



VISION PASSION EXECUTION

Behind the Scenes: Washington REIT 2.0

Presentation to NAIOP Members

February 23, 2016

WASHINGTON★REIT

“They always say time changes things,
but you actually have to change them yourself.”

- Andy Warhol

The Oldest REIT in the United States is a New Company Today

Meet the New Washington REIT



Agenda



Change Management



Portfolio Transition



Case Studies



Strategic Direction & Growth

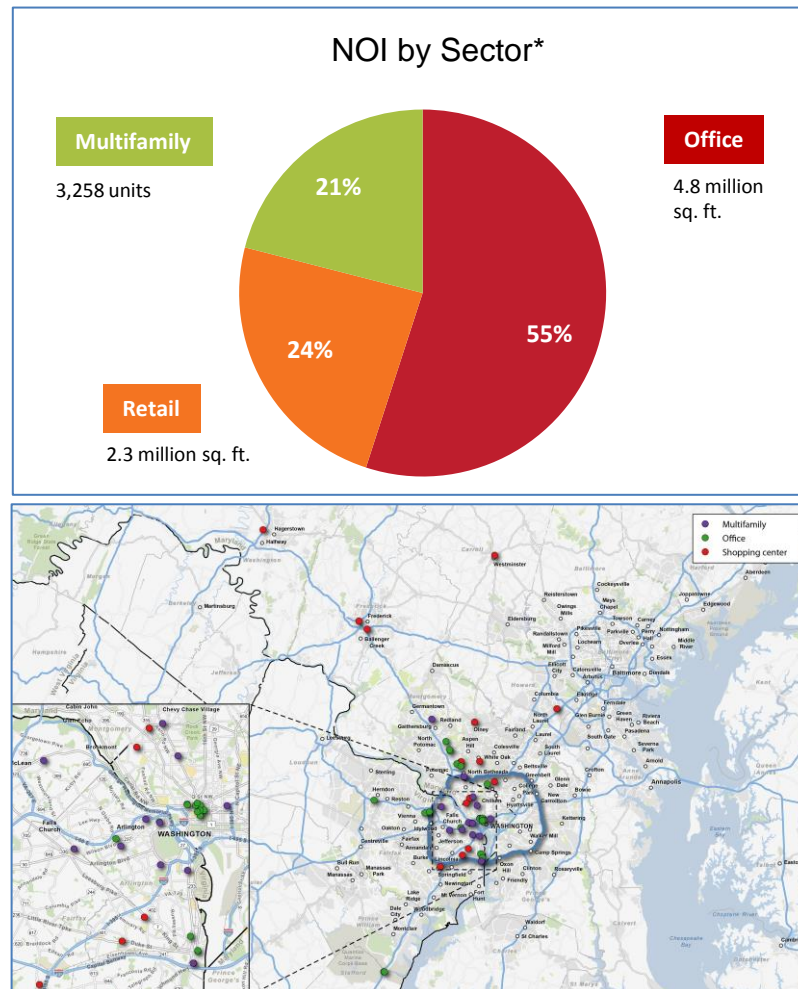


Q&A

Company Snapshot

Washington REIT is an owner and operator of high-quality **Office, Retail** and **Multifamily** assets in the Washington DC Metropolitan Area

- **55-year** operating history and a local sharp-shooter
- **54** properties with most inside the beltway
 - 25 Office
 - 16 Retail
 - 13 Multifamily
- **Investment-grade** rated by Moody's and S&P
- **\$3bn** enterprise value
- **NYSE-traded**
- **4.7%** dividend yield as of February 19, 2016



A New Organization – Benefiting from Positive Change



LEADERSHIP CHANGE

- Oct 2013 – new CEO
- April 2014 – new COO
- Feb 2015 – new CFO



ORGANIZATIONAL CHANGE

- Portfolio Management Model
- Real Estate Services Division
- In-house research
- Cultural change



EXECUTION & STRATEGY

- 18 months of positive transition
- Effective operational execution
- Targeted growth through value creation
- Strong strategic execution

A Culture Defined by Guiding Principles



MISSION: Deliver Consistent, Superior, Long-Term Returns to Shareholders.

GUIDING PRINCIPLES

Portfolio

- Own high-quality assets
- Focus on dynamic markets
- Manage for consistent growth
- Maintain disciplined capital allocation
- Create long-term value

Passion

- Compete aggressively
- Out-think and out-work the competition
- Exceed customers' expectations
- Always be proactive
- Expect to win

People

- Act like owners
- Get things done
- Embrace change
- Value teamwork, diversity and community
- Learn, grow and develop

Performance

- Lead at every opportunity
- Invest through creative deal making
- Execute on commitments
- Drive value through exceptional operations
- Be accountable every day

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Overall Execution – Positive Transition

JAN – 14

- SALE OF FINAL PHASE OF MEDICAL PORTFOLIO FOR \$193.6 MILLION



- BEGAN REDEVELOPMENT OF THE SILVERLINE CENTER



MAR – 14

- ARMY NAVY CLUB ACQUISITION FOR \$79 MILLION



JUN – 14

- IMPLEMENTATION OF PORTFOLIO MANAGEMENT MODEL

DEC – 14

- COMPLETION OF THE MAXWELL DEVELOPMENT



- EARLY RENEWAL OF BOOZ ALLEN HAMILTON LEASE



JUL – 15

- THE WELLINGTON & DEVELOPMENT ACQUISITION FOR \$167 MILLION



DEC – 15

- SALE OF MONTGOMERY VILLAGE FOR \$27.75 MILLION



OCT – 15

- SALE OF MUNSON HILL TOWERS FOR \$57.10 MILLION



MAR - 15

- SALE OF COUNTRY CLUB TOWERS FOR \$37.8 MILLION



- COMPLETION OF THE SILVERLINE RE-DEVELOPMENT



OCT – 14

- SPRING VALLEY ACQUISITION FOR \$40.5 MILLION



- EARLY RENEWAL OF WORLD BANK LEASE



MAY – 14

- 1775 EYE STREET ACQUISITION FOR \$104.5 MILLION



- CREATION OF IN-HOUSE RESEARCH PLATFORM

FEB – 14

- YALE WEST ACQUISITION FOR \$73 MILLION



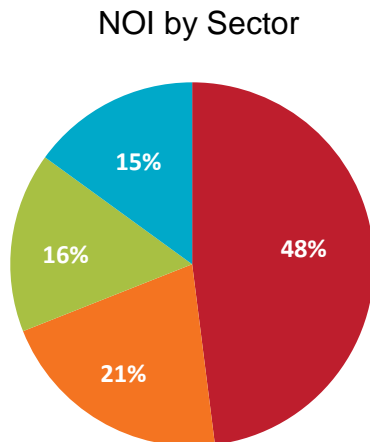
In-house Research Platform: granular submarket analysis and forecasting underpin all of our strategic decision-making

Portfolio Manager Model: asset management + portfolio performance accountability rests with our portfolio managers

Transformation – Portfolio Streamlining towards Parity

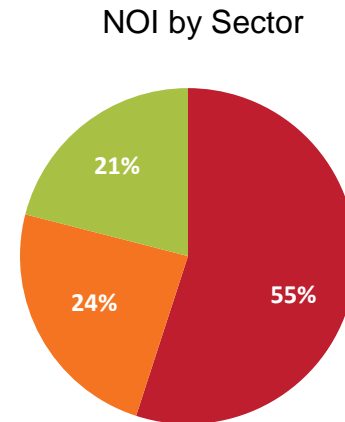
Focused on 3 Core Divisions: Office, Retail and Multifamily

Pre-Medical Office Sale Q2 2013



■ Office ■ Retail ■ Multifamily ■ Medical Office

Current Portfolio⁽¹⁾



■ Office ■ Retail ■ Multifamily

⁽¹⁾ As of Q4 2015

Value-Creation - 4 Case Studies

Silverline Center – Tysons, Virginia



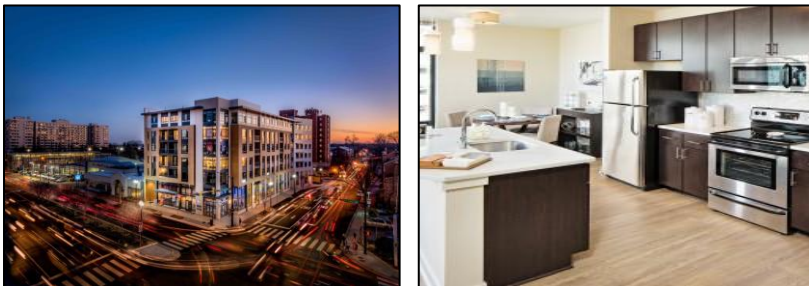
- **\$35 million** capital investment in underperforming Class B asset
- Post redevelopment, cash rents **+16%** and GAAP rents **+30%**
- Above **93%** leased as of February, 2016
- Incremental leasing from here expected to achieve rent increases of **26%** cash and **47%** GAAP for small to mid-sized deals

1775 Eye Street - CBD, Washington, DC



- Acquired in May 2014 for \$104.5 million at **62%** leased
- Modernized entryway, lobby and common areas
- **98%** leased as of February, 2016
- Deal terms inline or better than underwriting
- Created \$20m of incremental value since acquisition

The Maxwell – Arlington, Virginia



- 163-unit Class A multifamily ground-up development delivered in 1Q2015
- **95%** leased and stable as of February, 2016

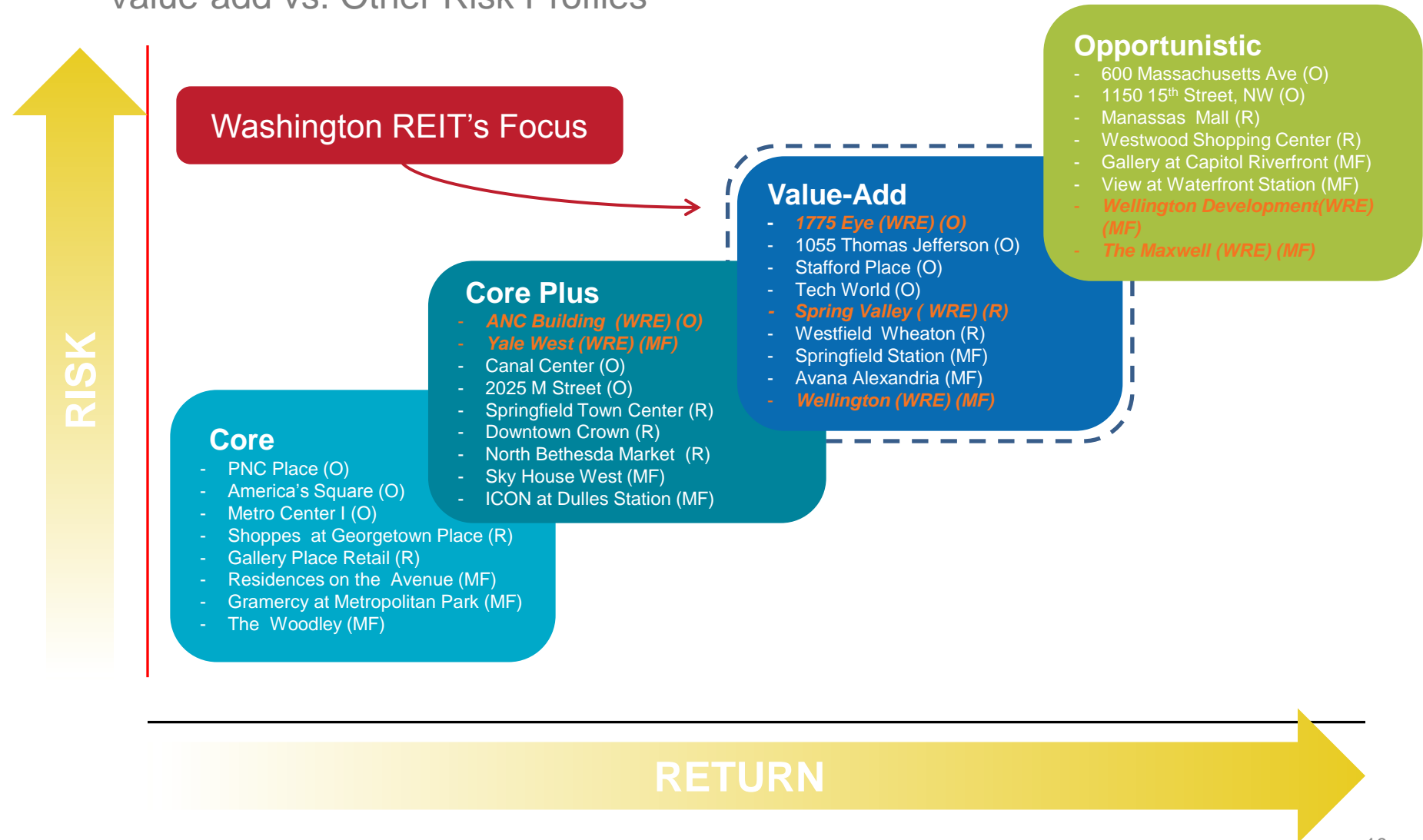
The Wellington – Arlington, Virginia



- 711-unit multifamily asset with opportunity to renovate 680 units and develop an additional 400 units onsite
- Renovation returns north of **15%**

Strategic Execution – Targeted Value Creation

Value-add vs. Other Risk Profiles



Asset Strategy



Our strategic objectives supported by in-house research:

- **Office**

- Recycle legacy suburban assets that have maximized their growth potential and are characterized by poor transit links *into* value-add assets, likely in the MF and Retail sectors, that are transit-linked and offer walkable amenities

- **Retail**

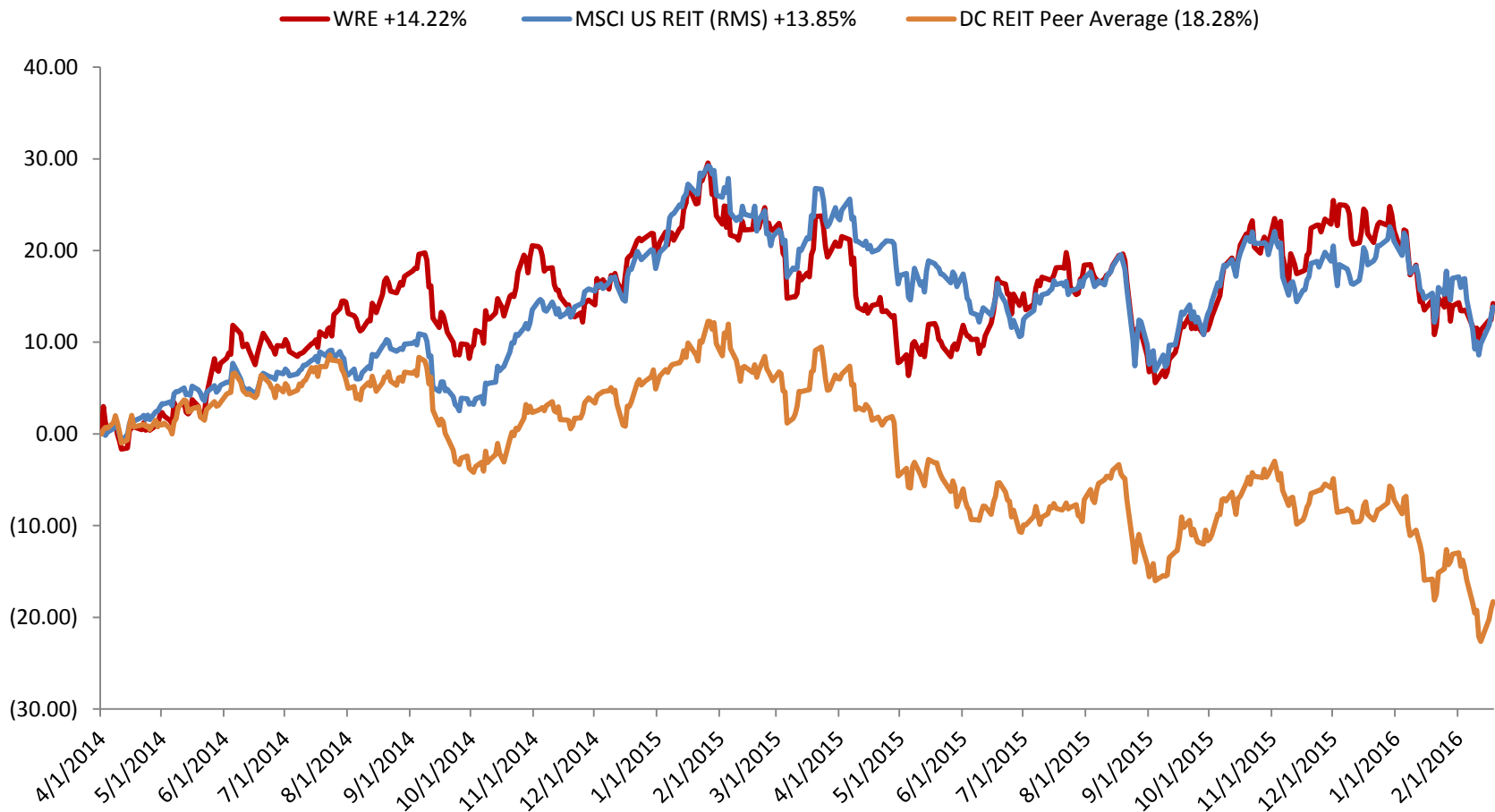
- Target strong neighborhood centers with attractive demographics
- Harness redevelopment potential across several well-located assets

- **Multifamily**

- Continue to upgrade portfolio to higher-quality, urban in-fill assets with transit access and walkable amenities in submarkets with a significant gap between Class A and B rents
- Unlock embedded value through additional FAR available across several assets

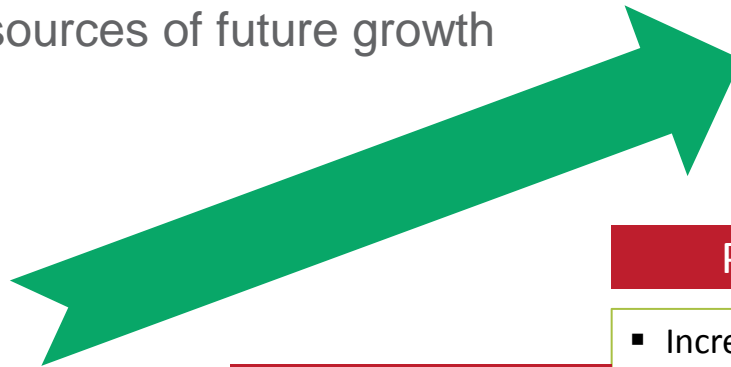
Stock Outperformance despite Challenging Markets

The outperformance of our stock, relative to both our DC REIT peers as well as the MSCI US REIT Index further validates our strategy



Future Growth Drivers

Multiple sources of future growth



Phase I

- **\$0.22 - \$0.23** of potential NOI/share contribution upon stabilization from:
 - Silverline (**\$0.16 - \$0.17** total)
 - Maxwell (**\$0.04**)
 - 1775 Eye (**\$0.02** additional)

Phase II

- **\$0.13 - \$0.14** of initial potential contribution to NOI from the Wellington
- **Mid-teens returns** from unit renovation program of approx. 680 units at The Wellington
 - Units to be renovated as they turnover

Phase III

- Incremental NOI of approx. **\$10 million** upon stabilization from the development of approx.:
 - Retail & Office space at Spring Valley (2017)
 - Redeveloped Army Navy Club Building (2018)
 - MF units at The Ashby (2019)
 - 380 MF units on development land at The Wellington (2020)
- **Rent roll-ups** across the portfolio as the DC market picks up 2017 onward

Phase IV

- Incremental NOI of approx. **\$44 million** upon stabilization from the development of approx.:
 - 2,568 MF units
 - 500,000 sq. ft. of Retail

Development & Redevelopment Projects

Spring Valley

Delivery early 2017



Utilize additional FAR to build Retail and Office space in one of DC's most affluent neighborhood's - Spring Valley

Army Navy Club Building

2018 Stabilization



Upgrade historic boutique property located in the heart of the CBD to compete as a trophy asset

The Ashby – phase 1

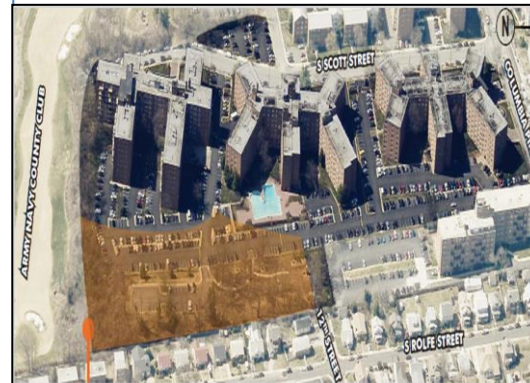
Delivery early 2019



Replace commercial space with new MF units in Downtown McLean, an underserved apartment market with excellent demographics

The Wellington Development

Delivery early 2020



Build onsite density of approx. 360 additional units in a submarket with limited new supply

Totals Approximately \$10 million of incremental NOI

Long-term Redevelopment Potential



- 10 redevelopment projects
- Potential to create approximately:
 - ✓ **2,568** Multifamily units
 - ✓ **500,000** sq. ft. of Retail
- Generate approximately **\$44 million** of incremental NOI



Q&A