April 29, 2016

COPT Reports First Quarter 2016 Results

COLUMBIA, Md.--(BUSINESS WIRE)-- Corporate Office Properties Trust ("COPT" or the "Company") (NYSE: OFC) announced financial and operating results for the first quarter ended March 31, 2016.

Management Comments

"We've started the year with a strong first quarter," stated Roger A. Waesche, Jr., COPT's President & Chief Executive Officer. "Solid tenant retention and positive rent spreads on renewing leases − 11.4% on a GAAP basis and 2.0% on a cash basis – combined with a 6.4% increase in same office cash NOI all demonstrate the strength of our portfolio." Stephen E. Budorick, COPT's Chief Operating Officer added, "We are highly confident in our leasing forecast and, accordingly, are increasing our same office cash NOI guidance range for the year by 50 bps to between 3.5% and 4.0%. We are executing our 2016 plan which, in addition to generating strong same office results, includes enhancing value through select asset sales that will further strengthen our balance sheet and fund our growing development pipeline."

Financial Highlights

1st Quarter Financial Results:

- Diluted earnings per share ("EPS") was $0.03 for the quarter ended March 31, 2016 as compared to $0.10 for the first quarter of 2015.
- Diluted funds from operations per share ("FFOPS"), as calculated in accordance with NAREIT's definition, was $0.39 for the first quarter of 2016 as compared to $0.43 for the first quarter of 2015.
- FFOPS, as adjusted for comparability, was $0.47 for the quarter ended March 31, 2016 as compared to $0.45 for the first quarter of 2015.

Adjustments for comparability encompass items such as acquisition costs, impairment losses and gains on non-operating properties (net of related tax adjustments), gains (losses) on early extinguishment of debt, derivative losses, executive transition costs and write-offs of original issuance costs for redeemed preferred shares.

Operating Performance Highlights

Portfolio Summary:

- At March 31, 2016, the Company's core portfolio of 153 operating office properties totaled 16.6 million square feet that were 91.6% occupied and 93.3% leased.
- During the quarter, the Company placed 200,000 square feet of development in service that was 75% leased. This excludes an additional 191,000 square feet that were completed but being held for future lease to the United States of America.

- At March 31, 2016, the Company had 21 operating properties and 111 acres of land held for sale. The held for sale properties total 1.3 million square feet and, at March 31, 2016, were 90.6% occupied.

Same Office Performance:

- At March 31, 2016, COPT's same office portfolio of 145 buildings were 90.1% occupied and 92.0% leased, and represented 80% of the portfolio's rentable square feet.
- For the quarter ended March 31, 2016, the Company's same office property cash NOI increased 6.4% as compared to the quarter ended March 31, 2015.

Leasing:

- Square Feet Leased – For the quarter ended March 31, 2016, the Company leased a total of 545,000 square feet, including 163,000 square feet in development projects.
- Renewal Rates – During the first quarter, the Company renewed 64% of expiring leases.
- Lease Terms – In the first quarter, lease terms on 248,000 square feet of renewals averaged 5.0 years and 8.2 years on 298,000 square feet of development and other new leasing, for an average lease term of 6.8 years on all leasing completed in the quarter.
- Strong Rent Spreads on Renewing Leases – For the quarter ended March 31, 2016, GAAP rent on renewed space increased 11.4%; on a cash basis, renewal rates increased 2.0% in the first quarter, as compared to the expiring rents.

Investment Activity Highlights

Development & Redevelopment Projects:

- The Company has seven properties totaling 983,000 square feet under construction that, at March 31, 2016, were 72% pre-leased. The seven projects have a total estimated cost of $221.5 million, of which $119.9 million has been incurred.
- COPT has 104,000 square feet in three properties under redevelopment, representing a total expected cost of $27.1 million, of which $16.0 million has been invested. The three projects were 16% leased at quarter end.

Dispositions:

- During the quarter, the Company disposed of non-strategic land in Colorado Springs, CO, for $5.7 million.

Balance Sheet and Capital Transaction Highlights

- As of March 31, 2016, the Company's debt to adjusted book ratio was 43.6%, adjusted debt to in-place adjusted EBITDA ratio was 6.9x, and, for the quarter ended March 31, 2016, its adjusted EBITDA fixed charge coverage ratio was 2.7x.
- The Company's weighted average interest rate was 4.1% for the quarter ended March

31, 2016 and, including the effect of interest rate swaps, 88% of the Company's debt was subject to fixed interest rates and the debt portfolio had a weighted average maturity of 5.8 years.

2016 FFO Guidance

Management is maintaining its previously issued guidance ranges for full year FFOPS, as adjusted for comparability, of $1.95—$2.05, and establishing guidance for the second quarter ending June 30, 2016 at a range of $0.48—$0.50. Reconciliations of projected diluted EPS to projected FFOPS are provided as follows:

	Three Months Ending June 30, 2016		Year Ending December 31, 2016	
	Low	High	Low	High
EPS	$ 0.18	$ 0.20	$ 0.38	$ 0.48
Real estate depreciation and amortization	0.40	0.40	1.60	1.60
Impairment losses on operating properties	-	-	0.01	0.01
Gains on sales of operating properties	(0.10)	(0.10)	(0.10)	(0.10)
FFOPS, NAREIT definition	0.48	0.50	1.89	1.99
Executive transition costs	-	-	0.04	0.04
Impairment losses on non-operating properties	-	-	0.02	0.02
FFOPS, as adjusted for comparability	$ 0.48	$ 0.50	$ 1.95	$ 2.05

Associated Supplemental Presentation

Prior to today's call, the Company will post a slide presentation to accompany management's prepared remarks for its first quarter 2016 conference call, the details of which are provided below. You may access the slide presentation on the 'Investors' section of the website (www.copt.com). Please have the slides available to review during management's comments.

Conference Call Information

Management will discuss first quarter 2016 earnings results on its conference call today at 12:00 p.m. Eastern Time, details of which are listed below:

Earnings Release Date:	Friday, April 29, 2016 at 6:00 a.m. Eastern Time
Conference Call Date:	Friday, April 29, 2016
Time:	12:00 p.m. Eastern Time
Telephone Number: (within the U.S.)	800-219-3192
Telephone Number: (outside the U.S.)	617-597-5412
Passcode:	82207639#

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. To pre-

register, please click on the below link:
https://www.theconferencingservice.com/prereg/key.process?key=PVHE4AGEM

You may also pre-register in the Investors 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.

Replay Information

A replay of this call will be available beginning Friday, April 29, at 6:00 p.m. Eastern Time through Friday, May 13, at midnight Eastern Time. To access the replay within the United States, please call 888-286-8010 and use passcode 93348081. To access the replay outside the United States, please call 617-801-6888 and use passcode 93348081.

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

Definitions

For definitions of certain terms used in this press release, please refer to the information furnished in our Supplemental Information Package filed as a Form 8-K which can be found on our website (www.copt.com). Reconciliations of non-GAAP measures to the most directly comparable GAAP measures are included in the attached tables.

Company Information

COPT is an office REIT that owns, manages, develops and selectively acquires office and data center properties in locations that support United States Government agencies and their contractors, most of whom are engaged in national security, defense and information technology ("IT") related activities servicing priority missions ("Defense/IT Locations"). We also own a complementary portfolio of traditional Class-A office properties located in select urban/urban-like submarkets within our regional footprint ("Regional Office Properties"). As of March 31, 2016, we derived 86% of core portfolio annualized revenue from Defense/IT Locations and 14% from our Regional Office Properties. As of March 31, 2016, our core portfolio of 153 office properties encompassed 16.6 million square feet and was 93.3% leased.

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, 2015.

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

	For the Three Months Ended March 31,	
	2016	2015
Revenues		
Real estate revenues	$ 133,087	$ 122,710
Construction contract and other service revenues	11,220	38,324
Total revenues	144,307	161,034
Expenses		
Property operating expenses	51,875	50,681
Depreciation and amortization associated with real estate operations	34,527	31,599
Construction contract and other service expenses	10,694	37,498
Impairment losses	2,446	—
General and administrative expenses	10,130	6,250
Leasing expenses	1,753	1,641
Business development expenses and land carry costs	2,418	2,790
Total operating expenses	113,843	130,459
Operating income	30,464	30,575
Interest expense	(23,559)	(20,838)
Interest and other income	1,156	1,283
Gain (loss) on early extinguishment of debt	17	(3)
Income from continuing operations before equity in income of unconsolidated entities and income taxes	8,078	11,017
Equity in income of unconsolidated entities	10	25
Income tax benefit (expense)	8	(55)
Income from continuing operations	8,096	10,987
Discontinued operations	—	(238)
Income before gain on sales of real estate	8,096	10,749
Gain on sales of real estate, net of income taxes	—	3,986
Net income	8,096	14,735
Net income attributable to noncontrolling interests		
Common units in the Operating Partnership (“OP”)	(127)	(398)
Preferred units in the OP	(165)	(165)
Other consolidated entities	(978)	(817)
Net income attributable to COPT	6,826	13,355
Preferred share dividends	(3,552)	(3,552)
Net income attributable to COPT common shareholders	$ 3,274	$ 9,803
Earnings per share (“EPS”) computation:		
Numerator for diluted EPS:		
Net income attributable to common shareholders	$ 3,274	$ 9,803
Amount allocable to share-based compensation awards	(118)	(122)
Numerator for diluted EPS	$ 3,156	$ 9,681
Denominator:		
Weighted average common shares - basic	94,203	93,199
Dilutive effect of share-based compensation awards	95	198
Weighted average common shares - diluted	94,298	93,397
Diluted EPS	$ 0.03	$ 0.10

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

	For the Three Months Ended March 31,	
	2016	**2015**
Net income	$ 8,096	$ 14,735
Real estate-related depreciation and amortization	34,527	31,599
Impairment losses on previously depreciated operating properties	847	233
Funds from operations ("FFO")	43,470	46,567
Noncontrolling interests - preferred units in the OP	(165)	(165)
FFO allocable to other noncontrolling interests	(1,027)	(670)
Preferred share dividends	(3,552)	(3,552)
Basic and diluted FFO allocable to share-based compensation awards	(166)	(183)
Basic and diluted FFO available to common share and common unit holders ("Diluted FFO")	38,560	41,997
Operating property acquisition costs	—	1,046
Gain on sales of non-operating properties	—	(3,986)
Impairment losses on other properties	1,599	—
(Gain) loss on early extinguishment of debt	(17)	3
Add: Negative FFO of properties conveyed to extinguish debt in default (1)	—	4,271
Demolition costs on redevelopment properties	208	175
Executive transition costs	4,137	—
Diluted FFO comparability adjustments allocable to share-based compensation awards	(31)	(7)
Diluted FFO available to common share and common unit holders, as adjusted for comparability	46,007	43,499
Straight line rent adjustments	(917)	(1,271)
Straight line rent adjustments - properties in default conveyed	—	(72)
Amortization of intangibles included in net operating income	338	111
Share-based compensation, net of amounts capitalized	1,632	1,552
Amortization of deferred financing costs	1,176	990
Amortization of net debt discounts, net of amounts capitalized	319	264
Recurring capital expenditures	(11,720)	(7,349)
Diluted adjusted funds from operations available to common share and common unit holders ("Diluted AFFO")	$ 36,835	$ 37,724
Diluted FFO per share	$ 0.39	$ 0.43
Diluted FFO per share, as adjusted for comparability	$ 0.47	$ 0.45
Dividends/distributions per common share/unit	$ 0.275	$ 0.275

(1) Interest expense exceeded net operating income from these properties by the amounts in the statement.

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

	March 31, 2016	December 31, 2015
Balance Sheet Data		
Properties, net of accumulated depreciation	$ 3,279,431	$ 3,349,748
Total assets	3,937,908	3,909,312
Debt, net	2,140,212	2,077,752
Total liabilities	2,331,694	2,273,530
Redeemable noncontrolling interest	22,333	19,218
Equity	1,583,881	1,616,564
Debt to adjusted book	43.6%	42.9%
Core Portfolio Data (as of period end) (1)		
Number of operating properties	153	157
Total net rentable square feet owned (in thousands)	16,556	17,038
Occupancy %	91.6%	92.7%
Leased %	93.3%	93.9%

	For the Three Months Ended March 31,	
	2016	2015
Payout ratios		
Diluted FFO	70.1%	64.3%
Diluted FFO, as adjusted for comparability	58.8%	62.1%
Diluted AFFO	73.4%	71.6%
Adjusted EBITDA interest coverage ratio	3.7x	4.3x
Adjusted EBITDA fixed charge coverage ratio	2.7x	2.9x
Adjusted debt to in-place adjusted EBITDA ratio (2)	6.9x	6.8x
Reconciliation of denominators for per share measures		
Denominator for diluted EPS	94,298	93,397
Weighted average common units	3,677	3,732
Denominator for diluted FFO per share	97,975	97,129
Reconciliation of FFO to FFO, as adjusted for comparability		
FFO, per NAREIT	$ 43,470	$ 46,567
Gain on sales of non-operating properties	—	(3,986)
Impairment losses on non-operating properties	1,599	—
Operating property acquisition costs	—	1,046
Loss on interest rate derivatives	1,551	—
(Gain) loss on early extinguishment of debt, continuing and discontinued operations	(17)	3
Add: Negative FFO of properties conveyed to extinguish debt in default	—	4,271
Demolition costs on redevelopment properties	208	175
Executive transition costs	4,137	—
FFO, as adjusted for comparability	$ 50,948	$ 48,076

(1) Represents operating properties held for long-term investment.
(2) Represents debt as of period end divided by in-place 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 in thousands)

	For the Three Months Ended March 31,	
	2016	**2015**
Reconciliation of common share dividends to dividends and distributions for payout ratios		
Common share dividends	$26,037	$25,998
Common unit distributions	1,011	1,012
Dividends and distributions for payout ratios	$27,048	$27,010
Reconciliation of GAAP net income to adjusted earnings before interest, income taxes, depreciation and amortization ("Adjusted EBITDA") and in-place adjusted EBITDA		
Net income	$ 8,096	$14,735
Interest expense on continuing operations	23,559	20,838
Income tax (benefit) expense	(8)	55
Real estate-related depreciation and amortization	34,527	31,599
Depreciation of furniture, fixtures and equipment	602	492
Impairment losses	2,446	233
(Gain) loss on early extinguishment of debt on continuing and discontinued operations	(17)	3
Gain on sales of non-operational properties	—	(3,986)
Net (gain) loss on investments in unconsolidated entities included in interest and other income	(23)	75
Business development expenses	1,379	861
Operating property acquisition costs	—	1,046
EBITDA from properties conveyed to extinguish debt in default	—	90
Demolition costs on redevelopment properties	208	175
Executive transition costs	4,137	—
Adjusted EBITDA	$74,906	$66,216
Proforma net operating income adjustment for property changes within period	471	1,573
In-place adjusted EBITDA	$75,377	$67,789
Reconciliation of interest expense to the denominators for interest coverage-Adjusted EBITDA and fixed charge coverage-Adjusted EBITDA		
Interest expense	$23,559	$20,838
Less: Amortization of deferred financing costs	(1,176)	(990)
Less: Amortization of net debt discount, net of amounts capitalized	(319)	(264)
Less: Loss on interest rate derivatives	(1,551)	—
Less: Interest expense on debt in default extinguished via conveyance of properties	—	(4,182)
Denominator for interest coverage-Adjusted EBITDA	20,513	15,402
Scheduled principal amortization	1,800	1,649
Capitalized interest	1,753	2,132
Preferred share dividends	3,552	3,552
Preferred unit distributions	165	165
Denominator for fixed charge coverage-Adjusted EBITDA	$27,783	$22,900

Corporate Office Properties Trust
Summary Financial Data
(unaudited)
(Dollars in thousands)

Reconciliations of tenant improvements and incentives, capital improvements and leasing costs for operating properties to recurring capital expenditures		
Tenant improvements and incentives on operating properties	$ 8,766	$ 4,390
Building improvements on operating properties	3,953	3,203
Leasing costs for operating properties	1,183	954
Less: Nonrecurring tenant improvements and incentives on operating properties	(1,353)	(264)
Less: Nonrecurring building improvements on operating properties	(557)	(875)
Less: Nonrecurring leasing costs for operating properties	(272)	(59)
Recurring capital expenditures	$ 11,720	$ 7,349

Same office property cash NOI	**$ 63,477**	**$ 59,650**
Straight line rent adjustments	(1,375)	1,708
Add: Amortization of deferred market rental revenue	34	39
Less: Amortization of below-market cost arrangements	(218)	(253)
Add: Lease termination fee, gross	980	753
Add: Cash NOI on tenant-funded landlord assets	647	416
Same office property NOI	**$ 63,545**	**$ 62,313**

	March 31, 2016	**December 31, 2015**
Reconciliation of total assets to adjusted book		
Total assets	$3,937,908	$3,909,312
Accumulated depreciation	713,283	700,363
Accumulated depreciation included in assets held for sale	33,143	18,317
Accumulated amortization of real estate intangibles and deferred leasing costs	198,552	195,506
Accumulated amortization of real estate intangibles and deferred leasing costs included in assets held for sale	20,655	17,456
Adjusted book	$4,903,541	$4,840,954
Reconciliation of debt to adjusted debt		
Debt, net	$2,140,212	$2,077,752
Less: Cash and cash equivalents	(62,489)	(60,310)
Adjusted debt	$2,077,723	$2,017,442

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