January 17, 2017

COPT Establishes 2017 Guidance; Sets Date for Releasing 4Q and Full Year 2016 Results

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, 2017:

- Diluted earnings per share ("EPS") in the range of $0.59−$0.67
- Diluted FFO per share ("FFOPS"), as defined by NAREIT, in the range of $1.99−$2.07
- FFOPS, as adjusted for comparability, in the range of $2.00−$2.08

"We expect 2017 to be a strong year for leasing, both in our same office portfolio and for new developments," stated Stephen E. Budorick, COPT's President & Chief Executive Officer. "Having spent the past five years improving our portfolio and balance sheet, we are excited to now have the portfolio we want, the balance sheet we want, the right people in place to manage both, and a defense spending environment that should translate into exciting growth opportunities throughout our portfolio."

Please refer to the presentation titled "2017 Initial Guidance" available on the 'Investors' tab of www.copt.com for more detail.

2017 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, 2017 is as follows:

Table 1: Reconciliation of EPS to FFOPS, As Adjusted for Comparability	Year ending December 31, 2017	
	Low	High
EPS	$0.59	$0.67
Real estate depreciation and amortization	1.40	1.40
FFOPS, NAREIT definition	1.99	2.07
Original issuance cost of redeemed preferred shares	0.07	0.07
Gains on sales of non-operating properties	(0.06)	(0.06)
FFOPS, as adjusted for comparability	$2.00	$2.08

Assumptions Underpinning 2017 Guidance

Table 2 below details assumptions that underpin the Company's 2017 FFOPS and EPS guidance:

Table 2: Supporting Assumptions for 2017 Guidance

Portfolio Metrics (a)		**Investment Activity** (a)		**Average Yield**
2017 Same Office Pool:		Dispositions:		
% increase in cash NOI	3% – 3.5%	Operating property sales (e)	$80 – $90	8% − 8.5%
Year-end occupancy	92.5% – 93.5%	Land sales (e)	$20	--
		Total dispositions	$100 – $110	
Lease Expirations (b):		Acquisitions:	None	--
SF expiring (as % of total ann'l revs)	1,733k SF (12%)	Development spend: (f)	$240 – $260	8% − 9%
2017 expected renewal rate	70% – 75%			
Cash rental rates on renewing leases	(2%) − 0%	Capitalized interest expense	$6	--
Revenue at Risk (c):	$21	**Capital Markets Activity & Balance Sheet Targets (g)**		
- Portion in lease negotiation	($7)	Preferred Shares:		
Remaining revenue at risk	$14	▪ Redeem 5.6% Series K (January)		$27
		▪ Redeem 7.375% Series L (potentially in July)		$173
NOI from developments placed into service (d)	$12	Net Debt to Adjusted Book ratio		40% – 42%
COPT DC-6 cash NOI	$15	Net Debt-to-In-Place Adj. EBITDA ratio		≤ 6.0x
Other Assumptions (a)				
Other income:		**Adjustments to Calculate AFFO:**		
Lease termination fee income	$1 − $2	▪ Recurring capital expenditures		($46 − $47)
Interest & other income	$6 − $7	Lease incentives from 3Q16 early renewals (h)		($8)
Construction fee income	$1 − $2	Total recurring capital expenditures		($54 − $55)
General and administrative costs, net:		▪ GAAP straight line rent adjustments		($12)
▪ G&A expenses	$21 − $22	▪ Other GAAP adjustments (incl. FAS 141)		$13
▪ Leasing expenses	$7 − $8	**Other:**		
▪ Business devel. expenses & land carry cost	$5 − $6	Dividend / AFFO payout ratio		70% – 75%

a. Dollars are in millions

b. Based on the Company's core portfolio, which excludes assets held-for-sale and certain other properties.

c. Revenue at risk is the amount of revenue not yet associated with an executed lease required to achieve the mid-point of guidance.

d. This amount represents cash NOI from developments placed into service during 2016 and 2017, all of which was under executed leases as of December 31, 2016.

e. The Company expects to complete approximately half of these sales during 1Q17.

f. Development spend represents incremental spend, which excludes the value of owned land put into construction. Yields on developments are initial stabilized cash yields.

g. The Company issued $110 million of common shares through its ATM program during 4Q16 at an average gross price of $29.56.

h. This amount represents lease incentives associated with the three large early renewals

completed in 3Q16.

Fourth Quarter and Full Year 2016 Results—Conference Call Information:

Earnings Release Date:	Thursday, February 9, 2017 after the market close
Conference Call Date:	Friday, February 10, 2017
Time:	12:00 p.m. Eastern Time
Telephone Number: (within the U.S.)	888-268-4181
Telephone Number: (outside the U.S.)	617-597-5486
Passcode:	78416731#

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=P3CMC7QQA

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 at 6:00 p.m. Eastern Time on Friday, February 10, through midnight Eastern Time on Friday, February 24. To access the replay within the United States, please call 888-286-8010 and use passcode 35538878. To access the replay outside the United States, please call 617-801-6888 and use passcode 35538878.

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.

Company Information

COPT is an office REIT that owns, manages, develops and selectively acquires office and data center properties primarily 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"). The Company also own a complementary portfolio of Class-A office properties located in select urban/urban-like submarkets within its regional footprint ("Regional Office Properties"). As of September 30, 2016, the Company derived 86% of core portfolio annualized revenue from Defense/IT Locations and 14% from Regional Office Properties. As of September 30, 2016, its core portfolio of 146 office properties encompassed 15.9 million square feet and was 94.4% leased.

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 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 cash and cash equivalents, accumulated depreciation on real estate properties, accumulated amortization of intangible assets on real estate acquisitions, accumulated amortization of deferred leasing costs, unconsolidated real estate joint venture cash and cash equivalents, liabilities and accumulated depreciation and amortization (of real estate intangibles and deferred leasing costs) allocable to the Company's ownership interest in the joint venture and the effect of properties serving as collateral for debt in default that was extinguished (or that it intends to extinguish) via conveyance of such properties.*

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, business development expenses, demolition costs on redevelopment properties and executive transition costs, and excluding the effect of properties that served as collateral for debt in default that the Company extinguished via conveyance of such properties. Adjusted EBITDA also includes adjustments to net income for the effects of the items noted above pertaining to an unconsolidated real estate JV that was allocable to the Company's ownership interest in the JV. While EBITDA (earnings before interest, taxes, depreciation and amortization) is a universally-defined supplemental measure, Adjusted EBITDA incorporates additional adjustments for gains and losses from investing and financing activities and certain other items that the Company believes are not closely correlated to (or associated with) its operating performance. The Company believes that adjusted EBITDA is a useful supplemental measure for assessing un-levered performance, and believes that net income is the most directly comparable GAAP measure to adjusted EBITDA.*

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 the Company, (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 to Basic FFO.

Cash net operating income ("Cash NOI") *– Defined as NOI from real estate operations adjusted to eliminate the effects of: straight-line rental adjustments, amortization of tenant incentives, amortization of acquisition intangibles included in FFO and NOI (including above- and below-market leases and above- or below-market cost arrangements), lease termination fees from tenants to terminate their lease obligations prior to the end of the agreed upon lease terms and rental revenue recognized under GAAP resulting from landlord assets funded by tenants. Cash NOI also includes adjustments to NOI from real estate operations for the effects of the items noted above pertaining to an unconsolidated real estate JV that were allocable to the Company's ownership interest in the JV. Under GAAP, rental revenue is recognized evenly over the term of tenant leases (through straight-line rental adjustments and amortization of tenant incentives), which, given the long-term nature of its leases, does not align with the economics of when tenant payments are due to the Company under the arrangements. Also under GAAP, when a property is acquired, the Company allocates the acquisition to certain intangible components, which are then amortized into NOI over their estimated lives, even though the resulting revenue adjustments are not reflective of the Company's lease economics. In addition, revenue from lease termination fees and tenant-funded landlord improvements, absent an adjustment from the Company, would result in large one-time lump sum amounts in Cash NOI that the Company does not believe are reflective of a property's long-term value. The Company believes that Cash NOI is a useful supplemental measure of operating performance for a REIT's operating real estate because it makes adjustments to NOI for the above stated items to be more reflective of the economics of when tenant payments are due under the Company's leases and the value of properties. As is the case with NOI, the measure is useful in evaluating and comparing the performance of geographic segments, same-office property groupings and individual properties. The Company believes that operating income, as reported on its consolidated statements of operations, is the most directly comparable GAAP measure to Cash NOI.*

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" above), (b) share-based compensation, net of amounts capitalized, (c) amortization of deferred financing costs, (d) amortization of debt discounts and premiums and (e) amortization of settlements of debt hedges; and (2) replacement capital expenditures (defined below). Diluted AFFO also includes adjustments to Diluted FFO, as adjusted for comparability for the effects of the items noted above pertaining to an unconsolidated real estate JV that were allocable to the Company's ownership interest in the JV. The Company believes that Diluted AFFO is a useful supplemental measure of operating performance for a REIT because it incorporates adjustments for: certain revenue and expenses that are not associated with cash to or from the Company during the period; and certain capital expenditures for operating properties incurred during the period that do require cash outlays. The Company believes that net income is the most directly comparable GAAP measure to Diluted AFFO.*

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. The Company believes that net income is the most directly comparable GAAP measure to Diluted FFO.*

Diluted FFO available to common share and common unit holders, as adjusted for comparability ("Diluted 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; gain or loss on early extinguishment of debt; FFO associated with properties that secured non-recourse debt on which it 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 (including separation related compensation and replacement recruitment costs for Vice President level positions and above); and accounting charges for original issuance costs associated with redeemed preferred shares. Diluted FFO, as adjusted for comparability also includes adjustments to Diluted FFO for the effects of the items noted above pertaining to an unconsolidated real estate JV that were allocable to the Company's ownership interest in the JV. The Company believes this to be a useful supplemental measure alongside Diluted FFO as it excludes gains and losses from certain investing and financing activities and certain other items that the Company believes are not closely correlated to (or associated with) operating performance. The adjustment for FFO associated with properties securing non-recourse debt on which the Company defaulted pertains to the periods subsequent to default on the loan's payment terms, which was the result of the Company's 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 net income 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 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. The Company believes this to be a useful supplemental measure alongside Diluted FFO per share as it excludes gains and losses from investing and financing activities and certain other items that it believes are not closely correlated to (or associated with) 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. FFO also includes adjustments to net income for the effects of the items noted above pertaining to an unconsolidated real estate JV that were allocable to the Company's ownership interest in the JV. 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 measure also includes adjustments to Adjusted EBITDA for the effects of the items noted above pertaining to an unconsolidated real estate JV that were allocable to the Company's ownership interest in the JV. The Company believes that in-place adjusted EBITDA is a useful supplemental measure of performance for assessing unlevered 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 debt – *Defined as Gross debt (total outstanding debt reported per the Company's*

balance sheet as adjusted to exclude net discounts and premiums and deferred financing costs), as adjusted to subtract cash and cash equivalents as of the end of the period and debt in default that was extinguished via conveyance of properties. The measure also includes adjustments to Gross debt for the effects of the items noted above pertaining to an unconsolidated real estate JV that were allocable to the Company's ownership interest in the JV.

Net debt to Adjusted book and Net debt plus preferred equity to Adjusted book – *These measures divide either Net debt (defined above) or Net debt plus the total liquidation preference of outstanding preferred equity by Adjusted book (defined above).*

Net debt to in-place adjusted EBITDA ratio and Net debt plus preferred equity to in-place adjusted EBITDA ratio – *Defined as either Net debt (defined above) or Net debt plus the total liquidation preference of outstanding preferred equity divided by in-place adjusted EBITDA (defined above) for the three month period that is annualized by multiplying by four.*

Net operating income from real estate operations ("NOI") – *NOI, which is a segment performance measure, includes: consolidated real estate revenues from continuing and discontinued operations; consolidated property operating expenses from continuing and discontinued real estate operations; and the net of revenues and property operating expenses of real estate operations owned through an unconsolidated real estate JV that is allocable to COPT's ownership interest in the JV. 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 operating income, as reported on its consolidated statements of operations, is the most directly comparable GAAP measure to NOI.*

Payout ratios based on: Diluted FFO; Diluted FFO, as adjusted for comparability; and Diluted AFFO – *These payout ratios are defined as (1) the sum of (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) the respective non-GAAP measures on which the payout ratios are based.*

Replacement capital expenditures – *Replacement capital expenditures are defined as tenant improvements and incentives, building improvements and leasing costs incurred during the period for operating properties that are not (1) items contemplated prior to the acquisition of a property, (2) improvements associated with the expansion of a building or its improvements, (3) renovations to a building which change the underlying classification of the building (for example, from industrial to office or Class C office to Class B office) 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). Replacement capital expenditures excludes expenditures of operating properties included in disposition plans during the period that were already sold or are held for future disposition. The measure also includes replacement capital expenditures of an unconsolidated real estate JV that were allocable to the Company's ownership interest in the JV. For cash tenant incentives not due*

to the tenant for a period exceeding three months past the date on which such incentives were incurred, the Company recognizes such incentives as replacement capital expenditures in the periods such incentives are due to the tenant. Replacement capital expenditures, which is included in the computation of Diluted AFFO, is intended to represent non-transformative capital expenditures of existing properties held for long-term investment. The Company believes that the excluded expenditures are more closely associated with its investing activities than the performance of its operating portfolio.

Same office property NOI and Same Office Cash NOI – *Defined as NOI, or Cash NOI, from real estate operations of Same Office Properties. The Company believes that these are important supplemental measures of operating performance of Same Office Properties for the same reasons discussed above for NOI from real estate operations and Cash NOI.*

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.

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