July 28, 2011

COPT Reports Second Quarter 2011 Results

COLUMBIA, Md.--(BUSINESS WIRE)-- Corporate Office Properties Trust (COPT) (NYSE: OFC) today announced financial and operating results for the quarter ended June 30, 2011. Diluted loss per share was $0.42 for the quarter ended June 30, 2011 as compared to earnings per share of $0.07 for the quarter ended June 30, 2010. Excluding a non-cash impairment charge associated primarily with the Company's Strategic Reallocation Plan and operating property acquisition costs, funds from operations (FFO) per diluted share for the second quarter of 2011 was $0.57, a 6% increase from the $0.54 FFO per share reported in the second quarter of 2010. This increase was primarily attributable to the operations of properties acquired or placed into service in 2010, and to gains on other investments. Including the impairment charge, FFO per diluted share for the quarter ended June 30, 2011 was $0.02.

"Despite the challenging leasing environment presented by the tepid economic recovery, we modestly outperformed our expectations for the second quarter. We leased over a million square feet and same office cash net operating income (NOI), excluding gross lease termination fees, increased 10% sequentially over the first quarter of 2011," stated Randall M. Griffin, Chief Executive Officer of Corporate Office Properties Trust.

Operating Performance:

Portfolio Summary - At June 30, 2011, the Company's wholly-owned portfolio of 249 office properties totaled 20.2 million square feet. The weighted average remaining lease term for the portfolio was 4.9 years and the average rental rate (including tenant reimbursements) was $25.91 per square foot. The Company's wholly-owned portfolio was 87.3% occupied and 89.4% leased as of June 30, 2011.

Same Office Performance - The Company's same office portfolio for the quarter ended June 30, 2011 represents 81% of the rentable square feet of its consolidated portfolio and consists of 190 properties. For the quarter ended June 30, 2011, the Company's same office property cash NOI, excluding lease termination fees, increased 10% as compared to the first quarter of 2011 and decreased 0.6% as compared to the quarter ended June 30, 2010.

Leasing - For the quarter ended June 30, 2011, 768,000 square feet were renewed equating to an 89% renewal rate, at an average committed cost of $11.49 per square foot. Total rent on renewed space increased 1.7%, as measured from the straight-line rent in effect preceding the renewal date, and decreased 7.7% on a cash basis. For renewed and retenanted space of 911,000 square feet, total straight-line rent increased 2.1% and total rent on a cash basis decreased 7.3%. The average committed cost for renewed and retenanted space was $13.21 per square foot.

Investment Activity:

Construction - At June 30, 2011, the Company had properties totaling 1.2 million square feet under construction for a total projected cost of $271.9 million.

Acquisitions - The Company did not complete any acquisitions during the second quarter 2011.

Dispositions - The Company sold three buildings located in Commons Corporate Center in Hanover, Maryland, totaling 39,000 square feet for $3.8 million.

Capital Raises:

On May 25, the Company completed a public offering of 4,600,000 newly issued common shares. The offering generated net proceeds, before offering expenses, of approximately $145.7 million.

Balance Sheet and Financial Flexibility:

As of June 30, 2011, the Company had a total market capitalization of $4.9 billion, with $2.3 billion in debt outstanding, equating to a 47% debt-to-total market capitalization ratio. Also, the Company's weighted average interest rate was 4.9% for the quarter ended June 30, 2011 and 81% of the Company's debt was subject to fixed interest rates, including the effect of interest rate swaps.

For the second quarter 2011, the Company's adjusted EBITDA to interest expense coverage ratio was 3.10x, and the adjusted EBITDA fixed charge coverage ratio was 2.63x. Adjusting for construction in progress, the Company's adjusted debt-to-adjusted EBITDA ratio was 6.39x for the three months ended June 30, 2011.

Reconciliations of non-GAAP measures to the most directly comparable GAAP measures are included in the tables that follow the text of this press release.

2011 Guidance and Conference Call Information:

Management will discuss second quarter earnings results and any adjustments to earnings and FFO guidance for 2011, if applicable, on its conference call today at 11:00 a.m. Eastern Time, details of which are listed below:

Conference Call Date:	Thursday, July 28, 2011
Time:	11:00 a.m. Eastern Time
Telephone Number: (within the U.S.)	888-679-8034
Telephone Number: (outside the U.S.)	617-213-4847
Passcode:	36436732

Please use the following link to pre-register and view important information about this conference call. Pre-registering is not mandatory but is recommended as it will provide you

immediate entry into the call and will facilitate the timely start of the conference. Pre-registration only takes a few moments and you may pre-register at anytime, including up to and after the call start time. To pre-register, please click on the below link:

https://www.theconferencingservice.com/prereg/key.process?key=PAL8ATKPJ

You may also pre-register in the Investor Relations section of the Company's website at www.copt.com. Alternatively, you may be placed into the call by an operator by calling the number provided above at least 5 to 10 minutes before the start of the call. A replay of this call will be available beginning Thursday, July 28 at 2:00 p.m. Eastern Time through Thursday, August 4 at midnight Eastern Time. To access the replay within in the United States, please call 888-286-8010 and use passcode 33182288. To access the replay outside the United States, please call 617-801-6888 and use passcode 33182288.

The conference call will also be available via live webcast in the Investor Relations section of the Company's website at www.copt.com. A replay of the conference call will be immediately available via webcast in the Investor Relations section of the Company's website.

Definitions:

Please refer to the information furnished with our Form 8-K or our website (www.copt.com) for definitions of certain terms used in this press release. Reconciliations of non-GAAP measures to the most directly comparable GAAP measures are included in the attached tables.

Company Information

Corporate Office Properties Trust (COPT) (NYSE: OFC) is a specialty office real estate investment trust (REIT) that focuses primarily on strategic customer relationships and specialized tenant requirements in the U.S. Government and Defense Information Technology sectors and Data Centers serving such sectors. The Company acquires, develops, manages and leases office and data center properties that are typically concentrated in large office parks primarily located adjacent to government demand drivers and/or in strong markets that we believe possess growth opportunities. As of June 30, 2011, the Company owned 269 office properties totaling 21.4 million rentable square feet, which includes 20 properties totaling 1.1 million square feet held through joint ventures. The Company's portfolio primarily consists of technically sophisticated buildings in visually appealing settings that are environmentally sensitive, sustainable and meet unique customer requirements. COPT is an S&P MidCap 400 company and more information can be found at www.copt.com.

Forward-Looking Information

This press release may contain "forward-looking" statements, as defined in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, that are based on the Company's current expectations, estimates and projections about future events and financial trends affecting the Company. 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 the Company cannot predict

with accuracy and some of which the Company might not even anticipate. Accordingly, the Company 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.

Important factors that may affect these expectations, estimates, and projections include, but are not limited to:

- general economic and business conditions, which will, among other things, affect office property demand and rents, tenant creditworthiness, interest rates and financing availability;
- adverse changes in the real estate markets including, among other things, increased competition with other companies;
- the Company's ability to borrow on favorable terms;
- risks of real estate acquisition and development activities, including, among other things, risks that development projects may not be completed on schedule, that tenants may not take occupancy or pay rent or that development or operating costs may be greater than anticipated;
- risks of investing through joint venture structures, including risks that the Company's joint venture partners may not fulfill their financial obligations as investors or may take actions that are inconsistent with the Company's objectives;
- changes in our plans or views of market economic conditions or failure to obtain development rights, either of which could result in recognition of impairment losses;
- our ability to satisfy and operate effectively under Federal income tax rules relating to real estate investment trusts and partnerships;
- governmental actions and initiatives, including risks associated with the impact of a government shutdown such as a reduction in rental revenues or non-renewal of leases;
- the dilutive effect of issuing additional common shares; and
- environmental requirements.

The Company undertakes no obligation to update or supplement any forward-looking statements. For further information, please refer to the Company's filings with the Securities and Exchange Commission, particularly the section entitled "Risk Factors" in Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

Corporate Office Properties Trust

Summary Financial Data

(unaudited)

(Amounts in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Revenues				
Real estate revenues	$ 118,543	$ 106,729	$ 238,701	$ 216,360
Construction contract and	28,097	26,065	49,125	63,430

other service revenues				
Total revenues	146,640	132,794	287,826	279,790
Expenses				
Property operating expenses	44,721	39,260	94,431	86,206
Depreciation and amortization associated with real estate operations	31,440	28,720	62,830	55,531
Construction contract and other service expenses	26,909	25,402	47,527	61,801
Impairment losses	38,290	-	66,032	-
General and administrative expenses	6,320	5,926	13,097	11,826
Business development expenses	588	465	1,076	620
Total operating expenses	148,268	99,773	284,993	215,984
Operating (loss) income	(1,628)	33,021	2,833	63,806
Interest expense	(26,607)	(25,576)	(53,246)	(48,068)
Interest and other income	2,756	245	3,924	1,547
Loss on early extinguishment of debt	(25)	-	(25)	-
(Loss) income from continuing operations before equity in loss of				
unconsolidated entities and income taxes	(25,504)	7,690	(46,514)	17,285
Equity in loss of unconsolidated entities	(94)	(72)	(64)	(277)
Income tax benefit (expense)	5,042	(7)	5,586	(48)
(Loss) income from continuing operations	(20,556)	7,611	(40,992)	16,960
Discontinued operations	(5,467)	1,205	(6,298)	2,514
(Loss) income before gain on sales of real estate	(26,023)	8,816	(47,290)	19,474
Gain on sales of real estate, net of income taxes	16	335	2,717	352
Net (loss) income	(26,007)	9,151	(44,573)	19,826
Net loss (income) attributable to noncontrolling interests:				

Common units in the Operating Partnership	1,887	(364)	3,366	(891)
Preferred units in the Operating Partnership	(165)	(165)	(330)	(330)
Other consolidated entities	61	(156)	(477)	(201)
Net (loss) income attributable to COPT	(24,224)	8,466	(42,014)	18,404
Preferred share dividends	(4,026)	(4,026)	(8,051)	(8,051)
Net (loss) income attributable to COPT common shareholders	$ (28,250)	$ 4,440	$ (50,065)	$ 10,353
Earnings per share ("EPS") computation:				
Numerator for diluted EPS:				
Net (loss) income attributable to common shareholders	$ (28,250)	$ 4,440	$ (50,065)	$ 10,353
Dilutive effect of common units in the Operating Partnership	(1,887)	-	(3,366)	-
Amount allocable to restricted shares	(237)	(250)	(519)	(540)
Numerator for diluted EPS	$ (30,374)	$ 4,190	$ (53,950)	$ 9,813
Denominator:				
Weighted average common shares - basic	68,446	58,489	67,399	58,169
Dilutive effect of common units	4,382	-	4,389	-
Dilutive effect of share-based compensation awards	-	421	-	405
Weighted average common shares - diluted	72,828	58,910	71,788	58,574
Diluted EPS	$ (0.42)	$ 0.07	$ (0.75)	$ 0.17

Corporate Office Properties Trust

Summary Financial Data

(unaudited)

(Amounts in thousands, except per share data and ratios)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Net (loss) income	$ (26,007)	$ 9,151	$ (44,573)	$ 19,826
Add: Real estate-related depreciation and amortization	32,049	29,548	65,069	57,151
Add: Depreciation and amortization on unconsolidated real estate entities	115	171	234	346
Less: Gain on sales of previously depreciated operating properties, net of income taxes	(150)	-	(150)	(297)
Funds from operations ("FFO")	6,007	38,870	20,580	77,026
Noncontrolling interests - preferred units in the Operating Partnership	(165)	(165)	(330)	(330)
Noncontrolling interests - other consolidated entities	61	(156)	(477)	(201)
Preferred share dividends	(4,026)	(4,026)	(8,051)	(8,051)
Depreciation and amortization allocable to noncontrolling interests in other consolidated entities	(225)	(297)	(290)	(579)
Basic and diluted FFO allocable to restricted shares	(237)	(346)	(519)	(725)
Basic and diluted FFO available to common share and common unit holders ("Basic and diluted FFO")	1,415	33,880	10,913	67,140
Straight line rent adjustments	(2,611)	(1,473)	(6,523)	(3,819)
Amortization of acquisition intangibles included in net operating income	227	(94)	388	(364)
Recurring capital expenditures	(14,913)	(7,080)	(29,257)	(13,291)
Amortization of discount on				

Exchangeable Senior Notes, net of amounts capitalized	1,582	1,488	3,140	2,270
Impairment losses	44,605	-	72,347	-
Income tax benefit from impairment losses	(4,598)	-	(4,598)	-
Operating property acquisition costs	52	271	75	290
Loss on early extinguishment of debt	25	-	25	-
Diluted adjusted funds from operations available to common share and common unit holders ("Diluted AFFO")	$ 25,784	$ 26,992	$ 46,510	$ 52,226
Recurring capital expenditures on properties included in Strategic Reallocation Plan	2,475		8,130	
Diluted AFFO, as adjusted for recurring capital expenditures on properties included in Strategic Reallocation Plan	$ 28,259		$ 54,640	
Weighted average shares				
Weighted average common shares	68,446	58,489	67,399	58,169
Conversion of weighted average common units	4,382	4,558	4,389	4,786
Weighted average common shares/units - basic FFO per share	72,828	63,047	71,788	62,955
Dilutive effect of share-based compensation awards	151	421	205	405
Weighted average common shares/units - diluted FFO per share	72,979	63,468	71,993	63,360
Diluted FFO per share	$ 0.02	$ 0.53	$ 0.15	$ 1.06
Diluted FFO per share, as adjusted for comparability	$ 0.57	$ 0.54	$ 1.09	$ 1.06
Dividends/distributions per common share/unit	$ 0.4125	$ 0.3925	$ 0.8250	$ 0.7850
Payout ratios				

Diluted FFO, as adjusted for comparability	75.8	%	73.2	%	77.4	%	74.2	%
Diluted AFFO	121.9	%	92.6	%	131.1	%	95.8	%
Diluted AFFO, as adjusted for recurring capital expenditures on properties included in Strategic Reallocation Plan	111.3	%	N/A		111.6	%	N/A	
Adjusted EBITDA interest coverage ratio	3.10x		2.85x		3.02x		2.90x	
Adjusted EBITDA fixed charge coverage ratio	2.63x		2.41x		2.56x		2.44x	
Debt to Adjusted EBITDA ratio (1)	7.87x		8.36x		N/A		N/A	
Adjusted debt to Adjusted EBITDA ratio (2)	6.39x		7.14x		N/A		N/A	
Reconciliation of denominators for diluted EPS and diluted FFO per share								
Denominator for diluted EPS	72,828		58,910		71,788		58,574	
Weighted average common units	-		4,558		-		4,786	
Anti-dilutive EPS effect of share-based compensation awards	151		-		205		-	
Denominator for diluted FFO per share	72,979		63,468		71,993		63,360	

(1) Represents debt divided by Adjusted EBITDA for the three month period multiplied by four.

(2) Represents debt adjusted to subtract construction in progress as of period end divided by Adjusted EBITDA for the three month period multiplied by four.

Corporate Office Properties Trust

Summary Financial Data

(unaudited)

(Dollars and shares in thousands, except per share data)

	June 30, 2011	December 31, 2010
Balance Sheet Data (in		

thousands) (as of period end)		
Properties, net of accumulated depreciation	$ 3,472,861	$ 3,445,455
Total assets	3,868,230	3,844,517
Debt, net	2,299,416	2,323,681
Total liabilities	2,514,858	2,521,379
Beneficiaries' equity	1,353,372	1,323,138
Debt to total assets	59.4 %	60.4 %
Debt to undepreciated book value of real estate assets	56.0 %	57.2 %
Debt to total market capitalization	47.0 %	46.1 %
Property Data (wholly owned office properties)		
(as of period end)		
Number of operating properties owned	249	252
Total net rentable square feet owned (in thousands)	20,244	19,990
Occupancy	87.3 %	88.2 %
Reconciliation of denominator for debt to total assets to		
denominator for debt to undepreciated book value of		
real estate assets		
Denominator for debt to total assets	$ 3,868,230	$ 3,844,517
Assets other than assets included in properties, net	(395,369)	(399,062)
Accumulated depreciation on real estate assets	534,407	503,032
Intangible assets on real estate acquisitions, net	99,917	113,735
Denominator for debt to undepreciated book value of real estate assets	$ 4,107,185	$ 4,062,222

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Reconciliation of tenant improvements and incentives, capital improvements and leasing costs for operating properties to recurring capital expenditures				
Total tenant improvements and incentives on operating properties	$ 11,116	$ 4,630	$ 24,386	$ 8,701
Total capital improvements on operating properties	2,426	1,524	4,416	2,394
Total leasing costs on operating properties	3,388	1,350	6,124	2,688
Less: Nonrecurring tenant improvements and incentives on operating properties	(875)	(136)	(3,323)	(213)
Less: Nonrecurring capital improvements on operating properties	(820)	(293)	(1,430)	(353)
Less: Nonrecurring leasing costs for operating properties	(347)	(3)	(963)	51
Add: Recurring capital expenditures on operating properties held through joint ventures	25	8	47	23
Recurring capital expenditures	$ 14,913	$ 7,080	$ 29,257	$ 13,291

Corporate Office Properties Trust

Summary Financial Data

(unaudited)

(Dollars in thousands)

	Three Months Ended	Six Months Ended

	June 30, 2011	2010	June 30, 2011	2010
Reconciliation of common share dividends to dividends and distributions for payout ratios				
Common share dividends	$ 29,632	$ 23,259	$ 57,336	$ 46,419
Common unit distributions	1,808	1,749	3,617	3,616
Dividends and distributions for payout ratios	$ 31,440	$ 25,008	$ 60,953	$ 50,035
Reconciliation of FFO to FFO, as adjusted for comparability				
FFO	$ 6,007	$ 38,870	$ 20,580	$ 77,026
Impairment losses, net of related tax benefit	40,007	-	67,749	-
Operating property acquisition costs	52	271	75	290
Loss on early extinguishment of debt	25	-	25	-
FFO, as adjusted for comparability	$ 46,091	$ 39,141	$ 88,429	$ 77,316
Reconciliation of diluted FFO to diluted FFO available to common share and common unit holders, as adjusted for comparability				
Diluted FFO	$ 1,415	$ 33,880	$ 10,913	$ 67,140
Impairment losses, net of related tax benefit	40,007	-	67,749	-
Operating property acquisition costs	52	271	75	290
Loss on early extinguishment of debt	25	-	25	-
Diluted FFO available to common share and common unit holders, as adjusted for	$ 41,499	$ 34,151	$ 78,762	$ 67,430

comparability

Reconciliation of GAAP net (loss) income to adjusted earnings before interest, income taxes, depreciation and amortization ("Adjusted EBITDA")				
Net (loss) income	$ (26,007)	$ 9,151	$ (44,573)	$ 19,826
Interest expense on continuing operations	26,607	25,576	53,246	48,068
Interest expense on discontinued operations	223	345	512	556
Income tax (benefit) expense	(5,042)	7	(5,586)	59
Real estate-related depreciation and amortization	32,049	29,548	65,069	57,151
Depreciation of furniture, fixtures and equipment	623	632	1,248	1,282
Impairment losses	44,605	-	72,347	-
Adjusted EBITDA	$ 73,058	$ 65,259	$ 142,263	$ 126,942
Reconciliation of interest expense from continuing operations to the denominators for interest coverage-Adjusted EBITDA and fixed charge coverage-Adjusted EBITDA				
Interest expense from continuing operations	$ 26,607	$ 25,576	$ 53,246	$ 48,068
Interest expense from discontinued operations	223	345	512	556
Less: Amortization of deferred financing costs	(1,702)	(1,495)	(3,461)	(2,621)
Less: Amortization of discount on Exchangeable Senior Notes, net of amounts capitalized	(1,582)	(1,488)	(3,140)	(2,270)
Denominator for interest coverage-Adjusted EBITDA	23,546	22,938	47,157	43,733

Preferred share dividends	4,026	4,026	8,051	8,051
Preferred unit distributions	165	165	330	330
Denominator for fixed charge coverage-Adjusted EBITDA	$ 27,737	$ 27,129	$ 55,538	$ 52,114
Reconciliation of same office property net operating income to same office property cash net operating income and same office property cash net operating income, excluding gross lease termination fees				
Same office property net operating income	$ 62,961	$ 64,263	$ 122,021	$ 125,023
Less: Straight-line rent adjustments	(1,581)	(1,511)	(4,662)	(3,842)
Less: Amortization of deferred market rental revenue	(193)	(281)	(432)	(736)
Same office property cash net operating income	$ 61,187	$ 62,471	$ 116,927	$ 120,445
Less: Lease termination fees, gross	(46)	(976)	(183)	(1,066)
Same office property cash net operating income, excluding gross lease termination fees	$ 61,141	$ 61,495	$ 116,744	$ 119,379
Reconciliation of debt, net to denominator for adjusted debt to Adjusted EBITDA ratio				
Debt, net	$ 2,299,416	$ 2,182,375		
Less: Construction in progress, including held for sale properties	(430,608)	(319,846)		
Denominator for adjusted debt to Adjusted EBITDA	$ 1,868,808	$ 1,862,529		

ratio

Source: Corporate Office Properties Trust (COPT)