UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark one)

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2005

OR

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE EXCHANGE ACT

For the transition period from ____________ to ____________

Commission file number 0-25739

WELLS REAL ESTATE INVESTMENT TRUST, INC.

(Exact name of registrant as specified in its charter)

Maryland	58-2328421
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
6200 The Corners Parkway Norcross, Georgia	30092
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code
(770) 449-7800

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

Number of shares outstanding of each of the registrant's classes of common stock, as of July 31, 2005:

Common Stock, par value $.01 per share: 461,123,079 shares

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 for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes [ ] No [X]

FORM 10-Q

WELLS REAL ESTATE INVESTMENT TRUST, INC.

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Forward-Looking Statements

Certain statements contained in this Form 10-Q of Wells Real Estate Investment Trust, Inc. ("Wells REIT") other than historical facts may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend for all such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as applicable by law. Such statements include, in particular, statements about our plans, strategies, and prospects and are subject to certain risks and uncertainties, as well as known and unknown risks, which could cause actual results to differ materially from those projected or anticipated. Therefore, such statements are not intended to be a guarantee of our performance in future periods. Such forward-looking statements can generally be identified by our use of forward-looking terminology such as "may," "will," "expect," "intend," "anticipate," "estimate," "believe," "continue," or other similar words. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date this report is filed with the Securities and Exchange Commission. We make no representations or warranties (express or implied) about the accuracy of any such forward-looking statements contained in this Form 10-Q, and we do not intend to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Any such forward-looking statements are subject to unknown risks, uncertainties, and other factors and are based on a number of assumptions involving judgments with respect to, among other things, future economic, competitive, and market conditions, all of which are difficult or impossible to predict accurately. To the extent that our assumptions differ from actual results, our ability to meet such forward-looking statements, including our ability to generate positive cash flow from operations, provide dividends to stockholders, and maintain the value of our real estate properties, may be significantly hindered. Following are some of the risks and uncertainties, although not all risks and uncertainties, which could cause actual results to differ materially from those presented in our forward-looking statements:

General economic risks

- Adverse changes in general economic conditions or local conditions;
- Adverse economic conditions affecting the particular industry of one or more of our tenants;

Enterprise risks

- Our dependency on Wells Capital, Inc. ("Wells Capital") and its affiliates and their key personnel for various administrative services;
- Wells Capital's ability to attract and retain high-quality personnel who can provide acceptable service levels and generate economies of scale over time;

Real estate risks

- Our ability to achieve appropriate occupancy levels resulting in sufficient rental amounts;
- Supply of or demand for similar or competing rentable space, which may impact our ability to retain or obtain new tenants upon lease expiration at acceptable rental amounts;

- Tenant ability or willingness to satisfy obligations relating to our lease agreements;
- Higher than expected property operating expenses, including property taxes, insurance, property management fees, and other costs at our properties;
- Our ability to secure adequate insurance at reasonable and appropriate rates to avoid uninsured losses or losses in excess of insured amounts;
- Discovery of previously undetected environmentally hazardous or other defects or adverse conditions at our properties;
- Our ability to invest stockholder proceeds to acquire properties at appropriate amounts that provide acceptable returns;

- Our ability to fund foreseen and unforeseen capital expenditures, including those related to tenant build-out projects, tenant improvements and lease-up costs, out of operating cash flow;
- Our ability to sell a property when desirable at an acceptable return, including the ability of the purchaser to satisfy any continuing obligations to us;

Financing and equity risks

- Our continued access to adequate credit facilities and ability to refinance such facilities as appropriate;
- Our ability to pay amounts to our lenders and distributions to our stockholders;
- Increases in interest rates related to our variable rate debt;
- Lender-required restrictive covenants relating to our operations, and our ability to satisfy such restrictions;
- Possible limitations on our ability to borrow funds in the future that may result from our participation in the Section 1031 Exchange Program sponsored by affiliates of Wells Capital;
- Future demand for our equity securities through our dividend reinvestment plan;
- Potential changes to our share redemption program or dividend reinvestment plan;
- The amount of shares redeemed or prices paid to redeem shares under the share redemption program, as approved by our board of directors;

Other operational risks

- Our reliance on third parties to appropriately manage our properties;
- Our ability to continue to qualify as a REIT for tax purposes;
- Higher than expected administrative operating expenses, including expenses associated with operating as a public company;
- Our ability to comply with governmental, tax, real estate, environmental, and zoning laws and regulations, and the related costs of compliance; and
- Our ability to generate sufficient cash flow from operations to be able to maintain our dividend at its current level.

PART I. FINANCIAL STATEMENTS

The information furnished in our accompanying consolidated balance sheets and consolidated statements of income, stockholders' equity, and cash flows reflects all adjustments, that are, in our opinion, necessary for a fair and consistent presentation of the aforementioned financial statements.

The financial statements should be read in conjunction with the notes to our financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations included in this report on Form 10-Q and in Wells REIT's Current Report on Form 8-K dated June 10, 2005. Our results of operations for the three months and six months ended June 30, 2005, are not necessarily indicative of the operating results expected for the full year.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except for share and per share amounts)

	June 30, 2005 (unaudited)	December 31, 2004
Assets:		
Real estate assets, at cost:		
Land	**$ 619,436**	$ 687,451
Buildings and improvements, less accumulated depreciation of $264,006 and $265,213 at June 30, 2005 and December 31, 2004, respectively	**3,134,376**	3,579,059
Intangible lease assets, less accumulated amortization of $82,908 and $62,331 at June 30, 2005 and December 31, 2004, respectively	**260,794**	313,803
Construction in progress	**22,703**	27,916
Total real estate assets	**4,037,309**	4,608,229
Investments in unconsolidated joint ventures	**59,622**	93,979
Cash and cash equivalents	**61,986**	39,669
Tenant receivables, net of allowance for doubtful accounts of $565 and $1,092 at June 30, 2005 and December 31, 2004, respectively	**86,467**	93,269
Due from affiliates	**868**	1,479
Prepaid expenses and other assets	**18,929**	14,246
Deferred financing costs, less accumulated amortization of $4,190 and $3,317 at June 30, 2005 and December 31, 2004, respectively	**11,017**	11,077
Deferred lease costs, less accumulated amortization of $39,140 and $29,438 at June 30, 2005 and December 31, 2004, respectively	**174,333**	197,241
Investment in bonds	**—**	64,500
Total assets	**$4,450,531**	$5,123,689
Liabilities:		
Lines of credit and notes payable	**$1,037,108**	$ 890,182
Obligations under capital leases	**—**	64,500
Intangible lease liabilities, less accumulated amortization of $27,498 and $20,536 at June 30, 2005 and December 31, 2004, respectively	**113,147**	120,451
Accounts payable and accrued expenses	**63,548**	82,298
Redemptions payable	**40,296**	—
Due to affiliates	**2,892**	3,273
Dividends payable	**11,503**	12,730
Deferred income	**18,517**	32,469
Total liabilities	**1,287,011**	1,205,903
Commitments and Contingencies	**—**	—
Minority Interest	**5,147**	4,961
Redeemable Common Stock	**103,317**	225,955
Stockholders' Equity:		
Preferred stock, $.01 par value; 100,000,000 shares authorized; none outstanding	**—**	—
Common stock, $.01 par value; 900,000,000 shares authorized; 461,568,749 shares issued and outstanding at June 30, 2005, and 473,486,397 shares issued and outstanding at December 31, 2004	**4,616**	4,735
Additional paid-in capital	**3,332,192**	4,203,918
Cumulative distributions in excess of earnings	**(178,457)**	(295,914)
Redeemable common stock	**(103,317)**	(225,955)
Other comprehensive income	**22**	86
Total stockholders' equity	**3,055,056**	3,686,870
Total liabilities, minority interest, redeemable common stock, and stockholders' equity	**$4,450,531**	$5,123,689

See accompanying notes.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except for share and per share amounts)

	(Unaudited) Three Months Ended June 30,		(Unaudited) Six Months Ended June 30,	
	2005	2004	2005	2004
Revenues:				
Rental income	**$ 110,184**	$ 107,061	**$ 220,816**	$ 212,067
Tenant reimbursements	**31,952**	29,298	**63,809**	59,203
Lease termination income	**3,470**	8,368	**4,264**	8,440
	145,606	144,727	**288,889**	279,710
Expenses:				
Property operating costs	**45,387**	43,587	**90,191**	86,538
Asset and property management fees:				
Related party	**5,457**	3,916	**11,186**	7,320
Other	**1,347**	1,247	**2,806**	2,633
Depreciation	**22,341**	21,135	**44,378**	42,003
Amortization	**16,090**	14,645	**32,167**	28,452
General and administrative	**4,802**	4,029	**8,723**	7,180
Lease termination expense	**1,128**	726	**1,128**	726
Impairment loss on real estate assets	**16,093**	—	**16,093**	—
	112,645	89,285	**206,672**	174,852
Real estate operating income	**32,961**	55,442	**82,217**	104,858
Other income (expense):				
Interest expense	**(12,398)**	(10,480)	**(23,070)**	(17,064)
Interest and other income	**4,060**	606	**4,520**	751
Equity in income of unconsolidated joint ventures	**12,421**	1,145	**13,816**	2,283
Loss on extinguishment of debt	**—**	(1,734)	**—**	(2,101)
	4,083	(10,463)	**(4,734)**	(16,131)
Income from continuing operations before minority interest	**37,044**	44,979	**77,483**	88,727
Minority interest in earnings of consolidated entities	**(144)**	(151)	**(288)**	(277)
Income from continuing operations	**36,900**	44,828	**77,195**	88,450
Discontinued operations:				
Income from discontinued operations	**1,870**	8,588	**12,299**	17,590
Gain on sale	**177,382**	11,629	**177,382**	11,629
Income from discontinued operations	**179,252**	20,217	**189,681**	29,219
Net income	**$ 216,152**	$ 65,045	**$ 266,876**	$ 117,669
Net income per common share — basic and diluted:				
Income from continuing operations	**$0.08**	$0.10	**$0.17**	$0.19
Income from discontinued operations	**$0.39**	$0.04	**$0.40**	$0.06
Net income per common share	**$0.47**	$0.14	**$0.57**	$0.25
Weighted-average shares outstanding — Basic and diluted	**464,066,881**	464,440,602	**468,934,278**	463,917,382

See accompanying notes.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2004
AND FOR THE SIX MONTHS ENDED JUNE 30, 2005 (UNAUDITED)
(in thousands, except per share amounts)

	Common Stock						
	Shares	Amount	Additional Paid-In Capital	Cumulative Distributions in Excess of Earnings	Redeemable Common Stock	Other Comprehensive Income	Total Stockholders' Equity
Balance, December 31, 2003	465,050	$4,650	$4,138,017	$(180,261)	$ —	$ —	$3,962,406
Issuance of common stock	19,494	195	194,747	—	—	—	194,942
Redemptions of common stock	(9,711)	(97)	(97,018)	—	—	—	(97,115)
Dividends ($0.70 per share)	—	—	—	(325,375)	—	—	(325,375)
Commissions on common stock sales and related dealer-manager fees	—	—	(17,617)	—	—	—	(17,617)
Other offering costs	—	—	(757)	—	—	—	(757)
Redeemable common stock	—	—	—	—	(225,955)	—	(225,955)
Shares repurchased upon settlement	(1,347)	(13)	(13,454)				(13,467)
Components of comprehensive income:							
Net income	—	—	—	209,722	—	—	209,722
Change in value of interest rate swap	—	—	—	—	—	86	86
Comprehensive income							209,808
Balance, December 31, 2004	473,486	4,735	4,203,918	(295,914)	(225,955)	86	3,686,870
Issuance of common stock	**9,471**	**95**	**86,969**	—	—	—	**87,064**
Redemptions of common stock	**(21,388)**	**(214)**	**(205,246)**	—	—	—	**(205,460)**
Special distribution ($1.62 per share)	—	—	**(748,526)**	—	—	—	**(748,526)**
Dividends ($0.32 per share)	—	—	—	**(149,419)**	—	—	**(149,419)**
Commissions on common stock sales	—	—	**(4,633)**	—	—	—	**(4,633)**
Other offering costs	—	—	**(290)**	—	—	—	**(290)**
Redeemable common stock	—	—	—	—	**122,638**	—	**122,638**
Components of comprehensive income:							
Net income	—	—	—	**266,876**	—	—	**266,876**
Change in value of interest rate swap	—	—	—	—	—	**(64)**	**(64)**
Comprehensive income							**266,812**
Balance, June 30, 2005	**461,569**	**$4,616**	**$3,332,192**	**$(178,457)**	**$(103,317)**	**$ 22**	**$3,055,056**

See accompanying notes.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	(Unaudited) Six months ended June 30,	
	2005	2004
Cash Flows from Operating Activities:		
Income from continuing operations	**$ 77,195**	$ 88,450
Adjustments to reconcile net income from continuing operations to net cash provided by continuing operations:		
Equity in income of unconsolidated joint ventures	**(13,816)**	(2,283)
Minority interest in earnings of consolidated entities	**288**	277
Depreciation	**44,378**	42,003
Amortization	**31,569**	28,116
Lease termination expense	**1,128**	726
Loss on extinguishment of debt	**—**	2,101

Impairment loss on real estate assets	**16,093**	—
Changes in assets and liabilities:		
Increase in tenant receivables, net	**(3,355)**	(20,282)
Increase in due from/to affiliates	**1,049**	—
Increase (decrease) in prepaid expenses and other assets	**(11,116)**	307
Decrease in accounts payable and accrued expenses	**(18,153)**	(2,877)
Decrease in deferred income	**(13,776)**	(745)
Operating distributions received from unconsolidated joint ventures	**4,024**	5,445
Total adjustments	**38,313**	52,788
Net cash provided by continuing operations	**115,508**	141,238
Net cash provided by discontinued operations	**14,840**	26,171
Net cash provided by operating activities	**130,348**	167,409
Cash Flows from Investing Activities:		
Investment in real estate and related assets	**(23,158)**	(157,247)
Investment in tenant improvement escrows	**(32)**	(12)
Contributions to joint ventures	**(117)**	—
Acquisition and advisory fees paid	**(2,995)**	(21,123)
Deferred lease costs paid	**(2,769)**	—
Net sale proceeds from wholly-owned properties	**712,247**	30,553
Net sale proceeds received from joint ventures	**44,440**	—
Net cash provided by (used in) investing activities	**727,616**	(147,829)
Cash Flows from Financing Activities:		
Proceeds from lines of credit and notes payable	**294,668**	970,687
Repayments of lines of credit and notes payable	**(146,779)**	(791,631)
Dividends paid	**(150,747)**	(162,700)
Special distribution	**(748,526)**	—
Issuance of common stock	**87,064**	100,873
Redemptions of common stock	**(165,468)**	(87,488)
Commissions on stock sales and related dealer-manager fees paid	**(4,748)**	(6,455)
Other offering costs paid	**(299)**	(13,908)
Deferred financing costs paid	**(812)**	(9,406)
Other	**—**	(246)
Net cash used in financing activities	**(835,647)**	(274)
Net increase in cash and cash equivalents	**22,317**	19,306
Cash and cash equivalents, beginning of period	**39,669**	53,267
Cash and cash equivalents, end of period	**$ 61,986**	$ 72,573

See accompanying notes.

WELLS REAL ESTATE INVESTMENT TRUST, INC.

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2005
(unaudited)

1. Organization

Wells Real Estate Investment Trust, Inc. ("Wells REIT") is a Maryland corporation that engages in the acquisition and ownership of commercial real estate properties throughout the United States, including properties that are under construction, are newly constructed, or have operating histories. Wells REIT was incorporated in 1997, commenced operations on June 5, 1998, and qualifies as a real estate investment trust ("REIT") for federal income tax purposes. Wells REIT conducts business primarily through Wells Operating Partnership, L.P. ("Wells OP"), a Delaware limited partnership, or through Wells OP's subsidiaries. Wells REIT is the sole general partner of Wells OP and possesses full legal control and authority over the operations of Wells OP. Wells Capital is the sole limited partner of Wells OP. Wells OP owns properties directly or through wholly owned subsidiaries and has also entered into certain joint ventures with real estate limited partnerships sponsored by Wells Capital, as well as certain joint ventures with parties not affiliated with Wells REIT or Wells Capital. References to Wells REIT herein shall include all subsidiaries of Wells REIT, including Wells OP, its subsidiaries, and consolidated joint ventures. See Note 7 included herein for a further discussion of Wells Capital.

At June 30, 2005, Wells REIT owned interests in 82 properties either directly or through joint ventures comprising approximately 20.6 million square feet of commercial office and industrial space located in 23 states and the District of Columbia. At June 30, 2005, these properties were approximately 96% leased.

Since its inception, Wells REIT has completed four public offerings of common stock at $10 per share. Combined with the dividend reinvestment program, such offerings have provided approximately $5.0 billion in total offering proceeds. Out of these proceeds, Wells REIT paid costs associated with the offerings of (1) approximately $168.1 million in acquisition and advisory fees and acquisition expenses, (2) approximately $468.6 million in selling commissions and dealer manager fees, and (3) approximately $62.6 million in organization and other offering costs. In addition, Wells REIT used approximately $380.6 million to redeem shares pursuant to Wells REIT's share redemption program and to repurchase shares resulting from a legal settlement. The remaining offering proceeds of approximately $4.0 billion were primarily used to fund the purchase of real estate assets. During the quarter ended June 30, 2005, Wells REIT distributed approximately $748.5 million of net sales proceeds as a return of capital to stockholders of record as of June 1, 2005. Wells REIT's fourth public offering closed on July 25, 2004, and Wells REIT does not anticipate offering additional shares to the public.

Wells REIT registered an additional 100 million shares of common stock with the Securities and Exchange Commission (the "SEC") for issuances pursuant to its dividend reinvestment plan under a Registration Statement on Form S-3 (Commission File No. 333-114212), which was filed and became effective with the SEC on April 5, 2004.

Wells REIT's stock is not listed on a national exchange. However, Wells REIT's Articles of Incorporation currently require Wells REIT to begin the process of liquidating its investments and distributing the resulting proceeds to the stockholders if its shares are not listed on a national exchange by January 30, 2008. Wells REIT's Articles of Incorporation can only be amended by a proxy vote of Wells REIT's stockholders.

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements of Wells REIT have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission, including the instructions to Form 10-Q and Article 10 of Regulation S-X, and do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, the statements for the unaudited interim periods presented include all adjustments, which are of a normal and recurring nature, necessary for a fair presentation of the results for such periods. Results for these interim periods are not necessarily indicative of full-year results. For further information, refer to the financial statements and footnotes included in Wells REIT's Current Report on Form 8-K dated June 10, 2005.

Investments in Unconsolidated Joint Ventures

Wells REIT has adopted the provisions of Financial Accounting Standards Board Interpretation No. ("FIN") 46(R), *Consolidation of Variable Interest Entities*, which supersedes FIN 46 and is an interpretation of ARB No. 51, Consolidated Financial Statements. FIN 46(R) requires the identification and consolidation of variable interest entities ("VIEs"), which are defined as entities with a level of invested equity insufficient to fund future activities on a stand alone basis, or whose equity holders lack certain characteristics of a controlling financial interest.

Wells REIT has interests in certain unconsolidated joint venture partnerships. The joint venture partners of the unconsolidated joint ventures in which Wells REIT owns an interest have disproportionate voting rights for certain major decisions relative to their obligations to absorb expected losses and rights to receive residual returns of the venture. However, management has evaluated such joint ventures and determined that they are not VIE's under the provisions of FIN 46(R) because not substantially all of the activities of the joint ventures are conducted on behalf of a joint venture partner with disproportionately fewer voting rights. Accordingly, the adoption of FIN 46(R) did not result in the consolidation of any previously unconsolidated entities.

Prepaid Expenses and Other Assets

Prepaid expenses and other assets are primarily comprised of prepaid taxes, insurance and operating costs, escrow accounts held by lenders to pay future real estate taxes, insurance and tenant improvements, earnest money paid in connection with future acquisitions, and capitalized acquisition fees that have not yet been applied to investments in real estate assets. Prepaid expenses and other assets will be expensed as incurred or reclassified to other asset accounts upon being put into service in future periods. Balances without a future economic benefit are written off as they are identified.

Income Taxes

Wells REIT has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"), and has operated as such beginning with its taxable year ended December 31, 1998. To qualify as a REIT, Wells REIT must meet certain organizational and operational requirements, including a requirement to distribute at least 90% of its annual "REIT taxable income," computed without regard to the dividends-paid deduction and by excluding net capital gains to stockholders. As a REIT, Wells REIT is generally not subject to federal income taxes. Accordingly, neither a provision nor a benefit for federal income taxes has been made in the accompanying consolidated financial statements. Wells REIT is subject to certain state and local taxes related to the operations of properties in certain locations, which has been provided for in the accompanying financial statements.

Stockholders' Equity

The par value of investor proceeds raised is classified as common stock, with the remainder allocated to additional paid-in capital.

Wells REIT maintains a share redemption program that allows stockholders to redeem shares held at a specified price within certain limitations. Under Accounting Series Release No. 268, *Presentation in Financial Statements of Redeemable Preferred Stock,* if the redemption of shares is outside the control of the issuer, such shares are required to be classified as mezzanine, or temporary, equity. Wells REIT's share redemption program was amended for redemptions made beginning in January 2004. The amended plan modified the share redemption program by, among other things, removing the discretionary feature of approving redemption requests, subject to the board of directors' ability to amend or terminate the share redemption plan at any time upon 30 days' notice. Redemptions are limited to, among other things, the aggregate proceeds received from the dividend reinvestment plan. Since cumulative funds received under the dividend reinvestment plan totaled approximately $470.5 million and aggregate redemptions totaled approximately $367.2 million at June 30, 2005, the difference of approximately $103.3 million has been recorded as redeemable common stock on the consolidated balance sheet and statement of stockholders' equity.

Effective July 1, 2003, Wells REIT adopted Statement of Financial Accounting Standard No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity* (“SFAS No. 150”), which requires, among other things, that financial instruments which represent a mandatory obligation of the company to repurchase its shares be classified as liabilities and reported at settlement value. Wells REIT’s redeemable common shares are contingently redeemable at the option of the holder. As such, SFAS No. 150 is not applicable until such shares are tendered for redemption by the holder, at which time Wells REIT reclassifies such obligations from mezzanine equity to a liability, based upon settlement value.

Recent Accounting Pronouncement

In December 2004, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standard (“SFAS”) No. 123-R, which replaces SFAS No. 123, *Accounting for Stock-Based Compensation*, and supersedes Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*. SFAS No. 123-R applies to all transactions involving the issuance of equity securities, including, among others, common stock and stock options, in exchange for goods and services, including services provided by employees. SFAS No. 123-R requires Wells REIT to recognize expense for all stock options awarded to employees over the respective vesting periods. SFAS No. 123-R will become applicable to Wells REIT effective January 1, 2006. To date, the fair value of options granted by Wells REIT is $0. The adoption of this statement is not expected to have a material effect on Wells REIT’s financial position or results of operations.

In July 2005, the FASB issued Staff Position (“FSP”) Statement of Position (“SOP”) 78-9-1, *Interaction of American Institute of Certified Public Accountants* (“AICPA”) SOP 78-9 and Emerging Issues Task Force (“EITF”) Issue No. 04-5”. The EITF reached a consensus on EITF Issue No. 04-5, *Determining Whether a General Partner or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights* stating that a general partner is presumed to control a limited partnership and should consolidate the limited partnership unless the limited partners possess substantive “kick-out” rights or the limited partners possess substantive participating rights. This FSP eliminates the concept of “important rights” of SOP 78-9 and replaces it with the concepts of “kick-out rights” and “substantive participating rights” as defined in Issue 04-5. This EITF and FSP are effective after June 29, 2005 for general partners of all new partnerships formed and for existing partnerships for which the partnership agreements are modified. For general partners in all other partnerships, this guidance is effective no later than January 1, 2006. Wells REIT is currently evaluating the impact of this FSP on its financial statements.

Impairment

Wells REIT’s policy is to continually monitor events and changes in circumstances that could indicate that the carrying amounts of the real estate and related intangible assets, both operating properties and properties under construction, in which Wells REIT has an ownership interest, either directly or through investments in joint ventures, may not be recoverable. When indicators of potential impairment are present which indicate that the carrying amounts of real estate and related intangible assets may not be recoverable, Wells REIT assesses the recoverability of these assets by determining whether the carrying value will be recovered through the undiscounted future operating cash flows expected from the use of the asset and its eventual disposition. In the event that such expected undiscounted future cash flows do not exceed the carrying value, Wells REIT adjusts the real estate and related intangible assets to the estimated fair values, as defined by Statement of Financial Accounting Standard No. 144 (“FAS 144”), and recognizes impairment losses. Estimated fair values are calculated based on the following information, dependent upon availability, in order of preference: (i) recently quoted market prices, (ii) market prices for comparable properties, or (iii) the present value of undiscounted cash flows, including estimated salvage value.

Reclassifications

Certain prior period amounts, as reported, have been reclassified to conform to the current period financial statement presentation.

3. Impairment of Real Estate Assets

During second quarter 2005, Wells REIT reduced its intended holding period for the IRS Long Island Building (the “Long Island Building”), which was purchased in September 2002 and consists of one building totaling approximately 238,000 square feet.

The decision to reduce the holding period was prompted by the loss of a prospective replacement tenant during the quarter ended June 30, 2005, for approximately all of the space which will become available in July 2005, and the assessment of the leasing assumptions for this building, including market rents and the related costs and down-time necessary to complete the releasing.

Based on a comparison of the projected undiscounted future cash flows and the net book value of the asset, while performing the quarterly procedures in connection with evaluation of impairment in connection with the preparation of the financial statements for the Form 10-Q for the period ended June 30, 2005, Wells REIT determined

that the carrying value of the asset was not recoverable and recorded an impairment loss on real estate assets in the amount of approximately $16.1 million during the three months ended June 30, 2005 to write down the Long Island Building to its estimated fair value, based upon the present value of undiscounted cash flows as previously described.

4. Real Estate Disposition

On April 13, 2005, Wells REIT, along with various Wells-affiliated entities, sold 27 properties from its existing portfolio for a gross sales price of $786.0 million, excluding closing costs and brokerage fees, to Lexington Corporate Properties Trust, an unaffiliated third party. Wells REIT and other affiliated property owners originally purchased the 27 properties from various unaffiliated entities for an aggregate purchase price of approximately $609.7 million.

Wells REIT's share of the $786.0 million in gross sales price is approximately $760.8 million. Wells REIT's share of the $609.7 million aggregate original purchase price paid for these properties is approximately $587.1 million. Net sales proceeds applicable to Wells REIT is approximately $756.3 million. Wells REIT recognized a gain of approximately $189.2 million (including approximately $11.8 million from investment in unconsolidated joint ventures) from the sale of these properties in the second quarter of 2005, which may be subject to change as additional information becomes available in subsequent periods. Approximately $64.5 million in obligations under capital leases, as well as the offsetting investment in bonds of the same amount, were sold as part of the sales transaction. In accordance with Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* ("Statement 144"), Wells REIT classified the results of operations and cash flows related to these wholly owned 23 properties, as well as the results of operations and cash flows for the Eisenhower Boulevard Building sold in June 2004, as discontinued operations in the accompanying financial statements.

The detail comprising income from discontinued operations as presented in the accompanying consolidated statements of income is as follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2005	**June 30, 2004**	**June 30, 2005**	**June 30, 2004**
Revenues:				
Rental income	**$ 2,005**	$14,921	**$ 16,989**	$30,038
Tenant reimbursements	**457**	2,268	**2,686**	4,647
Lease termination income	—	65	—	148
	2,462	17,254	**19,675**	34,833
Expenses:				
Property operating costs	**756**	2,773	**3,356**	5,380
Asset and property management fees				
Related party	**51**	619	**371**	1,299
Other	**2**	140	**135**	258
General and administrative expenses	**36**	240	**183**	403
Depreciation	—	3,181	**1,936**	6,440
Amortization	**223**	1,713	**1,872**	3,463
	1,068	8,666	**7,853**	17,243
Real estate operating income	**1,394**	8,588	**11,822**	17,590
Other income (expense):				
Interest expense	**(151)**	(1,131)	**(1,281)**	(2,261)
Interest and other income	**627**	1,131	**1,758**	2,261
Gain on sale	**177,382**	11,629	**177,382**	11,629
	177,858	11,629	**177,859**	11,629
Income from discontinued operations	**$179,252**	$20,217	**$189,681**	$29,219

5. Lines of Credit and Notes Payable

As of June 30, 2005 and December 31, 2004, Wells REIT had lines of credit and notes payable outstanding as follows (in thousands):

	June 30, 2005	December 31, 2004
Secured Pooled Facility	$ 350,000	$350,000
Aon Center Chicago Mortgage Note	200,000	200,000
Leo Burnett Building Mortgage Note	120,000	120,000
WDC Mortgage Note	115,167	115,167
$105.0 Million Fixed-Rate Loan	105,000	—
$45.0 Million Fixed-Rate Loan	45,000	—
$105.0 Million Promissory Note	—	—
$45.0 Million Term Loan Agreement	—	—
3100 Clarendon Boulevard Building Mortgage Note	35,413	35,716
One Brattle Square Building Mortgage Note	29,485	30,143
1075 West Entrance Building Mortgage Note	16,391	16,672
Merck Construction Loan	20,652	12,984
$85 Million Secured Line of Credit	—	9,500
	$1,037,108	$890,182

During the six months ended June 30, 2005, Wells REIT had the following activity with respect to its lines of credit and notes payable.

On May 4, 2005, Wells REIT refinanced the amount outstanding under the unsecured $45.0 Million Term Loan Agreement by obtaining a long-term, fixed-rate loan from the same lender, JP Morgan Chase Bank, N.A. (the "$45.0 Million Fixed-Rate Loan"). The $45.0 Million Fixed-Rate Loan matures on June 1, 2012, and requires payments of interest only each month at a rate of 5.195% per annum, with all principal and any unpaid interest due on the maturity date. The $45.0 Million Fixed-Rate Loan may not be prepaid before one month from maturity without incurring a prepayment penalty. If the lender declares the loan due pursuant to their rights in the underlying loan document prior to maturity, the lender is entitled to a prepayment penalty equal to the greater of (A) one percent (1%) of the outstanding principal balance of the loan at the time such payment is received, or (B) the present value as of the date such payment is received of the remaining scheduled payments of principal and interest from the date such payment is received through the maturity date, less the payment received. If Wells REIT elects to repay the loan prior to maturity, the loan must be defeased in accordance with the terms described in the underlying loan document. The $45.0 Million Fixed-Rate Loan is secured by the 4250 N. Fairfax Building, a 14-story office building containing approximately 304,000 aggregate rentable square feet located at 4250 North Fairfax Street in Arlington, Virginia. By obtaining the $45.0 Million Fixed-Rate Loan, Wells REIT fully repaid and satisfied the $45.0 Million Term Loan Agreement outstanding at March 31, 2005.

On May 5, 2005, Wells REIT refinanced the amount outstanding under the $105.0 Million Promissory Note by obtaining a $105.0 Million long-term, fixed-rate loan from the same lender, Wachovia Bank, N.A. (the "$105.0 Million Fixed-Rate Loan"). At closing, Wells REIT obtained the full principal amount of this loan. The $105.0 Million Fixed-Rate Loan matures on May 11, 2015, and requires payments of interest only each month at a rate of 5.29% per annum, with all principal and any unpaid interest due on the maturity date. The $105.0 Million Fixed-Rate Loan may not be prepaid before two months from maturity without incurring a prepayment penalty. If the lender declares the loan due pursuant to their rights in the underlying loan document prior to maturity, the lender is entitled to a prepayment penalty in an amount equal to the greater of (A) two percent (2.0%) of the principal amount being prepaid, or (B) the present value of a series of payments payable on each payment date from the prepayment date until the maturity date, such payments will be equal to 5.29% per annum minus the lesser of (i) the yield on the U.S. Treasury issue (primary issue) with a maturity date closest to the maturity date, or (ii) the yield on the U.S. Treasury issue (primary issue) with a term equal to the remaining average life of the indebtedness; divided by twelve and multiplied by the principal due after application of the constant monthly payment due under the note on the date of such prepayment. In addition to the amounts described in the preceding sentence, in the event of a prepayment occurring on or prior to the first anniversary of the date of the $105.0 Million Fixed-Rate Loan, an additional prepayment fee equal to three percent (3%) of the principal balance will also be immediately

due and payable. If Wells REIT elects to repay the loan prior to maturity, the loan must be defeased in accordance with the terms described in the underlying loan document. The fixed-rate loan is secured by the U.S. Bancorp Building, a 32-story office building containing approximately 930,000 rentable square feet located at 800 Nicollet Mall in Minneapolis, Minnesota. By obtaining the $105.0 Million Fixed-Rate Loan, Wells REIT fully repaid and satisfied the $105.0 Million Promissory Note outstanding at March 31, 2005.

Cash paid for interest, including amounts capitalized, was approximately $22.6 million and $14.2 million for the six months ended June 30, 2005 and 2004, respectively.

6. Supplemental Disclosures of Non-Cash Investing and Financing Activities

	Six months ended June 30, (in thousands)	
	2005	2004
Acquisition and advisory fees applied to investments	$ 1,587	$ 357
Acquisition and advisory fees due to affiliate	$ —	$ 1,594
Sales commissions payable	$ —	$ 3,748
Acquisition of intangible lease liability	$ —	$ 2,316
Dividends payable	$ 11,503	$ 11,541
Accrued capital expenditures	$ 3,291	$ 2,605
Due from affiliates	$ 868	$ 7,391
Assumption of loan upon acquisition of property	$ —	$ 31,136
Redemptions payable	$ 40,296	$ —
Redeemable common stock	$103,317	$145,117

7. Related-Party Transactions

On December 30, 2004, Wells REIT entered into three agreements with certain affiliates, effective January 1, 2005: (1) Asset Management Advisory Agreement (the "2005 Asset Advisory Agreement"); (2) Acquisition Advisory Agreement (the "2005 Acquisition Advisory Agreement"); and (3) Master Property Management, Leasing, and Construction Management Agreement (the "2005 Property Management Agreement"). These agreements replaced an existing Advisory Agreement, covering the period from January 30, 2004 though December 31, 2004 and an existing Asset/Property Management Agreement dated June 17, 2003 (the "2004 Asset/Property Management Agreement").

2005 Asset Advisory Agreement

The 2005 Asset Advisory Agreement is an agreement between Wells REIT and Wells Management Company, Inc. ("Wells Management"). Under the terms of the 2005 Asset Advisory Agreement, Wells REIT will pay asset advisory fees to Wells Management for, among other things:

- serving as Wells REIT's investment and financial advisor;
- managing the day-to-day operations of Wells REIT;
- formulating and implementing strategies to administer, promote, manage, operate, maintain, improve, finance and refinance, market, lease, and dispose of properties; and
- providing certain accounting, SEC compliance, and other administrative services for Wells REIT.

The fee for these services will be payable monthly in an amount equal to one-twelfth of 0.5% of the fair market value of all properties owned by Wells REIT plus its interest in properties held through joint ventures. This fee is reduced by (i) tenant reimbursed property management fees paid to Wells Management, and (ii) in the event that Wells Management retains an independent third-party property manager to manage one or more properties currently being managed by Wells Management, the amount of property management fees paid to such third-party property managers. At the option of Wells Management, up to 10% of such monthly fee may be paid in shares of common stock of Wells REIT. These fees are recorded in the accompanying consolidated statements of income as asset and

property management fees-related party. Wells REIT incurred $5.5 million and $11.6 million in such fees for the three months and six months ended June 30, 2005, respectively, of which approximately $0.1 million and $0.4 million is included in income from discontinued operations (See Note 4). Under the 2004 Asset/Property Management Agreement, Wells REIT incurred $8.6 million in total asset and property management fees for the six months ended June 30, 2004, of which approximately $1.3 million is included in income from discontinued operations.

Additionally, per the 2005 Asset Advisory Agreement, Wells Management is entitled to earn the following disposition and incentive fees, which are similar in nature to previous agreements:

- For any property sold by Wells REIT, a disposition fee of the lesser of 50% of a competitive real estate commission or 3.0% of the sales price of the property, subordinated to the payment of distributions to stockholders equal to the sum of the stockholders' invested capital plus an 8% return on invested capital;
- Incentive fee of 10% of net sales proceeds remaining after stockholders have received distributions equal to the sum of the stockholders' invested capital plus an 8% return of invested capital; or
- Listing fee of 10% of the excess by which the market value of the stock plus distributions paid prior to listing exceeds the sum of 100% of the stockholders' invested capital plus an 8% return on invested capital.

Wells REIT incurred no disposition, incentive, or listing fees during the six months ended June 30, 2005. However, on February 21, 2005, the board of directors of Wells REIT approved a subordinated disposition fee of 0.33% of the gross sale price of the properties sold (see Note 4 for more details) to be paid to Wells Management as a result of the closing of this transaction. Since the conditions (mentioned above) have not been met at this time, this fee was not paid at the closing of the property sale but will be paid only in the event and at the time that the conditions are met.

The 2005 Asset Advisory Agreement has a one-year term and automatically renews unless either side gives notice of its intent not to renew. In addition, either party may terminate the 2005 Asset Advisory Agreement upon 60 days' written notice.

2005 Acquisition Advisory Agreement

The 2005 Acquisition Advisory Agreement is an agreement between Wells REIT and Wells Capital. Under the terms of the Acquisition Advisory Agreement, Wells REIT will pay a fee to Wells Capital for services relating to, among other things, capital-raising functions; the investigation, selection, and acquisition of properties; and certain transfer agent and stockholder communication functions. The fee payable to Wells Capital under the Acquisition Advisory Agreement will be 3.5% of aggregate gross proceeds raised from the sale of shares of Wells REIT, exclusive of proceeds received from the Wells REIT's dividend reinvestment plan, which are used to fund repurchases of shares of common stock pursuant to the Wells REIT's share redemption program. Acquisition and advisory fees and acquisition expenses are shown below for the periods presented (in thousands):

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2005	**2004**	**2005**	**2004**
Acquisition and advisory fees and reimbursement of acquisition expenses	**$0** (1)	$1,594	**$1,587**	$3,531

(1) No acquisition and advisory fees were incurred for the three months ended June 30, 2005, as proceeds from the dividend reinvestment plan were used to fund repurchases of shares of common stock pursuant to the Wells REIT's share redemption program.

2005 Property Management Agreement

The 2005 Property Management Agreement is an agreement between Wells REIT and Wells Management. The 2005 Property Management Agreement retains Wells Management to manage, coordinate the leasing of, and manage construction activities related to certain properties of Wells REIT. Any amounts paid under the 2005 Property Management Agreement for properties being managed by Wells Management on December 31, 2004 under the 2004 Asset/Property Management Agreement (the "Existing Portfolio Properties") will have the economic effect of reducing amounts payable for asset advisory services with respect to such properties under the 2005 Asset

Advisory Agreement. Management and leasing fees payable to Wells Management for properties to be acquired in the future shall be specified in an amendment to the 2005 Property Management Agreement, which must be approved by Wells REIT's board of directors and will be payable in addition to fees payable pursuant to the 2005 Asset Advisory Agreement. Wells REIT anticipates that fees for the management and leasing of properties other than Existing Portfolio Properties will be generally consistent with the descriptions set forth below:

- For properties for which Wells Management will provide property management services, it is anticipated that Wells REIT will pay Wells Management a market-based property management fee generally based on gross monthly income of the property.

- For properties for which Wells Management provides leasing agent services, it is anticipated that Wells REIT will pay (i) a one-time initial lease-up fee in an amount not to exceed one-month's rent for the initial rent-up of a newly constructed building; (ii) a market-based commission based on the net rent payable during the term of a new lease (not to exceed ten years); (iii) a market-based commission based on the net rent payable during the term of any renewal or extension of any tenant lease; and (iv) a market-based commission based on the net rent payable with respect to expansion space for the remaining portion of the initial lease term.

- For properties for which Wells Management provides construction management services, it is anticipated that Wells REIT will pay (i) for planning and coordinating the construction of tenant-directed improvements, that portion of lease concessions for tenant-directed improvements as is specified in the lease or lease renewal, subject to a limit of 5% of such lease concessions, and (ii) for other construction management services, a construction management fee to be determined and agreed to in an appropriate contract amendment.

As Wells REIT acquired no new properties during the second quarter of 2005, no additional property management fees were incurred under this agreement for the three months and six months ended June 30, 2005. However, Wells REIT incurred approximately $186,482 and $329,871 in construction management services under this agreement for the three months and six months ended June 30, 2005, respectively.

The 2005 Property Management Agreement has a one-year term and automatically renews unless either side gives notice of its intent not to renew. In addition, either party may terminate the 2005 Property Management Agreement upon 60 days' written notice.

Under the 2005 Asset Advisory Agreement, the 2005 Acquisition Advisory Agreement and the 2005 Property Management Agreement, Wells REIT is required to reimburse each service provider for various costs and expenses incurred in connection with the performance of its duties under such agreements, including reasonable wages and salaries and other employee-related expenses such as taxes, insurance, and benefits of employees of the service provider who are directly engaged in providing services for or on behalf of Wells REIT. Under these agreements, reimbursements for employee-related expenses may not exceed $8.2 million in the aggregate during any fiscal year. Wells REIT incurred approximately $2.3 million and $2.0 million for the three months ended June 30, 2005 and 2004, respectively, and $4.5 million and $3.6 million for the six months ended June 30, 2005 and 2004, respectively. These reimbursements are included in general and administrative expenses in the consolidated statements of income.

Dealer Manager Agreement

Wells REIT maintains a dealer manager agreement with Wells Investment Securities, Inc. ("WIS"), whereby WIS performs dealer manager services for offerings of Wells REIT shares related to its dividend reinvestment plan. For these services, WIS earns selling commissions of 5% of gross offering proceeds raised pursuant to Wells REIT's dividend reinvestment plan, the majority of which are reallowed to participating broker-dealers. The amount of commissions incurred related to WIS is shown below for the periods presented (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Commissions	**$1,851**	$3,187	**$4,064**	$7,061
Portion of commissions reallowed	**In excess of 99%**	In excess of 99%	**In excess of 99%**	In excess of 99%

Due From/To Affiliates

Due from affiliates included in the consolidated balance sheets is primarily comprised of Wells REIT's share of the cash to be distributed from its joint venture investments. Due to affiliates included in the consolidated balance sheets is primarily comprised of accrued administrative salaries and other non-salary operating expense reimbursements to Wells Capital and Wells Management, and accrued asset management fees owed to Wells Management.

Economic Dependency

Wells REIT has engaged Wells Capital and its affiliates, Wells Management and WIS, to provide certain services that are essential to Wells REIT, including asset management services, supervision of the management and leasing of properties owned by Wells REIT, asset acquisition and disposition services, the sale of shares of Wells REIT common stock pursuant to its dividend reinvestment plan, as well as other administrative responsibilities for Wells REIT including accounting services, stockholder communications, and investor relations. These agreements are terminable by either party on 60 days' written notice. As a result of these relationships, Wells REIT is dependent upon Wells Capital, Wells Management, and WIS.

Wells Capital, Wells Management, and WIS are all owned and controlled by Wells Real Estate Funds, Inc. ("WREF"). The operations of Wells Capital, Wells Management, and WIS represent substantially all of the business of WREF. Accordingly, Wells REIT focuses on the financial condition of WREF when assessing the financial condition of Wells Capital, Wells Management, and WIS. In the event that WREF were to become unable to meet its obligations as they become due, Wells REIT might be required to find alternative service providers.

WREF's net income was approximately $14.4 million for the six months ended June 30, 2005. Future net income generated by WREF will be largely dependent upon the amount of fees earned by Wells Capital, Wells Management, and WIS based on, among other things, the level of investor proceeds raised from the sale of Wells Real Estate Investment Trust II, Inc. ("Wells REIT II") common stock and the volume of future acquisitions and dispositions of real estate assets by Wells-sponsored programs. As of June 30, 2005 and December 31, 2004, WREF held cash balances of approximately $32.2 million and $6.3 million, respectively. WREF believes that it has adequate liquidity available in the form of cash on hand and current receivables necessary to meet its obligations as they become due.

Dismissal of Litigation Against Related Parties

During early 2004, a putative class action complaint was filed against, among others, Leo. F. Wells III, the president and director of Wells REIT, Wells Capital and Wells Management (*Hendry et al. v. Leo F. Wells, III et al* ., Superior Court of Gwinnett County, Georgia, Civil Action No. 04-A-2791 2). The Court granted the plaintiffs' motion to permit voluntary dismissal of this suit, and it was subsequently dismissed without prejudice. In November 2004, the same plaintiffs filed a second putative class action complaint against, among others, Mr. Wells, Wells Capital and Wells Management (*Hendry et al. v. Leo F. Wells, III et al.*, Superior Court of Gwinnett County, Georgia Civil Action No. 04A-13051 6). On January 28, 2005, the defendants filed motions for summary judgment and motions to dismiss the plaintiffs' claims. Pursuant to orders entered July 1, 2005, the Court granted the defendants' motions to dismiss and for summary judgment on all counts in the complaint. Thus, this action has now been dismissed, subject to the plaintiffs' right to file a notice of appeal within the required time period. On August 3, 2005, the plaintiffs filed a motion requesting the Court to re-enter the orders to give the plaintiffs an opportunity to file a motion for reconsideration or notice of appeal.

8. Commitments and Contingencies

Properties Under Construction

As of June 30, 2005, Wells REIT had three executed construction agreements with unrelated third parties for the purpose of constructing two buildings, Merck New Jersey and Citigroup Fort Mill, and one building expansion, TRW Denver. As of June 30, 2005, Wells REIT had approximately $9.4 million in costs remaining to be incurred under these contracts.

Commitments Under Existing Lease Agreements

Certain lease agreements include provisions that, at the option of the tenant, may obligate Wells REIT to expend certain amounts of capital to expand an existing property, construct on adjacent property, or provide other expenditures for the benefit of the tenant, in favor of additional rental revenue. At June 30, 2005, no tenants have exercised such options, which have not been fully satisfied as of that date.

Letters of Credit

At June 30, 2005, Wells REIT had two unused letters of credit totaling approximately $28.4 million outstanding from financial institutions. One of these letters of credit in the amount of $400,000 expires in February 2006, and the other letter of credit expires in December 2005. These letters of credit were required by unrelated third parties to ensure completion of Wells REIT's obligations under certain earn-out and related construction agreements.

Earn-out Agreements

Wells REIT acquired certain properties subject to purchase agreements that require Wells REIT to pay additional consideration to the seller provided certain unleased space is leased within a specified period after closing based on a pre-determined formula. As of June 30, 2005, no amounts are due under the remaining earn-out agreement.

Leasehold Property Obligations

Certain properties are subject to ground leases with various expiration dates as disclosed in Wells REIT's Annual Report on Form 10-K for the year ended December 31, 2004.

Take-out Purchase and Escrow Agreements

As of June 30, 2005, Wells REIT had commitments outstanding under one Take-out Purchase and Escrow Agreement (the "Take-out Agreement"). Under the terms of the Take-out Agreement, Wells REIT has committed to purchase any unsold co-tenancy interests in properties acquired by subsidiaries of Wells Management, an affiliate of Wells Capital (See Note 7 above), by the Offering Period End Date, as defined (See table below). Wells Management acquired these properties with the intent of selling co-tenancy interests in each property to persons seeking qualified replacement property pursuant to Section 1031 of the Code.

Information on open Take-out Agreements at June 30, 2005 is as follows:

Location of Property	Property Acquisition Date	Offering Period End Date	Initial Maximum Exposure	Remaining Exposure at June 30, 2005	Fee Earned
Livermore, CA	August 20, 2004	August 20, 2005 (1)	$19.6 million	$7.6 million	$114,862

(1) On May 18, 2005, Wells REIT agreed to extend the take-out period from May 20, 2005 to August 20, 2005 in consideration for an additional take-out fee of approximately $31,550, which is included in the fees earned disclosure above.

Litigation

Wells REIT is from time to time a party to other legal proceedings, which arise in the ordinary course of its business. Wells REIT is not currently involved in any litigation the outcome of which would, in management's judgment based on information currently available, have a material adverse effect on the results of operations or financial condition of Wells REIT, nor is management aware of any such litigation threatened against the Wells REIT.

9. Subsequent Events

On July 19, 2005, the board of directors of Wells REIT determined that the amount of shares reserved for redemptions upon death and required minimum distribution redemptions ("Death and RMD Redemptions") for calendar year 2005 be reduced to accommodate all ordinary redemptions made during the month of June 2005, provided that the amount of shares reserved for Death and RMD Redemptions not be reduced below 12% of shares available for redemption in 2005. The board of directors of Wells REIT also determined to reserve all shares available for redemption in calendar year 2005 remaining after the completion of the June 2005 share redemptions for Death and RMD Redemptions.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our accompanying financial statements and notes thereto. See also "Forward-Looking Statements" preceding Part I, as well as the notes to our consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Current Report on Form 8-K dated June 10, 2005.

Liquidity and Capital Resources

Overview

From the commencement of our initial public offering in January 1998 through December 31, 2004, we raised significant funds through the sale of our common stock in four public offerings. Proceeds from these sales of common stock, net of offering costs and expenses, were used primarily for the acquisition of real estate properties and for certain capital expenditures identified at the time of acquiring certain properties. We do not anticipate receiving significant proceeds in the future from the sale of our common stock, as all remaining shares under the fourth offering were sold during the year ended December 31, 2004. We expect to continue to receive proceeds from shares issued under our dividend reinvestment plan; however, it is anticipated that a substantial portion of these funds may be used to fund redemptions of our shares of common stock as approved by our board of directors.

We expect that our primary source of future cash flows will be cash provided by operating activities that are primarily generated from the operations of our properties and distributions from our unconsolidated joint ventures. We believe there is a possibility of generating additional cash through the selective and strategic sale of certain operating properties (See a description of recently sold properties in Note 4 to the accompanying consolidated financial statements). Dividends paid will be dependent upon the amount of cash we generate from operating activities and on our expectations of future cash flows and determination of near term cash needs for capital improvements, tenant re-leasing, share redemptions, and debt repayments.

Short-Term Liquidity and Capital Resources

During the six months ended June 30, 2005, we generated approximately $130.3 million of cash flow from operating activities. This cash was generated primarily from revenues at our properties and operating distributions from our unconsolidated joint ventures net of cash paid for property operating expenses, asset and property management fees, general administrative expenses, and interest expense. From cash flows from operating activities and cash on hand, we paid dividends to stockholders of approximately $150.7 million during the six months ended June 30, 2005. Dividends paid during the three months ended March 31, 2005 exceeded operating cash flow for that period, primarily as a result of paying certain annual nonrecurring expenditures during the first quarter of 2005 including, among other items, prepaid property insurance and accrued real estate taxes. However, operating cash flow for the three months ended June 30, 2005 covered dividends paid during that period, and we expect operating cash flow to cover dividends to be paid to stockholders for the year ended December 31, 2005 as well. Other than dividends paid to stockholders, our most significant cash outflow during the six months ended June 30, 2005 was the redemption of common stock pursuant to our share redemption program. We funded these redemptions primarily with borrowings from new debt facilities, as described below, and from proceeds received in June 2005 pursuant to our dividend reinvestment plan. As of June 30, 2005, the pool of shares available for ordinary redemption requests for calendar year 2005 has been fully exhausted. The only shares remaining available for redemption over the remainder of the year are redemption requests related to the death of a stockholder or requests related to required minimum distributions. Additionally, capital additions of approximately $23.2 million consisted of improvements made at our existing properties, or as part of ongoing construction projects, which were funded by (1) proceeds from the issuance of common stock under our dividend reinvestment plan, net of commissions and selling expenses, and net of amounts used to redeem shares under our share redemption program, and (2) net new borrowings under lines of credit and notes payable.

During the six months ended June 30, 2005, we raised approximately $87.1 million from issuing common stock under our dividend reinvestment plan and paid approximately $5.0 million in commissions and offering costs, a portion of which related to the payment of fees accrued at December 31, 2004, and approximately $3.0 million in acquisition advisory fees and acquisition expenses, a portion of which related to the payment of fees accrued at December 31, 2004. During the six months ended June 30, 2005, investors redeemed approximately

$165.5 million in shares under the terms of our share redemption program. In addition, approximately $40.3 million of redemptions were approved by June 30, 2005 and paid subsequent to period end. Under the program, there were approximately 23.3 million shares available for redemptions in 2005. Approximately 1.9 million shares remain available for the remainder of the year to redeem shares upon the death of a stockholder and required minimum distribution redemptions (see *Subsequent Events* below). During the first quarter of 2005, we used proceeds from two short-term loans to fund the backlog of redemptions existing from 2004, as well as requests received during the first quarter of 2005. During the second quarter of 2005, we refinanced these two short-term loans with long term, fixed-rate debt, and redeemed additional shares, exhausting the portion of shares relating to ordinary redemptions.

With respect to net new borrowings, we received $294.7 million in gross proceeds from lines of credit and notes payable, and repaid $146.8 million. Included in the new borrowings were two long-term facilities, mentioned above, which were used to repay the short-term loans originally used to fund the accumulated redemption requests pursuant to our share redemption program in first quarter 2005. In connection with these facilities, we incurred approximately $800,000 in fees and expenses associated therewith. We used substantially all of the proceeds from these long-term facilities to repay the short-term loans used to redeem accumulated redemption requests from 2004 and to fund additional requests during the second quarter of 2005 pursuant to our share redemption program.

On April 13, 2005, we sold 27 properties, some of which were owned jointly with affiliated entities, for net sales proceeds attributable to our ownership of approximately $756.7 million pursuant to a contract with a third-party purchaser. Subsequent to the transaction closing and period end, the board of directors declared a special distribution of substantially all of the net sales proceeds to stockholders in the form of a return of invested capital to stockholders of record on June 1, 2005. As a result of this sale, the amount of cash generated by properties will decrease and the amount available for quarterly dividends will also decrease. We, therefore, expect the gross dollar value of dividends declared to decrease in future quarterly periods as compared to the gross dollar value of dividends declared before the sale of properties noted above. However, we currently anticipate that our dividend will remain at its current level for at least the remainder of 2005. Because we did not reduce debt with the proceeds of this sale and the amount of assets held decreased as a result of the sale, our ratio of debt to total assets increased from approximately 17% as of December 31, 2004 to approximately 23% following the close of this sale and return of net sales proceeds to our stockholders in June 2005.

We believe that cash on hand, tenant receivables, and due from affiliates are sufficient to cover our working capital needs, including accounts payable and accrued expenses, and redemptions payable of approximately $103.8 million.

Long-Term Liquidity and Capital Resources

We expect that our future sources of capital will be derived from net cash flows from property operations, proceeds from secured or unsecured financings from banks and other lenders, shares issued under our dividend reinvestment plan, net of share redemptions, and the selective and strategic sale of properties.

We anticipate our future long-term liquidity requirements will include, but not be limited to, scheduled debt maturities, renovations, expansions and other significant capital improvements at our properties, leasing costs, and property acquisitions and investments in real estate ventures.

We expect substantially all net cash from operations will be used to pay dividends. To the extent that capital expenditures at our existing properties exceed excess operating cash flow, we may borrow to fund these capital expenditures. We are currently projecting that capital expenditures necessary at our existing properties over the next five years will total approximately $256.2 million, including tenant improvements, leasing commissions, and building capital improvements. To the degree that cash flows provided by operations are lower due to lower returns on properties, dividends paid may be lower. Proceeds raised from sales of shares under our dividend reinvestment plan in excess of amounts used to fund share redemptions may be utilized for capital improvements or expansion at our properties or to fund or partially fund new property acquisitions. Our cash flow from operations depends significantly on market rents and the ability of tenants to make rental payments. We believe that the diversity of our tenant base and the focus placed on relatively high credit-quality tenants help mitigate the risk of tenant bankruptcies. Conversely, economic downturns in general or in one or more of our core markets could adversely impact the ability of our tenants to make lease payments and our ability to re-lease space on favorable terms when leases expire. In the event of either situation, our cash flow and consequently our ability to meet capital needs could adversely affect our ability to pay dividends at expected levels. We have approximately $135.0 million of current borrowing capacity under our existing credit facilities as of June 30, 2005.

Results of Operations

Overview

As of June 30, 2005, we owned interests in 82 real estate properties that were approximately 96% leased. The 23 wholly owned properties, which were sold on April 13, 2005, are classified as discontinued operations in the accompanying consolidated statements of income for each of the periods presented (See Note 4 to the accompanying consolidated financial statements for more information). Our results of income from continuing operations have not changed significantly for each period presented primarily as a result of the more stable nature of our existing portfolio, notably related to the small number of properties acquired during the periods subsequent to December 31, 2003. We expect virtually all components of income from continuing operations in the statement of income to be comparable in 2005, as compared to 2004, as we do not expect the majority of our continuing operating results of individual properties to change significantly in the near term. Rental revenues are generally based on long-term leases that do not allow for significant increases in rental income and do not expire in the near term. Additionally, we generally do not expect a significant increase in continuing operating expenses at existing properties, but to the extent that operating expenses do increase, the majority of our in-place leases have clauses that require the tenants to bear the substantial majority of the burden of such increases.

Comparison of the three months ended June 30, 2005 versus the three months ended June 30, 2004

Continuing Operations

Rental income increased by $3.1 million during the three months ended June 30, 2005 to $110.2 million from $107.1 million for the three months ended

June 30, 2004. Substantially all of this increase relates to properties acquired or developed subsequent to March 31, 2004. Tenant reimbursements increased by $2.7 million during the three months ended June 30, 2005 to $32.0 million from $29.3 million for the three months ended June 30, 2004. This increase relates to properties acquired or developed subsequent to March 31, 2004, as well as an increase in the recovery percentage of property operating costs, partially related to tenant-specific bill backs as compared to the same period in 2004.

Lease termination income was $3.5 million for the three months ended June 30, 2005 as compared to $8.4 million for the three months ended June 30, 2004. The income for the three months ended June 30, 2005 primarily relates to the termination of the Novartis lease at the Novartis Atlanta building. As of June 30, 2005, a replacement tenant had not been secured for the vacant space. Lease termination income for the three months ended June 30, 2004 relates to the termination of a portion of the Metris Direct, Inc. lease at the 10900 Wayzata Boulevard Building. At the time of the lease termination, a new long-term lease was executed with Siemens Real Estate, Inc. for all the vacated space. We do not expect that lease termination income for the three months ended June 30, 2005 will be comparable in future periods, as such income is dependent upon the timing of the execution of such termination agreements.

Property operating expenses increased by $1.8 million during the three months ended June 30, 2005 to $45.4 million from $43.6 million for the three months ended June 30, 2004. Of this increase, approximately $0.9 million relates to properties acquired or developed subsequent to March 31, 2004. The remaining difference relates primarily to an increase in utility expenses realized at our properties as compared to the same period in 2004. Property operating costs represented approximately 32% of the sum of the rental income and tenant reimbursements revenue for the three months ended June 30, 2005 and 2004.

Asset and property management fees increased by $1.6 million during the three months ended June 30, 2005 to $6.8 million from $5.2 million for the three months ended June 30, 2004. This increase relates to properties acquired subsequent to March 31, 2004, as well as the addition of asset and property management fees related to properties occupied by government tenants effective July 1, 2004, and the fact that third-party management fees reimbursable by tenants are no longer considered a reduction of management fees payable to Wells Management effective July 1, 2004. Asset and property management fees as a percentage of the sum of rental income and tenant reimbursements revenue were approximately 5% and 4% for the three months ended June 30, 2005 and 2004, respectively.

Depreciation expense increased by $1.2 million during the three months ended June 30, 2005 to $22.3 million from $21.1 million for the three months ended June 30, 2004. This increase is largely due to the addition of properties acquired or developed subsequent to March 31, 2004. Depreciation expense represented approximately 20% of rental income for the three months ended June 30, 2005 and 2004, respectively.

Amortization increased by $1.5 million during the three months ended June 30, 2005 to $16.1 million from $14.6 million for the three months ended June 30, 2004. Substantially all of this increase relates to those properties acquired subsequent to March 31, 2004. Amortization increased at a higher rate than depreciation expense because the period of amortization is the individual lease term, which is generally shorter than the useful life of the real estate asset.

General and administrative expense increased by $0.8 million during the three months ended June 30, 2005 to $4.8 million from $4.0 million for the three months ended June 30, 2004. This increase is primarily attributable to additional regulatory and reporting costs, as well as an increase in administrative salary reimbursements related to owning a larger portfolio of real estate assets in second quarter 2005 versus the second quarter 2004. General and administrative expense represents approximately 3% of the sum of the rental income and tenant reimbursements revenue for the three months ended June 30, 2005 and 2004.

Lease termination expense was $1.1 million for the three months ended June 30, 2005 as compared to $0.7 million for the three months ended June 30, 2004. The expense for three months ended June 30, 2005 is comprised of approximately $0.3 million in charges associated with the Novartis Atlanta lease, and approximately $0.8 million in charges associated with Aon in the 1901 Main Street Irvine Building. These charges relate to straight-line rent and lease intangibles that were charged to expense as a result of these terminations. The expense for the three months ended June 30, 2004 relates primarily to charges associated with the Metris Direct, Inc. lease termination at the 10900 Wayzata Boulevard Building. We do not expect that these charges will be comparable to future periods, as such expense will be dependent upon the execution of such agreements, the timing of which is unpredictable.

During the three months ended June 30, 2005, we recognized an impairment loss of approximately $16.1 million as a result of reducing the intended holding period for the IRS Long Island Building (the "Long Island Building"). The decision to reduce the holding period was prompted by the loss of a prospective replacement tenant during the quarter ended June 30, 2005 for approximately all of the space which will become available in July 2005, and the assessment of the leasing assumptions for this building, including market rents and the related costs and down-time necessary to complete the releasing (see Note 3 to our accompanying consolidated financial statements).

Interest expense increased by $1.9 million during the three months ended June 30, 2005 to $12.4 million from $10.5 million for the three months ended June 30, 2004 due to significantly higher average amounts of borrowings outstanding during the second quarter of 2005, as compared to the second quarter of 2004. We expect that future interest expense will be comparable to current amounts, as we have a majority of borrowings under long-term, fixed-rate debt facilities. Having no amounts currently outstanding under our variable rate lines of credit mitigates our exposure to rising interest rates.

Interest and other income increased by $3.5 million during the three months ended June 30, 2005 to $4.1 million from $0.6 million for the three months ended June 30, 2004. The amount of interest income in each period represents interest earned on cash generated from operations and the sale of real estate assets. During the three months ended June 30, 2005, cash on hand was significantly greater than during the three months ended June 30, 2004 due to the proceeds from the 27-property portfolio sale on April 13, 2005, which were distributed to stockholders on June 14, 2005. The level of interest income in future periods will primarily be dependent upon the amount of operating cash on hand and is not expected to be consistent with the amount earned during the three months ended June 30, 2005.

Equity in income of unconsolidated joint ventures increased by $11.3 million during the three months ended June 30, 2005 to $12.4 million from $1.1 million for the three months ended June 30, 2004. This increase is primarily related to gain on the sale of four properties (all of which were part of the portfolio sale mentioned above) owned by unconsolidated joint ventures during the three months ended June 30, 2005. We do not expect that equity in income of unconsolidated joint ventures reported for the three months ended June 30, 2005 will be comparable to equity in income of unconsolidated joint venture for future periods due to the aforementioned property disposition.

During the three months ended June 30, 2005, we did not recognize a loss on extinguishment of debt. However, we recognized a loss on extinguishment of debt of approximately $1.7 million during the three months ended June 30, 2004. In May 2004, we repaid in full and terminated our $500 million credit facility with Bank of America, N.A. and charged $1.7 million in associated unamortized deferred financing costs to earnings. Loss on extinguishment of debt is not expected to be indicative of amounts in future periods as such costs are generally dependent upon altering our financing structure and we have no plans for significantly changing our current financing structure.

Income from continuing operations per share was $0.08 and $0.10 for the three months ended June 30, 2005 and 2004, respectively. The decrease is attributable to the effect of the impairment loss on our IRS Long Island building, partially offset by higher than normal interest income earned on net sales proceeds held from the portfolio disposition before being distributed to investors in June 2005, as discussed above. In future quarters, we do not expect net income from continuing operations to change significantly from earnings of approximately $0.10 per share per quarter, absent any further dispositions or changes to our tenant base or credit quality.

Discontinued Operations

In accordance with Statement 144, we have classified the operations of properties held for sale and sold as discontinued operations for all periods presented. Income from discontinued operations was $179.3 million and $20.2 million for the three months ended June 30, 2005 and 2004, respectively. These amounts consist entirely of operations of the Eisenhower Boulevard Building and the 23 wholly-owned properties sold as part of the portfolio sale (as mentioned above) that were disposed of during the second quarter 2004 and April 2005, respectively, as well as the associated gain on sale realized with each transaction. We do not expect that income from discontinued operations will be comparable to future periods, as such income is subject to the timing and existence of future property dispositions.

Comparison of the six months ended June 30, 2005 versus the six months ended June 30, 2004

Continuing Operations

Rental income increased by $8.7 million during the six months ended June 30, 2005 to $220.8 million from $212.1 million for the six months ended June 30, 2004. Of this increase, approximately $7.9 million relates to properties acquired or developed subsequent to December 31, 2003. Tenant reimbursements increased by $4.6 million during the six months ended June 30, 2005 to $63.8 million from $59.2 million for the six months ended June 30, 2004. This increase relates to properties acquired or developed subsequent to December 31, 2003, as well as an increase in the recovery percentage of property operating costs, partially related to tenant-specific bill backs as compared to the same period in 2004.

Lease termination income was $4.3 million for the six months ended June 30, 2005 as compared to $8.4 million for the six months ended June 30, 2004. The income for the six months ended June 30, 2005 primarily relates to the termination of the Novartis lease at the Novartis Atlanta building and to the termination of the Motorola, Inc. lease at the River Corporate Center Building. At the time of the Motorola lease termination, a new lease was executed with Countrywide Home Loans, Inc. for all of the vacated space. As of June 30, 2005, a replacement tenant had not been secured for the space left vacant by Novartis. Lease termination income for the three months ended June 30, 2004 relates to the termination of a portion of the Metris Direct, Inc. lease at the 10900 Wayzata Boulevard Building. At the time of the lease termination, a new long-term lease was executed with Siemens Real Estate, Inc. for all the vacated space. We do not expect that lease termination income for the six months ended June 30, 2005 will be comparable in future periods, as such income is dependent upon the timing of the execution of such termination agreements.

Property operating expenses increased by $3.7 million during the six months ended June 30, 2005 to $90.2 million from $86.5 million for the six months ended June 30, 2004. Of this increase, $2.3 million relates to properties acquired or developed subsequent to December 31, 2003. The remaining difference relates primarily to an increase in utility expenses realized at our properties as compared to the same period in 2004. Property operating costs represented approximately 32% of the sum of the rental income and tenant reimbursements revenue for the six months ended June 30, 2005 and 2004.

Asset and property management fees increased by $4.0 million during the six months ended June 30, 2005 to $14.0 million from $10.0 million for the six months ended June 30, 2004. This increase relates to properties acquired subsequent to December 31, 2003, as well as the addition of asset and property management fees related to properties occupied by government tenants effective July 1, 2004, and the fact that third-party management fees reimbursable by tenants are no longer considered a reduction of management fees payable to Wells Management effective July 1, 2004. Asset and property management fees as a percentage of the sum of rental income and tenant reimbursements revenue were approximately 5% and 4% for the six months ended June 30, 2005 and 2004, respectively.

Depreciation expense increased by $2.4 million during the six months ended June 30, 2005 to $44.4 million from $42.0 million for the six months ended June 30, 2004. This increase is primarily due to the addition to properties acquired or developed subsequent to December 31, 2003. Depreciation expense represented approximately 20% of rental income for the six months ended June 30, 2005 and 2004.

Amortization increased by $3.7 million during the six months ended June 30, 2005 to $32.2 million from $28.5 million for the six months ended June 30, 2004. Substantially all of this increase is related to properties acquired or developed subsequent to December 31, 2003. The remaining difference is due to a full period's effect of additional property acquisitions after the adoption of Statement of Financial Accounting Standards No. 141, *Business Combinations* ("FAS 141"), resulting in more acquired assets being classified as intangible lease assets and lease origination assets compared to prior periods resulting in additional amortization expense, as well as the execution of certain second-generation leases at some of our properties and initial leases at recently developed properties. We expect that amortization of deferred lease costs and intangible lease assets will stabilize during the remainder of 2005 compared to the same periods in 2004, as a full period of amortization expense is recognized relating to our 2004 property acquisitions.

General and administrative expense increased by $1.5 million during the six months ended June 30, 2005 to $8.7 million from $7.2 million for the six months ended June 30, 2004. This increase is primarily attributable to additional regulatory and reporting costs, as well as an increase in administrative salary reimbursements related to owning a larger portfolio of real estate assets for the six months ended June 30, 2005 versus the six months ended June 30, 2004. General and administrative expense represents approximately 3% of the sum of the rental income and tenant reimbursements revenue for the six months ended June 30, 2005 and 2004.

Lease termination expense was $1.1 million for the six months ended June 30, 2005 as compared to $0.7 million for the six months ended June 30, 2004. The expense for the six months ended June 30, 2005 is comprised of approximately $0.3 million in charges associated with the Novartis Atlanta lease, and approximately $0.8 million in charges associated with Aon in the 1901 Main Street Irvine Building. These charges relate to straight-line rent and lease intangibles that were charged to expense as a result of these terminations. The expense for the six months ended June 30, 2004 relates primarily to charges associated with the Metris Direct, Inc. lease termination at the 10900 Wayzata Boulevard Building. We do not expect these charges will be comparable to future periods, as such expense will be dependent upon the execution of such agreements, the timing of which is unpredictable.

During the six months ended June 30, 2005, we recognized an impairment loss of approximately $16.1 million as a result of reducing the intended holding period for the IRS Long Island Building (the "Long Island Building"). The decision to reduce the holding period was prompted by the loss of a prospective replacement tenant during the quarter ended June 30, 2005 for approximately all of the space which will become available in July 2005, and the assessment of the leasing assumptions for this building, including market rents and the related costs and down-time necessary to complete the releasing (see Note 3 to our accompanying consolidated financial statements).

Interest expense increased by $6.0 million during the six months ended June 30, 2005 to $23.1 million from $17.1 million for the six months ended June 30, 2004 due to significantly higher average amounts of borrowings outstanding during the first half of 2005, as compared to the same period in 2004. Interest expense in the future will be dependent upon the amount of borrowings outstanding, current interest rates, and the deferred financing costs associated with obtaining debt facilities. We expect that future interest expense will be comparable to current amounts, as all of our borrowings are long-term, fixed-rate debt facilities. Having no amounts currently outstanding under our variable rate lines of credit mitigates our exposure to rising interest rates.

Interest and other income increased by $3.7 million during the six months ended June 30, 2005 to $4.5 million from $0.8 million for the six months ended June 30, 2004. The amount of interest income in each period represents interest earned on cash generated from operations and the sale of real estate assets. During the six months ended June 30, 2005, cash on hand was significantly greater than during the six months ended June 30, 2004, due to the proceeds from the 27-property portfolio sale on April 13, 2005, which were distributed to stockholders on June 14, 2005. The level of interest income in future periods will primarily be dependent upon the amount of operating cash on hand and is not expected to be consistent with the amount earned during the six months ended June 30, 2005. In addition to interest income, during the six months ended June 30, 2005, we earned approximately $220,000 of take-out fees related to our participation in Wells Capital's 1031 Program, which may not be indicative of amounts earned in future periods, as such income is dependent upon the continuation and growth of the program and our continued involvement.

Equity in income of unconsolidated joint ventures increased by $11.5 million during the six months ended June 30, 2005 to $13.8 million from $2.3 million for the six months ended June 30, 2004. This increase is primarily related to the gain on sale associated with the sale of five properties owned by unconsolidated joint ventures during the six months ended June 30, 2005, as opposed to the comparable period ended June 30, 2004. Four of these properties were included in the 27-property portfolio sold on April 13, 2005. We do not expect that equity in income of unconsolidated joint ventures reported for the six months ended June 30, 2005 will be comparable to equity in income of unconsolidated joint venture for future periods due to the aforementioned property dispositions.

During the six months ended June 30, 2005, we did not recognize a loss on extinguishment of debt. However, we recognized a loss on extinguishment of debt of approximately $2.1 million during the six months ended June 30, 2004. In May 2004, we repaid in full and terminated our $500 million credit facility with Bank of America, N.A. and charged $1.7 million in associated unamortized financing costs to earnings. In addition, $0.4 million of unamortized loan costs associated with the Nestle debt were charged to earnings, as the debt was repaid in full during the first quarter of 2004. Loss on extinguishment of debt is not expected to be indicative of amounts in future periods, as such costs are generally dependent upon altering our financing structure and we have no plans for significantly changing our current financing structure.

Income from continuing operations per share was $0.17 and $0.19 for the six months ended June 30, 2005 and 2004, respectively. The decrease is attributable to the effect of the impairment loss on our IRS Long Island building, partially offset by higher than normal interest income earned on net sales proceeds held from the portfolio disposition before being distributed to investors in June 2005, as discussed above. In future quarters, we do not expect net income from continuing operations to change significantly from earnings of approximately $0.10 per share per quarter, absent any further dispositions or changes to our tenant base or credit quality.

Discontinued Operations

In accordance with Statement 144, we have classified the operations of properties held for sale and sold as discontinued operations for all periods presented. Income from discontinued operations was $189.7 million and $29.2 million for the six months ended June 30, 2005 and 2004, respectively. These amounts consist entirely of operations of the Eisenhower Boulevard Building and the 23 wholly-owned properties sold as part of the portfolio sale (as mentioned above) that were disposed of during the second quarter 2004 and April 2005, respectively, as well as the associated gain on sale realized with each transaction. We do not expect that income from discontinued operations will be comparable to future periods, as such income is subject to the timing and existence of future property dispositions.

Funds From Operations

We believe that funds from operations ("FFO") is a beneficial indicator of the performance of any equity REIT. Because FFO calculations exclude such factors as depreciation and amortization of real estate assets and gains or losses from sales of operating real estate assets (which can vary among owners of identical assets in similar conditions based on historical cost accounting and useful-life estimates), they facilitate comparisons of operating performance between periods and between other REITs. Our management believes that accounting for real estate assets in accordance with U.S generally accepted accounting principles ("GAAP") implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values have historically risen or fallen with market conditions, many industry investors and analysts have considered the presentation of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. As a result, we believe that the use of FFO, together with the required GAAP presentations, provide a more complete understanding of our performance relative to our competitors and a more informed and appropriate basis on which to make decisions involving operating, financing, and investing activities. Other REITs may not define FFO in accordance with the current National Association of Real Estate Investment Trust's ("NAREIT") definition (as we do) or may interpret the current NAREIT definition differently than we do.

We believe that net income, as defined by GAAP, is the most relevant measure of our operating performance and, accordingly, believe that FFO should not be viewed as an alternative measurement of our operating performance to net income. FFO is a non-GAAP financial measure, which includes adjustments that may be deemed subjective by investors.

As presented below, non-cash items such as depreciation, amortization, and gains on the sale of real estate assets (for both wholly-owned and unconsolidated joint ventures) are excluded from our calculation of FFO. Income

from discontinued operations is included in FFO except for the components of income from discontinued operations resulting from the non-cash items aforementioned. Thus, a portion of the depreciation of real estate assets and amortization of deferred leasing costs adjustments below are classified as income from discontinued operations in the accompanying consolidated financial statements (see Note 4 to our accompanying consolidated financial statements). FFO is not adjusted to reflect impairment losses, the cost of capital improvements or any related capitalized interest, and is presented in the following table, in thousands:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	**2004**	**2005**	**2004**
Net income	**$216,152**	$ 65,045	**$266,876**	$117,669
Add:				
Depreciation of real assets	**22,341**	24,316	**46,314**	48,442
Amortization of lease-related costs	**17,128**	16,357	**34,853**	31,915
Depreciation and amortization — unconsolidated partnerships	**653**	1,173	**1,473**	2,423
Subtract:				
Gain on sale of properties — wholly-owned	**177,382**	11,629	**177,382**	11,629
Gain on sale of properties — unconsolidated partnerships	**11,765**	—	**11,952**	—
FFO	**$ 67,127**	$ 95,262	**$160,182**	$188,820
Weighted-average shares outstanding	**464,067**	464,441	**468,934**	463,917

Through the first quarter 2004, we, and our unconsolidated joint ventures, previously presented the amortization of the fair values of in-place leases, including opportunity costs associated with lost rentals that are avoided by acquiring in-place leases and tenant relationships, as an adjustment to rental income in our consolidated statements of income. Beginning with the second quarter 2004, we, and our unconsolidated joint ventures, have presented this amortization as amortization expense in our consolidated statements of income, and have reclassified such amortization from rental income to amortization expense for all periods previously presented. The period of amortization continues to be the term of the respective lease. This reclassification results in no change in previously reported net income. The primary purpose of this change is to more closely align our presentation of such costs with similar costs as classified by other companies in the real estate industry.

Set forth below is additional information related to non-cash items included in FFO above, which may be helpful in assessing our operating results:

- In accordance with the definition provided by NAREIT, nonrecurring charges not classified as extraordinary items such as impairment losses are included in the calculation of FFO. As such, the impairment charge of approximately $16.1 million recognized in second quarter 2005 related to the IRS Building is included in net income as well as FFO for the three and six months ended June 30, 2005 above. The impairment charge is a non-cash expense, and accordingly, does not impact cash flows available for operating activities;

- In accordance with GAAP, we recognized straight-line rental revenue of approximately $5.1 million and $7.7 million during the three months ended June 30, 2005 and 2004, respectively, and $10.0 million and $12.9 million for the six months ended June 30, 2005 and 2004, respectively;

- The amortization of deferred financing costs totaled approximately $0.4 million and $0.7 million for the three months ended June 30, 2005 and 2004, respectively, and $0.9 million and $1.5 million for the six months ended June 30, 2005 and 2004, respectively. Additionally, the loss on extinguishment of debt totaled approximately $1.7 million for the three months ended June 30, 2004, and $2.1 million for the six months ended June 30, 2004;

- The amortization of intangible lease assets and intangible lease liabilities recorded as a net increase in revenues in the accompanying consolidated statements of income totaled approximately $0.4 million and $1.1 million for the three months ended June 30, 2005 and 2004, respectively, and $0.6 million and $1.9 million for the six months ended June 30, 2005 and 2004, respectively.

REIT Qualification

We have elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, and have operated as such beginning with our taxable year ended December 31, 1998. To qualify as a REIT, we must meet certain organizational and operational requirements, including a requirement to distribute at least 90% of our “REIT taxable income,” computed without regard to the dividends-paid deduction and by excluding our net capital gain to our stockholders. As a REIT, we generally will not be subject to federal income tax on income that we distribute to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income taxes on our taxable income for four years following the year during which qualification is lost, unless the Internal Revenue Service grants us relief under certain statutory provisions. Such an event could materially adversely affect our net income and net cash available for distribution to stockholders. However, we believe that we are organized and operate in such a manner as to qualify for treatment as a REIT and intend to continue to operate in the foreseeable future so as to remain qualified as a REIT for federal income tax purposes. No provision for federal income taxes has been made in our accompanying consolidated financial statements, as we made distributions in excess of taxable income for the periods presented. We are subject to certain state and local taxes related to the operations of properties in certain locations, which have been provided for in our accompanying consolidated financial statements.

Inflation

We are exposed to inflation risk as income from long-term leases is the primary source of our cash flows from operations. There are provisions in the majority of our tenant leases that would protect us from the impact of inflation. These provisions include rent steps, reimbursement billings for operating expense pass-through charges, real estate tax and insurance reimbursements on a per-square-foot basis, or in some cases, annual reimbursement of operating expenses above a certain per-square-foot allowance. However, due to the long-term nature of the leases, the leases may not re-set frequently enough to cover inflation.

Application of Critical Accounting Policies

Our accounting policies have been established to conform with GAAP. The preparation of financial statements in conformity with GAAP requires us to use judgment in the application of accounting policies, including making estimates and assumptions. These judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. If our judgment or interpretation of the facts and circumstances relating to various transactions had been different, it is possible that different accounting policies would have been applied, thus, resulting in a different presentation of the financial statements. Additionally, other companies may utilize different estimates that may impact comparability of our results of operations to those of companies in similar businesses.

Investment in Real Estate Assets

We are required to make subjective assessments as to the useful lives of our depreciable assets. We consider the period of future benefit of the asset to determine the appropriate useful lives. These assessments have a direct impact on net income. The estimated useful lives of our assets by class are as follows:

Buildings	40 years
Building improvements	5–25 years
Land improvements	20–25 years
Tenant improvements	Lease term
Intangible lease assets	Lease term

Allocation of Purchase Price of Acquired Assets

Upon the acquisition of real properties, it is our policy to allocate the purchase price of properties to acquired tangible assets, consisting of land and building, and identified intangible assets and liabilities, consisting of the value of above-market and below-market leases, other value of in-place leases, and value of tenant relationships, based in each case on their fair values.

The fair values of the tangible assets of an acquired property (which includes land and buildings) are determined by valuing the property as if it were vacant, and the "as-if-vacant" value is then allocated to land and building based on our determination of the relative fair value of these assets. We determine the as-if-vacant fair value of a property

using methods similar to those used by independent appraisers. Factors considered by us in performing these analyses include an estimate of carrying costs during the expected lease-up periods considering current market conditions and costs to execute similar leases. In estimating carrying costs, we include real estate taxes, insurance, and other operating expenses and estimates of lost rental revenue during the expected lease-up periods based on current market demand. We also estimate the cost to execute similar leases including leasing commissions, legal, and other related costs.

The fair values of above-market and below-market in-place lease values is recorded based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) our estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining noncancelable term of the lease. The above-market and below-market lease values are capitalized as intangible lease assets and liabilities and amortized as an adjustment of rental income over the remaining terms of the respective leases.

The fair values of in-place leases include direct costs associated with obtaining a new tenant, opportunity costs associated with lost rentals that are avoided by acquiring an in-place lease, and tenant relationships. Direct costs associated with obtaining a new tenant include commissions, tenant improvements, and other direct costs and are estimated based on management's consideration of current market costs to execute a similar lease. These direct costs are included in deferred lease costs in the accompanying consolidated balance sheets and are amortized to expense over the remaining terms of the respective leases. The value of opportunity costs is calculated using the contractual amounts to be paid pursuant to the in-place leases over a market absorption period for a similar lease. Customer relationships are valued based on expected renewal of a lease or the likelihood of obtaining a particular tenant for other locations. These lease intangibles are included in intangible lease assets in the accompanying consolidated balance sheets and are amortized to expense over the remaining terms of the respective leases. Beginning April 1, 2004, these lease intangibles were amortized as expense rather than as an adjustment to rental income.

Estimates of the fair values of the tangible and intangible assets require us to estimate market lease rates, property operating expenses, carrying costs during lease-up periods, discount rates, market absorption periods, and the number of years the property is held for investment. The use of inappropriate estimates would result in an incorrect assessment of our purchase price allocations, which could impact the amount of our reported net income.

Valuation of Real Estate Assets

We continually monitor events and changes in circumstances that could indicate that the carrying amounts of the real estate and related intangible assets, both operating properties and properties under construction, in which we have an ownership interest, either directly or through investments in joint ventures, may not be recoverable. When indicators of potential impairment are present which indicate that the carrying amounts of real estate and related intangible assets may not be recoverable, we assess the recoverability of these assets by determining whether the carrying value will be recovered through the undiscounted future operating cash flows expected from the use of the asset and its eventual disposition. In the event that such expected undiscounted future cash flows do not exceed the carrying value, we adjust the real estate and related intangible assets to the fair value and recognize an impairment loss.

Projections of expected future cash flows require that we estimate future market rental income amounts subsequent to the expiration of current lease agreements, property operating expenses, discount rates, the number of months it takes to re-lease the property, and the number of years the property is held for investment, among other factors. The use of inappropriate assumptions in the future cash flow analysis would result in an incorrect assessment of the property's future cash flows and fair value, and could result in the misstatement of the carrying value of our real estate and related intangible assets and our net income. We have determined that there has been no impairment in the carrying value of real estate assets held by us or any unconsolidated joint ventures at June 30, 2005, except for the impairment charge of approximately $16.1 million recorded for the IRS Building. (See Note 3 to the accompanying consolidated financial statements).

Related-Party Transactions and Agreements

General

See Note 7 to our consolidated financial statements for a discussion of the various agreements we have with related parties.

Economic Dependency

We have engaged Wells Capital and its affiliates, Wells Management and WIS, to provide certain services that are essential to us, including asset management services, supervision of the management and leasing of the properties we own, asset acquisition and disposition services, the sale of shares of our common stock pursuant to our dividend reinvestment plan, as well as other administrative responsibilities for us including accounting services, stockholder communications, and investor relations. These agreements are terminable by either party on 60 days' written notice. As a result of these relationships, we are dependent upon Wells Capital, Wells Management, and WIS.

Wells Capital, Wells Management, and WIS are all owned and controlled by Wells Real Estate Funds, Inc. ("WREF"). The operations of Wells Capital, Wells Management, and WIS represent substantially all of the business of WREF. Accordingly, we focus on the financial condition of WREF when assessing the financial condition of Wells Capital, Wells Management, and WIS. In the event that WREF were to become unable to meet its obligations as they become due, we might be required to find alternative service providers.

WREF's net income was approximately $14.4 million for the six months ended June 30, 2005. Future net income generated by WREF will be largely dependent upon the amount of fees earned by Wells Capital, Wells Management, and WIS based on, among other things, the level of investor proceeds raised from the sale of Wells Real Estate Investment Trust II, Inc. ("Wells REIT II") common stock and the volume of future acquisitions and dispositions of real estate assets by Wells-sponsored programs. As of June 30, 2005 and December 31, 2004, WREF held cash balances of approximately $32.2 million and $6.3 million, respectively. WREF believes that it has adequate liquidity available in the form of cash on hand and current receivables necessary to meet its obligations as they become due.

Dismissal of Litigation Against Related Parties

During early 2004, a putative class action complaint was filed against, among others, Leo. F. Wells III, the president and director of Wells REIT, Wells Capital and Wells Management (*Hendry et al. v. Leo F. Wells, III et al* ., Superior Court of Gwinnett County, Georgia, Civil Action No. 04-A-2791 2). The Court granted the plaintiffs' motion to permit voluntary dismissal of this suit, and it was subsequently dismissed without prejudice. In November 2004, the same plaintiffs filed a second putative class action complaint against, among others, Mr. Wells, Wells Capital and Wells Management (*Hendry et al. v. Leo F. Wells, III et al*., Superior Court of Gwinnett County, Georgia Civil Action No. 04A-13051 6). On January 28, 2005, the defendants filed motions for summary judgment and motions to dismiss the plaintiffs' claims. Pursuant to orders entered July 1, 2005, the Court granted the defendants' motions to dismiss and for summary judgment on all counts in the complaint. Thus, this action has now been dismissed, subject to the plaintiffs' right to file a notice of appeal within the required time period. On August 3, 2005, the plaintiffs filed a motion requesting the Court to re-enter the orders to give the plaintiffs an opportunity to file a motion for reconsideration or notice of appeal.

Commitments and Contingencies

We are subject to certain contingent liabilities and commitments with regard to certain transactions. Refer to Note 8 to our consolidated financial statements for further explanation. Examples of such commitments and contingencies include:

- Properties Under Construction
- Commitments Under Existing Lease Agreements
- Letters of Credit
- Earn-out Agreements
- Leasehold Property Obligations

- Take-out Purchase and Escrow Agreements

- Litigation

Subsequent Events

On July 19, 2005, our board of directors determined that the amount of shares reserved for redemptions upon death and required minimum distribution redemptions ("Death and RMD Redemptions") for calendar year 2005 be reduced to accommodate all ordinary redemptions made during the month of June 2005, provided that the amount of shares reserved for Death and RMD Redemptions not be reduced below 12% of shares available for redemption in 2005. Our board of directors also determined to reserve all shares available for redemption in calendar year 2005 remaining after the completion of the June 2005 share redemptions for Death and RMD Redemptions.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in interest rates on our indebtedness, which could impact our financial condition and results of operations. We manage our exposure to these market risks through our regular operating and financing activities. Our interest rate risk management objectives are to limit the impact of interest rate changes on earnings and cash flow, primarily through a low to moderate level of overall borrowings. Additionally, we manage our ratio of fixed to floating rate debt with the objective of achieving the most efficient mix between favorable rates and exposure to rate changes based on anticipated market conditions. We have and may from time to time enter into interest rate swap agreements or interest rate cap agreements to hedge our exposure to fluctuating interest rates. We do not anticipate any material changes in our exposure to interest rate fluctuations or in our management thereof. We intend to use derivative financial instruments as risk management tools and not for speculative or trading purposes.

All of our debt was entered into for other than trading purposes, and the fair value of our debt approximates its carrying amount.

As of June 30, 2005, approximately all of our outstanding debt is subject to fixed rates or is effectively fixed due to an interest rate swap agreement. The outstanding debt has an average interest rate of approximately 4.85% with expirations ranging from 2006 to 2028. A change in the market interest rate impacts the net financial instrument position of our fixed rate debt portfolio but has no impact on interest incurred or cash flows. Such agreements may result in higher fixed interest rates in certain periods of lower variable interest rates, but are intended to decrease our exposure to potential increases in interest rates.

As of June 30, 2005, none of our outstanding debt is based on variable interest rates, except for the Merck build to suit ("Merck BTS") loan, which is effectively fixed due to an interest rate swap agreement (mentioned above). The amount outstanding under this $20.7 million term loan payable has a stated variable interest rate; however, we have entered into an interest rate swap agreement that results in a fixed rate of 2.75% for this debt. The amounts outstanding under the two short-term, variable rate notes related to the share redemption funding from the first quarter 2005, were refinanced with long-term, fixed rate facilities during the second quarter 2005. To the extent that we borrow funds in the future under our variable rate lines of credit, we would have exposure to increases in interest rates, which would increase our cost of debt.

ITEM 4. CONTROLS AND PROCEDURES

Management's Conclusions Regarding the Effectiveness of Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of management, including the Principal Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rule 15d-15(e) under the Securities Exchange Act of 1934 as of the end of the period covered by this report. Based upon that evaluation, the Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this quarterly report in providing a reasonable level of assurance that information we are required to disclose in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in applicable SEC rules and forms, including providing a reasonable level of assurance that information required to be disclosed by us in such reports is accumulated and communicated to our management, including our Principal Executive Officer and our Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There has been no identified change in our internal control over financial reporting that occurred during the quarter ended June 30, 2005 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are from time to time a party to other legal proceedings, which arise in the ordinary course of our business. We are not currently involved in any litigation the outcome of which would, in management's judgment based on information currently available, have a material adverse effect on our results of operations or financial condition, nor is management aware of any such litigation threatened against us during the quarter ended June 30, 2005 requiring disclosure under Item 103 of Regulation S-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) During the quarter ended June 30, 2005, we did not sell any equity securities that were not registered under the Securities Act of 1933.

(b) The fourth public offering was closed on July 25, 2004. The Registration Statement relating to our dividend reinvestment plan (No. 333-114212) was declared effective on April 5, 2004. The initial sale of shares pursuant to this Registration Statement occurred with respect to dividends declared and paid in September 2004. The net offering proceeds raised pursuant to the dividend reinvestment plan will be used for general corporate purposes, including, but not limited to, the acquisition of interests in additional properties or real estate investments, funding of tenant improvements, leasing commissions and other lease-up costs, repayment of debt, and funding of our share redemption program.

(c) During the quarter ended June 30, 2005, we redeemed shares as follows (in thousands, except per share amounts):

Period	Approximate Number of Shares Redeemed*	Approximate Average Price Paid per Share	Maximum Approximate Dollar Value of Shares Available that May Yet Be Redeemed in Calendar Year 2005 Under the Plan**
April 2005	1,486	$10.00	$88,476
May 2005	1,748	$10.00	$70,993
June 2005	5,205	$8.38	$15,875

* All shares redeemed were redeemed pursuant to our share redemption program, as amended.

** Of this maximum amount available for redemptions in calendar year 2005, our board of directors has reserved all shares available for redemption in calendar year 2005 remaining after completion of June 2005 share redemptions (approximately 1.9 million shares) for redemptions relating to the death of a stockholder and redemptions required to satisfy minimum distribution requirements under the Code.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

There have been no defaults with respect to any of our indebtedness during the second quarter of 2005.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of our stockholders during the second quarter of 2005.

ITEM 5. OTHER INFORMATION

(a) During the second quarter of 2005, there was no information which was required to be disclosed in a report on Form 8-K which was not disclosed in a report on Form 8-K.

(b) There are no material changes to the procedures by which stockholders may recommend nominees to the Registrant's board of directors since the filing of the Registrant's Schedule 14A.

ITEM 6. EXHIBITS

The Exhibits required to be filed with this report are set forth on the Exhibit Index to Second Quarter Form 10-Q attached hereto.

SIGNATURES

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

WELLS REAL ESTATE INVESTMENT TRUST, INC.
(Registrant)

Dated: August 4, 2005

By: /s/ DOUGLAS P. WILLIAMS

Douglas P. Williams
Executive Vice President, Director, and
Principal Financial Officer

EXHIBIT INDEX
TO
SECOND QUARTER FORM 10-Q
OF
WELLS REAL ESTATE INVESTMENT TRUST, INC.

Exhibit Number	Description of Document
10.71	$105.0 Million Promissory Note dated May 5, 2005 from Wells Real Estate Investment Trust, Inc. in favor of Wachovia Bank, N.A.
10.72	$45.0 Million Term Loan Agreement dated May 4, 2005 between Wells Real Estate Investment Trust, Inc. and JP Morgan Chase Bank, N.A.
10.73	Amended and Restated Dividend Reinvestment Plan effective May 20, 2005 (previously filed in and incorporated by reference to Registrant's Post-Effective Amendment No. 1 to Form S-3 Registration Statement, Commission File No. 333-114212, filed on June 10, 2005.
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

PROMISSORY NOTE

$105,000,000.00 May 5, 2005

FOR VALUE RECEIVED, the undersigned, WELLS REIT-800 NICOLLETT AVENUE OWNER, LLC, a Delaware limited liability company ("Borrower"), having an address at c/o Wells Operating Partnership, L.P., 6200 The Corners Parkway, Norcross, Georgia 30092, promises to pay to the order of WACHOVIA BANK, NATIONAL ASSOCIATION, a national banking association (together with its successors and assigns, " Lender"), at the office of Lender at Commercial Real Estate Services, 8739 Research Drive URP – 4, NC 1075, Charlotte, North Carolina 28262, or at such other place as Lender may designate to Borrower in writing from time to time, the principal sum of One Hundred Five Million and No/100 Dollars ($105,000,000.00), together with interest on so much thereof as is from time to time outstanding and unpaid, from the date of the advance of the principal evidenced hereby, at the rate of five and twenty-nine one hundredths percent (5.29%) (the "Note Rate"), together with all other amounts due hereunder or under the other Loan Documents (as defined herein), in lawful money of the United States of America, which shall at the time of payment be legal tender in payment of all debts and dues, public and private.

ARTICLE I

TERMS AND CONDITIONS

Section 1.1 Computation of Interest. Interest shall be computed hereunder based on a 360-day year and based on the actual number of days elapsed for any period in which interest is being calculated as more particularly set forth on Annex 1 attached hereto and incorporated by this reference. Interest shall accrue from the date on which funds are advanced hereunder (regardless of the time of day) through and including the day on which funds are credited pursuant to Section 1.2 hereof.

Section 1.2 Payment of Principal and Interest. Payments in federal funds immediately available at the place designated for payment received by Lender prior to 2:00 p.m. local time on a day on which Lender is open for business at said place of payment shall be credited prior to close of business, while other payments, at the option of Lender, may not be credited until immediately available to Lender in federal funds at the place designated for payment prior to 2:00 p.m. local time on the next day on which Lender is open for business. Interest only shall be payable in one hundred nineteen (119) consecutive monthly installments in the amount set forth on Annex 1, beginning on June 11, 2005 (the "First Payment Date"), and continuing on the eleventh (11th) day of each and every calendar month thereafter through and including April 11, 2015") (each, a "Payment Date"). On May 11, 2015 (the "Maturity Date"), the entire outstanding principal balance hereof, together with all accrued but unpaid interest thereon, shall be due and payable in full.

Borrower hereby authorizes Lender to use its automated loan payment service pursuant to which on each Payment Date Borrower shall have its monthly interest payments together with any other sums then due to Lender automatically drawn by Lender or its servicer in accordance with that certain Auto-Draft Request Form by and between Borrower and Lender executed in connection with the Loan (as defined in the Security Instrument (as hereinafter defined)).

In the event that, on any Payment Date, there are insufficient funds in such account for sums due to Lender, then Lender shall be permitted to withdraw sums from such account on any day thereafter until such time as all payments due to Lender have been drawn from such account; provided, however, the foregoing shall in no event limit or otherwise modify Borrower's obligations to make payments of principal and interest and other sums due hereunder or under any other Loan Document.

Section 1.3 Application of Payments. So long as no Event of Default (as hereinafter defined) exists hereunder or under any other Loan Document, each such monthly installment shall be applied, first, to any amounts hereafter advanced by Lender hereunder or under any other Loan Document, second, to any late fees and other amounts payable to Lender, third, to the payment of accrued interest and last to reduction of principal.

Section 1.4 Payment of "Short Interest". If the advance of the principal amount evidenced by this Note is made on a date other than a Payment Date, Borrower shall pay to Lender contemporaneously with the execution hereof interest at the Note Rate for a period from the date hereof through and including the tenth (10^{th}) day of either (x) this month, in the event that the date hereof is on or prior to the 11th of the month, and (y) the immediately succeeding month, in the event that the date hereof is after the 11^{th} of the month.

Section 1.5 Prepayment; Defeasance.

(a) This Note may not be prepaid, in whole or in part (except as otherwise specifically provided herein), at any time prior to the Payment Date occurring two (2) Payment Dates immediately prior to the Maturity Date (the "Lockout Expiration Date"). In the event that Borrower wishes to have the Property (as hereinafter defined) released from the lien of the Security Instrument prior to the Lockout Expiration Date, Borrower's sole option shall be a Defeasance (as hereinafter defined) upon satisfaction of the terms and conditions set forth in Section 1.5(d) hereof. This Note may be prepaid in whole but not in part without premium or penalty on any Payment Date occurring on or after the Lockout Expiration Date provided (i) written notice of such prepayment is received by Lender not more than ninety (90) days and not less than thirty (30) days prior to the date of such prepayment, and (ii) such prepayment is accompanied by all interest accrued hereunder through and including the date of such prepayment and all other sums due hereunder or under the other Loan Documents. If, upon any such permitted prepayment on any Payment Date occurring on or after the Lockout Expiration Date, the aforesaid prior written notice has not been timely received by Lender, there shall be due a prepayment fee equal to the lesser of (i) thirty (30) days' interest computed at the Note Rate on the outstanding principal balance of this Note so prepaid and (ii) interest computed at the Note Rate on the outstanding principal balance of this Note so prepaid that would have been

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payable for the period from, and including, the date of prepayment through the Maturity Date, as though such prepayment had not occurred.

(b) If, prior to the Lockout Expiration Date, the indebtedness evidenced by this Note shall have been declared due and payable by Lender pursuant to Article II hereof or the provisions of any other Loan Document due to a default by Borrower, then, in addition to the indebtedness evidenced by this Note being immediately due and payable, there shall also then be immediately due and payable a sum equal to the interest which would have accrued on the principal balance of this Note at the Note Rate from the date of such acceleration to the Maturity Date, together with a prepayment fee in an amount equal to the Yield Maintenance Premium (as hereinafter defined) based on the entire indebtedness on the date of such acceleration. In addition to the amounts described in the preceding sentence, in the event of any such acceleration or tender of payment of such indebtedness occurs or is made on or prior to the first (1st) anniversary of the date of this Note, there shall also then be immediately due and payable an additional prepayment fee of three percent (3%) of the principal balance of this Note. The term "Yield Maintenance Premium"shall mean an amount equal to the greater of (A) two percent (2.0%) of the principal amount being prepaid, and (B) the present value of a series of payments each equal to the Payment Differential (as hereinafter defined) and payable on each Payment Date over the remaining original term of this Note and on the Maturity Date, discounted at the Reinvestment Yield (as hereinafter defined) for the number of months remaining as of the date of such prepayment to each such Payment Date and the Maturity Date. The term "Payment Differential" shall mean an amount equal to (i) the Note Rate less the Reinvestment Yield, divided by (ii) twelve (12) and multiplied by (iii) the principal sum outstanding under this Note after application of the constant monthly payment due under this Note on the date of such prepayment, provided that the Payment Differential shall in no event be less than zero. The term "Reinvestment Yield" shall mean an amount equal to the lesser of (i) the yield on the U.S. Treasury issue (primary issue) with a maturity date closest to the Maturity Date, or (ii) the yield on the U.S. Treasury issue (primary issue) with a term equal to the remaining average life of the indebtedness evidenced by this Note, with each such yield being based on the bid price for such issue as published in the Wall Street Journal on the date that is fourteen (14) days prior to the date of such prepayment (or, if such bid price is not published on that date, the next preceding date on which such bid price is so published) and converted to a monthly compounded nominal yield. In the event that any prepayment fee is due hereunder, Lender shall deliver to Borrower a statement setting forth the amount and determination of the prepayment fee, and, provided that Lender shall have in good faith applied the formula described above, Borrower shall not have the right to challenge the calculation or the method of calculation set forth in any such statement in the absence of manifest error, which calculation may be made by Lender on any day during the fifteen (15) day period preceding the date of such prepayment. Lender shall not be obligated or required to have actually reinvested the prepaid principal balance at the Reinvestment Yield or otherwise as a condition to receiving the prepayment fee.

(c) Partial prepayments of this Note shall not be permitted, except for partial prepayments resulting from Lender's election to apply insurance or condemnation proceeds to reduce the outstanding principal balance of this Note as provided in the Security Instrument, in which event no prepayment fee or premium shall be due unless, at the time of either Lender's receipt of such proceeds or the application of such proceeds to the outstanding principal balance of this Note, an Event of Default, or an event which, with notice or the passage of time, or both,

would constitute an Event of Default, shall have occurred, which default or Event of Default is unrelated to the applicable casualty or condemnation, in which event the applicable prepayment fee or premium shall be due and payable based upon the amount of the prepayment. No notice of prepayment shall be required under the circumstances specified in the preceding sentence. No principal amount repaid may be reborrowed. Any such partial prepayments of principal shall be applied to the unpaid principal balance evidenced hereby and, upon such application, Lender shall recalculate the amount of the monthly installments required to be paid pursuant to Section 1.2 above based on the then outstanding principal amount of this Note. Except as otherwise expressly provided in this Section, the prepayment fees provided above shall be due, to the extent permitted by applicable law, under any and all circumstances where all or any portion of this Note is paid prior to the Maturity Date, whether such prepayment is voluntary or involuntary, including, without limitation, if such prepayment results from Lender's exercise of its rights upon Borrower's default and acceleration of the Maturity Date of this Note (irrespective of whether foreclosure proceedings have been commenced), and shall be in addition to any other sums due hereunder or under any of the other Loan Documents. No tender of a prepayment of this Note with respect to which a prepayment fee is due shall be effective unless such prepayment is accompanied by the applicable prepayment fee.

(d) (i) On any Payment Date on or the day immediately following the date which is two (2) years after the "startup day," within the meaning of Section 860G(a) (9) of the Internal Revenue Code of 1986, as amended from time to time or any successor statute (the "Code"), of a "real estate mortgage investment conduit," within the meaning of Section 860D of the Code (a "REMIC Trust"), that holds this Note, and provided no Event of Default has occurred hereunder or under any of the other Loan Documents, at Borrower's option, Lender shall cause the release of the Property from the lien of the Security Instrument and the other Loan Documents (a "Defeasance") upon the satisfaction of the following conditions:

(A) Borrower shall give not more than ninety (90) days' or less than sixty (60) days' prior written notice to Lender specifying the date Borrower intends for the Defeasance to be consummated (the "Release Date"), which date shall be a Payment Date.

(B) All accrued and unpaid interest and all other sums due under this Note and under the other Loan Documents up to and including the Release Date shall be paid in full on or prior to the Release Date.

(C) Borrower shall deliver to Lender on or prior to the Release Date:

(1) a sum of money in immediately available funds (the "Defeasance Deposit") equal to the outstanding principal balance of this Note plus an amount, if any, which together with the outstanding principal balance of this Note, shall be sufficient to enable Lender to purchase, through means and sources customarily employed and available to Lender, for the account of Borrower, (x) direct, non-callable, fixed rate obligations of the United States of America or (y) non-callable, fixed rate obligations, other than U.S. Treasury Obligations, that are "government securities" within the meaning of Section 2(a)(16) of the Investment Company Act of

1940, as amended, that provide for payments prior, but as close as possible, to all successive monthly Payment Dates occurring after the Release Date and to the Maturity Date, with each such payment being equal to or greater than the amount of the corresponding installment of principal and/or interest required to be paid under this Note (including, but not limited to, all amounts due on the Maturity Date) for the balance of the term hereof (the "Defeasance Collateral"), each of which shall be duly endorsed by the holder thereof as directed by Lender or accompanied by a written instrument of transfer in form and substance satisfactory to Lender in its sole discretion (including, without limitation, such instruments as may be required by the depository institution holding such securities or the issuer thereof, as the case may be, to effectuate book-entry transfers and pledges through the book-entry facilities of such institution) in order to perfect upon the delivery of the Defeasance Security Agreement (as hereinafter defined) the first priority security interest in the Defeasance Collateral in favor of Lender in conformity with all applicable state and federal laws governing granting of such security interests;

(2) a pledge and security agreement, in form and substance satisfactory to Lender, creating a first priority security interest in favor of Lender in the Defeasance Collateral (the "Defeasance Security Agreement");

(3) a certificate of Borrower certifying that all of the requirements set forth in this subsection 1.5(d)(i) have been satisfied;

(4) one or more opinions of counsel for Borrower in form and substance and delivered by counsel which would be satisfactory to Lender stating, among other things, that (i) Lender has a perfected first priority security interest in the Defeasance Collateral and that the Defeasance Security Agreement is enforceable against Borrower in accordance with its terms, (ii) in the event of a bankruptcy proceeding or similar occurrence with respect to Borrower, none of the Defeasance Collateral nor any proceeds thereof will be property of Borrower's estate under Section 541 of the U.S. Bankruptcy Code, as amended, or any similar statute and the grant of security interest therein to Lender shall not constitute an avoidable preference under Section 547 of the U.S. Bankruptcy Code, as amended, or applicable state law, (iii) the release of the lien of the Security Instrument and the pledge of Defeasance Collateral will not directly or indirectly result in or cause any REMIC Trust that then holds this Note to fail to maintain its status as a REMIC Trust and (iv) the defeasance will not cause any REMIC Trust to be an "investment company" under the Investment Company Act of 1940;

(5) evidence in writing from any applicable Rating Agency (as defined in the Security Instrument) to the effect that the Defeasance will not result in a downgrading, withdrawal or qualification of the respective

ratings in effect immediately prior to such Defeasance for any Securities (as hereinafter defined) issued in connection with the securitization which are then outstanding; provided, however, no evidence from a Rating Agency shall be required if this Note does not meet the then-current review requirements of such Rating Agency;

(6) a certificate in form and scope acceptable to Lender in its sole discretion from an acceptable independent accountant certifying that the Defeasance Collateral will generate amounts sufficient to make all payments of principal and interest due under this Note (including the scheduled outstanding principal balance of the Loan due on the Maturity Date);

(7) Borrower and any guarantor or indemnitor of Borrower's obligations under the Loan Documents for which Borrower has personal liability executes and delivers to Lender such documents and agreements as Lender shall reasonably require to evidence and effectuate the ratification of such personal liability and guaranty or indemnity, respectively;

(8) such other certificates, documents or instruments as Lender may reasonably require; and

(9) payment of all fees, costs, expenses and charges incurred by Lender in connection with the Defeasance of the Property and the purchase of the Defeasance Collateral, including, without limitation, all legal fees and costs and expenses incurred by Lender or its agents in connection with release of the Property, review of the proposed Defeasance Collateral and preparation of the Defeasance Security Agreement and related documentation, any revenue, documentary, stamp, intangible or other taxes, charges or fees due in connection with transfer of the Note, assumption of the Note, or substitution of collateral for the Property shall be paid on or before the Release Date. Without limiting Borrower's obligations with respect thereto, Lender shall be entitled to deduct all such fees, costs, expenses and charges from the Defeasance Deposit to the extent of any portion of the Defeasance Deposit which exceeds the amount necessary to purchase the Defeasance Collateral.

(D) In connection with the Defeasance Deposit, Borrower hereby authorizes and directs Lender using the means and sources customarily employed and available to Lender to use the Defeasance Deposit to purchase for the account of Borrower the Defeasance Collateral. Furthermore, the Defeasance Collateral shall be arranged such that payments received from such Defeasance Collateral shall be paid directly to Lender to be applied on account of the indebtedness of this Note. Any part of the Defeasance Deposit in excess of the amount necessary to purchase the Defeasance Collateral and to pay the other and related costs Borrower is obligated to pay under this Section 1.5 shall be refunded to Borrower.

(ii) Upon compliance with the requirements of subsection 1.5(d)(i), the Property shall be released from the lien of the Security Instrument and the other Loan Documents, and the Defeasance Collateral shall constitute collateral which shall secure this Note and all other obligations under the Loan Documents. Lender will, at Borrower's expense, execute and deliver any agreements reasonably requested by Borrower to release the lien of the Security Instrument from the Property.

(iii) Upon the release of the Property in accordance with this Section 1.5(d), Borrower shall assign all its obligations and rights under this Note, together with the pledged Defeasance Collateral, to a newly created successor entity which complies with the terms of Section 2.29 of the Security Instrument designated by Borrower and approved by Lender in its sole discretion. Such successor entity shall execute an assumption agreement in form and substance satisfactory to Lender in its sole discretion pursuant to which it shall assume Borrower's obligations under this Note and the Defeasance Security Agreement. As conditions to such assignment and assumption, Borrower shall (x) deliver to Lender an opinion of counsel in form and substance satisfactory to a prudent lender and delivered by counsel satisfactory to a prudent lender stating, among other things, that such assumption agreement is enforceable against Borrower and such successor entity in accordance with its terms and that this Note and the Defeasance Security Agreement as so assumed, are enforceable against such successor entity in accordance with their respective terms, and (y) pay all costs and expenses (including, but not limited to, legal fees) incurred by Lender or its agents in connection with such assignment and assumption (including, without limitation, the review of the proposed transferee and the preparation of the assumption agreement and related documentation). Upon such assumption, Borrower shall be relieved of its obligations hereunder, under the other Loan Documents other than as specified in Section 1.5(d)(i)(C)(7)above and under the Defeasance Security Agreement (or other Defeasance document).

Section 1.6 Security. The indebtedness evidenced by this Note and the obligations created hereby are secured by, among other things, that certain mortgage, deed of trust or deed to secure debt, security agreement and fixture filing (the "Security Instrument") from Borrower for the benefit of Lender, dated of even date herewith, covering the Property. The Security Instrument, together with this Note and all other documents to or of which Lender is a party or beneficiary now or hereafter evidencing, securing, guarantying, modifying or otherwise relating to the indebtedness evidenced hereby, are herein referred to collectively as the "Loan Documents". All of the terms and provisions of the Loan Documents are incorporated herein by reference. Some of the Loan Documents are to be filed for record on or about the date hereof in the appropriate public records.

ARTICLE II

DEFAULT

Section 2.1 Events of Default. It is hereby expressly agreed that should any default occur in the payment of principal or interest as stipulated above and such payment is not made on the date such payment is due, or should any other default occur under any other Loan

Document and not be cured within any applicable grace or notice period (if any), then an Event of Default (an "Event of Default") shall exist hereunder, and in such event the indebtedness evidenced hereby, including all sums advanced or accrued hereunder or under any other Loan Document, and all unpaid interest accrued thereon, shall, at the option of Lender and without notice to Borrower, at once become due and payable and may be collected forthwith, whether or not there has been a prior demand for payment and regardless of the stipulated date of maturity.

Section 2.2 Late Charges. In the event that any payment is not received by Lender on the date when due (subject to any applicable grace period), then, in addition to any default interest payments due hereunder, Borrower shall also pay to Lender a late charge in an amount equal to five percent (5%) of the amount of such overdue payment.

Section 2.3 Default Interest Rate. So long as any Event of Default exists hereunder or under any other Loan Document, regardless of whether or not there has been an acceleration of the indebtedness evidenced hereby, and at all times after maturity of the indebtedness evidenced hereby (whether by acceleration or otherwise), interest shall accrue on the outstanding principal balance of this Note, from the date due until the date credited, at a rate per annum equal to four percent (4%) in excess of the Note Rate, or, if such increased rate of interest may not be collected under applicable law, then at the maximum rate of interest, if any, which may be collected from Borrower under applicable law (as applicable, the "Default Interest Rate"), and such default interest shall be immediately due and payable.

Section 2.4 Borrower's Agreements. Borrower acknowledges that it would be extremely difficult or impracticable to determine Lender's actual damages resulting from any late payment or default, and such late charges and default interest are reasonable estimates of those damages and do not constitute a penalty. The remedies of Lender in this Note or in the Loan Documents, or at law or in equity, shall be cumulative and concurrent, and may be pursued singly, successively or together, in Lender's discretion.

Section 2.5 Borrower to Pay Costs. In the event that this Note, or any part hereof, is collected by or through an attorney-at-law, Borrower agrees to pay all costs of collection, including, but not limited to, reasonable attorneys' fees.

Section 2.6 Exculpation. Notwithstanding anything in this Note or the Loan Documents to the contrary, but subject to the qualifications hereinbelow set forth, Lender agrees that:

(a) Borrower shall be liable upon the indebtedness evidenced hereby and for the other obligations arising under the Loan Documents to the full extent (but only to the extent) of the security therefor, the same being all properties (whether real or personal), rights, estates and interests now or at any time hereafter securing the payment of this Note and/or the other obligations of Borrower under the Loan Documents (collectively, the "Property");

(b) if a default occurs in the timely and proper payment of all or any part of such indebtedness evidenced hereby or in the timely and proper performance of the other obligations of Borrower under the Loan Documents, any judicial proceedings brought by Lender against Borrower shall be limited to the preservation, enforcement and foreclosure, or any

thereof, of the liens, security titles, estates, assignments, rights and security interests now or at any time hereafter securing the payment of this Note and/or the other obligations of Borrower under the Loan Documents, and no attachment, execution or other writ of process shall be sought, issued or levied upon any assets, properties or funds of Borrower other than the Property, except with respect to the liability described below in this section; and

(c) in the event of a foreclosure of such liens, security titles, estates, assignments, rights or security interests securing the payment of this Note and/or the other obligations of Borrower under the Loan Documents, no judgment for any deficiency upon the indebtedness evidenced hereby shall be sought or obtained by Lender against Borrower, except with respect to the liability described below in this section; provided, however, that, notwithstanding the foregoing provisions of this section, Borrower shall be fully and personally liable and subject to legal action (i) for Borrower's misappropriation or intentional conversion of proceeds paid under any insurance policies (or paid as a result of any other claim or cause of action against any person or entity) by reason of damage, loss or destruction to all or any portion of the Property, to the full extent of such proceeds not previously delivered to Lender, but which, under the terms of the Loan Documents, should have been delivered to Lender, (ii) Borrower's misappropriation or intentional conversion of proceeds or awards resulting from the condemnation or other taking in lieu of condemnation of all or any portion of the Property, to the full extent of such proceeds or awards not previously delivered to Lender, but which, under the terms of the Loan Documents, should have been delivered to Lender, (iii) Borrower's misappropriation or intentional conversion of all tenant security deposits or other refundable deposits paid to or held by Borrower in connection with leases of all or any portion of the Property which are not applied in accordance with the terms of the applicable lease or other agreement, (iv) for Borrower's misappropriation or intentional conversion of rent and other payments received from tenants under leases of all or any portion of the Property paid more than one (1) month in advance, (v) for Borrower's misappropriation or intentional conversion of rents, issues, profits and revenues of all or any portion of the Property received or applicable to a period after the occurrence of any Event of Default hereunder or under the Loan Documents which are not either applied to the ordinary and necessary expenses of owning and operating the Property or paid to Lender, (vi) for waste committed on the Property, damage to the Property as a result of the intentional misconduct or gross negligence of Borrower or any of its principals, officers, general partners or members, any guarantor, any indemnitor, or any agent or employee of any such person, or any removal of all or any material portion of the Property following an Event of Default in violation of the terms of the Loan Documents, to the full extent of the actual losses or damages incurred by Lender on account of such occurrence, (vii) for failure to pay any valid taxes, assessments, mechanic's liens, materialmen's liens or other liens which create liens on any portion of the Property which would be superior to the lien or security title of the Security Instrument or the other Loan Documents against the Property (other then liens being validly contested as permitted by, and pursuant to the terms of, the Security Instrument) as a result of Borrower's failure to pay any valid taxes or assessments, or charges for labor or materials, to the full extent of the amount of any such lien, provided that Borrower's liability under this sub-clause (vii) with respect to taxes and assessments shall be limited to the amount of any such liens occurring during a three (3) month period following Borrower's failure to pay such liens; provided, however, with respect to any such taxes or assessments, Borrower shall have no personal liability to the extent that funds have been deposited with Lender pursuant to the terms of the Security Instrument specifically for the applicable taxes or assessments and not applied by

Lender to pay such taxes and assessments, (viii) for all obligations and indemnities of Borrower under the Loan Documents relating to Hazardous Substances (as defined in the Security Instrument) or radon or compliance with Environmental Laws (as defined in the Security Instrument) and regulations to the full extent of any actual losses or damages (including those resulting from diminution in value of any Property) incurred by Lender as a result of the existence of such Hazardous Substances or radon or failure to comply with such Environmental Laws or regulations, and (ix) for fraud, intentional and material misrepresentation or intentional failure to disclose a material fact by Borrower or any of its principals, officers, general partners or members, any guarantor, any indemnitor or any agent, employee or other person authorized to make statements, representations or disclosures on behalf of Borrower, any principal, officer, general partner or member of Borrower, any guarantor or any indemnitor, to the full extent of any actual losses, damages and expenses of Lender on account thereof. References herein to particular sections of the Loan Documents shall be deemed references to such sections as affected by other provisions of the Loan Documents relating thereto. Nothing contained in this section shall (1) be deemed to be a release or impairment of the indebtedness evidenced by this Note or the other obligations of Borrower under the Loan Documents or the lien of the Loan Documents upon the Property, or (2) preclude Lender from foreclosing the Loan Documents in case of any default or from enforcing any of the other rights of Lender except as stated in this section, or (3) limit or impair in any way whatsoever (A) the Indemnity and Guaranty Agreement (the "Indemnity Agreement") or (B) the Environmental Indemnity Agreement (the "Environmental Indemnity Agreement"), each of even date herewith executed and delivered in connection with the indebtedness evidenced by this Note or release, relieve, reduce, waive or impair in any way whatsoever, any obligation of any party to the Indemnity Agreement or the Environmental Indemnity Agreement.

Notwithstanding the foregoing, the agreement of Lender not to pursue recourse liability as set forth in this Section 2.6 SHALL BECOME NULL AND VOID and shall be of no further force and effect in the event of (i) a default by Borrower, Indemnitor (as defined in the Security Instrument) or any general partner, manager or managing member of Borrower of any of the covenants set forth in Section 2.9 of the Security Instrument, or (ii) if the Property or any part thereof shall become an asset in a voluntary bankruptcy or insolvency proceeding of Borrower or Indemnitor.

Notwithstanding anything to the contrary in this Note, the Security Instrument or any of the other Loan Documents, Lender shall not be deemed to have waived any right which Lender may have under Section 506(a), 506(b), 1111(b) or any other provisions of the U.S. Bankruptcy Code to file a claim for the full amount of the indebtedness evidenced hereby or secured by the Security Instrument or any of the other Loan Documents or to require that all collateral shall continue to secure all of the indebtedness owing to Lender in accordance with this Note, the Security Instrument and the other Loan Documents.

ARTICLE III

GENERAL CONDITIONS

Section 3.1 No Waiver; Amendment. No failure to accelerate the indebtedness evidenced hereby by reason of default hereunder, acceptance of a partial or past due payment, or

indulgences granted from time to time shall be construed (i) as a novation of this Note or as a reinstatement of the indebtedness evidenced hereby or as a waiver of such right of acceleration or of the right of Lender thereafter to insist upon strict compliance with the terms of this Note, or (ii) to prevent the exercise of such right of acceleration or any other right granted hereunder or by any applicable laws; and Borrower hereby expressly waives the benefit of any statute or rule of law or equity now provided, or which may hereafter be provided, which would produce a result contrary to or in conflict with the foregoing. No extension of the time for the payment of this Note or any installment due hereunder made by agreement with any person now or hereafter liable for the payment of this Note shall operate to release, discharge, modify, change or affect the original liability of Borrower under this Note, either in whole or in part, unless Lender agrees otherwise in writing. This Note may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification or discharge is sought.

Section 3.2 Waivers. Presentment for payment, demand, protest and notice of demand, protest and nonpayment and all other notices are hereby waived by Borrower. Borrower hereby further waives and renounces, to the fullest extent permitted by law, all rights to the benefits of any moratorium, reinstatement, marshaling, forbearance, valuation, stay, extension, redemption, appraisement, exemption and homestead now or hereafter provided by the Constitution and laws of the United States of America and of each state thereof, both as to itself and in and to all of its property, real and personal, against the enforcement and collection of the obligations evidenced by this Note or the other Loan Documents.

Section 3.3 Limit of Validity. The provisions of this Note and of all agreements between Borrower and Lender, whether now existing or hereafter arising and whether written or oral, including, but not limited to, the Loan Documents, are hereby expressly limited so that in no contingency or event whatsoever, whether by reason of demand or acceleration of the maturity of this Note or otherwise, shall the amount contracted for, charged, taken, reserved, paid or agreed to be paid ("Interest") to Lender for the use, forbearance or detention of the money loaned under this Note exceed the maximum amount permissible under applicable law. If, from any circumstance whatsoever, performance or fulfillment of any provision hereof or of any agreement between Borrower and Lender shall, at the time performance or fulfillment of such provision shall be due, exceed the limit for Interest prescribed by law or otherwise transcend the limit of validity prescribed by applicable law, then, ipso facto, the obligation to be performed or fulfilled shall be reduced to such limit, and if, from any circumstance whatsoever, Lender shall ever receive anything of value deemed Interest by applicable law in excess of the maximum lawful amount, an amount equal to any excessive Interest shall be applied to the reduction of the principal balance owing under this Note in the inverse order of its maturity (whether or not then due) or, at the option of Lender, be paid over to Borrower, and not to the payment of Interest. All Interest (including any amounts or payments judicially or otherwise under the law deemed to be Interest) contracted for, charged, taken, reserved, paid or agreed to be paid to Lender shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of this Note, including any extensions and renewals hereof until payment in full of the principal balance of this Note so that the Interest thereon for such full term will not exceed at any time the maximum amount permitted by applicable law. To the extent United States federal law permits a greater amount of interest than is permitted under the law of the State in which the Property is located, Lender will

rely on United States federal law for the purpose of determining the maximum amount permitted by applicable law. Additionally, to the extent permitted by applicable law now or hereafter in effect, Lender may, at its option and from time to time, implement any other method of computing the maximum lawful rate under the law of the State in which the Property is located or under other applicable law by giving notice, if required, to Borrower as provided by applicable law now or hereafter in effect. This Section 3.3 will control all agreements between Borrower and Lender.

Section 3.4 Use of Funds. Borrower hereby warrants, represents and covenants that no funds disbursed hereunder shall be used for personal, family or household purposes.

Section 3.5 Unconditional Payment. Borrower is and shall be obligated to pay principal, interest and any and all other amounts which become payable hereunder or under the other Loan Documents absolutely and unconditionally and without any abatement, postponement, diminution or deduction and without any reduction for counterclaim or setoff. In the event that at any time any payment received by Lender hereunder shall be deemed by a court of competent jurisdiction to have been a voidable preference or fraudulent conveyance under any bankruptcy, insolvency or other debtor relief law, then the obligation to make such payment shall survive any cancellation or satisfaction of this Note or return thereof to Borrower and shall not be discharged or satisfied with any prior payment thereof or cancellation of this Note, but shall remain a valid and binding obligation enforceable in accordance with the terms and provisions hereof, and such payment shall be immediately due and payable upon demand.

Section 3.6 Governing Law. THIS NOTE SHALL BE INTERPRETED, CONSTRUED AND ENFORCED ACCORDING TO THE LAWS OF THE STATE IN WHICH THE PROPERTY IS LOCATED.

Section 3.7 Waiver of Jury Trial. EACH OF BORROWER AND LENDER, TO THE FULL EXTENT PERMITTED BY LAW, HEREBY KNOWINGLY, INTENTIONALLY AND VOLUNTARILY, WITH AND UPON THE ADVICE OF COMPETENT COUNSEL, WAIVES, RELINQUISHES AND FOREVER FORGOES THE RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED UPON, ARISING OUT OF, OR IN ANY WAY RELATING TO THE DEBT EVIDENCED BY THIS NOTE OR ANY CONDUCT, ACT OR OMISSION OF LENDER OR BORROWER, OR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, PARTNERS, MEMBERS, EMPLOYEES, AGENTS OR ATTORNEYS, OR ANY OTHER PERSONS AFFILIATED WITH LENDER OR BORROWER, IN EACH OF THE FOREGOING CASES, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE.

ARTICLE IV

MISCELLANEOUS PROVISIONS

Section 4.1 Successors and Assigns; Joint and Several; Interpretation. The terms and provisions hereof shall be binding upon and inure to the benefit of Borrower and Lender and their respective heirs, executors, legal representatives, successors, successors in title

and assigns, whether by voluntary action of the parties or by operation of law. As used herein, the terms “Borrower” and “Lender” shall be deemed to include their respective heirs, executors, legal representatives, successors, successors in title and assigns, whether by voluntary action of the parties or by operation of law. If Borrower consists of more than one person or entity, each shall be jointly and severally liable to perform the obligations of Borrower under this Note. All personal pronouns used herein, whether used in the masculine, feminine or neuter gender, shall include all other genders; the singular shall include the plural and vice versa. Titles of articles and sections are for convenience only and in no way define, limit, amplify or describe the scope or intent of any provisions hereof. Time is of the essence with respect to all provisions of this Note. This Note and the other Loan Documents contain the entire agreements between the parties hereto relating to the subject matter hereof and thereof and all prior agreements relative hereto and thereto which are not contained herein or therein are terminated.

Section 4.2 Taxpayer Identification. Borrower’s Tax Identification Number is 20-2709747.

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IN WITNESS WHEREOF, Borrower has executed this Note as of the date first written above.

BORROWER:

WELLS REIT – 800 NICOLLETT AVENUE OWNER LLC, a Delaware limited liability company

By: Wells REIT - 800 Nicollett Avenue, LLC, a Delaware limited liability company, its managing member

By: Wells Operating Partnership, L.P., a Delaware limited Partnership, its managing member

By: Wells Real Estate Investment Trust, Inc., a Maryland corporation, its general partner

By: ________________________________

Name: ________________________________

Title: ________________________________

FIXED RATE NOTE

$45,000,000.00 May 4, 2005

FOR VALUE RECEIVED, 4250 N. FAIRFAX OWNER, LLC, a Delaware limited liability company (hereinafter referred to as " **Borrower**"), promises to pay to the order of JPMORGAN CHASE BANK, N.A., a banking association chartered under the laws of the United States of America, its successors and assigns (hereinafter referred to as "**Lender**"), at the office of Lender or its agent, designee, or assignee at 270 Park Avenue, New York, New York 10017, Attention: Loan Servicing, or at such place as Lender or its agent, designee, or assignee may from time to time designate in writing, the principal sum of FORTY-FIVE MILLION AND NO/100 DOLLARS ($45,000,000.00), in lawful money of the United States of America, with interest thereon to be computed on the unpaid principal balance from time to time outstanding at the Applicable Interest Rate (hereinafter defined) at all times except during the continuance of an Event of Default (as defined in the Security Instrument [hereinafter defined]), and to be paid in installments as set forth below. Unless otherwise herein defined, all initially capitalized terms shall have the meanings given such terms in the Security Instrument.

1. PAYMENT TERMS

Principal and interest due under this Note shall be paid as follows:

(a) a payment of interest only on the date hereof for the period from the date hereof through May 31, 2005, both inclusive;

(b) a payment of interest only on the first day of July, 2005 and on the first day of each month up to and including May 31, 2012; and

(c) the principal sum hereunder remaining unpaid, together with accrued and unpaid interest and any other amounts due under this Note shall be due and payable on the first day of June, 2012 or upon earlier maturity hereof whether by acceleration or otherwise (the "**Maturity Date**"). Interest on the principal sum of this Note shall be calculated on the basis of a three hundred sixty (360) day year and paid for the actual number of days elapsed. All amounts due under this Note shall be payable without setoff, counterclaim or any other deduction whatsoever.

2. INTEREST

The term "**Applicable Interest Rate**" means from the date of this Note through and including the Maturity Date, a rate of five and 195/1000 percent (5.195%) per annum.

3. SECURITY

This Note is secured by, and Lender is entitled to the benefits of, the Security Instrument, the Assignment, the Environmental Agreement, and the other Loan Documents (hereinafter defined). The term "**Security Instrument**" means the Deed of Trust and Security Agreement dated the date hereof given by Borrower for the use and benefit of Lender covering the estate of Borrower in certain premises as more particularly described therein (which premises, together with all properties, rights, titles, estates and interests now or hereafter securing the Debt and/or other obligations of Borrower under the Loan Documents, are collectively referred to herein as the "**Property**"). The term "**Assignment**" means the Assignment of Leases and Rents of even date herewith executed by Borrower in favor of Lender. The term "**Environmental Agreement**" means the Environmental Indemnity Agreement of even date herewith executed by Borrower in favor of Lender. The term "**Loan Documents**" refers collectively to this Note, the Security Instrument, the Assignment, the Environmental Agreement, and any and all other documents executed in connection with this Note or now or hereafter executed by Borrower and by or in favor of Lender, which wholly or partially secure or guarantee payment of this Note or pertain to indebtedness evidenced by this Note.

4. LATE FEE

If any installment payable under this Note (including the final installment due on the Maturity Date) is not received by Lender prior to the fifth (5^{th}) calendar day after the same is due (without regard to any other applicable cure and/or notice period), Borrower shall pay to Lender upon demand an amount equal to the lesser of (a) five percent (5%) of such unpaid sum or (b) the maximum amount permitted by applicable law, to defray the expenses incurred by Lender in handling and processing such delinquent payment and to compensate Lender for the loss of the use of such delinquent payment, and such amount shall be secured by the Loan Documents.

5. DEFAULT AND ACCELERATION

So long as an Event of Default exists, Lender may, at its option, without notice or demand to Borrower, declare the Debt immediately due and payable. All remedies hereunder, under the Loan Documents and at law or in equity shall be cumulative. In the event that it should become necessary to employ counsel to collect the Debt or to protect or foreclose the security for the Debt or to defend against any claims asserted by Borrower arising from or related to the Loan Documents, Borrower also agrees to pay to Lender on demand all costs of collection or defense incurred by Lender, including reasonable attorneys' fees for the services of outside counsel whether or not suit be brought.

6. DEFAULT INTEREST

Upon the occurrence of an Event of Default Borrower shall pay interest on the entire unpaid principal sum and any other amounts due under the Loan Documents at the rate equal to the lesser of (a) the maximum rate permitted by applicable law, or (b) the greater of (i) five percent (5%) above the Applicable Interest Rate or (ii) five percent (5%) above the Prime Rate (hereinafter defined), in effect at the time of the occurrence of the Event of Default (the "**Default Rate**"). The term "**Prime Rate**" means the prime rate reported in the Money Rates section of

The Wall Street Journal. In the event that *The Wall Street Journal* should cease or temporarily interrupt publication, the term "**Prime Rate**" shall mean the daily average prime rate published in another business newspaper, or business section of a newspaper, of national standing and general circulation chosen by Lender. In the event that a prime rate is no longer generally published or is limited, regulated or administered by a governmental or quasi-governmental body, then Lender shall select a comparable interest rate index which is readily available and verifiable to Borrower but is beyond Lender's control. The Default Rate shall be computed from the occurrence of the Event of Default until the actual receipt and collection of a sum of money determined by Lender to be sufficient to cure the Event of Default. Amounts of interest accrued at the Default Rate shall constitute a portion of the Debt, and shall be deemed secured by the Loan Documents. This clause, however, shall not be construed as an agreement or privilege to extend the date of the payment of the Debt, nor as a waiver of any other right or remedy accruing to Lender by reason of the occurrence of any Event of Default.

7. PREPAYMENT

(a) The principal balance of this Note may not be prepaid in whole or in part (except with respect to the application of casualty or condemnation proceeds) prior to the Maturity Date. If during the continuance of any Event of Default, Borrower shall tender prepayment of principal to Lender or Lender shall receive proceeds (whether through foreclosure or the exercise of the other remedies available to Lender under the Security Instrument or the other Loan Documents), Borrower shall pay in addition to interest accrued and unpaid on the principal balance of this Note and all other sums then due under this Note and the other Loan Documents a prepayment consideration in an amount equal to the greater of (A) one percent (1%) of the outstanding principal balance of this Note at the time such payment or proceeds are received, or (B) (x) the present value as of the date such payment or proceeds are received of the remaining scheduled payments of principal and interest from the date such payment or proceeds are received through the Maturity Date (including any balloon payment) determined by discounting such payments at the Discount Rate (as hereinafter defined), less (y) the amount of the payment or proceeds received. The term "**Discount Rate**" means the rate which, when compounded monthly, is equivalent to the Treasury Rate (as hereinafter defined), when compounded semi-annually. The term "**Treasury Rate**" means the yield calculated by the linear interpolation of the yields, as reported in Federal Reserve Statistical Release H.15-Selected Interest Rates under the heading "U.S. Government Securities/Treasury Constant Maturities" for the week ending prior to the date the payment or such proceeds are received, of U.S. Treasury constant maturities with maturity dates (one longer and one shorter) most nearly approximating the Maturity Date. (In the event Release H.15 is no longer published, Lender shall select a comparable publication to determine the Treasury Rate.) Lender shall notify Borrower of the amount and the basis of determination of the required prepayment consideration, which shall be conclusive except in the case of manifest error. Notwithstanding the foregoing, Borrower shall have the additional privilege to prepay the entire principal balance of this Note (together with any other sums constituting the Debt) on any scheduled payment date occurring on or after that date which is one (1) month preceding the Maturity Date without any fee or consideration for such privilege. Anything contained in this Section 7 to the contrary notwithstanding, if (i) no Event of Default shall exist and be continuing and (ii) Borrower shall not be entitled to receive the condemnation award or casualty proceeds for restoration pursuant to the Security Instrument and, as a result, Lender shall have elected to apply such condemnation award or casualty proceeds to the prepayment of

the Debt (as provided in the Security Instrument), then Borrower shall have the right, on the next occurring date that a payment is due under this Note following the date on which Lender actually receives any such condemnation award or casualty proceeds, to prepay the remaining balance of the Debt without any prepayment consideration or penalty.

(b) If the prepayment results from the application to the Debt of the casualty or condemnation proceeds from the Property or Borrower's right to prepay the Loan after a casualty or condemnation pursuant to Article 3 of the Security Instrument, no prepayment consideration will be imposed. Partial prepayments of principal resulting from the application of casualty or condemnation proceeds to the Debt shall not change the amounts of subsequent monthly installments nor change the dates on which such installments are due, unless Lender shall otherwise agree in writing.

(c) (i) Notwithstanding any provision of this Section 7 to the contrary, at any time after the earlier of (1) the date which is two years after the "startup day," within the meaning of Section 860G(a)(9) of the Internal Revenue Code of 1986, as amended from time to time or any successor statute (the "Code"), of a "real estate mortgage investment conduit," within the meaning of Section 860D of the Code, that holds this Note, and (2) a regularly scheduled payment date on or after that date which is three (3) years after the date of the first monthly payment due under Section 1(b), and provided no Event of Default (or any event which with the passage of time or the giving of notice, or both, could become an Event of Default) is continuing under the Security Instrument or under any of the Loan Documents, Borrower may cause the release of the Property (in whole but not in part) from the lien of the Security Instrument and the other Loan Documents upon the satisfaction of the following conditions precedent:

(A) not less than sixty (60) days prior written notice to Lender specifying a regularly scheduled payment date (the "Release Date") on which the Defeasance Deposit (hereinafter defined) is to be made;

(B) the payment to Lender of interest accrued and unpaid on the principal balance of this Note to and including the Release Date;

(C) the payment to Lender of all other sums, not including scheduled interest or principal payments, due under this Note, the Security Instrument and the other Loan Documents;

(D) the payment to Lender of the Defeasance Deposit (defined below); and

(E) the delivery to Lender of:

(1) a security agreement, in form and substance satisfactory to Lender, creating a first priority lien on the Defeasance Deposit and the U.S. Obligations (hereinafter defined) purchased on behalf of Borrower with the Defeasance Deposit in accordance with this subparagraph (the "Security Agreement");

(2) a release of the Property from the lien of the Security Instrument (for execution by Lender) in a form appropriate for the jurisdiction in which the Property is located;

(3) an officer's certificate of Borrower certifying that the requirements set forth in this subparagraph (i) have been satisfied;

(4) an opinion of counsel for Borrower in form satisfactory to Lender stating, among other things, that defeasance of this Note will not cause any adverse consequences to any REMIC holding the Loan or the holders of any securities issued by the REMIC or result in a taxation of the income from the Loan to such REMIC or cause a loss of REMIC status, and that Lender has a perfected first priority security interest in the Defeasance Deposit and the U.S. Obligations purchased by Lender on behalf of Borrower;

(5) an opinion of a certified public accountant acceptable to Lender to the effect that the Defeasance Deposit is adequate to provide payment on or prior to, but as close as possible to, all successive scheduled payment dates after the Release Date upon which interest and principal payments are required under this Note (including the amounts due on the Maturity Date) and in amounts equal to the scheduled payments due on such dates under this Note;

(6) evidence in writing from the applicable Rating Agencies to the effect that such release will not result in a re-qualification, reduction or withdrawal of any rating in effect immediately prior to such defeasance for any Securities;

(7) payment of all of Lender's expenses incurred in connection with the defeasance including, without limitation, reasonable attorneys fees; and

(8) such other certificates, documents or instruments as Lender may reasonably request.

In connection with the conditions set forth in subsection (c)(i)(E) above, Borrower hereby appoints Lender as its agent and attorney-in-fact for the purpose of using the Defeasance Deposit to purchase U.S. Obligations which provide payment on or prior to, but as close as possible to, all successive scheduled payment dates after the Release Date upon which interest and principal payments are required under this Note (including the amounts due on the Maturity Date) and in amounts equal to the scheduled payments due on such dates under this Note (the "Scheduled Defeasance Payments"). Borrower, pursuant to the Security Agreement or other appropriate document, shall authorize and direct that the payments received from the U.S. Obligations may be made directly to Lender and applied to satisfy the obligations of the Borrower under this Note.

(ii) Upon compliance with the requirements of this subsection (c), the Property shall be released from the lien of the Security Instrument and the pledged U.S. Obligations shall be the sole source of collateral securing this Note. Any portion of the Defeasance Deposit in excess of the amount necessary to purchase the U.S. Obligations required by subparagraph (c)(i) above and satisfy the Borrower's obligations under this subsection (c) shall be remitted to the Borrower with the release of the Property from the lien of the Security Instrument.

(iii) For purposes of this subsection (c), the following terms shall have the following meanings:

(A) The term "Defeasance Deposit" shall mean an amount equal to 100% of the remaining principal amount of this Note, the Yield Maintenance Premium, any costs and expenses incurred or to be incurred in the purchase of the U.S. Obligations necessary to meet the Scheduled Defeasance Payments and any revenue, documentary stamp or intangible taxes or any other tax or charge due in connection with the transfer of this Note or otherwise required to accomplish the agreements of this subsection;

(B) The term "Yield Maintenance Premium" shall mean the amount (if any) which, when added to the remaining principal amount of this Note, will be sufficient to purchase U.S. Obligations providing the required Scheduled Defeasance Payments; and

(C) The term "U.S. Obligations" shall mean direct non-callable obligations of the United States of America.

(iv) Upon the release of the Property in accordance with this subsection (c), Borrower shall, at Lender's request, assign all its obligations and rights under this Note, together with the pledged Defeasance Deposit, to a successor special purpose entity designated by Borrower and approved by Lender in its reasonable discretion. Such successor entity shall execute an assumption agreement in form and substance satisfactory to Lender in its reasonable discretion pursuant to which it shall assume Borrower's obligations under this Note and the Security Agreement. In connection with such assignment and assumption, Borrower shall (x) deliver to Lender an opinion of counsel in form and substance and delivered by counsel satisfactory to Lender in its reasonable discretion stating, among other things, that such assumption agreement is enforceable against Borrower and such successor entity in accordance with its terms and that this Note, the Security Agreement and the other Loan Documents, as so assumed, are enforceable against such successor entity in accordance with their respective terms, and (y) pay all costs and expenses incurred by Lender or its agents in connection with such assignment and assumption (including, without limitation, the review of the proposed transferee and the preparation of the assumption agreement and related documentation). In connection with such assignment and assumption, Borrower and any Guarantor may be released of personal liability under the Note and the other Loan Documents, but only as to acts or events occurring after the closing of such assignment and assumption.

(v) Upon the release of the Property in accordance with this subsection (c), Borrower shall have no further right to prepay this Note pursuant to the other provisions of this Section 7 or otherwise.

8. SAVINGS CLAUSE

This Note is subject to the express condition that at no time shall Borrower be obligated or required to pay interest on the principal balance due hereunder at a rate which could subject Lender to either civil or criminal liability as a result of being in excess of the maximum interest rate which Borrower is permitted by applicable law to contract or agree to pay. If by the terms of this Note, Borrower is at any time required or obligated to pay interest on the principal balance due hereunder at a rate in excess of such maximum rate, the Applicable Interest Rate or the Default Rate, as the case may be, shall be deemed to be immediately reduced to such maximum rate and all previous payments in excess of the maximum rate shall be deemed to have been payments in reduction of principal and not on account of the interest due hereunder. All sums paid or agreed to be paid to Lender for the use, forbearance, or detention of the Debt, shall, to the extent permitted by applicable law, be amortized, prorated, allocated, and spread throughout the full stated term of this Note until payment in full so that the rate or amount of interest on account of the Debt does not exceed the maximum lawful rate of interest from time to time in effect and applicable to the Debt for so long as the Debt is outstanding. Notwithstanding anything to the contrary contained herein or in any of the other Loan Documents, it is not the intention of Lender to accelerate the maturity of any interest that has not accrued at the time of such acceleration or to collect unearned interest at the time of such acceleration.

9. WAIVERS

(a) Except as specifically provided in the Loan Documents, Borrower and any endorsers, sureties or guarantors hereof jointly and severally waive presentment and demand for payment, notice of intent to accelerate maturity, notice of acceleration of maturity, protest and notice of protest and non-payment, all applicable exemption rights, valuation and appraisement, notice of demand, and all other notices in connection with the delivery, acceptance, performance, default or enforcement of the payment of this Note and the bringing of suit and diligence in taking any action to collect any sums owing hereunder or in proceeding against any of the rights and collateral securing payment hereof. Borrower and any surety, endorser or guarantor hereof agree (i) that the time for any payments hereunder may be extended from time to time without notice and consent, (ii) to the acceptance by Lender of further collateral, (iii) the release by Lender of any existing collateral for the payment of this Note, (iv) to any and all renewals, waivers or modifications that may be granted by Lender with respect to the payment or other provisions of this Note, and/or (v) that additional Borrowers, endorsers, guarantors or sureties may become parties hereto all without notice to them and without in any manner affecting their liability under or with respect to this Note. No extension of time for the payment of this Note or any installment hereof shall affect the liability of Borrower under this Note or any endorser or guarantor hereof even though the Borrower or such endorser or guarantor is not a party to such agreement.

(b) Failure of Lender to exercise any of the options granted herein to Lender upon the happening of one or more of the events giving rise to such options shall not constitute a waiver

of the right to exercise the same or any other option at any subsequent time in respect to the same or any other event. The acceptance by Lender of any payment hereunder that is less than payment in full of all amounts due and payable at the time of such payment shall not constitute a waiver of the right to exercise any of the options granted herein to Lender at that time or at any subsequent time or nullify any prior exercise of any such option without the express written acknowledgment of the Lender.

10. EXCULPATION

(a) Notwithstanding anything in the Loan Documents to the contrary, but subject to the qualifications below, Lender and Borrower agree that:

(i) Borrower shall be liable upon the Debt and for the other obligations arising under the Loan Documents to the full extent (but only to the extent) of the security therefor; provided, however, that in the event (A) of fraud, willful misconduct or material misrepresentation by Borrower, its general partners, if any, its members, if any, its principals, its affiliates, its agents or its employees in connection with the loan evidenced by this Note, (B) of an Event of Default under Sections 4.3 or 8.3 of the Security Instrument, or (C) the Property or any part thereof becomes an asset in a voluntary bankruptcy or insolvency proceeding, the limitation on recourse set forth in this Subsection 10(a) will be null and void and completely inapplicable, and this Note shall be with full recourse to Borrower.

(ii) If a default occurs in the timely and proper payment of all or any part of the Debt, Lender shall not enforce the liability and obligation of Borrower to perform and observe the obligations contained in this Note or the Security Instrument by any action or proceeding wherein a money judgment shall be sought against Borrower, except that Lender may bring a foreclosure action, action for specific performance or other appropriate action or proceeding to enable Lender to enforce and realize upon the Security Instrument, the Other Loan Documents and the interest in the Property, the Rents and any other collateral given to Lender created by the Security Instrument and the Other Loan Documents; provided, however, that any judgment in any action or proceeding shall be enforceable against Borrower only to the extent of Borrower's interest in the Property, in the Rents and in any other collateral given to Lender pursuant to the Loan Documents. Lender, by accepting this Note and the Security Instrument, agrees that it shall not, except as otherwise herein provided, sue for, seek or demand any deficiency judgment against Borrower in any action or proceeding, under or by reason of or under or in connection with this Note, the Other Loan Documents or the Security Instrument.

(iii) The provisions of this Subsection 10(a) shall not (A) constitute a waiver, release or impairment of any obligation evidenced or secured by this Note, the Other Loan Documents or the Security Instrument; (B) impair the right of Lender to name Borrower as a party defendant in any action or suit for judicial foreclosure and sale under the Security Instrument; (C) affect the validity or enforceability of any indemnity, guaranty, master lease or similar instrument made in connection with this Note, the Security Instrument, or the Other Loan Documents; (D) impair the right of Lender to

obtain the appointment of a receiver; (E) impair the enforcement of the Assignment executed in connection herewith; (F) impair the right of Lender to enforce the provisions of Section 11.2 of the Security Instrument; or (G) impair the right of Lender to obtain a deficiency judgment or judgment on this Note against Borrower if necessary to obtain any insurance proceeds or condemnation awards to which Lender would otherwise be entitled under the Security Instrument; provided, however, Lender shall only enforce such judgment against the insurance proceeds and/or condemnation awards.

(iv) Notwithstanding the provisions of this Article to the contrary, Borrower shall be personally liable to Lender for the Losses it incurs due to: (A) the misapplication or misappropriation of Rents; (B) the misapplication or misappropriation of insurance proceeds or condemnation awards; (C) Borrower's failure to return or to reimburse Lender for all Personal Property taken from the Property by or on behalf of Borrower and not replaced with Personal Property of the same utility and of the same or greater value; (D) any act of actual waste or arson by Borrower, any principal, affiliate, general partner or member thereof; (E) any fees or commissions paid by Borrower to any principal, affiliate, general partner or member of Borrower in violation of the terms of this Note, the Security Instrument or the Other Loan Documents; (F) Borrower's failure to comply with the provisions of Section 11.2 of the Security Instrument which constitutes an Event of Default; or (G) any breach of the Environmental Indemnity which constitutes an Event of Default.

(b) Nothing herein shall be deemed to be a waiver of any right which Lender may have under Sections 506(a), 506(b), 1111(b) or any other provisions of the Bankruptcy Code to file a claim for the full amount of the Debt or to require that all collateral shall continue to secure all of the Debt, owing to Lender in accordance with this Note, the Security Instrument and the Other Loan Documents.

11. AUTHORITY

Borrower (and the undersigned representative of Borrower, if any) represents that Borrower has full power, authority and legal right to execute, deliver and perform its obligations pursuant to this Note and the other Loan Documents and that this Note and the other Loan Documents constitute legal, valid and binding obligations of Borrower. Borrower further represents that the loan evidenced by the Loan Documents was made for business or commercial purposes and not for personal, family or household use.

12. NOTICES

All notices or other communications required or permitted to be given pursuant hereto shall be given in the manner and be effective as specified in the Security Instrument, directed to the parties at their respective addresses as provided therein.

13. TRANSFER

Lender shall have the unrestricted right at any time or from time to time to sell this Note and the loan evidenced by this Note and the Loan Documents or participation interests therein. Borrower shall execute, acknowledge and deliver any and all instruments requested by Lender to

satisfy such purchasers or participants that the unpaid indebtedness evidenced by this Note is outstanding upon the terms and provisions set out in this Note and the other Loan Documents. To the extent, if any, specified in such assignment or participation, such assignee(s) or participant(s) shall have the rights and benefits with respect to this Note and the other Loan Documents as such assignee(s) or participant(s) would have if they were the Lender hereunder.

14. WAIVER OF TRIAL BY JURY

BORROWER HEREBY AGREES NOT TO ELECT A TRIAL BY JURY OF ANY ISSUE TRIABLE OF RIGHT BY JURY, AND WAIVES ANY RIGHT TO TRIAL BY JURY FULLY TO THE EXTENT THAT ANY SUCH RIGHT SHALL NOW OR HEREAFTER EXIST WITH REGARD TO THIS NOTE OR THE OTHER LOAN DOCUMENTS, OR ANY CLAIM, COUNTERCLAIM OR OTHER ACTION ARISING IN CONNECTION THEREWITH INCLUDING, BUT NOT LIMITED TO, THOSE RELATING TO (A) ALLEGATIONS THAT A PARTNERSHIP EXISTS BETWEEN LENDER AND BORROWER; (B) USURY OR PENALTIES OR DAMAGES THEREFOR; (C) ALLEGATIONS OF UNCONSCIONABLE ACTS, DECEPTIVE TRADE PRACTICE, LACK OF GOOD FAITH OR FAIR DEALING, LACK OF COMMERCIAL REASONABLENESS, OR SPECIAL RELATIONSHIPS (SUCH AS FIDUCIARY, TRUST OR CONFIDENTIAL RELATIONSHIP); (D) ALLEGATIONS OF DOMINION, CONTROL, ALTER EGO, INSTRUMENTALITY, FRAUD, REAL ESTATE FRAUD, MISREPRESENTATION, DURESS, COERCION, UNDUE INFLUENCE, INTERFERENCE OR NEGLIGENCE; (E) ALLEGATIONS OF TORTIOUS INTERFERENCE WITH PRESENT OR PROSPECTIVE BUSINESS RELATIONSHIPS OR OF ANTITRUST; OR (F) SLANDER, LIBEL OR DAMAGE TO REPUTATION. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS GIVEN KNOWINGLY AND VOLUNTARILY BY BORROWER, AND IS INTENDED TO ENCOMPASS INDIVIDUALLY EACH INSTANCE AND EACH ISSUE AS TO WHICH THE RIGHT TO A TRIAL BY JURY WOULD OTHERWISE ACCRUE. LENDER IS HEREBY AUTHORIZED TO FILE A COPY OF THIS PARAGRAPH IN ANY PROCEEDING AS CONCLUSIVE EVIDENCE OF THIS WAIVER BY BORROWER.

15. APPLICABLE LAW

This Note shall be governed by and construed in accordance with the laws of the state in which the real property encumbered by the Security Instrument is located (without regard to any conflict of laws or principles) and the applicable laws of the United States of America.

16. JURISDICTION

BORROWER HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY COURT OF COMPETENT JURISDICTION LOCATED IN THE STATE IN WHICH THE PROPERTY IS LOCATED IN CONNECTION WITH ANY PROCEEDING ARISING OUT OF OR RELATING TO THIS NOTE.

17. NO ORAL CHANGE

The provisions of this Note and the Loan Documents may be amended or revised only by an instrument in writing signed by the Borrower and Lender. This Note and all the other Loan Documents embody the final, entire agreement of Borrower and Lender and supersede any and all prior commitments, agreements, representations and understandings, whether written or oral, relating to the subject matter hereof and thereof and may not be contradicted or varied by evidence of prior, contemporaneous or subsequent oral agreements or discussions of Borrower and Lender. There are no oral agreements between Borrower and Lender.

Executed as of the day and year first above written.

BORROWER:

4250 N. FAIRFAX OWNER, LLC, a Delaware limited liability company

By: 4250 North Fairfax Property LLC, a Delaware limited liability company, its sole member

By: Wells Operating Partnership, L.P., a Delaware limited Partnership, its sole member

By: Wells Real Estate Investment Trust, Inc., a Maryland corporation

By:____
Name:______________________________________
Title:_______________________________________

EXHIBIT 31.1
PRINCIPAL EXECUTIVE OFFICER CERTIFICATION
PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Leo F. Wells, III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Wells Real Estate Investment Trust, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13(a)-15(e) and 15(d)-15(e)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

   (c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting that are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 4, 2005

By: /s/ Leo F. Wells, III

Leo F. Wells, III
Principal Executive Officer

EXHIBIT 31.2
PRINCIPAL FINANCIAL OFFICER CERTIFICATION
PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Douglas P. Williams, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Wells Real Estate Investment Trust, Inc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13(a)-15(e) and 15(d)-15(e)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

   (c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting that are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 4, 2005

By: /s/ Douglas P. Williams

Douglas P. Williams
Principal Financial Officer

EXHIBIT 32.1
CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. 1350)

In connection with the Report of Wells Real Estate Investment Trust, Inc. (the "Registrant") on Form 10-Q for the quarter ended June 30, 2005, as filed with the Securities and Exchange Commission (the "Report"), the undersigned, Leo F. Wells, III, Chief Executive Officer of the Registrant, and Douglas P. Williams, Chief Financial Officer of the Registrant, hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge and belief:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

By: /s/ Leo F. Wells, III
Leo F. Wells, III
Chief Executive Officer
August 4, 2005

By: /s/ Douglas P. Williams
Douglas P. Williams
Chief Financial Officer
August 4, 2005