington and Jefferson College. In addition, he is past Chairman of the Greater Washington Board of Trade, a past Director of The American Council of Life Insurance and past Chairman of Insurance Marketplace Standards Association.

The Management

The following table contains information regarding the Executive Officers and other Officers of the Trust other than the Trust's Chairman, President and CEO, Mr. Cronin. These Officers are elected annually by the Board and serve at the Board's discretion.

<u>NAME</u>	<u>AGE</u>	<u>POSITION</u>
<u>Executive Officers</u>		
George F. McKenzie	49	Executive Vice President, Real Estate
Laura M. Franklin	44	Senior Vice President, Accounting, Administration and Corporate Secretary
Sara L. Grootwassink	37	Chief Financial Officer
<u>Officers</u>		
Brian J. Fitzgerald	43	Managing Director, Leasing
Kenneth C. Reed	52	Managing Director, Property Management
Thomas L. Regnell	48	Managing Director, Acquisitions

Mr. George F. McKenzie joined the Trust in September 1996 and was elected Executive Vice President, Real Estate in 2002. From 1985 to 1996, Mr. McKenzie served with the Prudential Realty Group, a subsidiary of Prudential Insurance Company of America as Vice President, Investment & Sales. Prior assignments included real estate finance originations and asset management in the mid-Atlantic region.

Ms. Laura M. Franklin, CPA, joined the Trust in August 1993 as Assistant Vice President, Finance. In 1995 she was named Vice President, Chief Accounting Officer and Corporate Secretary to the Trust. In 2002, she was named Senior Vice President, Accounting, Administration and Corporate Secretary. Prior to joining WRIT she was employed by The Reznick Group, specializing in audit and tax services for real estate clients. Ms. Franklin is a member of the NAREIT Best Financial Practices Council and is a director of KEEN USA and KEEN Greater DC, a non-profit organization that provides recreational opportunities for children and young adults with mental and physical disabilities.

Ms. Sara L. Grootwassink, CPA, CFA, joined the Trust in December 2001 as Managing Director, Finance and Capital Markets. In 2002, Ms. Grootwassink was named Chief Financial Officer. From 1999 through 2001, Ms. Grootwassink served as Vice President, Finance and Investor Relations at Corporate Office Properties Trust and, from 1998 through 1999, as Equity Analyst at Johnston, Lemon & Co. Previously, Ms. Grootwassink served as Vice President Commercial Real Estate at Riggs Bank, N.A. Ms. Grootwassink is a Director of CapitalSource, Inc., a commercial finance firm and serves on the Strategic Planning Committee of Washington Hospital Center. Ms. Grootwassink serves on the editorial advisory board of *Real Estate Portfolio* magazine, is a member of the Economic Club of Washington, and formerly served on NAREIT's Investor Advisory Council.

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Mr. Brian J. Fitzgerald joined the Trust in January 1996 as Vice President, Leasing. In 2001, Mr. Fitzgerald was named Managing Director, Leasing. From 1984 to 1993, Mr. Fitzgerald served as a commercial leasing broker with Smithy Braedon Company. In 1993, he became a Vice President of H. G. Smithy Company, with responsibilities for managing all agency leasing activities. From the date of the merger of H. G. Smithy Commercial Management Group with Cushman & Wakefield of Washington, D.C., Inc. in June 1994 until joining the Trust, Mr. Fitzgerald managed institutional agency leasing activities at Cushman & Wakefield, Inc. of Washington, D.C.

Mr. Kenneth C. Reed joined the Trust in June 1995 as Vice President, Property Management. In 2001, Mr. Reed was named Managing Director, Property Management. Mr. Reed served as President of CSN Management Corporation from 1988 to 1998. CSN managed WRIT's properties until its assets were acquired by WRIT in 1998.

Mr. Thomas L. Regnell joined the Trust in January 1995 as Vice President, Acquisitions. In 2001, Mr. Regnell was named Managing Director, Acquisitions. From 1992 through 1994, Mr. Regnell served as an Investment (Acquisitions) Officer with Federal Realty Investment Trust. Previously, Mr. Regnell was a Vice President with Spaulding & Slye Company, a real estate development, brokerage and management company.

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There are no family relationships between any Trustee and/or Executive Officer. There are no related party transactions between any Trustees or members of management and WRIT.

Ownership of Shares by Trustees and Executive Officers

The following table sets forth certain information concerning all Shares beneficially owned as of March 17, 2005 by each Trustee, by the nominees for Trustee, by each of the Named Officers (as defined in Executive Compensation below) and by all Trustees, Executive Officers and Officers as a group. Unless otherwise indicated, the voting and investment powers for the Shares listed are held solely by the named holder and/or the holder's spouse.

<u>NAME</u>	<u>SHARES OWNED (1)</u>	<u>PERCENTAGE OF TOTAL</u>
Edmund B. Cronin, Jr.	373,198	0.89%
John M. Derrick, Jr.	20,424	0.05%
Laura M. Franklin	87,992	0.21%
Sara L. Grootwassink	34,935	0.08%
Clifford M. Kendall	22,200	0.05%
John P. McDaniel	21,150	0.05%
George F. McKenzie	193,576	0.46%
Charles T. Nason	19,467	0.05%
David M. Osnos	20,800	0.05%
Robert W. Pivik	0	0.00%
Susan J. Williams	15,900	0.04%
All Trustees, Executive Officers and Officers as a group (14 persons)	1,070,066	2.55%

(1) Includes Shares subject to options exercisable within 60 days, as follows: Mr. Cronin, 211,503; Mr. Derrick, 10,000; Ms. Franklin, 41,471; Ms. Grootwassink, 14,815; Mr. Kendall, 8,000; Mr. McDaniel, 14,000; Mr. McKenzie, 127,334; Mr. Nason, 10,000; Mr. Osnos, 8,000; Mr. Pivik, 0; Ms. Williams, 12,000; and all Trustees, Executive Officers and Officers as a group, 572,777.

Ownership of Shares by Certain Beneficial Owners

The Trust, based upon a Schedule 13G dated December 31, 2004 filed with the Securities and Exchange Commission (SEC), believes that the following person currently beneficially owns more than five percent of the outstanding Shares.

<u>NAME</u>	<u>SHARES OWNED</u>	<u>PERCENTAGE OF TOTAL</u>
T. Rowe Price Associates, Inc. 100 E. Pratt Street Baltimore, Maryland 21202	2,959,300 (1)	7.00%

(1) These securities are owned by various individual and institutional investors which T. Rowe Price Associates, Inc. (Price Associates) serves as investment adviser with power to direct investments and/or sole power to vote the securities. For purposes of the reporting requirements

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of the Securities Exchange Act of 1934, Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities.

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The Summary Compensation Table shows the compensation awarded, earned or paid during the past three years to the Trust's CEO and each of the Trust's three other Executive Officers whose compensation exceeded \$100,000 for the period(s) indicated (the "Named Officers").

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL CASH COMPENSATION		LONG-TERM COMPENSATION		
		SALARY	BONUS	RESTRICTED	SHARES	ALL OTHER COMPENSATION (3)
				SHARE AWARDS (1)	UNDERLYING OPTIONS (2)	
Edmund B. Cronin, Jr. Chairman, President and CEO	2004	\$ 500,000	\$ 147,854	\$ 850,981		\$ 19,430
	2003	\$ 466,745	\$ 391,600	\$ 587,583		\$ 18,580
	2002	\$ 440,325	\$	\$ 39,626	49,336	\$ 15,025
George F. McKenzie, Executive Vice President, Real Estate	2004	\$ 300,000	\$ 88,712	\$ 468,769		\$ 18,405
	2003	\$ 271,095	\$ 227,450	\$ 280,638		\$ 18,382
	2002	\$ 255,750	\$	\$ 17,906	23,880	\$ 78,279
Laura M. Franklin, Senior Vice President, Accounting, Administration and Corporate Secretary	2004	\$ 237,000	\$ 70,083	\$ 355,236		\$ 6,740
	2003	\$ 206,700	\$ 173,420	\$ 202,415		\$ 6,573
	2002	\$ 195,000	\$	\$ 13,650	16,993	\$ 33,494
Sara L. Grootwassink, Chief Financial Officer	2004	\$ 211,000	\$ 62,394	\$ 373,889		\$ 6,391
	2003	\$ 180,200	\$ 151,200	\$ 176,457		\$ 5,627
	2002	\$ 170,000	\$	\$ 11,911	14,815	\$ 18,035

(1) Represents Share grants awarded in accordance with the Incentive Compensation Program approved by the Trustees in 1997. The aggregate holdings and market value of the unvested restricted Shares held as of December 31, 2004, by the individuals listed are: Mr. Cronin (45,548 Shares, \$1,542,697); Mr. McKenzie (23,658 Shares, \$801,290); Ms. Franklin (17,232 Shares, \$583,655); and Ms. Grootwassink (16,947 Shares, \$573,981). The value is calculated according to SEC rules assuming all Shares are vested as of December 31, 2004, even though not all of the awards have vested. In most cases, Share grants vest 20% per year beginning on the first anniversary of the grant date. Dividends on all restricted Shares, including restricted Shares that have not vested, are paid at the same rate and at the same time as paid to all shareowners.

(2) All options reflected in the table were granted under the Washington Real Estate Investment Trust 2001 Stock Option Plan (New Stock Option Plan) in accordance with the Incentive Compensation Program approved by the Trustees in 1997. Options granted under the New Stock Option Plan vest 50% per year beginning on the first anniversary of the grant date.

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- (3) Represents the 2004 economic benefit from life insurance policies, 401(k) match and auto allowance for each Executive Officer as follows: \$7,280, \$6,150 and \$6,000, respectively, for Mr. Cronin; \$1,455, \$6,150 and \$10,800, respectively, for Mr. McKenzie; \$590, \$6,150 and \$0, respectively, for Ms. Franklin; \$241, \$6,150 and \$0, respectively, for Ms. Grootwassink.

Table of Contents**Aggregated Option Exercises and Option Value Table**

The following table shows information concerning the exercise of options during 2004 by each of the Named Officers and the year-end value of unexercised options.

AGGREGATED OPTION EXERCISES IN 2004 AND YEAR-END OPTION VALUES

NAME	SHARES ACQUIRED ON EXERCISE	VALUE REALIZED	NUMBER OF UNEXERCISED OPTIONS AT DECEMBER 31, 2004		VALUE OF UNEXERCISED IN THE MONEY OPTIONS AT DECEMBER 31, 2004	
			EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Edmund B. Cronin, Jr.	146,698	\$ 2,644,046	211,503		\$ 2,206,264	\$
George F. McKenzie	19,685	\$ 328,413	127,334		\$ 1,532,619	\$
Laura M. Franklin	24,746	\$ 316,870	41,471		\$ 411,644	\$
Sara L. Grootwassink		\$	14,815		\$ 122,372	\$

Compensation Committee Interlocks and Insider Participation

The Board determined executive compensation for 2004. The Compensation Committee, composed of Messrs. Nason, Kendall and Ms. Williams, was responsible for making recommendations to the Board with respect to compensation decisions. There are no Compensation Committee interlocks and no Trust employee serves on the Compensation Committee.

REPORT ON EXECUTIVE COMPENSATION**2004 Executive Compensation Program**

For 2004, the Board, upon recommendation of the Compensation Committee, continued the Incentive Compensation Program (the Program) with modifications based upon the recommendations prepared by an independent consultant to align executive compensation with shareholder interests through salaries, cash bonuses and Share grants tied to WRIT's performance in comparison to a peer group.

Under the Program the Compensation Committee set salaries for the Trust's Executive Officers based upon (i) a review of the compensation paid to similarly situated Executive Officers employed by companies comprising the Morgan Stanley REIT Index; and (ii) a subjective evaluation of

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each Executive Officer's performance throughout the year. See Executive Compensation Performance Graph for additional discussion regarding the Morgan Stanley REIT Index. Cash bonuses were determined through a comparison of WRIT's 2004 FFO per share growth in excess of the weighted average FFO per share growth of our peer group.

We maintain a Share Grant Plan for all Officers and Trustees. In 2004, Officers received an award of Shares with a market value equal to a percentage of their cash compensation (45% for the Chief Executive Officer, 37% for Executive Vice Presidents, 35% for Senior Vice Presidents and 25% for Managing Directors.) Shares granted to Officers under the Share Grant Plan vest 20% per year over five years beginning on the first anniversary of the grant date and are restricted from transfer for five years from the date of grant. Some members of middle management received share grant awards that will vest 20% per year over five years beginning December 17, 2004. Officers no longer receive annual awards of Share options.

During 2004, a special award of 59,859 restricted Shares was granted to Executive Officers and Officers. The Board awarded this in recognition of the Trust's performance for 2003, as both Executive Officers and Officers received lower cash bonuses than were indicated by the Program.

In November 2004, the Board of Trustees approved an amended short-term and long-term incentive plan for Executive Officers, Officers and other members of management. The first cash benefits under the amended short-term plan will be paid in late 2005, and the first Share grants under the amended long-term plan will be made in 2006, in each case based upon 2005 results.

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The goals of the new plan are the following:

To allow WRIT to attract and retain talented officers and executives.

To provide added incentives to achieve various objective performance targets.

To link compensation to shareholder results by rewarding competitive and superior shareholder returns as compared to a peer group of companies representing the real estate investment trust industry.

The short-term incentive compensation plan provides for the annual payment of cash bonuses based upon WRIT's achievement of its annual targets for funds from operations (FFO) per share and earnings before interest, taxes, depreciation and amortization (EBITDA). Each target will be determined in November of the preceding year by management and approved by the Board of Trustees. These measures will be weighted 50% each, and actual results for these measures will be compared to target levels annually. The combined results will then be adjusted by a multiplier, depending upon the condition of four objective measures of the market environment, in the event that WRIT significantly under-performs or outperforms its targets based on market factors unforeseen at the time the targets are set. The environmental factors could weight financial results within a range of 96-104%. The officers and executives will be paid cash awards equal to various percentages of their salaries based on the percentages resulting from the foregoing calculations and their positions, with minimum and maximum thresholds.

The long-term incentive plan was designed to align WRIT's management with shareholders. The long-term incentive plan provides for the annual grant of restricted WRIT Shares based on WRIT's 5-year rolling average total shareholder return compared to a weighted-average peer group. The awards will be granted in the form of restricted Shares, with a value equal to various percentages of their salaries based upon the foregoing comparison, with minimum and maximum thresholds. The Shares will be granted pursuant to WRIT's existing Share grant plan, will vest ratably over a five-year period from the date of grant and will not be permitted to be sold until the entire award has vested.

The Trust has adopted a non-qualified deferred compensation plan for the Officers and members of the Board of Trustees. The plan allows for a deferral of a percentage of annual cash compensation and Trustee fees. The plan is unfunded and payments are to be made out of the general assets of the Trust.

The Committee and the Board believe that compensation paid to the Trust's Executive Officers is comparable to that paid by the companies comprising the Morgan Stanley REIT Index.

Chief Executive Officer Compensation