December 21, 2015

COPT Establishes 2016 FFO Per Share Guidance

COLUMBIA, Md.--(BUSINESS WIRE)-- Corporate Office Properties Trust ("COPT" or the "Company") (NYSE: OFC) is establishing the following guidance ranges for the year ending December 31, 2016. Please see the following page, as well as the presentation titled "2016 Initial Guidance" available on the 'Investors' tab of www.copt.com for assumptions underlying the following:

- Diluted FFO per share ("FFOPS"), as adjusted for comparability, in the range of $1.95−$2.05
- FFOPS, as defined by NAREIT, in the range of $1.95−$2.05
- Diluted earnings per share ("EPS") in the range of $0.45−$0.55

"Given the growing demand for newly developed space in our strategic markets and the liquidity of the disposition environment, we are increasing sales of operating properties in 2016 from the $225 million originally planned, to between $400–$425 million," stated Roger A. Waesche, Jr., COPT's President & Chief Executive Officer. "Although the mid-point of our 2016 guidance range for FFO per share of $2.00 is a penny below the mid-point of our 2015 guidance, the upgrades we made to our portfolio in the last several years should enable us to grow AFFO between 4% and 6% in 2016. Additionally, the increased disposition pipeline will further improve our leverage and credit metrics, plus provide a cash cushion to fund strategic development. Being a net-seller of assets in 2016 – while still growing AFFO – demonstrates the strength of our portfolio and ensures our ability to continue executing on a robust pipeline of development opportunities."

2016 Guidance Reconciliation Tables

A reconciliation of projected EPS to projected FFOPS, in accordance with NAREIT and as adjusted for comparability, for the year ending December 31, 2016 is as follows:

	Year ending December 31, 2016	
	Low	High
EPS	$ 0.45	$ 0.55
Real estate depreciation and amortization	1.60	1.60
Gains on sales of operating properties	(0.10)	(0.10)
FFOPS, NAREIT definition & as adjusted for comparability	$ 1.95	$ 2.05

Assumptions Underpinning 2016 Guidance

The table below details assumptions that underpin the Company's 2016 FFOPS and EPS guidance:

Portfolio Metrics (a)	
2016 Same Office Pool:	
% increase in cash NOI (b)	3% – 3.5%
Average occupancy	91% – 93%
Year-end occupancy	93% – 95%
Lease Expirations (c):	
SF expiring (as % of total ann'l revs)	1.0 MM SF (6.7%)
2016 expected renewal rate	65% – 70%
Cash rental rates on renewing leases	(3%) − (2%)
Revenue at Risk (d):	$21.4
- Portion in lease negotiation	(10.0)
Remaining revenue at risk	$11.4
NOI from developments placed into service (e)	$18
COPT DC-6 cash NOI	$17

Investment Activity (a)		**Yield**
Dispositions:		
Operating properties	$400 – $425	7.0% − 8.5%
Land (f)	40	--
Total dispositions	approx $440 – $465	
Acquisitions:		
Operating properties	None	
		--
Strategic land for development	$40	--
Development & redevelopment spend: (g)	$200 – $225	7.5% − 9.5%

Year-End Balance Sheet Metrics	
Debt to Adjusted Book ratio	38% – 40%
Adj. Debt-to-In-Place Adj. EBITDA ratio	≤ 6.1x

Other (a)			
Development fee and interest income	$6.5 − $7.5	GAAP straight lined rent	$8
Lease termination fee income	$1	Other GAAP adjustments (FAS 141)	($5)
G&A, Leasing Costs and New Business Costs	$35 − $36	Recurring capital expenditures	$48 − $52
Capitalized interest expense	$8	Dividend / AFFO payout ratio	70% – 75%

a. Dollars in millions.
b. Based on cash NOI, excluding lease termination fee income and prepayments of rent.
c. Based on the Company's core portfolio, which excludes assets held-for-sale.
d. Revenue at risk is the amount of revenue not yet associated with an executed lease required to achieve the mid-point of guidance.
e. This amount represents cash NOI from developments placed into service during 2015 and 2016, all of which was under executed leases as of December 31, 2015.
f. Includes $19 million of land in Northern Virginia and Colorado Springs that the Company has under contract to sell in 2016.
g. Development spend excludes the value of land in production. Yields on developments are initial stabilized cash yields.

Company Information

COPT is an office REIT that focuses primarily on serving the specialized requirements of U.S. Government agencies and defense contractors, most of which are engaged in defense information technology and national security-related activities. As of September 30, 2015, COPT derived 75% of its core portfolio's annualized revenue from its strategic niche properties and 25% from its regional office properties. The Company generally acquires, develops, manages and leases office and data center properties concentrated in large office parks primarily located near knowledge-based government demand drivers and/or in targeted markets or submarkets in the Greater Washington, DC/Baltimore region. As of September 30, 2015, the Company's core portfolio consisted of 164 office properties totaling 17.5 million rentable square feet. COPT is an S&P MidCap 400 company.

Non-GAAP Measures

The Company believes that the measures defined below that are not determined in accordance with generally accepted accounting principles ("GAAP") are helpful to investors

in measuring its performance and comparing it to that of other real estate investment trusts ("REITs"). Since these measures exclude certain items includable in their respective most comparable GAAP measures, reliance on the measures has limitations; the Company's management compensates for these limitations by using the measures simply as supplemental measures that are weighed in balance with other GAAP and non-GAAP measures. These measures are not necessarily indications of its cash flow available to fund cash needs. Additionally, they should not be used as an alternative to the respective most comparable GAAP measures when evaluating the Company's financial performance or to cash flow from operating, investing and financing activities when evaluating its liquidity or ability to make cash distributions or pay debt service.

Adjusted book – *Defined as total assets presented on the Company's consolidated balance sheet excluding the effect of accumulated depreciation on real estate properties, accumulated amortization of intangible assets on real estate acquisitions and accumulated amortization of deferred leasing costs, and excluding the effect of properties that served as collateral for debt in default that was extinguished via conveyance of such properties.*

Adjusted debt – *Defined as the carrying value of debt, as adjusted to subtract cash and cash equivalents as of the end of the period and debt in default that was extinguished via conveyance of properties.*

Adjusted debt to in-place adjusted EBITDA ratio – *Defined as adjusted debt (as defined above) divided by in-place adjusted EBITDA (defined below) for the three month period that is annualized by multiplying by four.*

Adjusted earnings before interest, income taxes, depreciation and amortization ("Adjusted EBITDA") – *Adjusted EBITDA is net income (loss) adjusted for the effects of interest expense, depreciation and amortization, impairment losses, gain on sales of properties, gain or loss on early extinguishment of debt, net gain on unconsolidated entities, operating property acquisition costs, loss on interest rate derivatives, income taxes, demolition costs on redevelopment properties and executive transition costs, and excluding the effect of properties that served as collateral for debt in default that was extinguished via conveyance of such properties. The Company believes that adjusted EBITDA is a useful supplemental measure of performance for assessing un-levered performance, and believes that net income is the most directly comparable GAAP.*

Basic FFO available to common share and common unit holders ("Basic FFO") – *This measure is FFO adjusted to subtract (1) preferred share dividends, (2) income attributable to noncontrolling interests through ownership of preferred units in Corporate Office 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 restricted shares 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 the Company's common shares of beneficial interest ("common shares") and are exchangeable into common shares, subject to certain conditions. The Company believes that Basic FFO is useful to investors due to the close correlation of common units to common shares, and believes that net income is the most directly comparable GAAP measure.*

Cash net operating income ("Cash NOI") *– Defined as NOI from real estate operations adjusted to eliminate the effects of noncash rental revenues and property operating expenses (comprised of straight-line rental adjustments, which includes the amortization of tenant incentives, and amortization of acquisition intangibles included in FFO and NOI). Under GAAP, rental revenue is recognized evenly over the term of tenant leases. Many leases provide for contractual rent increases and the effect of accounting under GAAP for such leases is to accelerate the recognition of lease revenue. Since some leases provide for periods under the lease in which rental concessions are provided to tenants, the effect of accounting under GAAP is to allocate rental revenue to such periods. Also under GAAP, when a property is acquired, the Company allocates the acquisition to certain intangible components (including above- and below-market leases and above- or below-market cost arrangements), which are then amortized into FFO and NOI over their estimated lives. The Company believes that Cash NOI is an important supplemental measure of operating performance for a REIT's operating real estate because it makes adjustments to NOI for the above stated items that are not associated with cash to the Company. As is the case with NOI, the measure is useful in its opinion in evaluating and comparing the performance of geographic segments, same-office property groupings and individual properties. The Company believes that net income is the most directly comparable GAAP measure to Cash NOI.*

Debt to Adjusted book –*Defined as debt, as adjusted to subtract debt in default that was extinguished via conveyance of properties, divided by Adjusted book (defined above).*

Diluted adjusted funds from operations available to common share and common unit holders ("Diluted AFFO") – *Defined as 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" below), (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) recurring capital expenditures. Recurring capital expenditures are defined as tenant improvements and incentives, building improvements and leasing costs 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) or (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); recurring capital expenditures excludes expenditures of operating properties included in disposition plans during the period that were already sold or are held for future disposition. The Company believes that Diluted AFFO is an important supplemental measure of liquidity for an equity REIT because it provides management and investors with an indication of its ability to incur and service debt and to fund dividends and other cash needs, and believes that the numerator to diluted EPS is the most directly comparable GAAP measure.*

Diluted FFO available to common share and common unit holders ("Diluted FFO") – *Diluted FFO is 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 assumes the conversion of common units in the Operating Partnership 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. The Company believes that Diluted FFO is useful to investors because it is the numerator used to compute Diluted FFO per share, discussed below, and believes that the numerator to diluted EPS is the most directly comparable GAAP measure.

Diluted FFO available to common share and common unit holders, as adjusted for comparability ("Diluted FFO, as adjusted for comparability") and FFO, as adjusted for comparability – *Defined as Diluted FFO or FFO adjusted to exclude: operating property acquisition costs: gains on sales of, and impairment losses on, properties other than previously depreciated operating properties, net of associated income tax; gain or loss on early extinguishment of debt; FFO associated with properties that secured non-recourse debt on which the Company defaulted and, subsequently, extinguished via conveyance of such properties (including property NOI, interest expense and gains on debt extinguishment); loss on interest rate derivatives; demolition costs on redevelopment properties; executive transition costs; and accounting charges for original issuance costs associated with redeemed preferred shares. The Company believes that the excluded items are not reflective of normal operations and, as a result, believes that a measure that excludes these items is a useful supplemental measure in evaluating operating performance. The adjustment for FFO associated with properties securing non-recourse debt on which the Company defaulted pertains to the periods subsequent to its default on the loan's payment terms, which was the result of its decision to not support payments on the loan since the estimated fair value of the properties was less than the loan balance. While the Company continued as the legal owner of the properties during this period, all cash flows produced by them went directly to the lender and the Company did not fund any debt service shortfalls, which included incremental additional interest under the default rate. The Company believes that the numerator to diluted EPS is the most directly comparable GAAP measure to this non-GAAP measure.*

Diluted FFO per share – *Diluted FFO per share is (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 in the Operating Partnership 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. The Company believes that Diluted FFO per share is useful to investors because it provides investors with a further context for evaluating its FFO results in the same manner that investors use earnings per share ("EPS") in evaluating net income available to common shareholders. The Company believes that diluted EPS is the most directly comparable GAAP measure to Diluted FFO per share.*

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 in the Operating Partnership 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. As discussed above, the Company believes that the excluded items are not indicative of normal operations. As such, the Company believes that a measure that excludes these items is a useful supplemental measure in evaluating its operating performance. The Company believes that diluted EPS is the most directly comparable GAAP measure.

Funds from operations ("FFO" or "FFO per NAREIT") – *Defined as net income computed using GAAP, excluding gains on sales of, and impairment losses on, previously depreciated operating properties and real estate-related depreciation and amortization. When multiple properties consisting of both operating and non-operating properties exist on a single tax parcel, the Company classifies all of the gains on sales of, and impairment losses on, the tax parcel as all being for previously depreciated operating properties when most of the value of the parcel is associated with operating properties on the parcel. The Company believes that it uses the National Association of Real Estate Investment Trust's ("NAREIT") definition of FFO, although others may interpret the definition differently and, accordingly, its presentation of FFO may differ from those of other REITs. The Company believes that FFO is useful to management and investors as a supplemental measure of operating performance because, by excluding gains related to sales of, and impairment losses on, previously depreciated operating properties and excluding real estate-related depreciation and amortization, FFO can help one compare operating performance between periods. The Company believes that net income is the most directly comparable GAAP measure to FFO.*

In-place adjusted EBITDA – *Defined as Adjusted EBITDA, as further adjusted for: (1) the removal of NOI pertaining to properties in the quarterly periods in which such properties were sold; and (2) the addition of pro forma adjustments to NOI for properties acquired or placed into service subsequent to the commencement of a quarter made in order to reflect a full quarter of ownership/operations. The Company believes that in-place adjusted EBITDA is a useful supplemental measure of performance for assessing un-levered performance, as further adjusted for changes in operating properties subsequent to the commencement of a quarter. The Company believes that net income is the most directly comparable GAAP measure to in-place adjusted EBITDA.*

Net operating income ("NOI") from real estate operations – *NOI is real estate revenues from continuing and discontinued operations reduced by total property expenses associated with real estate operations, including discontinued operations; total property expenses, as used in this definition, do not include depreciation, amortization or interest expense associated with real estate operations. The Company believes that NOI is an important supplemental measure of operating performance for a REIT's operating real estate because it provides a measure of the core real estate operations that is unaffected by depreciation, amortization, financing and general, administrative and leasing expenses; the Company believes this measure is particularly useful in evaluating the performance of geographic segments, same-office property groupings and individual properties. The Company believes that net income is the most directly comparable GAAP measure to NOI.*

Payout ratios based on Diluted AFFO –*Defined as (1) the sum of (a) dividends on common shares and (b) distributions to holders of interests in the Operating Partnership and dividends on convertible preferred shares when such distributions and dividends are included in Diluted FFO divided by (2) Diluted AFFO.*

Recurring capital expenditures – *Definition is included above in the definition for Diluted AFFO.*

Same office property cash NOI –*Defined as cash NOI attributable to same office properties with additional adjustments to eliminate the effects of: (1) lease termination fees paid by tenants to terminate their lease obligations prior to the end of the agreed upon lease terms; and (2) rental revenue recognized under GAAP resulting from landlord assets funded by tenants. Lease termination fees and tenant-funded landlord improvements are often recognized as revenue in large one-time lump sum amounts. The Company believes that cash NOI attributable to same office properties with additional adjustments to eliminate the effects of these amounts is a useful supplemental measure of operating performance in evaluating same-office property groupings, and believes that net income is the most directly comparable GAAP measure.*

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 prolonged 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 the Company's strategic customers;*
- *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 for properties or views of market economic conditions or failure to obtain development rights, either of which could result in recognition of significant 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 Company's ability to achieve projected results;*
- *the dilutive effects 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, 2014.

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