

WASHINGTON REAL ESTATE INVESTMENT TRUST  
Form 10-Q  
August 08, 2008  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

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

**OR**

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

For the quarterly period ended June 30, 2008 Commission File Number: 1-6622

**WASHINGTON REAL ESTATE INVESTMENT TRUST**

(Exact name of registrant as specified in its charter)

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**MARYLAND**  
(State or other jurisdiction of  
incorporation or organization)

**53-0261100**  
(IRS Employer  
Identification Number)

**6110 EXECUTIVE BOULEVARD, SUITE 800, ROCKVILLE, MARYLAND**  
(Address of principal executive office)

**20852**  
(Zip code)

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of large accelerated filer, accelerated filer or smaller reporting company in Rule 12b-2 of the Exchange Act. (Check One):

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer  Smaller Reporting Company

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

Number of shares outstanding of common stock, as of August 7, 2008: 49,467,772

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Part I

**FINANCIAL INFORMATION**

The information furnished in the accompanying unaudited Consolidated Balance Sheets, Statements of Income, Statements of Cash Flows and Statement of Changes in Shareholders' Equity reflects all adjustments, consisting of normal recurring items, which are, in the opinion of management, necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods. The accompanying financial statements and notes thereto should be read in conjunction with the financial statements and notes for the three years ended December 31, 2007 included in the Trust's 2007 Annual Report on Form 10-K filed with the Securities and Exchange Commission.

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## ITEM I. FINANCIAL STATEMENTS

## WASHINGTON REAL ESTATE INVESTMENT TRUST

## CONSOLIDATED BALANCE SHEETS

(In thousands, except per share amounts)

	(Unaudited) June 30, 2008	December 31, 2007
<b>Assets</b>		
Land	\$ 337,680	\$ 328,951
Income producing property	1,693,384	1,635,169
	2,031,064	1,964,120
Accumulated depreciation and amortization	(368,200)	(331,991)
Net income producing property	1,662,864	1,632,129
Development in progress	58,760	98,321
Total real estate held for investment, net	1,721,624	1,730,450
Investment in real estate held for sale, net		23,843
Cash and cash equivalents	12,724	21,488
Restricted cash	48,868	6,030
Rents and other receivables, net of allowance for doubtful accounts of \$5,585 and \$4,227, respectively	37,096	36,595
Prepaid expenses and other assets	85,129	78,517
Other assets related to properties held for sale		1,403
<b>Total assets</b>	<b>\$ 1,905,441</b>	<b>\$ 1,898,326</b>
<b>Liabilities</b>		
Notes payable	\$ 918,834	\$ 879,123
Mortgage notes payable	331,575	252,484
Lines of credit	15,000	192,500
Accounts payable and other liabilities	59,193	63,543
Advance rents	8,793	9,552
Tenant security deposits	10,436	10,487
Other liabilities related to properties held for sale		317
<b>Total liabilities</b>	<b>1,343,831</b>	<b>1,408,006</b>
Minority interest	3,791	3,776
<b>Shareholders' equity</b>		
Shares of beneficial interest; \$0.01 par value; 100,000 shares authorized: 49,461 and 46,682 shares issued and outstanding	496	468
Additional paid-in capital	653,816	561,492
Distributions in excess of net income	(96,873)	(75,416)
Accumulated other comprehensive income	380	
<b>Total shareholders' equity</b>	<b>557,819</b>	<b>486,544</b>

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Total liabilities and shareholders' equity	\$ 1,905,441	\$ 1,898,326
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See accompanying notes to the financial statements.

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WASHINGTON REAL ESTATE INVESTMENT TRUST  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)

(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
<b>Revenue</b>				
Real estate rental revenue	\$ 69,768	\$ 63,255	\$ 140,046	\$ 123,107
<b>Expenses</b>				
Real estate expenses	22,803	19,542	45,936	38,248
Depreciation and amortization	21,198	16,632	41,723	32,758
General and administrative	3,111	5,367	6,191	8,250
	47,112	41,541	93,850	79,256
Real estate operating income	22,656	21,714	46,196	43,851
<b>Other income (expense)</b>				
Interest expense	(17,582)	(15,298)	(35,246)	(29,682)
Other income	220	420	458	1,038
Loss on extinguishment of debt			(8,449)	
Other income from life insurance proceeds				1,303
	(17,362)	(14,878)	(43,237)	(27,341)
Income from continuing operations	5,294	6,836	2,959	16,510
<b>Discontinued operations:</b>				
Gain on sale of real estate	15,275		15,275	
Income from operations of properties held for sale	639	1,501	1,486	2,539
Net income	\$ 21,208	\$ 8,337	\$ 19,720	\$ 19,049
<b>Basic net income per share</b>				
Continuing operations	\$ 0.11	\$ 0.15	\$ 0.06	\$ 0.37
Discontinued operations	0.33	0.03	0.36	0.05
Basic net income per share	\$ 0.44	\$ 0.18	\$ 0.42	\$ 0.42
<b>Diluted net income per share</b>				
Continuing operations	\$ 0.11	\$ 0.15	\$ 0.06	\$ 0.36
Discontinued operations	0.33	0.03	0.36	0.06
Diluted net income per share	\$ 0.44	\$ 0.18	\$ 0.42	\$ 0.42
<b>Weighted average shares outstanding</b>				
Weighted average shares outstanding basic	47,933	45,490	47,278	45,212
Weighted average shares outstanding diluted	48,148	45,658	47,495	45,407
Dividends declared and paid per share	\$ 0.4325	\$ 0.4225	\$ 0.8550	\$ 0.8350

See accompanying notes to the financial statements.

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## WASHINGTON REAL ESTATE INVESTMENT TRUST

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(In thousands)

(UNAUDITED)

	Shares	Shares of Beneficial Interest at Par Value	Additional Paid in Capital	Distributions In Excess of Net Income	Accumulated Other Comprehensive Income	Shareholders Equity
Balance, December 31, 2007	46,682	\$ 468	\$ 561,492	\$ (75,416)	\$	\$ 486,544
Comprehensive income:						
Net income				19,720		19,720
Change in fair value of interest rate hedge					380	380
Total comprehensive income						20,100
Dividends				(41,177)		(41,177)
Equity offering	2,600	26	86,657			86,683
Shares issued under Dividend Reinvestment Program	80	1	2,559			2,560
Share options exercised	99	1	2,136			2,137
Share grants, net of share grant amortization and forfeitures			972			972
Balance, June 30, 2008	49,461	\$ 496	\$ 653,816	\$ (96,873)	\$ 380	\$ 557,819

See accompanying notes to the financial statements.



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WASHINGTON REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(UNAUDITED)

	<b>Six Months Ended</b>	
	<b>June 30,</b>	
	<b>2008</b>	<b>2007</b>
Cash flows from operating activities		
Net income	\$ 19,720	\$ 19,049
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization, including amounts in discontinued operations	41,723	33,655
Provision for losses on accounts receivable	1,679	948
Amortization of share grants	&	