

WASHINGTON REAL ESTATE INVESTMENT TRUST
Form 8-K/A
July 27, 2016

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

FORM 8-K/A

CURRENT REPORT

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

Date of Report (Date of earliest event reported): May 20, 2016

WASHINGTON REAL ESTATE
INVESTMENT TRUST

(Exact name of registrant as specified in its charter)

MARYLAND 001-06622 53-0261100

(State of incorporation) (Commission File Number) (IRS Employer Identification Number)

1775 EYE STREET, NW, SUITE 1000, WASHINGTON, DC 20006

(Address of principal executive office) (Zip code)

Registrant's telephone number, including area code: (202) 774-3200

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.01 Completion of Acquisition or Disposition of Assets.

Washington Real Estate Investment Trust (“Washington REIT”), in order to provide the financial statements required to be included in the Current Report on Form 8-K filed on May 23, 2016, hereby amends the following items, as set forth in the pages attached hereto.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired

1. Riverside Apartments - Audited Summary of Revenue and Certain Expenses for the year ended December 31, 2015 and unaudited Summary of Revenue and Certain Expenses for the quarter ended March 31, 2016.

In acquiring the property listed above, Washington REIT evaluated, among other things, sources of revenue (including but not limited to, competition in the rental market, comparative rents and occupancy rates) and expenses (including but not limited to, utility rates, ad valorem tax rates, maintenance expenses and anticipated capital expenditures). The results of the interim period are not necessarily indicative of the results to be obtained for the full fiscal year. However, after reasonable inquiry, management is not aware of any material factors affecting these properties that would cause the reported financial information not to be indicative of their future operating results.

(b) Pro Forma Financial Information

The following pro forma financial statements reflecting the property acquisition listed above (as defined in Regulation S-X) are filed as an exhibit hereto:

1. Washington REIT Unaudited Pro Forma Consolidated Balance Sheet as of March 31, 2016.
2. Washington REIT Unaudited Pro Forma Condensed Consolidated Statements of Operations for the year ended December 31, 2015 and the quarter ended March 31, 2016.

(c) Exhibits

23 Consent of Ernst & Young LLP

SIGNATURES

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

WASHINGTON REAL
ESTATE INVESTMENT
TRUST
(Registrant)

By: /s/ W. Drew Hammond
(Signature)

W. Drew Hammond
Vice President, Chief
Accounting Officer
and Controller

July 26, 2016
(Date)

Exhibit Index

Exhibit No. Description

23 Consent of Ernst & Young LLP

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders of
Washington Real Estate Investment Trust

We have audited the accompanying Summary of Revenue and Certain Expenses (the Summary) of Riverside Apartments for the year ended December 31, 2015, and the related notes to the Summary

Management's Responsibility for the Summary

Management is responsible for the preparation and fair presentation of the Summary in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Summary that is free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Summary based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Summary is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Summary. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Summary, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Summary in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Summary.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Summary presents fairly, in all material respects, the revenue and certain operating expenses of Riverside Apartments, as described in Note 2 to the Summary, for the year ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

Basis of Accounting

As described in Note 2 to the Summary, the Summary was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission, and is not intended to be a complete presentation of Riverside Apartments' revenue and expenses. Our opinion is not modified with respect to this matter.

/s/ Ernst & Young LLP
Denver, Colorado
July 26, 2016

RIVERSIDE APARTMENTS

SUMMARIES OF REVENUE AND CERTAIN EXPENSES
YEAR ENDED DECEMBER 31, 2015 AND QUARTER ENDED MARCH 31, 2016 (UNAUDITED)

| | Year Ended December 31, 2015 | Quarter Ended March 31, 2016 |
|--|------------------------------------|---------------------------------------|
| Revenue: | | |
| Rental revenue | \$ 18,477,830 | \$4,674,360 |
| Other revenue | 3,039,927 | 808,960 |
| Total revenue | 21,517,757 | 5,483,320 |
| Certain expenses: | | |
| Personnel expense | 1,063,342 | 260,064 |
| Utilities expense | 1,877,610 | 539,208 |
| Contract services expense | 795,570 | 205,829 |
| Turnover expense | 242,836 | 56,845 |
| Repairs and maintenance expense | 427,518 | 120,499 |
| Marketing expense | 205,519 | 64,294 |
| Administrative expense | 436,286 | 82,753 |
| Taxes and insurance expense | 2,801,392 | 652,492 |
| Total certain expenses | 7,850,073 | 1,981,984 |
| Total revenue less certain expenses | \$ 13,667,684 | \$3,501,336 |

See Notes to the Summary.

RIVERSIDE APARTMENTS

NOTES TO THE SUMMARIES OF REVENUE AND CERTAIN EXPENSES

YEAR ENDED DECEMBER 31, 2015 AND QUARTER ENDED MARCH 31, 2016 (UNAUDITED)

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

On May 20, 2016, Washington Real Estate Investment Trust (the "REIT") acquired a multifamily residential property in Washington D.C. known as Riverside Apartments (the "Property"). The aggregate purchase price of the Property was approximately \$245 million, exclusive of closing costs.

Revenue recognition

The Property has operating leases with apartment residents with terms averaging 12 months. Rental income, net of any concessions, is recognized on a straight-line basis over the term of the lease. Rental payments received in advance are deferred until earned.

Advertising costs

The Property expenses advertising costs as incurred.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions regarding revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results could differ from estimated amounts.

NOTE 2 - BASIS OF PRESENTATION

The summaries of revenue and certain expenses have been prepared for the purpose of complying with Regulation S-X, Rule 3-14 as promulgated by the Securities and Exchange Commission, in connection with the REIT's acquisition of the Property. The summaries of revenue and certain expenses are not representative of actual operations of the Property for the periods presented, nor indicative of future operations; however, the REIT is not aware of any material factors relating to the Property that would cause the reported financial information to not necessarily be indicative of future operating results. In addition, the summaries of revenues and certain expenses exclude items that may not be comparable to the proposed future operations of the Property such as:

- (a) Interest expense on existing mortgages and borrowings
- (b) Depreciation of property and equipment
- (c) Asset management fees and property management fees
- (d) Amortization of initial leasing fees
- (e) Certain corporate and administrative expenses

NOTE 3 - COMMITMENTS AND CONTINGENCIES

Commitments and contingencies include the usual obligations of a real estate property in the normal course of business. In management's opinion, these matters are not expected to have a material adverse effect on the Property's future operating results.

NOTE 4 - SUBSEQUENT EVENTS

Management has evaluated the events and transactions that have occurred through July 26, 2016, the date on which the summaries of revenue and certain expenses were available to be issued and noted no items requiring adjustment to the summaries or additional disclosure.

WASHINGTON REAL ESTATE INVESTMENT TRUST
UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET AND
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

The unaudited consolidated pro forma financial information should be read in conjunction with Washington REIT's Form 8-K filed with the Securities and Exchange Commission ("SEC") on May 23, 2016, announcing the acquisition of Riverside Apartments and amended hereby; the consolidated financial statements and notes thereto included in Washington REIT's Annual Report on Form 10-K for the year ended December 31, 2015 and Washington REIT's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016; and the Summaries of Revenues and Certain Expenses of Riverside Apartments included elsewhere in this Form 8-K/A. In management's opinion, all adjustments necessary to reflect these acquisitions and related transactions have been made.

The unaudited consolidated pro forma financial information is not necessarily indicative of what Washington REIT's actual results of operations would have been had the transaction been consummated on the dates indicated, nor does it purport to represent Washington REIT's results of operations or financial position for any future period. The pro forma results of operations for the periods ended December 31, 2015 and March 31, 2016 are not necessarily indicative of the operating results for these periods.

Washington REIT purchased Riverside Apartments, a 1,222-unit multifamily property in Alexandria, Virginia, on May 20, 2016. The pro forma balance sheet as of March 31, 2016 presents consolidated financial information as if the acquisition of Riverside Apartments had taken place on March 31, 2016. The pro forma statements of operations for the year ended December 31, 2015, and the three months ended March 31, 2016, present the pro forma results of operations as if the acquisition had taken place as of January 1, 2015. Explanations or details of the pro forma adjustments are in the notes to the financial statements.

WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES
 UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET
 MARCH 31, 2016
 (IN THOUSANDS)

| | Washington REIT | Riverside Apartments | PRO FORMA |
|---|--------------------|-------------------------|-----------------|
| Assets | | | |
| Land | \$561,256 | \$ 38,923 | (1) \$600,179 |
| Income producing property | 2,095,306 | 184,875 | (1) 2,280,181 |
| | 2,656,562 | 223,798 | 2,880,360 |
| Accumulated depreciation and amortization | (714,689) | — | (714,689) |
| Net income producing property | 1,941,873 | 223,798 | 2,165,671 |
| Properties under development or held for future development | 27,313 | 15,968 | (1) 43,281 |
| Total real estate held for investment, net | 1,969,186 | 239,766 | 2,208,952 |
| Cash and cash equivalents | 23,575 | (243,687) | (1) (220,112) |
| Restricted cash | 9,889 | — | 9,889 |
| Rents and other receivables, net of allowance for doubtful accounts | 63,863 | — | 63,863 |
| Prepaid expenses and other assets | 118,790 | 4,972 | (1) 123,995 |
| | | 22 | (1) |
| | | 211 | (1) |
| Total assets | \$2,185,303 | \$ 1,284 | \$2,186,587 |
| Liabilities | | | |
| Notes payable | \$743,475 | \$ — | \$743,475 |
| Mortgage notes payable | 333,853 | — | 333,853 |
| Lines of credit | 215,000 | — | 215,000 |
| Accounts payable and other liabilities | 56,348 | 942 | (1) 57,300 |
| | | 10 | (1) |
| Advance rents | 11,589 | 710 | (1) 12,299 |
| Tenant security deposits | 9,604 | 562 | (1) 10,166 |
| Total liabilities | 1,369,869 | 2,224 | 1,372,093 |
| Equity | | | |
| Shareholders' equity | | | |
| Preferred shares; \$0.01 par value | — | — | — |
| Shares of beneficial interest; \$0.01 par value | 683 | — | 683 |
| Additional paid in capital | 1,193,750 | — | 1,193,750 |
| Distributions in excess of net income | (376,041) | (940) | (1) (376,981) |
| Accumulated other comprehensive loss | (4,225) | — | (4,225) |
| Total shareholders' equity | 814,167 | (940) | 813,227 |
| Noncontrolling interests in subsidiaries | 1,267 | — | 1,267 |
| Total equity | 815,434 | (940) | 814,494 |
| Total liabilities and equity | \$2,185,303 | \$ 1,284 | \$2,186,587 |

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET
MARCH 31, 2016

Washington REIT records the acquired physical assets (land, building and tenant improvements), in-place leases (1)(absorption, tenant origination costs, leasing commissions, and net lease intangible assets/liabilities), and any other assets or liabilities at their fair values.

Washington REIT has recorded the total purchase price of Riverside Apartments as follows (in thousands):

| | |
|---|-----------|
| Land | \$38,923 |
| Properties under development or held for future development | 15,968 |
| Buildings and improvements | 184,875 |
| Leasing commissions/absorption costs | 4,972 |
| Net intangible lease asset | 22 |
| Net intangible lease liability | (10) |
| Total | \$244,750 |

The difference between cash paid (\$243.7 million) and the contract purchase price (\$244.8 million) is comprised of the following:

| | |
|---|---------|
| Credit to seller for prepaid expenses | (211) |
| Credit to Washington REIT for assumed liabilities | 942 |
| Credit to Washington REIT for advance rent | 710 |
| Credit to Washington REIT for security deposits | 562 |
| Payment of Washington REIT's portion of closing costs | (940) |
| | \$1,063 |

WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES
 UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF INCOME
 FOR THE THREE MONTHS ENDED MARCH 31, 2016
 (IN THOUSANDS, EXCEPT PER SHARE DATA)

| | Washington REIT | Riverside Apartments | Pro Forma |
|---|--------------------|-------------------------|-----------------|
| Revenue | | | |
| Real estate rental revenue | \$ 77,137 | \$ 5,483 | \$82,620 |
| Expenses | | | |
| Real estate expenses | 28,734 | 1,982 | 30,821 |
| | | 105 | (1), (4) |
| Depreciation and amortization | 26,038 | 1,695 | (2), (4) 27,733 |
| Acquisition costs | 154 | (154) | (3), (4) — |
| General and administrative | 5,511 | — | 5,511 |
| | 60,437 | 3,628 | 64,065 |
| Other income (expense) | | | |
| Interest expense | (14,360) |) — | (14,360) |
| Other income | 39 | — | 39 |
| | (14,321) |) — | (14,321) |
| Net income | 2,379 | 1,855 | 4,234 |
| Less: Net loss attributable to noncontrolling interests in subsidiaries | 5 | — | 5 |
| Net income attributable to the controlling interests | \$ 2,384 | \$ 1,855 | \$4,239 |
| Basic net income attributable to the controlling interests per share | \$ 0.03 | | \$0.06 |
| Diluted net income attributable to the controlling interests per share: | \$ 0.03 | | \$0.06 |
| Weighted average shares outstanding - basic | 68,301 | | 68,301 |
| Weighted average shares outstanding - diluted | 68,488 | | 68,488 |

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2016

(1) Represents property management costs incurred by the properties.

(2) Represents depreciation over 30 years, based on the fair value of building and improvements, plus amortization of tenant origination costs, leasing commissions and absorption over the remaining life of the acquired leases.

Represents the acquisition costs related to Riverside Apartments incurred by Washington REIT during the first
(3) quarter of 2016. These acquisition costs are excluded from the pro forma statement of income because are non-recurring charges directly related to the transaction.

(4) The table below illustrates the pro forma adjustments for each property (in thousands):

| | Riverside Apartments |
|-----------------------------------|-------------------------|
| (1) Property management costs | 105 |
| (2) Depreciation and amortization | 1,695 |
| (3) Acquisition costs | (154) |

WASHINGTON REAL ESTATE INVESTMENT TRUST AND SUBSIDIARIES
 UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF INCOME
 FOR THE YEAR ENDED DECEMBER 31, 2015
 (IN THOUSANDS, EXCEPT PER SHARE DATA)

| | Washington REIT | Riverside Apartments | Pro Forma |
|---|--------------------|-------------------------|------------------|
| Revenue | | | |
| Real estate rental revenue | \$ 306,427 | \$ 21,518 | \$327,945 |
| Expenses | | | |
| Real estate expenses | 112,234 | 7,850 | 120,500 |
| | | 416 | (1), (3) |
| Depreciation and amortization | 108,935 | 11,719 | (2), (3) 120,654 |
| Acquisition costs | 2,056 | — | 2,056 |
| Real estate impairment | 5,909 | — | 5,909 |
| General and administrative | 20,257 | — | 20,257 |
| | 249,391 | 19,985 | 269,376 |
| Other operating income | | | |
| Gain on sale of real estate | 91,107 | — | 91,107 |
| Real estate operating income | 148,143 | 1,533 | 149,676 |
| Other income (expense) | | | |
| Interest expense | (59,546) | — | (59,546) |
| Other income | 709 | — | 709 |
| Loss on extinguishment of debt | (119) | — | (119) |
| | (58,956) | — | (58,956) |
| Net income | 89,187 | 1,533 | 90,720 |
| Less: Net loss attributable to noncontrolling interests in subsidiaries | 553 | — | 553 |
| Net income attributable to the controlling interests | \$ 89,740 | \$ 1,533 | \$91,273 |
| Basic net income attributable to the controlling interests per share | \$ 1.31 | | \$ 1.33 |
| Diluted net income attributable to the controlling interests per share: | \$ 1.31 | | \$ 1.33 |
| Weighted average shares outstanding - basic | 68,177 | | 68,301 |
| Weighted average shares outstanding - diluted | 68,310 | | 68,488 |

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015

(1) Represents property management costs incurred by the properties.

(2) Represents depreciation over 30 years, based on the fair value of building and improvements, plus amortization of tenant origination costs, leasing commissions and absorption over the remaining life of the acquired leases.

(3) The table below illustrates the pro forma adjustments for each property (in thousands):

| | Riverside Apartments |
|-----------------------------------|-------------------------|
| (1) Property management costs | 105 |
| (2) Depreciation and amortization | 1,695 |