

# Citi Global Property CEO Conference

MARCH 2024



**COPT DEFENSE**  
P R O P E R T I E S

**CDP**  
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# RESULTS FOR 4Q + FY 2023





# Strong 4Q + FY 2023 Results

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- > FFO per share\* of \$0.62 and \$2.42, respectively, was at high-end and exceeded high-end of guidance
  - > Fifteen of past sixteen quarters met or exceeded midpoint of guidance
- > Increase in same property cash NOI of 4.5% and 5.7%
  - > Highest reported year-over-year annual increase in over 15 years
- > Defense/IT Portfolio 97.2% leased and 96.2% occupied
- > Same property portfolio 94.7% leased and 93.4% occupied
- > Exceeded leasing goals:
  - > 668,000 SF and 2.9 million SF of total leasing
  - > 115,000 SF and 452,000 SF of vacancy leasing
    - > Exceeded annual target of 400,000 SF
  - > 252,000 SF and 747,000 SF of development leasing
    - > Exceeded annual guidance of 700,000 SF
    - > Committed capital to \$280 million of development investment in 2023
  - > 301,000 SF and 1.7 million SF of renewal leasing
  - > Total retention rate of 69% and 80% | Defense/IT Portfolio retention rate of 78% and 86%
    - > 3rd highest annual total retention rate over last 20 years



# 2024 GUIDANCE



# FY 2024 Guidance Summary<sup>a</sup>

	FY 2023 Actual	FY 2024 Guidance		
		Low	Midpoint	High
EPS	(\$0.67)	\$1.15	\$1.19	\$1.23
FFOPS, as adjusted for comparability	\$2.42	\$2.47	\$2.51	\$2.55
<b>Key Assumptions</b>				
2024 Same Property Pool:				
> % Change in Cash NOI	5.7% <sup>b</sup>	5%	6%	7%
> Year-end Occupancy	93.4% <sup>b</sup>	93%	93.5%	94%
Leasing:				
> Change in Cash Rents on Renewals	1.5%	(1%)	0%	1%
> Tenant Retention	80%	75%	80%	85%
Cash NOI from Developments <sup>c</sup>	\$12.5	\$10	\$11	\$12
Straight-line Rent & Other GAAP Adjustments	(\$6.5)	\$6	\$6.5	\$7
Net Construction Contract & Other Service Revenues	\$2.8	\$1.5	\$2	\$2.5
Total G&A Expenses <sup>d</sup>	\$42.8	\$44	\$45	\$46
Consolidated Interest Expense (net of Capitalized Interest)	\$71.1	\$80	\$82	\$84
Dividend / Diluted AFFO Payout Ratio	63.9%	Below 65%		
<b>Investment Activity</b>				
Capital Invested in Development	\$249	\$240	\$260	\$280
Capital Commitment to New Investments	\$280	\$200	\$220	\$240
Property Sales	\$190	None		

a. Dollars are in millions (except per share data).

b. Same Property metrics in 2023 refer to the 2023 Pool.

c. The 2023 actual amount represents cash NOI from developments placed into service during 2022 and 2023. The 2024 assumption amount represents cash NOI from developments placed into service during 2023 and expected to be placed into service during 2024 and, as such, are not yet in the Company's same property portfolio.

d. Includes G&A, leasing expenses, business development expenses, and land carry costs.

**Please see the Company's 2024 Guidance press release issued 2/8/24 for Management Commentary.**





# FACTORS SUPPORTING GROWTH



# Positioned for Long-Term Growth + Value Creation

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**Concentrate assets in locations to serve high priority defense and cybersecurity missions of the U.S. Government**

**Strong growth in defense spending driving both operating and development demand**

**Defense tenant portfolio achieves steady growth from:**

- High occupancy and tenant retention
- Lower CapX
- Best-in-class tenant credit quality

**Create value and FFO growth by completing low-risk development at Defense/IT Portfolio**

**Maintain strong investment grade balance sheet with ample liquidity to support growth and create stability**





# Competitive Advantages

**DIFFERENTIATED PLATFORM AS THE ONLY "GO-TO" PUBLIC COMPANY LANDLORD FOR SECURED, SPECIALIZED SPACE\***

## OPERATING PLATFORM

Our teams of managers have specialized skills and credentials required to handle the complex space and security needs of tenants in our Defense/IT Properties – a distinct competitive advantage over non-credentialed landlords

## TRACK RECORD + CUSTOMER RELATIONSHIPS

30 years of operating excellence and customer service – since 1992, one of the few trusted landlords able to accommodate U.S. Government and defense contractor tenant requirements



## PROVEN DEVELOPMENT EXPERTISE

Trusted provider of secured, specialized space, with the ability to satisfy SCIF, ATFP and other requirements

## UNIQUE + ADVANTAGED LAND POSITIONS

Proximity to Demand Drivers – Properties and entitled land adjacent to mission-critical, knowledge-based defense installations

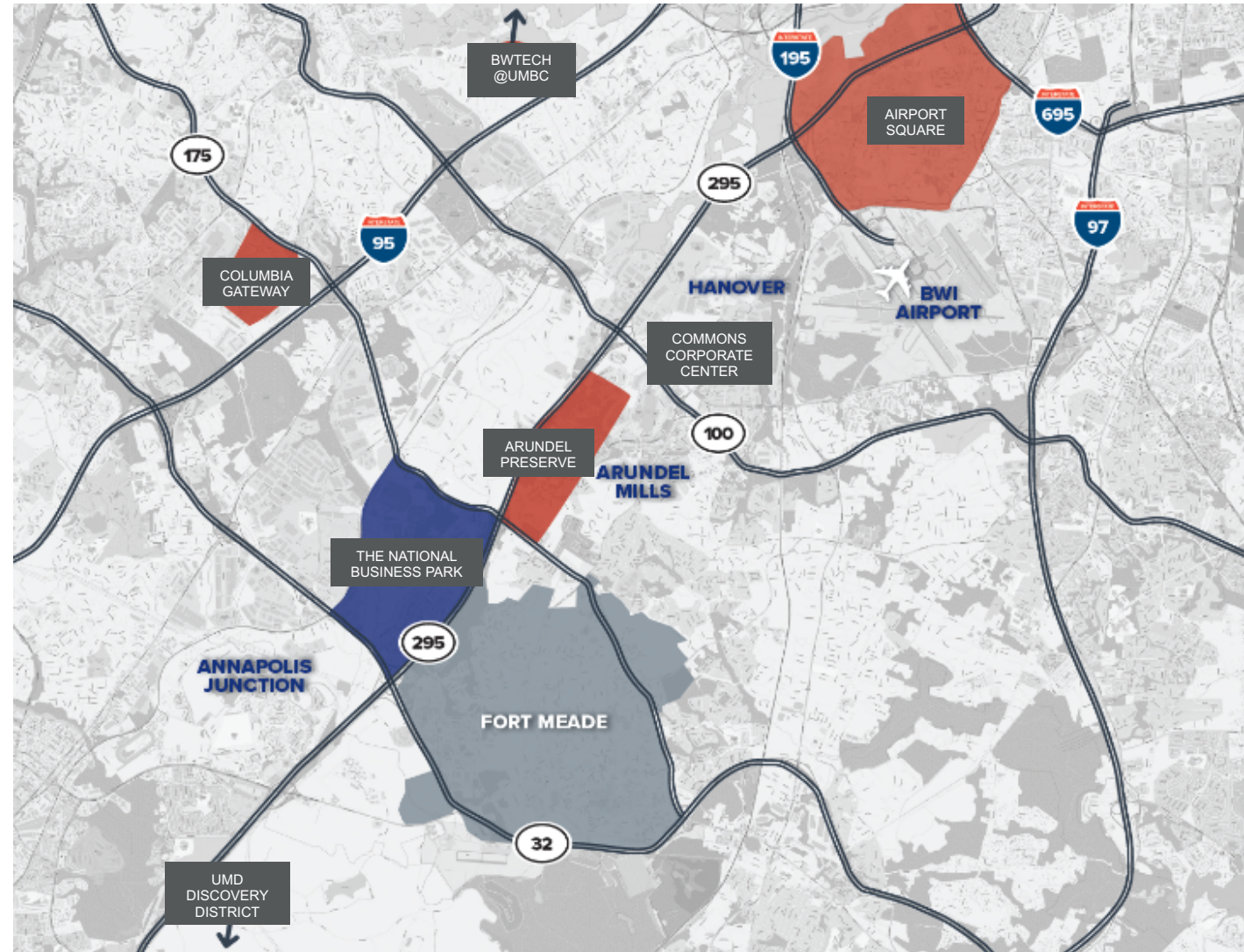


\* Includes SCIF and ATFP buildings.

# Key Differentiators

## DRIVER OF OUR TENANT DEMAND DIFFERS FROM TRADITIONAL OFFICE

- > Underlying Economy is National Defense
  - > Critical missions we support are vital and will receive funding
    - > Intelligence, Surveillance, Missile Defense, and Cyber
- > Mission Locations are Well Established and Permanent
  - > Knowledge-based defense installations in Maryland, Northern Virginia, DC, Huntsville, and San Antonio
- > COPT Defense land has a protected advantage
  - > Adjacent to, or containing, the demand driver
- > Tenant Relationships are built on decades of trust
  - > Top 15 Defense/IT tenants have on average: 14 leases and are located in 3 to 4 of our markets
- > National Defense requires secured facilities
  - > Government contracts require work to be conducted in SCIF
  - > Expensive and time consuming to construct
  - > 85% of portfolio contains high security operations
    - > ATFP, SCIF, and Access Control
  - > Protected from Work from Home

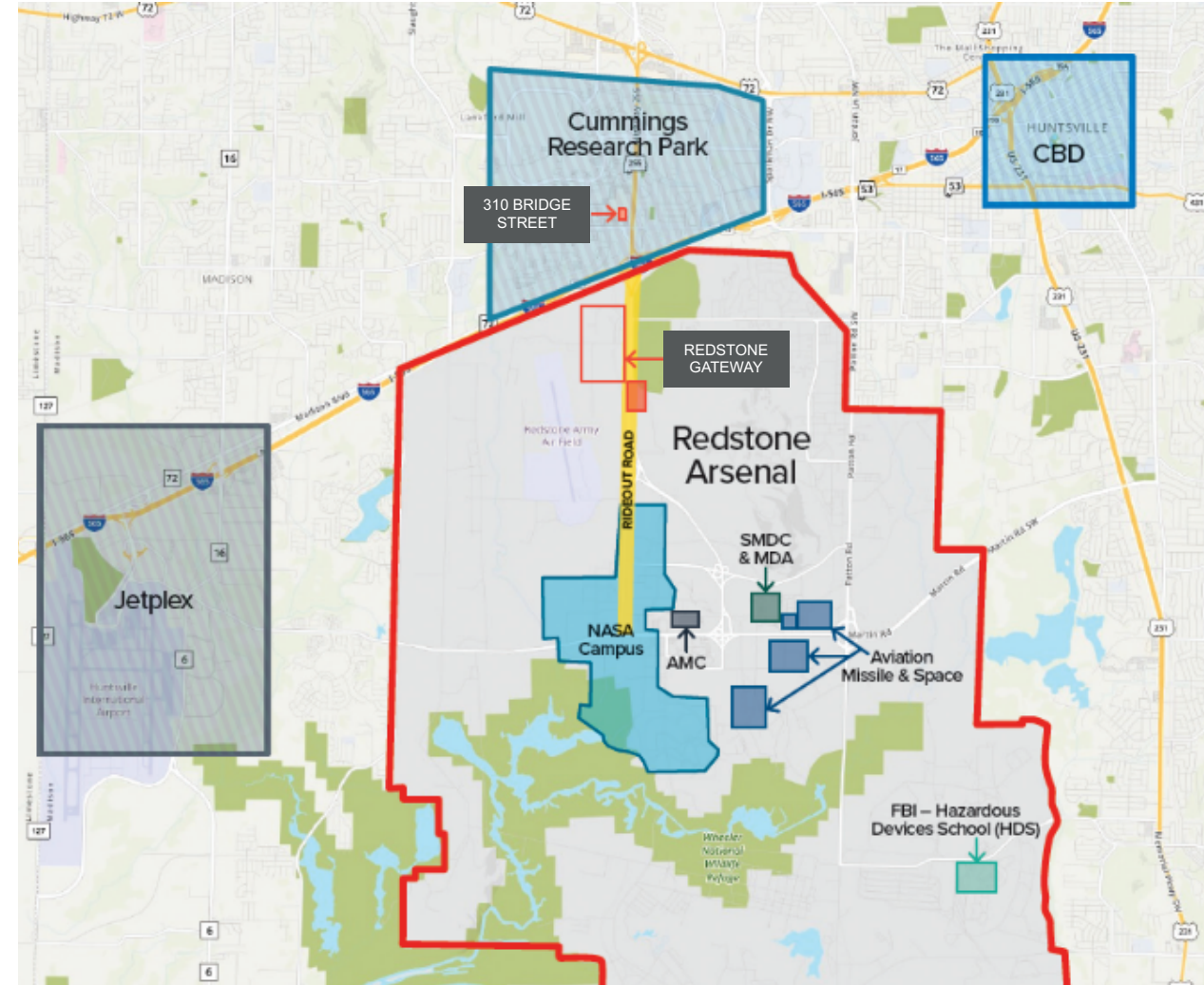




# Key Differentiators

## HIGH TENANT INVESTMENT = HIGH RETENTION

- > High Level of Tenant Co-Investment
  - > Defense Contractors with SCIF and USG leases | Up to 2x Market TI Allowance
  - > USG full building leases: 1x–2x of Full Cost
  - > Data Center Shells | USG in San Antonio: Multiples of Full Cost
- > Industry Leading Tenant Retention Rate
  - > 2024 guidance = 75%–85%
  - > 10-year average = 75%
  - > Strong outlook for 2024 / 2025 =  $\geq 80\%$
- > Superior Tenant Credit
  - > Financial distress = Major risk indicator for espionage
- > Low-risk Development drives reliable External Growth
- > Over 1/3 of Employees are Credentialed
  - > Barrier to Entry
- > Strong Balance Sheet can fund expected Development through late 2026
  - > No need to access further debt or equity capital
  - > No near term debt maturities
- > Defense Spending is a Bipartisan priority





# Tenant Relationships are Key to our Success

## LOCATIONS CREATE A STRONG FOUNDATION + DIVERSITY OF LEASES = LOW RISK

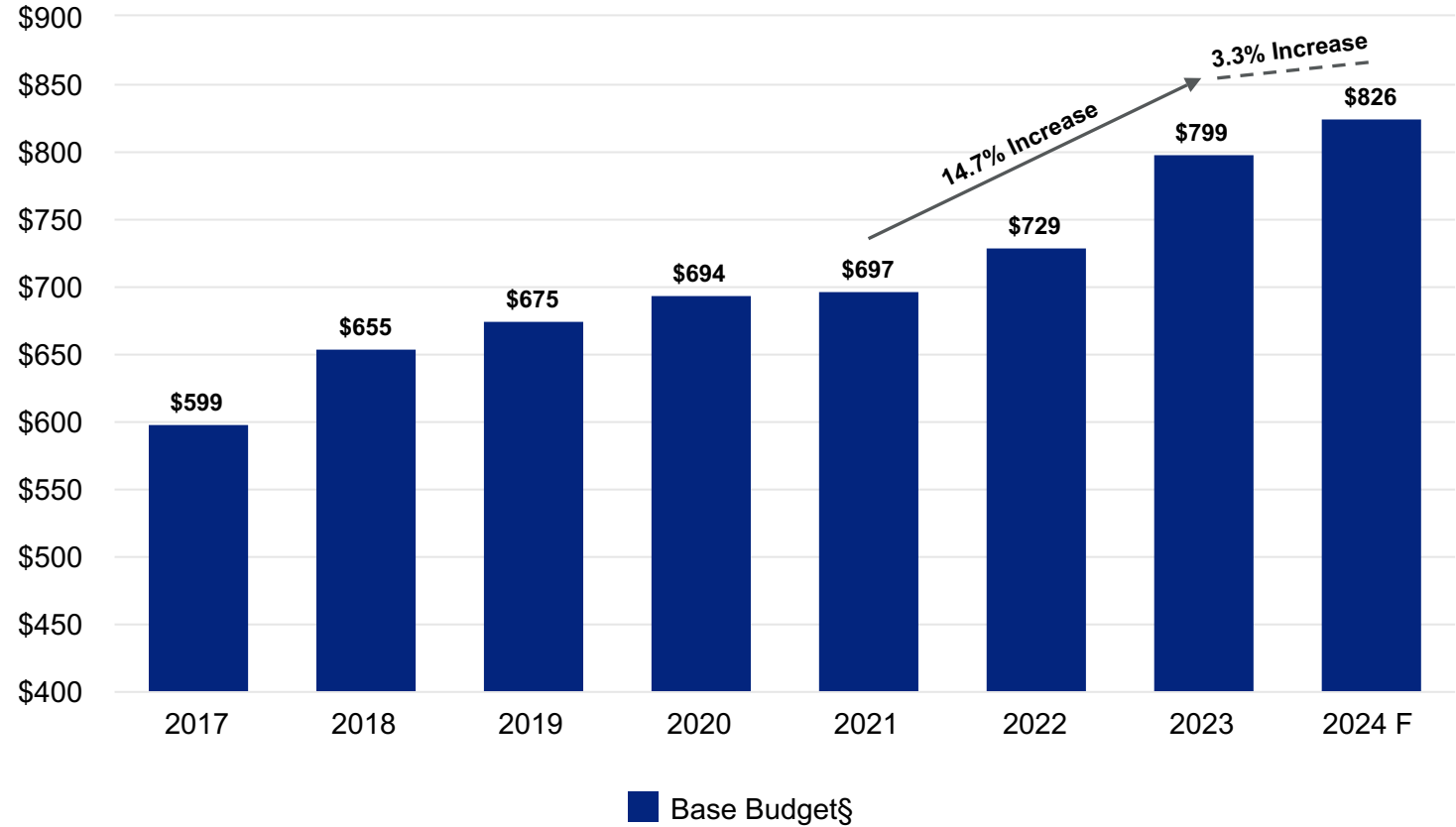
- > Collectively: Multiple leases per tenant in multiple locations, is the Foundation to our success
- > Individually: No single lease has a significant impact on COPT Defense
  - > On average, top Defense/IT tenants have 6 leases with us (ex; USG and Data Center Shells)
  - > On average, top Defense/IT tenants have leases with us in 3-4 of our markets

Tenant	# of Leases	NBP	Columbia Gateway	Fort Meade/BW Corridor - Other	NoVA Defense/IT	Navy Support	Redstone Gateway (Huntsville, AL)	Lackland AFB (San Antonio, TX)	Data Center Shells
United States Government	96	X	X	X	X	X	X	X	
Fortune 100 Company	35	X	X					X	X
General Dynamics Corporation	12	X		X	X	X	X		
CACI International Inc.	6	X	X	X		X			
Northrop Grumman Corporation	5			X			X		
The Boeing Company	12	X			X	X	X		
Peraton Corp.	7	X			X	X			
Booz Allen Hamilton, Inc.	6	X			X	X	X		
Fortune 100 Company	2	X						X	
KBR, Inc.	6		X			X	X		
Yulista Holding, LLC	3						X		
RTX Corporation	7	X		X	X	X			
AT&T Corporation	3	X	X			X			
ManTech International Corp.	6	X			X	X	X		
Jacobs Engineering Group Inc.	5	X	X	X	X				
<b>Defense/IT Tenants</b>	<b>219</b>								

# Healthy DOD Spending

- > FY 2024 National Defense Authorization Act passed with bipartisan support in December 2023 and increases spending 3.3% over FY 2023
  - > Appropriation pending
- > FY 2023 Appropriations Bill increased 9.7% over FY 2022
  - > 14.7% increase over FY 2021
  - > 33.4% increase over FY 2017
- > FY 2017–FY 2023, DOD’s Base Budget grew at a compound annual rate of 4.9% (including OCO)
- > Healthy defense budget trends and inability to WFH support strong demand for Defense/IT Portfolio

DOD's Discretionary Budget Authority ("Base Budget")



Current dollars, in billions. Sources: Historical data (2017–2022) is pulled from Table 2-1 of the National Defense Budget Estimates for FY 2023 (“Green Book”); 2023 actual and 2024 forecast is pulled from the U.S. Dept of Defense FY 2024 Budget Request; Capital Alpha Partners; COPT Defense’s IR Department.  
 § DOD Base Budget (051) numbers from 2017–2020 include funding for overseas contingency operations (“OCO”).  
 The OCO funding category was discontinued in 2021, with direct war costs and enduring operations accounted for in the DOD base budget.

# Portfolio Supports Priority DOD Missions

- > Since 2012, COPT Defense has deeply concentrated capital allocation to our Defense/IT Portfolio that supports priority U.S. Defense Missions
- > Only public REIT for secured, specialized space and credentialed personnel
- > 90% of Annualized Rental Revenues (ARR) from Defense/IT Portfolio\*
  - > Concentration of revenues among high credit tenants generates resilient cash flows

Total Portfolio by Demand Driver\*

Demand Driver	Total SF (000s)	% Leased	% ARR
Ft. Meade/BW Corridor	8,880	97%	48%
NoVA Defense/IT	2,501	92%	13%
Lackland AFB	1,062	100%	9%
Navy Support	1,273	90%	5%
Redstone Arsenal	2,300	99%	9%
Data Center Shells**	5,703	100%	6%
<b>D/IT Demand Drivers</b>	<b>21,719</b>	<b>97%</b>	<b>90%</b>
Other	2,140	77%	10%
<b>Total Portfolio</b>	<b>23,859</b>	<b>95%</b>	<b>100%</b>



\* As of December 31, 2023.

\*\* SF reflect 100% of 24 joint ventured data centers; % of Defense/IT Portfolio ARR is based on COPT Defense's share.

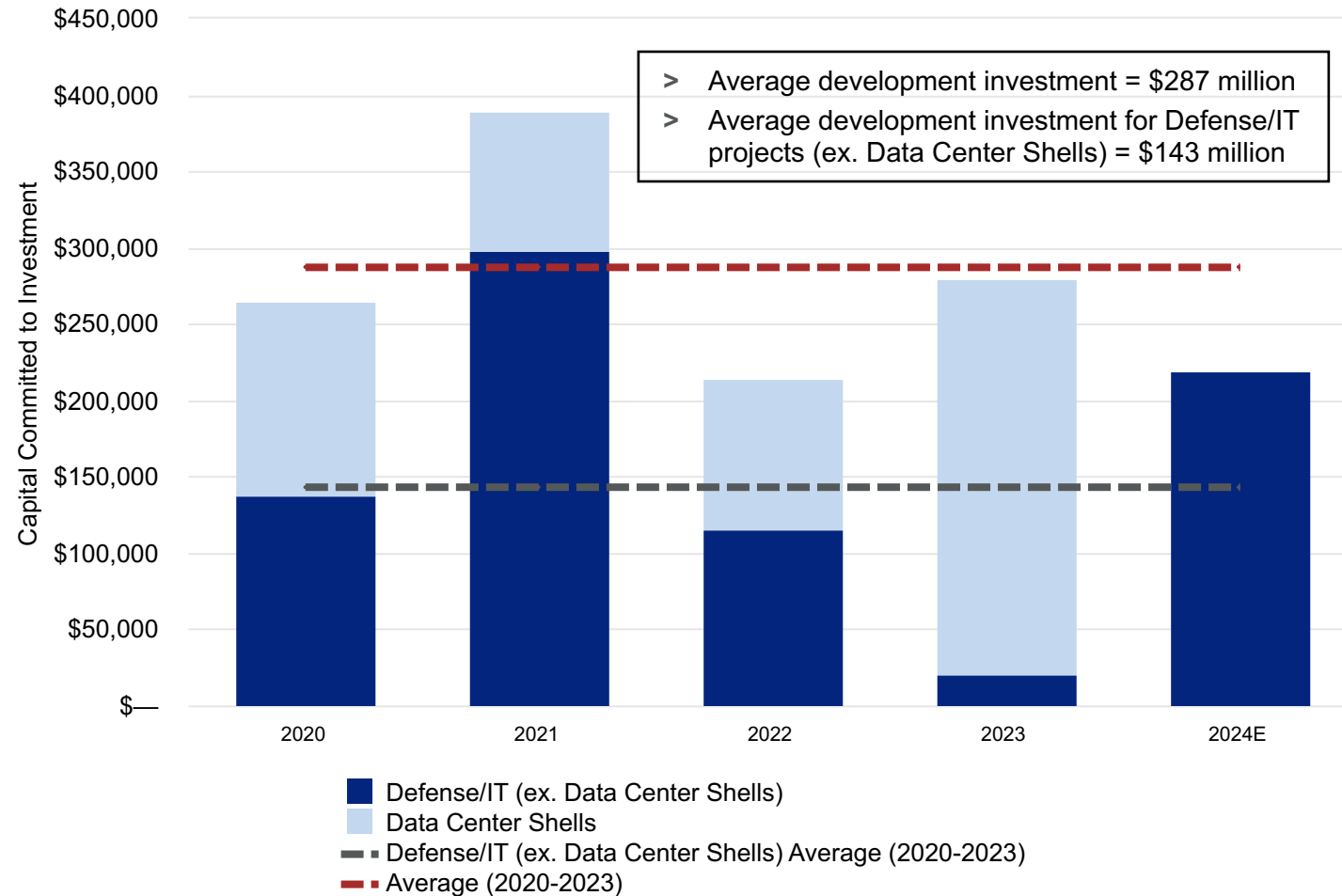


# Growth from Development Investment

## ALLOCATING CAPITAL TO DEVELOPMENT PROJECTS IN OUR DEFENSE/IT PORTFOLIO CONTINUES TO BE THE FOUNDATION FOR FUTURE EXTERNAL GROWTH IN NOI

- > Active Development + Placed into Service:
  - > \$324 million of active developments (817,000 SF) that are 91% leased\*
  - > Placed \$275 million of projects into service in 2023 (848,000 SF) that are 98% leased\*
- > Rationale for 2024 Guidance Disclosure Change
  - > Guidance now based on Committed Capital vs prior practice of guiding to Development Leasing SF, as:
    - > Returns / NOI are earned on invested capital, not SF
    - > Significant increase in Defense/IT construction costs
    - > Cash returns modestly increased despite cost inflation
    - > More suitable data point to evaluate the NOI contribution from invested capital
- > Capital Committed to New Investments:
  - > Committed \$280 million of capital to development investment in 2023
  - > Expect to commit \$200–\$240 million of capital investment in 2024, entirely in the Defense/IT Portfolio, the second highest annual level since 2019

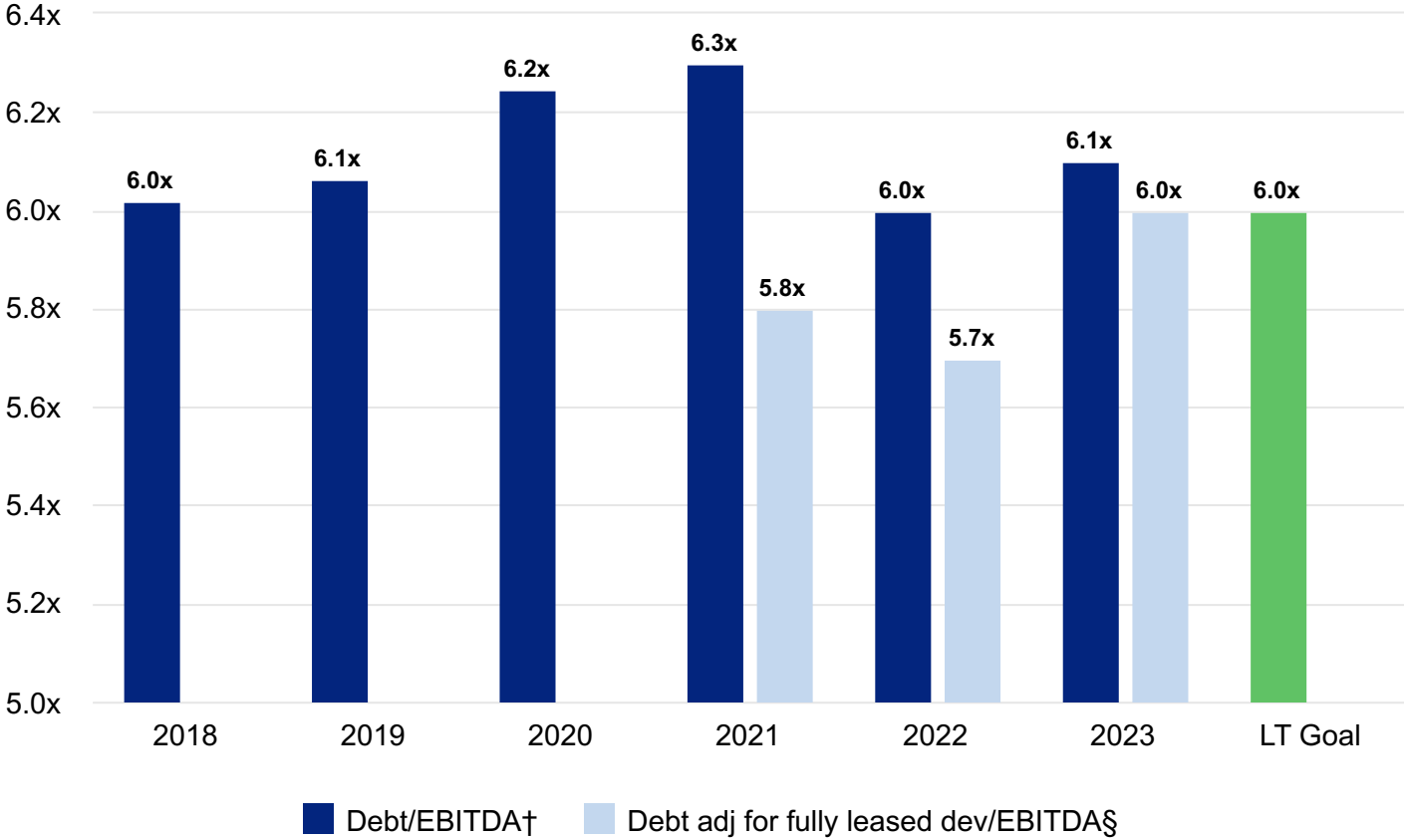
Capital Committed to Development Investment (\$)



# Strong Balance Sheet Supports Growth

- > In September 2023, issued \$345 million of 5.25% Exchangeable Senior Notes
- > Since September 2020, issued \$2.15 billion of Senior Unsecured Notes
  - > Weighted average interest rate of 3.0%
  - > Weighted average maturity at issuance of ~9 years
- > In December 2022/January 2023, raised \$250 million of proceeds through two 90%/10% JVs on five single-tenant data center shells with funds affiliated with Blackstone
- > Going forward, expect to fund the equity required for development spend with cash flow from operations after the dividend

Maintaining Our Strong Balance Sheet

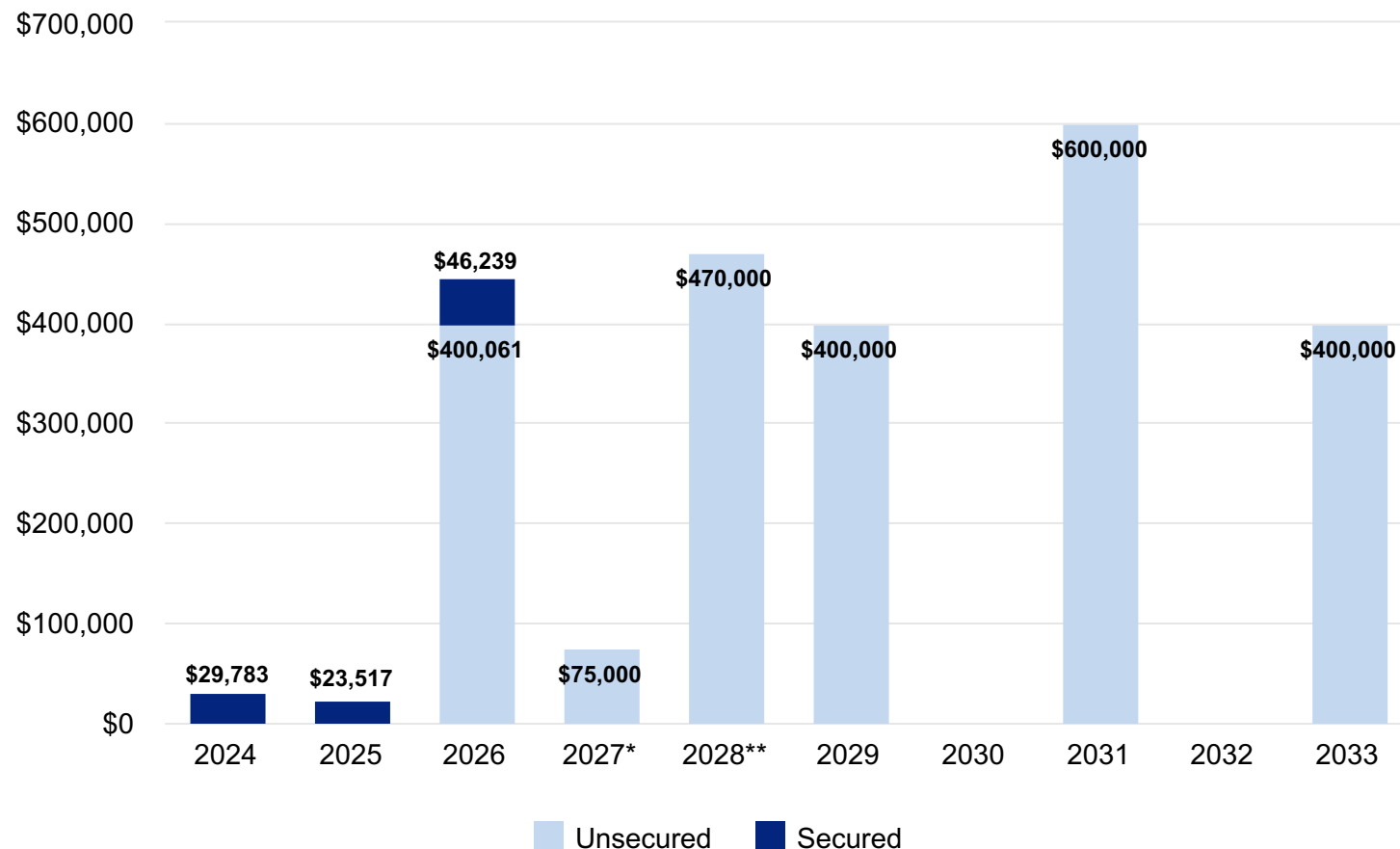


† Pro forma net debt to in-place adjusted EBITDA ratio applies to years 2021 and 2022.  
 § Pro forma net debt adjusted for fully-leased development to in-place adjusted EBITDA ratio applies to years 2021 and 2022.

# Well-Staggered Debt Provides Stability

- > Significant unencumbered pool of assets
  - > Unencumbered portfolio = 95% of total NOI from real estate operations
  - > Secured debt accounts for only 4.1% of debt outstanding
- > 100% of consolidated debt is fixed rate including effect of interest rate swaps
  - > Expect % of fixed rate debt will remain at 100% through late 2024
- > No significant debt maturities until 2026

Debt Maturity Schedule  
as of 12/31/23 (in thousands)



\* Revolving Credit Facility maturity of \$75.0 million is included above in 2027 assuming our exercise of two six-month extension options.

\*\* Term loan balance of \$125.0 million is included in 2028 assuming our exercise of two 12-month extension options. Also includes \$345.0 million principal amount of exchangeable senior notes due in 2028 unless earlier exchanged, redeemed or repurchased only in the event of certain circumstances and during certain periods defined under the terms of the notes.

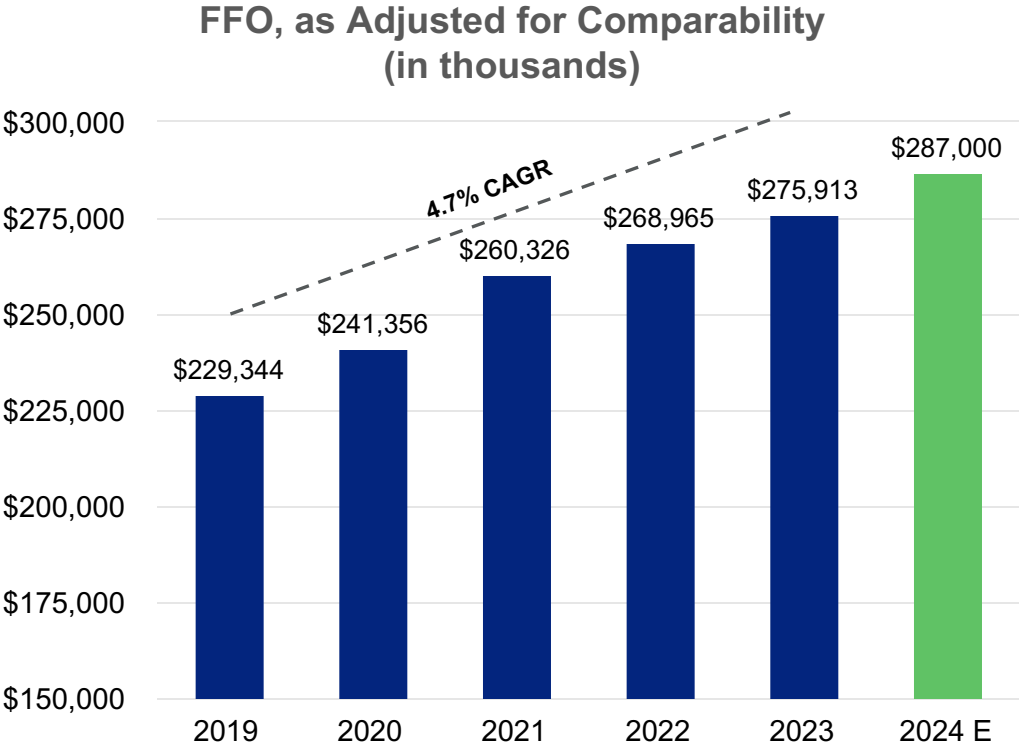
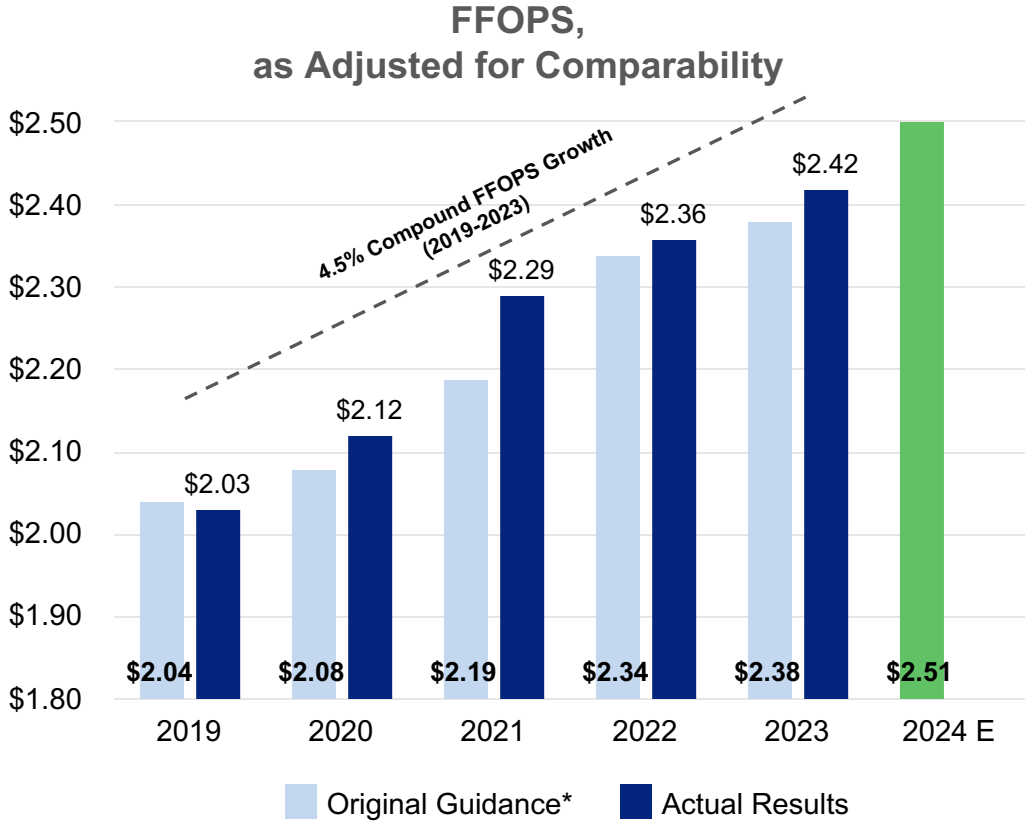




# Strong Growth in Profitability

**COPT Defense's FFOPS has compounded at 4.5% per year from 2019–2023**

- > 2024 FFOPS midpoint guidance of \$2.51 infers ~4% growth over 2023 results
- > Positioned to generate compound annual growth of roughly 4% from 2023–2026 (based on the original midpoint of our 2023 guidance of \$2.38)



\* The midpoint of COPT Defense's original diluted FFOPS, as adjusted for comparability. See Appendix for reconciliations of diluted EPS to diluted FFOPS, as adjusted for comparability.

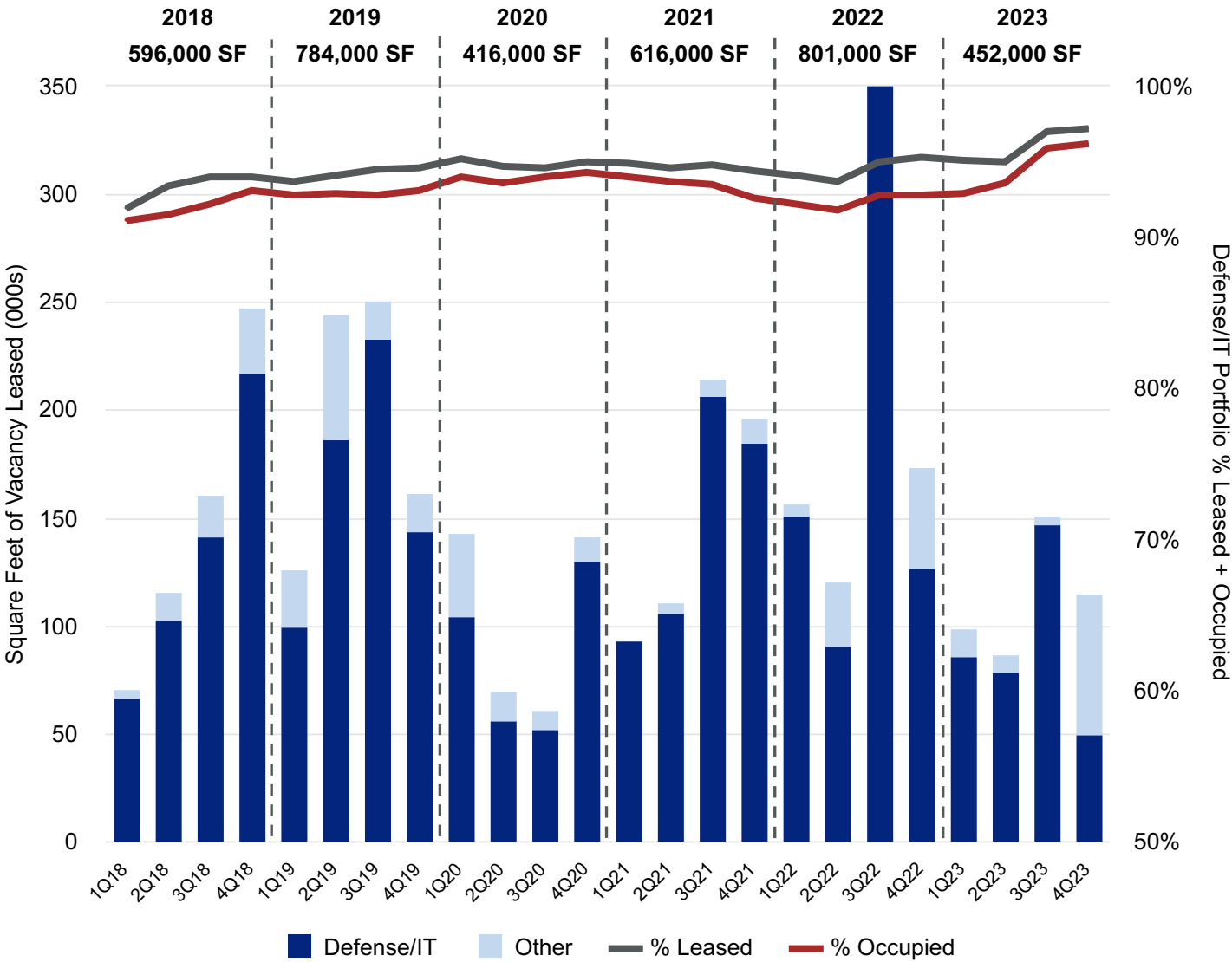
# PORTFOLIO UPDATE



# Strong Vacancy Leasing

- > Defense/IT Portfolio was 96.2% occupied and 97.2% leased at December 31, 2023
- > Solid Vacancy Leasing Volume in 2023
  - > 452,000 SF executed in 2023
    - > 115,000 SF of vacancy leasing in 4Q23
    - > Weighted average lease term of 9.3 years in 4Q23
- > Exceeded full year target of 400,000 SF

Vacancy Leasing in Operating Portfolio\*

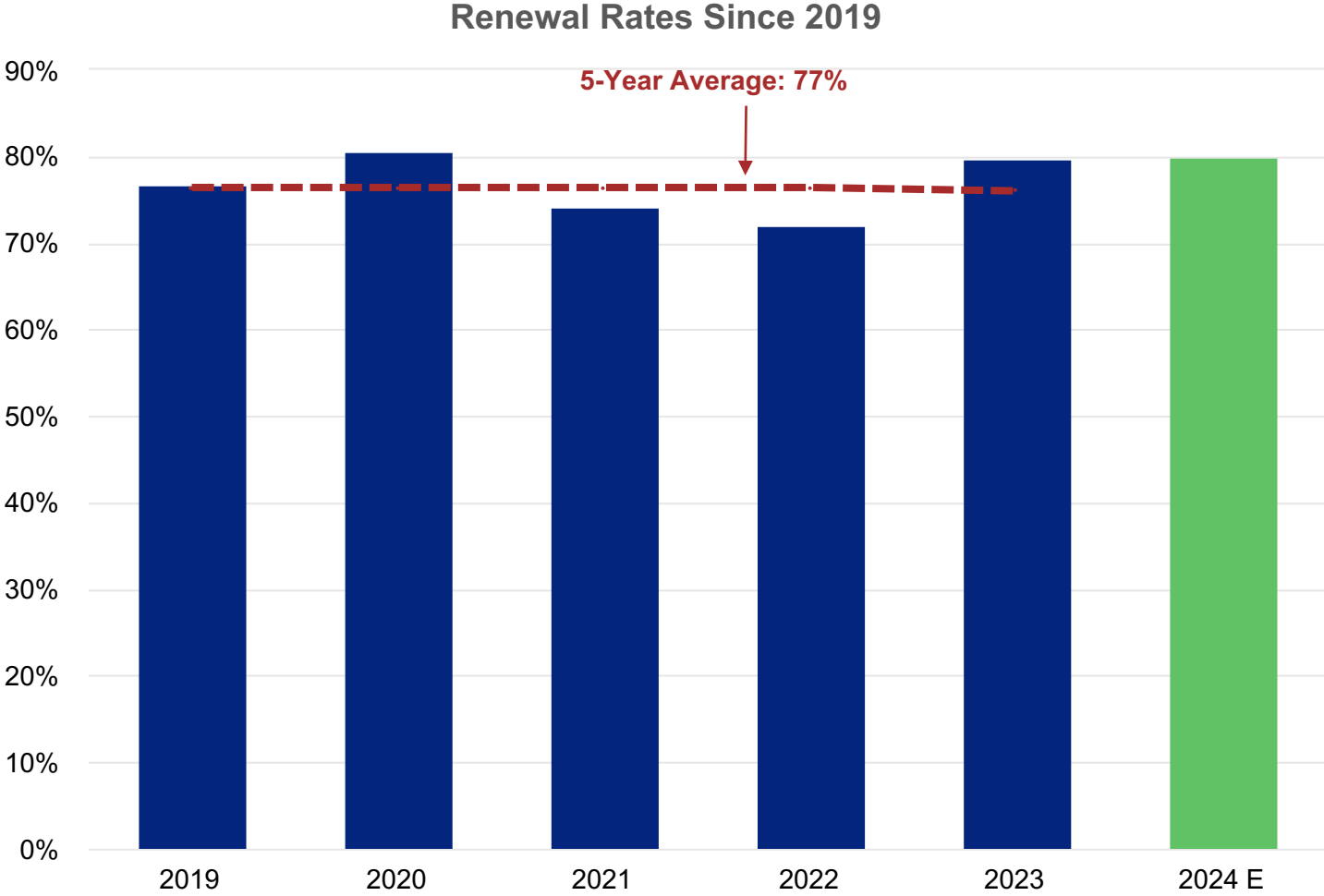


\* Percent occupied and leased statistics are for Defense/IT Portfolio.

# Sector-Leading Tenant Retention

**TENANT CO-INVESTMENT BY DEFENSE/IT TENANTS CREATES "STICKINESS" + SUPPORTS COPT DEFENSE'S SECTOR-LEADING TENANT RETENTION RATES + LOW RENEWAL CAPEX**

- > Proven track record of strong tenant retention rates, averaging:
  - > 76% between 2013–2023\*
  - > 77% between 2019–2023\*
- > 2023 retention rate of 80%
  - > Renewed 1.7 million SF in 2023
  - > 3rd highest annual retention rate over last 20 years
- > 2024 guidance of 75%–85%



\* Historical averages are calculated based on a weighted average retention rate by renewal leasing square feet.



# Large Lease Expirations

## AT JUNE 30, 2022:

- > 8.7 million SF of leases expire through YE 2025
- > This includes 44 leases for space greater than 50,000 SF which total 5.1 million SF or ~60% of these expirations

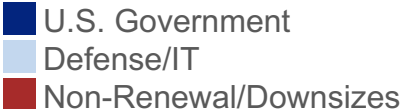
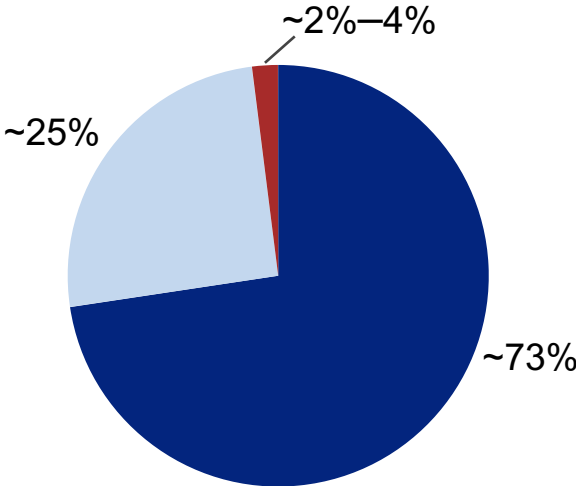
## PROGRESS:

- > 3Q22–4Q22 → 6 leases totaling ~500,000 SF | 100% renewed
- > 1Q23–4Q23 → 11 leases totaling ~1.2 million SF | 97% renewed
  - > We renewed 100% of large leases expiring in 2023 and 97% of the square feet due to two partial downsizes, the larger of which occurred in the Other segment

## REMAINDER:

- > Over the next 8 quarters, **6.2 million SF** of leases are scheduled to expire
- > 27 leases for space greater than 50,000 SF expire in 2024 and 2025, which total **3.3 million SF** (54% of expiring SF and 57% of expiring ARR):
  - > 11 leases with the U.S. Government (11 full building properties)
  - > 13 leases in Defense/IT Portfolio | 12 of which are with Defense Contractors (5 full building leases)
  - > 3 leases on Data Center Shells (single-tenant/full building)
  - > 0 leases in the Other Segment
- > We currently **expect over 95% of this 3.3 million SF** of leases **to renew**

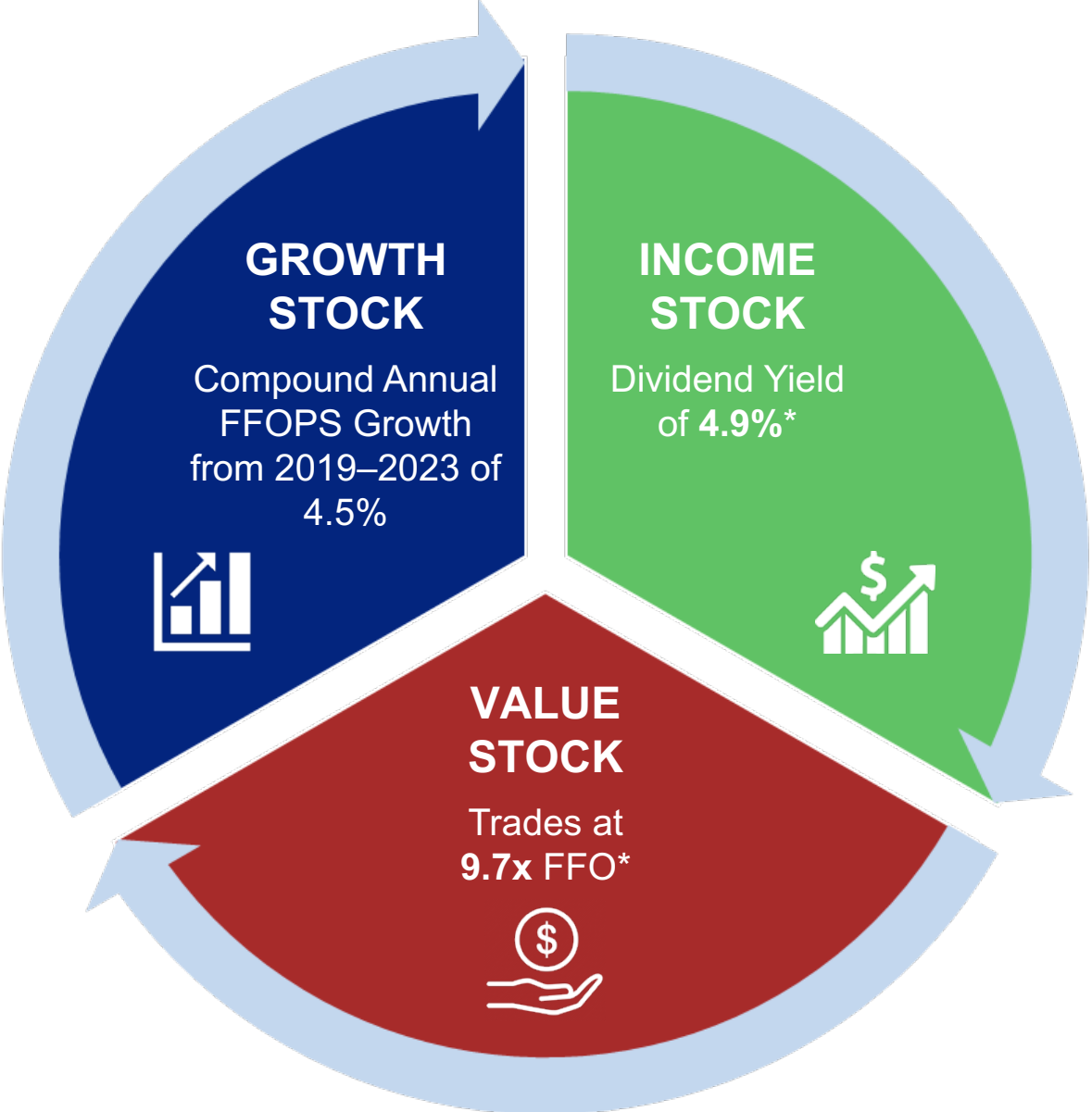
Large Leases in 2024 + 2025  
% of ARR Expiring by Tenant Type



# CONTINUED GROWTH



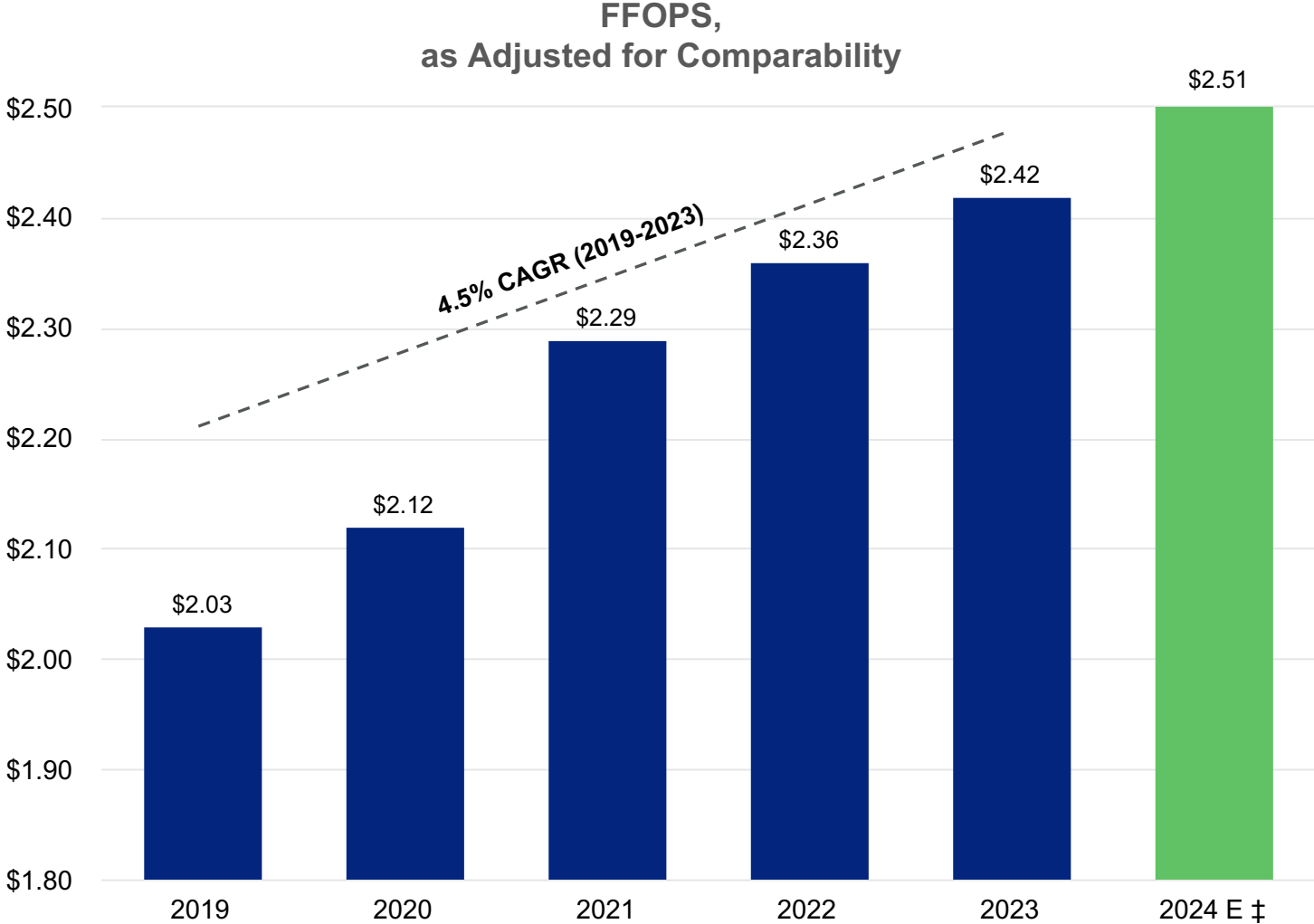
# Attractive Investment Opportunity



\* As of the closing price on February 29, 2024.

# Continued Growth

- > Strong leasing demand at existing properties
- > 817,000 SF development pipeline is 91% leased\*
- > 500,000 SF development leasing pipeline and over 1.0 million SF of potential future opportunities
- > Appropriated budget increases and bipartisan support for future increases in Defense Budgets expected to continue to drive demand for existing and new development space
- > Balance sheet is fortified with no significant debt maturing until 2026
- > Combination of these factors support expectation that FFO per share will grow roughly 4% on a compounded basis between 2023 through 2026 (based on the original midpoint of 2023 guidance of \$2.38)



\* As of December 31, 2023.  
 ‡ The midpoint of diluted FFOPS, as adjusted for comparability.  
 See Appendix for reconciliations.



# APPENDICES

- > Safe Harbor
- > Definitions + Glossary
- > Reconciliations



# Safe Harbor

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## **UNLESS OTHERWISE NOTED, INFORMATION IN THIS PRESENTATION REPRESENTS THE COMPANY'S CONSOLIDATED PORTFOLIO AS OF OR FOR THE QUARTER ENDED DECEMBER 31, 2023.**

- > This presentation may contain forward-looking statements within the meaning of the Federal securities laws. Forward-looking statements can be identified by the use of words such as “may,” “will,” “should,” “could,” “believe,” “anticipate,” “expect,” “estimate,” “plan” or other comparable terminology. Forward-looking statements are inherently subject to risks and uncertainties, many of which we cannot predict with accuracy and some of which we might not even anticipate. Although we believe that the expectations, estimates and projections reflected in such forward-looking statements are based on reasonable assumptions at the time made, we can give no assurance that these expectations, estimates and projections will be achieved. Future events and actual results may differ materially from those discussed in the forward-looking statements and we undertake no obligation to update or supplement any forward-looking statements.
- > The areas of risk that may affect these expectations, estimates and projections include, but are not limited to, those risks described in Item 1A of the Company’s Annual Report on Form 10-K for the year ended December 31, 2022.



# Definitions + Glossary

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- > **Acquisition costs** – transaction costs expensed in connection with executed or anticipated acquisitions of operating properties.
- > **Adjusted Book** – total assets presented on our consolidated balance sheet, net of lease liabilities associated with property right-of-use assets, and excluding the effect of cash and cash equivalents, accumulated depreciation on real estate properties, accumulated amortization of intangible assets on real estate acquisitions, accumulated amortization of deferred leasing costs and unconsolidated real estate joint ventures (“JVs”) cash and cash equivalents, liabilities, and accumulated depreciation and amortization (of intangibles on property acquisitions and deferred leasing costs) allocable to our ownership interest in the JVs.
- > **Adjusted EBITDA** – net income or loss adjusted for the effects of interest expense, depreciation and amortization, gain on sales and impairment losses of real estate and investments in unconsolidated real estate JVs, gain or loss on early extinguishment of debt, gain or loss on interest rate derivatives, net gain or loss on other investments, credit loss expense or recoveries, operating property acquisition costs, income taxes, business development expenses, demolition costs on redevelopment and nonrecurring improvements, executive transition costs and certain other expenses that we believe are not relevant to an investor's evaluation of our ability to repay debt. Adjusted EBITDA also includes adjustments to net income or loss for the effects of the items noted above pertaining to unconsolidated real estate JVs that were allocable to our ownership interest in the JVs.
- > **Annualized Rental Revenue (“ARR”)** – the monthly contractual base rent as of the reporting date (ignoring free rent then in effect and rent associated with tenant funded landlord assets) multiplied by 12, plus the estimated annualized expense reimbursements under existing leases for occupied space. With regard to properties owned through unconsolidated real estate JVs, we include the portion of ARR allocable to COPT Defense’s ownership interest.
- > **ATFP** – Anti-terrorism force protection.
- > **Average Escalations** – leasing statistic used to report average increase in rental rates over lease terms for leases with a term of greater than one-year.
- > **Baltimore/Washington Region** – includes counties that comprise the Fort Meade/Baltimore Washington Corridor. As of December 31, 2023, 92 of COPT Defense’s properties were located within this defined region. Please refer to page 12 of COPT Defense’s Supplemental Information package dated December 31, 2023 for additional detail.



# Definitions + Glossary (continued)

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- > **Basic FFO available to common share and common unit holders (“Basic FFO”)** – FFO adjusted to subtract (1) preferred share dividends, (2) income or loss attributable to noncontrolling interests through ownership of preferred units in COPT Defense Properties, L.P. (the “Operating Partnership”) or interests in other consolidated entities not owned by us, (3) depreciation and amortization allocable to noncontrolling interests in other consolidated entities, (4) Basic FFO allocable to share-based compensation awards and (5) issuance costs associated with redeemed preferred shares. With these adjustments, Basic FFO represents FFO available to common shareholders and holders of common units in the Operating Partnership (“common units”). Common units are substantially similar to our common shares of beneficial interest (“common shares”) and are exchangeable into common shares, subject to certain conditions.
- > **BRAC** – Base Realignment and Closure Commission of the United States Congress, the most recent of which Congress established in 2005 to ensure the integrity of the base closure and realignment process. The Commission provided an objective, non-partisan, and independent review and analysis of the list of military installation recommendations issued by the Department of Defense (“DOD”) on May 13, 2005. The Commission's mission was to assess whether the DOD recommendations substantially deviated from the Congressional criteria used to evaluate each military base. While giving priority to the criteria of military value, the Commission took into account the human impact of the base closures and considered the possible economic, environmental, and other effects on the surrounding communities.
- > **C4ISR** – Command, Control, Communications, Computers, Intelligence, Surveillance & Reconnaissance.
- > **Cash net operating income (“Cash NOI”)** – NOI from real estate operations adjusted to eliminate the effects of: straight-line rental adjustments, amortization of tenant incentives, amortization of intangibles and other assets included in FFO and NOI, lease termination fees from tenants to terminate their lease obligations prior to the end of the agreed upon lease terms and rental revenue recognized under GAAP resulting from landlord assets and lease incentives funded by tenants. Cash NOI also includes adjustments to NOI from real estate operations for the effects of the items noted above pertaining to unconsolidated real estate JVs that were allocable to our ownership interest in the JVs. Under GAAP, rental revenue is recognized evenly over the term of tenant leases (through straight-line rental adjustments and amortization of tenant incentives), which, given the long term nature of our leases, does not align with the economics of when tenant payments are due to us under the arrangements. Also under GAAP, when a property is acquired, we allocate the acquisition to certain intangible components, which are then amortized into NOI over their estimated lives, even though the resulting revenue adjustments are not reflective of our lease economics. In addition, revenue from lease termination fees and tenant-funded landlord improvements, absent an adjustment from us, would result in large one-time lump sum amounts in Cash NOI that we do not believe are reflective of a property’s long-term value.





# Definitions + Glossary (continued)

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- > **Cash Rent** – includes monthly contractual base rent (ignoring rent abatements and rent associated with tenant funded landlord assets) multiplied by 12, plus estimated annualized expense reimbursements (average for first 12 months of term for new or renewed leases or as of lease expiration for expiring leases).
- > **Debt/Total Market Capitalization** – gross debt, divided by our total market capitalization.
- > **Defense/IT Portfolio** – represents properties in locations proximate to, or sometimes containing, key U.S. Government defense installations and missions.
- > **Development Leasing Pipeline** – formerly called the Shadow Development Pipeline, this internally maintained schedule tracks potential future development leasing transactions for which the Company is competing and believes it has a 50% or greater chance of winning within the next 24 months.
- > **Development profit or yield** – calculated as cash NOI divided by the estimated total investment, before the impact of cumulative real estate impairment losses.
- > **Diluted adjusted funds from operations available to common share and common unit holders (“Diluted AFFO”)** – Diluted FFO, as adjusted for comparability, adjusted for the following: (1) the elimination of the effect of (a) noncash rental revenues and property operating expenses (comprised of straight-line rental adjustments, which includes the amortization of recurring tenant incentives, and amortization of acquisition intangibles included in FFO and NOI, both of which are described under “Cash NOI” above), (b) share-based compensation, net of amounts capitalized, (c) amortization of deferred financing costs, (d) amortization of debt discounts and premiums and (e) amortization of settlements of debt hedges; and (2) replacement capital expenditures (defined below). Diluted AFFO also includes adjustments to Diluted FFO, as adjusted for comparability for the effects of the items noted above pertaining to unconsolidated real estate JVs that were allocable to our ownership interest in the JVs.
- > **Diluted FFO available to common share and common unit holders (“Diluted FFO”)** – Basic FFO adjusted to add back any changes in Basic FFO that would result from the assumed conversion of securities that are convertible or exchangeable into common shares. The computation of Diluted FFO (which includes discontinued operations) assumes the conversion of common units but does not assume the conversion of other securities that are convertible into common shares if the conversion of those securities would increase Diluted FFO per share in a given period.



# Definitions + Glossary (continued)

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- > **Diluted FFO available to common share and common unit holders, as adjusted for comparability (“Diluted FFO, as adjusted for comparability”)** – Diluted FFO or FFO adjusted to exclude: operating property acquisition costs; gain or loss on early extinguishment of debt; FFO associated with properties that secured non-recourse debt on which we defaulted and, subsequently, extinguished via conveyance of such properties (including property NOI, interest expense and gains on debt extinguishment); loss on interest rate derivatives; executive transition costs associated with named executive officers; and, for periods prior to 10/1/22, demolition costs on redevelopment and nonrecurring improvements and executive transition costs associated with other senior management team members. Diluted FFO, as adjusted for comparability also includes adjustments to Diluted FFO for the effects of the items noted above pertaining to unconsolidated real estate JVs that were allocable to our ownership interest in the JVs.
- > **Diluted FFO per share** – Defined as (1) Diluted FFO divided by (2) the sum of the (a) weighted average common shares outstanding during a period, (b) weighted average common units outstanding during a period and (c) weighted average number of potential additional common shares that would have been outstanding during a period if other securities that are convertible or exchangeable into common shares were converted or exchanged. The computation of Diluted FFO per share assumes the conversion of common units but does not assume the conversion of other securities that are convertible into common shares if the conversion of those securities would increase Diluted FFO per share in a given period.
- > **Diluted FFO per share, as adjusted for comparability** – Defined as (1) Diluted FFO available to common share and common unit holders, as adjusted for comparability divided by (2) the sum of the (a) weighted average common shares outstanding during a period, (b) weighted average common units outstanding during a period and (c) weighted average number of potential additional common shares that would have been outstanding during a period if other securities that are convertible or exchangeable into common shares were converted or exchanged. The computation of this measure assumes the conversion of common units but does not assume the conversion of other securities that are convertible into common shares if the conversion of those securities would increase the per share measure in a given period.
- > **DISA** – Defense Information Systems Agency.
- > **EBITDA** – see Adjusted EBITDA.
- > **EUL** – Enhanced Use Lease whereby the DOD grants a lease interest to a private developer in exchange for rent that the DOD can use to improve the related defense installation.



# Definitions + Glossary (continued)

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- > **Funds from operations (“FFO” or “FFO per Nareit”)** – Defined as net income or loss computed using GAAP, excluding gains on sales and impairment losses of real estate and investments in unconsolidated real estate JVs (net of associated income tax) and real estate-related depreciation and amortization. FFO also includes adjustments to net income or loss for the effects of the items noted above pertaining to unconsolidated real estate JVs that were allocable to our ownership interest in the JVs. We believe that we use the National Association of Real Estate Investment Trust’s (“Nareit”) definition of FFO, although others may interpret the definition differently and, accordingly, our presentation of FFO may differ from those of other REITs.
- > **Gross Debt** – Defined as debt reported on our consolidated balance sheet adjusted to exclude net discounts and premiums and deferred financing costs, as further adjusted to include outstanding debt of unconsolidated real estate JVs that were allocable to our ownership interest in the JVs.
- > **GSA** – United States General Services Administration.
- > **In-place adjusted EBITDA** – Defined as Adjusted EBITDA, as further adjusted for: (1) certain events occurring in a three month period to reflect Adjusted EBITDA as if the events occurred at the beginning of such period, including; (a) properties acquired, placed in service or expanded upon subsequent to the commencement of a period made in order to reflect a full period of ownership/operations; (b) properties removed from service or in which we disposed of interests; (c) significant mid-period occupancy changes associated with properties recently placed in service as if such occupancy changes occurred at the beginning of such period; and (2) adjustments to deferred rental revenue associated with changes in our assessment of collectability and other adjustments included in the period that we believe are not closely correlated with our operating performance. The measure also includes adjustments for the effects of the items noted above pertaining to unconsolidated real estate JVs that were allocable to our ownership interest in the JVs. We believe that the pro forma adjustments described above are consistent with the requirements for preparation of amounts presented on a pro forma basis in accordance with Article 11 of Regulation S-X.
- > **Interest Duration** – The length of time for which an interest rate on debt is fixed.
- > **NGA** – National Geospatial Intelligence Agency.



# Definitions + Glossary (continued)

- > **Net construction contract and other service revenues** – Defined as net operating income from real estate services such as property management, development and construction services primarily for the Company's properties but also for third parties. Construction contract and other service revenues and expenses consist primarily of subcontracted costs that are reimbursed to the Company by the customer along with a management fee. The operating margins from these activities are small relative to the revenue. The Company believes NOI from service operations is a useful measure in assessing both its level of activity and its profitability in conducting such operations.
- > **Net debt** – Gross debt (total outstanding debt reported per our balance sheet as adjusted to exclude net discounts and premiums and deferred financing costs), as adjusted to subtract cash and cash equivalents as of the end of the period. The measure also includes adjustments to Gross debt for the effects of the items noted above pertaining to unconsolidated real estate JVs that were allocable to our ownership interest in the JVs.
- > **Net debt adjusted for fully-leased development** – Net debt less costs incurred on properties under development that were 100% leased.
- > **Net debt to adjusted book and Net debt adjusted for fully-leased development to Adjusted book** – these measures divide either Net debt or Net debt adjusted for fully-leased development by Adjusted book.

## > Portfolio:

	12/31/23	9/30/23	6/30/23	3/31/23	12/31/22
<b># of Properties</b>					
Total Portfolio	198	196	194	194	194
Consolidated Portfolio	174	172	170	170	173
Defense/IT Portfolio	190	188	186	186	186
Same Property	180	180	180	180	180
<b>% Occupied</b>					
Total Portfolio	94.2 %	94.1 %	93.4 %	92.8 %	92.7 %
Consolidated Portfolio	92.9 %	92.7 %	91.9 %	91.2 %	91.4 %
Defense/IT Portfolio	96.2 %	95.9 %	95.3 %	94.4 %	94.1 %
Same Property	93.4 %	93.4 %	92.8 %	92.1 %	92.0 %
<b>% Leased</b>					
Total Portfolio	95.3 %	95.1 %	94.9 %	95.0 %	95.2 %
Consolidated Portfolio	94.3 %	94.0 %	93.7 %	93.9 %	94.3 %
Defense/IT Portfolio	97.2 %	97.0 %	96.8 %	96.7 %	96.7 %
Same Property	94.7 %	94.5 %	94.4 %	94.5 %	94.7 %
<b>Square Feet (in thousands)</b>					
Total Portfolio	23,859	23,479	23,035	23,020	23,006
Consolidated Portfolio	19,563	19,184	18,740	18,725	19,458
Defense/IT Portfolio	21,719	21,339	20,895	20,878	20,869
Same Property	20,609	20,609	20,609	20,609	20,609





# Definitions + Glossary (continued)

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- > **Net debt to in-place adjusted EBITDA ratio and Net debt adjusted for fully-leased development to in-place adjusted EBITDA ratio** – Net debt (defined above) or Net debt adjusted for fully-leased development divided by in-place adjusted EBITDA (defined above) for the three-month period that is annualized by multiplying by four.
- > **Net operating income from real estate operations (“NOI”)** – Includes: consolidated real estate revenues from continuing and discontinued operations; consolidated property operating expenses from continuing and discontinued operations; and the net of revenues and property operating expenses of real estate operations owned through unconsolidated real estate JVs that are allocable to COPT Defense’s ownership interest in the JVs.
- > **Payout ratios based on: Diluted FFO; Diluted FFO, as adjusted for comparability; and Diluted AFFO** – These payout ratios are defined as (1) the sum of dividends on common and deferred shares and distributions to holders of interests in the Operating Partnership and dividends on convertible preferred shares to the extent they are dilutive in the respective FFO per share numerators divided by (2) the respective non-GAAP measures.
- > **Pro forma net debt, pro forma net debt adjusted for fully-leased development, pro forma in-place adjusted EBITDA and associated ratios** – These measures and the ratios in which they are used adjust for the effect of noted dispositions of interests in properties that occurred subsequent to the end of reporting periods and before our release of financial results for such periods. The adjustments remove Adjusted EBITDA from real estate operations associated with the disposed interests in properties and adjust our net debt measures for resulting proceeds available for debt pay downs to reflect these measures and ratios as if such events occurring subsequent to a three month reporting period occurred at the beginning of such reporting period. We believe that these adjustments are consistent with the requirements for preparation of amounts presented on a pro forma basis in accordance with Article 11 of Regulation S-X.
- > **Redevelopment** – Properties previously in operations on which activities to substantially renovate such properties are underway or approved.



# Definitions + Glossary (continued)

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- > **Replacement capital expenditures** – Tenant improvements and incentives, building improvements and leasing costs incurred during the period for operating properties that are not (1) items contemplated prior to the acquisition of a property, (2) improvements associated with the expansion of a building or its improvements, (3) renovations to a building which change the underlying classification of the building (for example, from industrial to office or Class C office to Class B office), (4) capital improvements that represent the addition of something new to the property rather than the replacement of something (for example, the addition of a new heating and air conditioning unit that is not replacing one that was previously there) or (5) replacements of significant components of a building after the building has reached the end of its original useful life. Replacement capital expenditures excludes expenditures of operating properties included in disposition plans during the period that were already sold or are held for future disposition. For cash tenant incentives not due to the tenant for a period exceeding three months past the date on which such incentives were incurred, we recognize such incentives as replacement capital expenditures in the periods such incentives are due to the tenant. Replacement capital expenditures, which is included in the computation of Diluted AFFO, is intended to represent non-transformative capital expenditures of existing properties held for long-term investment.
- > **Same Property** – Operating office and data center shell properties stably owned and 100% operational since at least the beginning of the prior year.
- > **Same Property NOI and Same Property cash NOI** – NOI, or Cash NOI, from real estate operations of Same Property groupings.
- > **SCIF** – Sensitive (or Secure) Compartmented Information Facility, or “SCIF,” in U.S. military, security and intelligence parlance is an enclosed area within a building that is used to process classified information within formal access controlled systems (as established by the Director of National Intelligence).
- > **Stabilization** – generally defined as properties that are at least 90% occupied.
- > **Straight-line Rent** – includes annual minimum base rents, net of abatements and lease incentives and excluding rent associated with tenant funded landlord assets, on a straight-line basis over the term of the lease, and estimated annual expense reimbursements (as of lease commencement for new or renewed leases or as of lease expiration for expiring leases).
- > **Total Market capitalization** – sum of: (1) consolidated outstanding debt, excluding discounts, premiums and deferred financing costs; (2) the product of the closing price of our common shares on the NYSE and the sum of (a) common shares outstanding and (b) common units outstanding; and (3) the liquidation value of preferred shares and preferred units in our operating partnership.
- > **Under development** – This term includes properties under, or contractually committed for, development.



# Reconciliations

Reconciliations of net income to diluted FFO, diluted FFO as adjusted for comparability and diluted AFFO (in thousands)	Year Ended December 31,					Three Months Ended
	2019	2020	2021	2022	2023	12/31/23
<b>Net income (loss)</b>	<b>\$ 200,004</b>	<b>\$ 102,878</b>	<b>\$ 81,578</b>	<b>\$ 178,822</b>	<b>\$ (74,347)</b>	<b>\$ 34,820</b>
Real estate-related depreciation and amortization	137,069	138,193	147,833	141,230	148,950	36,735
Impairment losses on real estate	329	1,530	—	—	252,797	—
Gain on sales of real estate	(105,230)	(30,209)	(65,590)	(47,814)	(49,392)	—
Gain on sale of investment in unconsolidated real estate JV	—	(29,416)	—	—	—	—
Depreciation and amortization on unconsolidated real estate JVs	2,703	3,329	1,981	2,101	3,217	805
<b>FFO - per Nareit</b>	<b>234,875</b>	<b>186,305</b>	<b>165,802</b>	<b>274,339</b>	<b>281,225</b>	<b>72,360</b>
Noncontrolling interests - preferred units in the Operating Partnership	(564)	(300)	—	—	—	—
FFO allocable to other noncontrolling interests	(5,024)	(15,705)	(5,483)	(4,795)	(3,978)	(972)
Basic FFO allocable to share-based compensation awards	(905)	(719)	(777)	(1,433)	(1,940)	(513)
<b>Basic FFO available to common share and common unit holders</b>	<b>228,382</b>	<b>169,581</b>	<b>159,542</b>	<b>268,111</b>	<b>275,307</b>	<b>70,875</b>
Redeemable noncontrolling interests	132	147	(11)	(34)	(58)	—
Diluted FFO adjustments allocable to share-based compensation awards	—	—	32	109	150	38
<b>Basic and Diluted FFO available to common share and common unit holders</b>	<b>228,514</b>	<b>169,728</b>	<b>159,563</b>	<b>268,186</b>	<b>275,399</b>	<b>70,913</b>
Loss on early extinguishment of debt	—	7,306	100,626	609	—	—
Gain on early extinguishment of debt on unconsolidated real estate JVs	—	—	—	(168)	—	—
Loss on interest rate derivatives	—	53,196	—	—	—	—
Loss on interest rate derivatives included in interest expense	—	—	221	—	—	—
Demolition costs on redevelopment and nonrecurring improvements	148	63	423	—	—	—
Executive transition costs	4	—	—	343	518	188
Non-comparable professional and legal expenses	681	—	—	—	—	—
Dilutive preferred units in the Operating Partnership	—	300	—	—	—	—
FFO allocation to other noncontrolling interests resulting from capital event	—	11,090	—	—	—	—
Diluted FFO comparability adjustments allocable to share-based compensation awards	(3)	(327)	(507)	(5)	(4)	(1)
<b>Diluted FFO available to common share and common unit holders, as adjusted for comparability</b>	<b>\$ 229,344</b>	<b>\$ 241,356</b>	<b>\$ 260,326</b>	<b>\$ 268,965</b>	<b>275,913</b>	<b>\$ 71,100</b>
Straight line rent adjustments and lease incentive amortization	—	—	—	—	6,518	—
Amortization of intangibles and other assets included in NOI	—	—	—	—	50	—
Share-based compensation, net of amounts capitalized	—	—	—	—	8,544	—
Amortization of deferred financing costs	—	—	—	—	2,580	—
Amortization of net debt discounts, net of amounts capitalized	—	—	—	—	2,994	—
Replacement capital expenditures	—	—	—	—	(93,494)	—
Other	—	—	—	—	(84)	—
<b>Diluted AFFO available to common share and common unit holders ("diluted AFFO")</b>					<b>\$ 203,021</b>	
<b>Reconciliations of denominators for per share measures (in thousands)</b>						
Denominator for diluted EPS	111,623	112,076	112,418	112,620	112,178	112,631
Weighted average common units	1,299	1,236	1,257	1,454	1,509	1,514
Redeemable noncontrolling interests	—	123	—	—	38	—
Dilutive effect of additional share-based compensation awards	—	—	—	—	424	—
Dilutive convertible preferred units	—	171	—	—	—	—
Denominator for diluted FFO per share, as adjusted for comparability	<u>112,922</u>	<u>113,606</u>	<u>113,675</u>	<u>114,074</u>	<u>114,149</u>	<u>114,145</u>
<b>Diluted FFO per share, as adjusted for comparability</b>	<b>\$ 2.03</b>	<b>\$ 2.12</b>	<b>\$ 2.29</b>	<b>\$ 2.36</b>	<b>\$ 2.42</b>	<b>\$ 0.62</b>
<b>Numerators for non-gaap payout ratios (in thousands)</b>						
Dividends on unrestricted common and deferred shares	—	—	—	—	\$ 127,978	—
Distributions on unrestricted common units	—	—	—	—	1,725	—
Dividends and distributions on restricted shares and units	—	—	—	—	828	—
Dividends and distributions on antidilutive shares and units	—	—	—	—	(835)	—
Dividends and distributions for non-gaap payout ratios	—	—	—	—	<u>\$ 129,696</u>	—
<b>Non-GAAP payout ratios</b>						
Diluted AFFO						63.9 %



# Reconciliations (continued)

Reconciliations of diluted EPS to diluted FFOPS per Nareit and as adjusted for comparability (in dollars per share)	Actuals		Guidance	
	Year Ended December 31, 2023		Year Ending December 31, 2024	
			Low	High
<b>Diluted EPS</b>	\$	(0.67)	\$ 1.15	\$ 1.23
Real estate-related depreciation and amortization		1.33	1.32	1.32
Gain on sales of real estate		(0.43)	—	—
Impairment losses		2.21	—	—
Other FFO adjustments		(0.03)	—	—
<b>Diluted FFOPS - Nareit</b>		<b>2.41</b>	<b>2.47</b>	<b>2.55</b>
Executive transition costs		0.01	—	—
<b>Diluted FFOPS - as adjusted for comparability</b>	<b>\$</b>	<b>2.42</b>	<b>\$ 2.47</b>	<b>\$ 2.55</b>

Reconciliation of Developments Property NOI to Cash NOI (in millions)	Actuals		Guidance Midpoint	
	Year Ended December 31, 2023		Year Ending December 31, 2024	
Property NOI	\$	36	\$	24
Straight line rent adjustments		(23)		(13)
Cash NOI	<b>\$</b>	<b>13</b>	<b>\$</b>	<b>11</b>

Reconciliation of Net Construction Contract and Other Service Revenues (in millions)	Actuals		Guidance Midpoint	
	Year Ended December 31, 2023		Year Ending December 31, 2024	
Construction contract and other service revenues	\$	60	\$	73
Construction contract and other service expenses		(57)		(71)
Net construction contract and other service revenues	<b>\$</b>	<b>3</b>	<b>\$</b>	<b>2</b>





# Reconciliations (continued)

Reconciliations of net income to Adjusted EBITDA, in-place adjusted EBITDA and pro forma in-place adjusted EBITDA (in thousands)	Three Months Ended					
	12/31/18	12/31/19	12/31/20	12/31/21	12/31/22	12/31/23
<b>Net income</b>	\$ 18,456	\$ 44,877	\$ 83,549	\$ 14,965	\$ 52,087	\$ 34,820
Interest expense	18,475	16,777	17,148	16,217	16,819	20,383
Income tax (benefit) expense	(190)	(104)	258	42	223	121
Depreciation and amortization	36,623	33,217	37,166	36,968	37,509	37,354
Impairment losses on real estate	2,367	2	—	—	—	—
Gain on sales of real estate	(2,367)	(20,761)	(30,204)	(25,879)	(19,238)	—
Gain on sale of investment in unconsolidated real estate JV	—	—	(29,416)	—	—	—
Adjustments from unconsolidated real estate joint ventures	832	1,206	1,306	763	1,033	1,911
Loss on early extinguishment of debt	258	—	4,069	41,073	267	—
Gain on early extinguishment of debt on unconsolidated real estate JVs	—	—	—	—	(168)	—
Net gain on other investments	(449)	(1)	(1,218)	—	(595)	—
Credit loss recoveries	—	—	(772)	(88)	(1,331)	(1,288)
Business development expenses	661	512	412	628	794	445
Demolition costs on redevelopment and nonrecurring improvements	163	104	—	(8)	—	—
Executive transition costs	371	—	—	—	387	188
Non-comparable professional and legal expenses	—	195	—	—	—	—
<b>Adjusted EBITDA</b>	\$ 75,200	\$ 76,024	\$ 82,298	\$ 84,681	\$ 87,787	\$ 93,934
Pro forma net operating income adjustment for property changes within period	2,052	463	1,459	—	2,704	1,341
Change in collectability of deferred rental revenue	—	928	678	—	—	(198)
Other	—	—	—	1,578	—	—
<b>In-place adjusted EBITDA</b>	\$ 77,252	\$ 77,415	\$ 84,435	\$ 86,259	\$ 90,491	\$ 95,077
Pro forma NOI adjustment from subsequent event transactions	—	—	—	(3,074)	(2,903)	—
<b>Pro forma in-place adjusted EBITDA</b>	—	—	—	\$ 83,185	\$ 87,588	—
Annualized in-place adjusted EBITDA	\$ 309,008	\$ 309,660	\$ 337,740	\$ 345,036	\$ 361,964	\$ 380,308
Annualized pro forma in-place adjusted EBITDA	—	—	—	\$ 332,740	\$ 350,352	—

Reconciliations of debt per balance sheet to net debt, net debt adjusted for fully-leased development and pro forma net debt (in thousands)	As of					
	12/31/18	12/31/19	12/31/20	12/31/21	12/31/22	12/31/23
Debt per balance sheet	\$ 1,823,909	\$ 1,831,139	\$ 2,086,918	\$ 2,272,304	\$ 2,231,794	\$ 2,416,287
Net discounts and deferred financing costs	14,595	11,668	14,547	25,982	23,160	28,713
COPT Defense's share of unconsolidated JV gross debt	30,000	50,250	26,250	26,250	52,100	52,613
Gross debt	1,868,504	1,893,057	2,127,715	2,324,536	2,307,054	2,497,613
Less: Cash and cash equivalents	(8,066)	(14,733)	(18,369)	(13,262)	(12,337)	(167,820)
Less: CDP's share of cash of unconsolidated real estate JVs	(293)	(498)	(152)	(434)	(456)	(852)
Net debt	\$ 1,860,145	\$ 1,877,826	\$ 2,109,194	2,310,840	2,294,261	2,328,941
Costs incurred on fully-leased development properties	—	—	—	(162,884)	(95,972)	(53,914)
Net debt adjusted for fully-leased development	—	—	—	\$ 2,147,956	\$ 2,198,289	\$ 2,275,027
Net debt	—	—	—	\$ 2,310,840	\$ 2,294,261	—
Pro forma debt adjustments from subsequent event transaction proceeds	—	—	—	(216,000)	(189,000)	—
Pro forma net debt	—	—	—	2,094,840	2,105,261	—
Costs incurred on fully-leased development properties	—	—	—	(162,884)	(95,972)	—
Pro forma net debt adjusted for fully-leased development	—	—	—	\$ 1,931,956	\$ 2,009,289	—

Ratios	12/31/18	12/31/19	12/31/20	12/31/21	12/31/22	12/31/23
Net debt to in-place adjusted EBITDA ratio	6.0x	6.1x	6.2x	6.7x	6.3x	6.1x
Pro forma net debt to in-place adjusted EBITDA ratio	—	—	—	6.3x	6.0x	—
Net debt adjusted for fully-leased development to in-place adj. EBITDA ratio	—	—	—	6.2x	6.1x	6.0x
Pro forma net debt adjusted for fully-leased development to in-place adj. EBITDA ratio	—	—	—	5.8x	5.7x	—





**COPT DEFENSE**  
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