April 26, 2012

COPT Reports First Quarter 2012 Results

COLUMBIA, Md.--(BUSINESS WIRE)-- Corporate Office Properties Trust (COPT) (NYSE: OFC), an office real estate investment trust (REIT) that focuses primarily on serving the specialized requirements of U.S. Government and Defense Information Technology tenants, announced financial and operating results for the first quarter ended March 31, 2012.

"While we continue to operate in a challenging economic environment, 2012 is starting off well, as evidenced by our quarterly results," stated Roger A. Waesche, Jr., President and Chief Executive Officer of Corporate Office Properties Trust. "We continue to make solid progress executing on our Strategic Reallocation Plan and we are pleased with the performance of our same office portfolio," he added.

Results:

Diluted earnings per share (EPS) was $0.04 for the quarter ended March 31, 2012 as compared to an EPS loss of ($0.33) in the first quarter of 2011. Diluted funds from operations per share (FFOPS), as adjusted for comparability, was $0.53 for the first quarter ended March 31, 2012, which represented an 8% increase from the $0.49 reported for the first quarter of 2011. Adjustments for comparability encompass items such as acquisition costs, impairments and gains on non-operating properties, gains (losses) on early extinguishment of debt and derivative losses. Please refer to the reconciliation tables that appear later in this press release. Per NAREIT's definition, FFOPS for the first quarter of 2012 was $0.54 versus $0.13 reported in the first quarter of 2011.

Operating Performance:

Portfolio Summary – At March 31, 2012, the Company's consolidated portfolio of 231 operating office properties totaled 20.2 million square feet. The weighted average remaining lease term for the portfolio was 4.7 years and the average rental rate (including tenant reimbursements) was $26.95 per square foot. The Company's consolidated portfolio was 87% occupied and 89% leased as of March 31, 2012, up 80 and 70 basis points, respectively, from December 31, 2011 levels.

Same Office Performance – The Company's same office portfolio excludes properties identified for eventual disposal as part of the Company's Strategic Reallocation Plan. For the quarter ended March 31, 2012, COPT's same office portfolio represents 79% of the rentable square feet of the portfolio and consists of 169 properties. The Company's same office portfolio occupancy was 89.5% at the end of the first quarter of 2012, down 10 basis points from year end 2011.

For the first quarter ended March 31, 2012, the Company's same office property cash NOI, excluding gross lease termination fees, increased 7% as compared to the first quarter ended 2011. Including gross lease termination fees, same office property cash NOI for the first quarter ended March 31, 2012 increased 8% over the same period in 2011.

Leasing – COPT leased a total of 570,000 square feet during the quarter ended March 31, 2012, which included 86,000 square feet of development leasing. During this same period, the Company's renewal rate was 59%. For the quarter ended March 31, 2012, total rent on renewed space increased 2% as measured from the straight-line rent in effect preceding the renewal date; on a cash basis, renewal rents decreased 8%.

Investment Activity:

Construction – At March 31, 2012, the Company had six office properties totaling 789,000 square feet under construction for a total projected cost of $197.7 million, of which $136.4 million had been incurred.

Dispositions – In the first quarter of 2012, COPT sold seven stabilized properties, two vacant properties and a land parcel for net proceeds of approximately $61 million. The stabilized buildings contained an aggregate of 219,000 square feet and were 80% occupied (63 leases) at the time of sale.

Capital Transactions:

In February, the Company entered into a $250 million term loan agreement with its bank group. The Term Loan has a five-year term and a variable interest rate of LIBOR plus 1.65% to 2.40%, depending on the Company's leverage levels. The Company used proceeds from the Term Loan to repay outstanding balances on its unsecured line of credit.

Balance Sheet and Financial Flexibility:

As of March 31, 2012, the Company had a total market capitalization of $4.4 billion, with $2.4 billion in debt outstanding, equating to a 55% debt-to-total market capitalization ratio. Also, the Company's weighted average interest rate was 4.37% for the quarter ended March 31, 2012 and 80% of the Company's debt was subject to fixed interest rates, including the effect of interest rate swaps.

For the first quarter 2012, the Company's adjusted EBITDA to interest expense coverage ratio was 3.20x, and the adjusted EBITDA fixed charge coverage ratio was 2.72x. Adjusting for construction in progress, the Company's adjusted debt-to-adjusted EBITDA ratio was 6.69x for the three months ended March 31, 2012.

2012 FFO Guidance:

Management is affirming its previously issued guidance for 2012 FFOPS of between $2.02 and $2.18, and is issuing second quarter 2012 FFOPS guidance of $0.48 to $0.52. A reconciliation of projected diluted EPS to projected FFOPS for the quarter ending June 30, 2012 and the year ending December 31, 2012 is provided, as follows:

	Quarter Ending June 30, 2012		Year Ending December 31, 2012	
	Low	High	Low	High
FFOPS	$ 0.48	$ 0.52	$ 2.02	$ 2.18
Real estate depreciation and amortization	(0.44)	(0.44)	(1.73)	(1.73)
Impairments of previously depreciated properties	-	-	(0.16)	(0.16)
Gains on sales of previously depreciated properties	-	-	0.05	0.05
EPS	$ 0.04	$ 0.08	$ 0.18	$ 0.34

Conference Call Information:

Management will discuss first quarter 2012 earnings results, as well as its 2012 guidance, on its conference call today at 11:00 a.m. Eastern Time, details of which are listed below:

Conference Call Date:	Thursday, April 26, 2012
Time:	11:00 a.m. Eastern Time
Telephone Number: (within the U.S.)	888-679-8035
Telephone Number: (outside the U.S.)	617-213-4848
Passcode:	35166438

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=PJAUAWVD7

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, April 26 at 3:00 p.m. Eastern Time through Thursday, May 10 at midnight Eastern Time. To access the replay within the United States, please call 888-286-8010 and use passcode 94646315. To access the replay outside the United States, please call 617-801-6888 and use passcode 94646315.

The conference calls 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 calls will be immediately available via webcast in the Investor Relations section of the Company's website.

Company Information:

COPT is an office 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 March 31, 2012, the Company's consolidated portfolio consisted of 231 office properties totaling 20.2 million rentable square feet. 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 and data center demand and rents, tenant creditworthiness, interest rates, financing availability and property values;*
- *adverse changes in the real estate markets including, among other things, increased competition with other companies;*
- *governmental actions and initiatives, including risks associated with the impact of a government shutdown or budgetary reductions or impasses, such as a reduction in rental revenues, non-renewal of leases, and/or a curtailment of demand for additional space by strategic tenants;*
- *the Company's ability to sell properties included in its Strategic Reallocation Plan;*
- *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 the Company's plans or views of market economic conditions or failure to*

obtain development rights, either of which could result in recognition of impairment losses;

- *the Company's ability to satisfy and operate effectively under Federal income tax rules relating to real estate investment trusts and partnerships;*
- *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, 2011.

Reconciliations:

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

Corporate Office Properties Trust
Summary Financial Data
(unaudited)
(Amounts in thousands, except per share data)

	Three Months Ended March 31,	
	2012	**2011**
Revenues		
Real estate revenues	$121,939	$116,461
Construction contract and other service revenues	21,534	21,028
Total revenues	143,473	137,489
Expenses		
Property operating expenses	47,202	47,061
Depreciation and amortization associated with real estate operations	31,066	30,043
Construction contract and other service expenses	20,607	20,618
Impairment losses	5,126	27,742
General and administrative expenses	7,017	6,777
Business development expenses and land carry costs	1,594	1,241
Total operating expenses	112,612	133,482
Operating income	30,861	4,007
Interest expense	(25,224)	(26,115)
Interest and other income	1,217	1,168
Income (loss) from continuing operations before equity in (loss) income of unconsolidated entities and income taxes	6,854	(20,940)
Equity in (loss) income of unconsolidated entities	(89)	30
Income tax (expense) benefit	(4,173)	544
Income (loss) from continuing operations	2,592	(20,366)
Discontinued operations	4,385	(901)
Income (loss) before gain on sales of real estate	6,977	(21,267)
Gain on sales of real estate, net of income taxes	-	2,701
Net income (loss)	6,977	(18,566)
Net (income) loss attributable to noncontrolling interests		
Common units in the Operating Partnership	(159)	1,479
Preferred units in the Operating Partnership	(165)	(165)
Other consolidated entities	24	(538)
Net income (loss) attributable to COPT	6,677	(17,790)
Preferred share dividends	(4,025)	(4,025)
Net income (loss) attributable to COPT common shareholders	$ 2,652	$ (21,815)
Earnings per share ("EPS") computation:		
Numerator for diluted EPS:		
Net income (loss) attributable to common shareholders	$ 2,652	$ (21,815)
Dilutive effect of common units in the Operating Partnership	-	(1,479)
Amount allocable to restricted shares	(141)	(282)
Numerator for diluted EPS	$ 2,511	$ (23,576)
Denominator:		
Weighted average common shares - basic	71,458	66,340
Dilutive effect of common units in the Operating Partnership	-	4,396
Weighted average common shares - diluted	71,458	70,736
Diluted EPS	$ 0.04	$ (0.33)

Corporate Office Properties Trust
Summary Financial Data
(unaudited)

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

	Three Months Ended March 31,	
	2012	**2011**
Net income (loss)	$ 6,977	$(18,566)
Real estate-related depreciation and amortization	31,087	33,020
Impairment losses on previously depreciated operating properties	11,833	-
Depreciation and amortization on unconsolidated real estate entities	114	119
Gain on sales of previously depreciated operating properties, net of income taxes	(4,138)	-
Funds from operations ("FFO")	45,873	14,573
Noncontrolling interests - preferred units in the Operating Partnership	(165)	(165)
Noncontrolling interests - other consolidated entities	24	(538)
Preferred share dividends	(4,025)	(4,025)
Depreciation and amortization allocable to noncontrolling interests in other consolidated entities	(284)	(65)
Basic and diluted FFO allocable to restricted shares	(294)	(282)
Basic and diluted FFO available to common share and common unit holders ("Basic and diluted FFO")	41,129	9,498
Operating property acquisition costs	-	23
Gain on sales of non-operating properties, net of income taxes	-	(2,701)
Impairment (recoveries) losses on other properties	(5,246)	27,742
Income tax expense on impairment recoveries on other properties	4,642	-
Diluted FFO available to common share and common unit holders, as adjusted for comparability	40,525	34,562
Straight line rent adjustments	(2,179)	(3,912)
Amortization of acquisition intangibles included in net operating income	190	161
Share-based compensation, net of amounts capitalized	3,402	2,759
Amortization of deferred financing costs	1,572	1,759
Amortization of net debt discounts, net of amounts capitalized	663	1,398
Amortization of settled debt hedges	16	16
Recurring capital expenditures on properties not in disposition plans	(1,875)	(7,976)
Diluted adjusted funds from operations available to common share and common unit holders, excluding recurring capital expenditures on properties sold or in disposition plans	42,314	28,767
Recurring capital expenditures on properties sold or in disposition plans	(1,548)	(6,368)
Diluted adjusted funds from operations available to common share and common unit holders ("Diluted AFFO")	$40,766	$ 22,399
Weighted average shares		
Weighted average common shares	71,458	66,340
Conversion of weighted average common units	4,281	4,396
Weighted average common shares/units - basic FFO per share	75,739	70,736
Dilutive effect of share-based compensation awards	44	261
Weighted average common shares/units - diluted FFO per share	75,783	70,997
Diluted FFO per share	$ 0.54	$ 0.13
Diluted FFO per share, as adjusted for comparability	$ 0.53	$ 0.49
Dividends/distributions per common share/unit	$0.2750	$ 0.4125
Payout ratios		
Diluted FFO	51.0%	310.7%
Diluted FFO, as adjusted for comparability	51.8%	85.4%
Diluted AFFO, excluding recurring capital expenditures on properties sold or in disposition plans	49.6%	102.6%
Adjusted EBITDA interest coverage ratio	3.20x	2.91x
Adjusted EBITDA fixed charge coverage ratio	2.72x	2.48x
Debt to Adjusted EBITDA ratio (1)	8.05x	8.66x
Adjusted debt to Adjusted EBITDA ratio (2)	6.69x	7.23x
Reconciliation of denominators for diluted EPS and diluted FFO per share		
Denominator for diluted EPS	71,458	70,736
Weighted average common units	4,281	-

Anti-dilutive EPS effect of share-based compensation awards	44	261
Denominator for diluted FFO per share	75,783	70,997

(1) Represents debt as of period end divided by Adjusted EBITDA for the period, as annualized (i.e. three month periods are multiplied by four).

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

Corporate Office Properties Trust
Summary Financial Data
(unaudited)
(Dollars and shares in thousands, except per share data)

	March 31, 2012	December 31, 2011
Balance Sheet Data (in thousands) (as of period end)		
Properties, net of accumulated depreciation	$3,338,291	$3,352,975
Total assets	3,797,368	3,867,524
Debt, net	2,418,078	2,426,303
Total liabilities	2,596,572	2,649,459
Beneficiaries' equity	1,200,796	1,218,065
Debt to undepreciated book value of real estate assets	59.4%	58.8%
Debt to total market capitalization	54.8%	56.8%
Property Data (consolidated office properties) (as of period end)		
Number of operating properties owned	231	238
Total net rentable square feet owned (in thousands)	20,236	20,514
Occupancy	87.0%	86.2%
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	$3,797,368	$3,867,524
Assets other than assets included in properties, net and assets held for sale	(377,725)	(397,933)
Accumulated depreciation on real estate assets	570,242	559,679
Accumulated depreciation included in assets held for sale	5,840	17,922
Intangible assets on real estate acquisitions, net	83,940	89,120
Non real estate assets included in assets held for sale	(5,664)	(6,523)
Denominator for debt to undepreciated book value of real estate assets	$4,074,001	$4,129,789

	Three Months Ended March 31,	
	2012	2011
Reconciliations of tenant improvements and incentives, capital improvements and leasing costs for operating properties to recurring capital expenditures		
Properties not sold or in disposition plans		
Tenant improvements and incentives on operating properties	$ 666	$ 7,435
Building improvements on operating properties	871	944
Leasing costs for operating properties	1,299	2,601
Less: Nonrecurring tenant improvements and incentives on operating properties	(561)	(2,211)
Less: Nonrecurring building improvements on operating properties	(407)	(199)
Less: Nonrecurring leasing costs for operating properties	-	(616)
Add: Recurring capital expenditures on operating properties held through joint ventures	7	22
Recurring capital expenditures on properties not sold or in disposition plans	$ 1,875	$ 7,976
Properties sold or in disposition plans		
Tenant improvements and incentives on operating properties	$ 930	$ 5,835
Building improvements on operating properties	823	1,046
Leasing costs for operating properties	142	135
Less: Nonrecurring tenant improvements and incentives on operating properties	(158)	(237)
Less: Nonrecurring building improvements on operating properties	(189)	(411)
Recurring capital expenditures on properties sold or in disposition plans	$ 1,548	$ 6,368

Corporate Office Properties Trust
Summary Financial Data

(unaudited)
(Dollars in thousands)

	Three Months Ended March 31,	
	2012	2011
Reconciliation of common share dividends to dividends and distributions for payout ratios		
Common share dividends	$ 19,819	$ 27,704
Common unit distributions	1,173	1,809
Dividends and distributions for payout ratios	$ 20,992	$ 29,513
Reconciliation of FFO to FFO, as adjusted for comparability		
FFO	$ 45,873	$ 14,573
Gain on sales of non-operating properties, net of income taxes	-	(2,701)
Impairment (recoveries) losses on non-operating properties, net of associated tax	(604)	27,742
Operating property acquisition costs	-	23
FFO, as adjusted for comparability	$ 45,269	$ 39,637
Reconciliation of GAAP net (loss) income to adjusted earnings before interest, income taxes, depreciation and amortization ("Adjusted EBITDA")		
Net income (loss)	$ 6,977	$ (18,566)
Interest expense on continuing operations	25,224	26,115
Interest expense on discontinued operations	451	813
Income tax expense (benefit)	4,173	(544)
Real estate-related depreciation and amortization	31,087	33,020
Depreciation of furniture, fixtures and equipment	618	625
Impairment losses	6,587	27,742
Adjusted EBITDA	$ 75,117	$ 69,205
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	$ 25,224	$ 26,115
Interest expense from discontinued operations	451	813
Less: Amortization of deferred financing costs	(1,572)	(1,759)
Less: Amortization of net debt discount, net of amounts capitalized	(663)	(1,398)
Denominator for interest coverage-Adjusted EBITDA	23,440	23,771
Preferred share dividends	4,025	4,025
Preferred unit distributions	165	165
Denominator for fixed charge coverage-Adjusted EBITDA	$ 27,630	$ 27,961
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	$ 64,826	$ 61,775
Less: Straight-line rent adjustments	(1,992)	(3,515)
Less: Amortization of deferred market rental revenue	(103)	(124)
Add: Amortization of above-market cost arrangements	353	434
Same office property cash net operating income	63,084	58,570
Less: Lease termination fees, gross	(534)	(138)
Same office property cash net operating income, excluding gross lease termination fees	$ 62,550	$ 58,432
Reconciliation of debt, net to denominator for adjusted debt to Adjusted EBITDA ratio		
Debt, net	$2,418,078	$2,396,795
Less: Construction in progress	(408,883)	(396,170)
Less: Construction in progress on assets held for sale	(75)	-
Denominator for adjusted debt to adjusted EBITDA ratio	$2,009,120	$2,000,625

Corporate Office Properties Trust
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