April 29, 2021

COPT Reports First Quarter 2021 Results; Raises Midpoint of Full Year Guidance by 3-Cents, Implying 4.7% Growth

Stronger Outlook for Same-Property Cash NOI and Interest Savings from Senior Notes Refinancing Boost 2021 Expectations

EPS of ($0.06) Exceeded High End of Guidance by 1-Cent;
FFO per Share, as Adjusted for Comparability, of $0.56 was at the High End of Guidance

Raising Same-Property Cash NOI Guidance for the Year by 100 Basis Points, to (1%)-1%
Same-Property Cash NOI Declined 2.7% in the Quarter, Consistent with Guidance

Core Portfolio 94.0% Occupied & 94.9% Leased

46,000 SF of 100% Leased Development Placed into Service

1.4 Million SF of Active Developments are 85% Leased

Solid Leasing Activity; Raising Tenant Retention Forecast

Total Leasing of 258,000 SF in the Quarter; Over 660,000 SF of New and Renewal Leasing Achieved in April
Total Leasing Through April Exceeds 920,000 SF

1Q Tenant Retention of 52% was In-Line with Internal Forecast
88% Retention Rate in April and Revised Forecast Drive Increased Full-Year Guidance of 70%-75%

1Q GAAP Rents on Renewals Increased 4.9%; Cash Rents Rolled Down 2.2% with Average Escalations of 2.6%

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, 2021.

Management Comments

Stephen E. Budorick, COPT’s President & Chief Executive Officer, commented, “We are off to a strong start in 2021. Due to our unique investment strategy of concentrating assets around U.S. defense installations executing priority missions in support of national security, and the extremely high credit quality of our tenants, our operations continue to be fundamentally unaffected by pandemic-related externalities. First quarter leasing results were in-line with our internal forecast, and we are off to a blistering start in the second

quarter, completing over 660,000 square feet of new and renewal leasing, and achieving an 88% renewal rate. Based on leasing achieved in April and the transactions in negotiation, we are increasing our full-year tenant retention guidance from the prior range of 65%-75% to a new range of 70%-75%. With roughly 900,000 square feet of development transactions in advanced negotiations, we also remain on-track to meet or exceed previously established guidance of leasing 1 million square feet in developments this year."

He continued, "The exceptional execution of our March bond offering and solid operations drove first quarter FFO per share, as adjusted for comparability, to the high-end of guidance and the interest savings will continue to benefit the remainder of the year. Additionally, our improved leasing outlook is driving higher expectations for same-property results. Accordingly, we are increasing the midpoint of our updated full-year guidance for FFO per share, as adjusted for comparability, from $2.19 to a new midpoint of $2.22, which would represent 4.7% growth over 2020 results."

Financial Highlights

1st Quarter Financial Results:

- Diluted (loss) earnings per share ("EPS") was ($0.06) for the quarter ended March 31, 2021 as compared to $0.21 for the first quarter of 2020.
- Diluted funds from operations per share ("FFOPS"), as calculated in accordance with Nareit's definition, was $0.27 for the first quarter of 2021 as compared to $0.41 for first quarter 2020 results.
- FFOPS, as adjusted for comparability, was $0.56 for the first quarter of 2021 as compared to $0.51 for the first quarter of 2020.

Operating Performance Highlights

Operating Portfolio Summary:

- At March 31, 2021, the Company's core portfolio of 180 operating office and data center shell properties was 94.0% occupied and 94.9% leased.
- During the quarter, the Company placed into service 46,000 square feet that were 100% leased.

Same-Property Performance:

- At March 31, 2021, COPT's same-property portfolio of 161 buildings was 92.8% occupied and 93.8% leased.
- For the quarter ended March 31, 2021, the Company's same-property cash NOI decreased 2.7% over the prior year's comparable period.

Leasing:

- Total Square Feet Leased: For the quarter ended March 31, 2021, the Company leased 258,000 total square feet, including 154,000 square feet of renewals, 11,000

square feet in development projects, and 93,000 square feet of new leases on vacant space.

- Renewal Rates: During the quarter ended March 31, 2021, the Company renewed 51.8% of total expiring square feet.

- Rent Spreads & Average Escalations on Renewing Leases: For the quarter ended March 31, 2021, cash rents on renewed space decreased 2.2% and GAAP rents on renewed space increased 4.9%. For the same period, annual escalations on renewing leases averaged 2.6%.

- Lease Terms: In the first quarter of 2021, lease terms averaged 3.1 years on renewing leases, 5.5 years on development leasing, and 8.5 years on new leasing of vacant space.

Investment Activity Highlights

- Development Pipeline: At March 31, 2021, the Company's development pipeline consisted of 10 properties totaling 1.4 million square feet that were 85% leased. These projects have a total estimated cost of $595.2 million, of which $340.2 million has been incurred.

Balance Sheet and Capital Transaction Highlights

- In March, the Company issued $600 million of 2.75% senior unsecured notes due 2031. This issuance enabled the Company to complete tender offers for, and subsequent redemptions of, its $350 million of 3.6% senior unsecured notes due 2023 and $250 million of 5.25% senior unsecured notes due 2024. The tender offers were completed effective March 11, 2021, and the redemptions of the remaining notes were completed on April 12, 2021.

- At March 31, 2021, the Company's net debt to adjusted book ratio was 40.8% and its net debt to in-place adjusted EBITDA ratio was 6.6x. As of the same date, net debt adjusted for fully-leased development plus preferred equity to in-place adjusted EBITDA ratio was 6.3x. For the quarter ended March 31, 2021, the Company's adjusted EBITDA fixed charge coverage ratio was 4.3x.

- At March 31, 2021, and including the effect of interest rate swaps, the Company's weighted average effective interest rate on its consolidated debt portfolio was 3.25% with a weighted average maturity of 4.8 years; additionally, 89.4% of the Company's debt was subject to fixed interest rates.

Associated Supplemental Presentation

Prior to the call, the Company will post a slide presentation to accompany management's prepared remarks for its first quarter 2021 conference call, the details of which are provided below. The accompanying slide presentation can be viewed on and downloaded from the 'Latest Updates' section of COPT's Investors website: https://investors.copt.com/

2021 Guidance

Management is increasing its full-year guidance for EPS and FFOPS, per Nareit and as adjusted for comparability from the prior range of $0.25-$0.31, $1.65-$1.71, and $2.16-$2.22, respectively, to new ranges of $0.28-$0.34, $1.68-$1.74, and $2.19-$2.25, respectively. Management is establishing second quarter guidance for EPS and FFOPS per Nareit, and FFOPS, as adjusted for comparability at ($0.02)-$0.00, $0.33-$0.35, and $0.55-$0.57, respectively. Reconciliations of projected EPS to projected FFOPS, in accordance with Nareit and as adjusted for comparability are as follows:

Reconciliation of EPS to FFOPS, per Nareit, and As Adjusted for Comparability	**Quarter ending June 30, 2021**		**Year ending December 31, 2021**	
	Low	High	Low	High
EPS	$ (0.02)	$ -	$ 0.28	$ 0.34
Real estate-related depreciation and amortization	0.35	0.35	1.40	1.40
FFOPS, Nareit definition	0.33	0.35	1.68	1.74
Loss on early extinguishment of debt	0.22	0.22	0.51	0.51
FFOPS, as adjusted for comparability	$ 0.55	$ 0.57	$ 2.19	$ 2.25

Conference Call Information

Management will discuss first quarter 2021 results on its conference call tomorrow at 12:00 p.m. Eastern Time, details of which are listed below:

Conference Call Date:	Friday, April 30, 2021
Time:	12:00 p.m. Eastern Time
Telephone Number: (within the U.S.)	855-463-9057
Telephone Number: (outside the U.S.)	661-378-9894
Passcode:	8353839

The conference call will also be available via live webcast in the ‘Latest Updates’ section of COPT’s Investors website: https://investors.copt.com/

Replay Information

A replay of the conference call will be immediately available via webcast on the Investors website. Additionally, a telephonic replay of this call will be available beginning at 3:00 p.m. Eastern Time on Friday, April 30, through 3:00 p.m. Eastern Time on Friday, May 14. To access the replay within the United States, please call 855-859-2056; to access it from outside the United States, please call 404-537-3406. In either case, use passcode 8353839.

Definitions

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

About COPT

COPT is a REIT that owns, manages, leases, develops and selectively acquires office and data center properties. The majority of its portfolio is in locations that support the United States Government and its contractors, most of whom are engaged in national security, defense and information technology (“IT”) related activities servicing what it believes are

growing, durable, priority missions ("Defense/IT Locations"). The Company also owns a portfolio of office properties located in select urban/urban-like submarkets in the Greater Washington, DC/Baltimore region with durable Class-A office fundamentals and characteristics ("Regional Office Properties"). As of March 31, 2021, the Company derived 88% of its core portfolio annualized rental revenue from Defense/IT Locations and 12% from its Regional Office Properties. As of the same date and including 17 properties owned through unconsolidated joint ventures, COPT's core portfolio of 180 office and data center shell properties encompassed 20.8 million square feet and was 94.9% leased; the Company also owned one wholesale data center with a critical load of 19.25 megawatts that was 86.7% 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. Although the Company believes that the expectations, estimates and projections reflected in such forward-looking statements are based on reasonable assumptions at the time made, 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 and the Company undertakes no obligation to update or supplement any forward-looking statements.

The areas of risk that may affect these expectations, estimates and projections include, but are not limited to, those risks described in Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

Category: Quarterly Results

Source: Corporate Office Properties Trust

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

	For the Three Months Ended March 31,	
	2021	2020
Revenues		
Revenues from real estate operations	$ 145,164	$ 132,116
Construction contract and other service revenues	16,558	13,681
Total revenues	161,722	145,797
Operating expenses		
Property operating expenses	56,974	49,999
Depreciation and amortization associated with real estate operations	37,321	32,596
Construction contract and other service expenses	15,793	13,121
General and administrative expenses	6,062	5,303
Leasing expenses	2,344	2,183
Business development expenses and land carry costs	1,094	1,118
Total operating expenses	119,588	104,320
Interest expense	(17,519)	(16,840)
Interest and other income	1,865	1,205
Credit loss recoveries (expense)	907	(689)
Gain on sales of real estate	(490)	5
Loss on early extinguishment of debt	(33,166)	—
(Loss) income before equity in income of unconsolidated entities and income taxes	(6,269)	25,158
Equity in income of unconsolidated entities	222	441
Income tax expense	(32)	(49)
Net (loss) income	(6,079)	25,550
Net loss (income) attributable to noncontrolling interests:		
Common units in the Operating Partnership ("OP")	85	(287)
Preferred units in the OP	—	(77)
Other consolidated entities	(675)	(1,132)
Net (loss) income attributable to COPT common shareholders	$ (6,669)	$ 24,054
Earnings per share ("EPS") computation:		
Numerator for diluted EPS:		
Net (loss) income attributable to COPT common shareholders	$ (6,669)	$ 24,054
Amount allocable to share-based compensation awards	(170)	(97)
Numerator for diluted EPS	$ (6,839)	$ 23,957
Denominator:		
Weighted average common shares - basic	111,888	111,724
Dilutive effect of share-based compensation awards	—	239
Weighted average common shares - diluted	111,888	111,963
Diluted EPS	$ (0.06)	$ 0.21

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

	For the Three Months Ended March 31,	
	2021	2020
Net (loss) income	$ (6,079)	$ 25,550
Real estate-related depreciation and amortization	37,321	32,596
Gain on sales of real estate	490	(5)
Depreciation and amortization on unconsolidated real estate JVs	454	818
Funds from operations ("FFO")	32,186	58,959
FFO allocable to other noncontrolling interests	(1,027)	(12,015)
Basic FFO allocable to share-based compensation awards	(162)	(193)
Noncontrolling interests - preferred units in the OP	—	(77)
Basic FFO available to common share and common unit holders ("Basic FFO")	30,997	46,674
Redeemable noncontrolling interests	—	32
Diluted FFO available to common share and common unit holders ("Diluted FFO")	30,997	46,706
Loss on early extinguishment of debt	33,166	—
Diluted FFO comparability adjustments for redeemable noncontrolling interests	458	—
Diluted FFO comparability adjustments allocable to share-based compensation awards	(167)	(50)
Demolition costs on redevelopment and nonrecurring improvements	—	43
Dilutive preferred units in the OP	—	77
FFO allocation to other noncontrolling interests resulting from capital event	—	11,090
Diluted FFO available to common share and common unit holders, as adjusted for comparability	64,454	57,866
Straight line rent adjustments and lease incentive amortization	(3,357)	(852)
Amortization of intangibles included in net operating income	40	(74)
Share-based compensation, net of amounts capitalized	1,904	1,389
Amortization of deferred financing costs	793	575
Amortization of net debt discounts, net of amounts capitalized	542	386
Replacement capital expenditures	(12,230)	(17,754)
Other diluted AFFO adjustments associated with real estate JVs	241	(41)
Diluted adjusted funds from operations available to common share and common unit holders ("Diluted AFFO")	$ 52,387	$ 41,495
Diluted FFO per share	$ 0.27	$ 0.41
Diluted FFO per share, as adjusted for comparability	$ 0.56	$ 0.51
Dividends/distributions per common share/unit	$ 0.275	$ 0.275

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

	March 31, 2021	December 31, 2020
Balance Sheet Data		
Properties, net of accumulated depreciation	$ 3,579,254	$ 3,562,549
Total assets	4,112,948	4,077,023
Debt, per balance sheet	2,207,903	2,086,918
Total liabilities	2,430,231	2,357,881
Redeemable noncontrolling interests	25,925	25,430
Equity	1,656,792	1,693,712
Net debt to adjusted book	40.8%	39.1%
Core Portfolio Data (as of period end) (1)		
Number of operating properties	180	179
Total operational square feet (in thousands)	20,849	20,802
% Occupied	94.0%	94.3%
% Leased	94.9%	95.0%

	For the Three Months Ended March 31,	
	2021	2020
Payout ratios		
Diluted FFO	100.5%	66.6%
Diluted FFO, as adjusted for comparability	48.3%	53.9%
Diluted AFFO	59.5%	75.1%
Adjusted EBITDA fixed charge coverage ratio	4.3x	3.8x
Net debt plus preferred equity to in-place adjusted EBITDA ratio (2)	6.6x	6.3x
Net debt adj. for fully-leased development plus pref. equity to in-place adj. EBITDA ratio (3)	6.3x	5.8x
Reconciliation of denominators for per share measures		
Denominator for diluted EPS	111,888	111,963
Weighted average common units	1,246	1,226
Anti-dilutive EPS effect of share-based compensation awards	261	—
Redeemable noncontrolling interests	—	110
Denominator for diluted FFO per share	113,395	113,299
Redeemable noncontrolling interests	940	—
Dilutive convertible preferred units	—	176
Denominator for diluted FFO per share, as adjusted for comparability	114,335	113,475

(1) Represents Defense/IT Locations and Regional Office properties.

(2) Represents net debt plus the total liquidation preference of preferred equity as of period end divided by in-place adjusted EBITDA for the period, as annualized (i.e. three month periods are multiplied by four).

(3) Represents net debt less costs incurred on properties under development that were 100% leased as of period end plus the total liquidation preference of preferred equity 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)
(in thousands)

	For the Three Months Ended March 31,	
	2021	**2020**
Reconciliation of common share dividends to dividends and distributions for payout ratios		
Common share dividends - unrestricted shares and deferred shares	$30,805	$30,754
Common unit distributions - unrestricted units	347	339
Dividends and distributions for diluted FFO payout ratio	31,152	31,093
Distributions on dilutive preferred units	—	77
Dividends and distributions for other payout ratios	$31,152	$31,170
Reconciliation of GAAP net (loss) income to earnings before interest, income taxes, depreciation and amortization for real estate ("EBITDAre"), adjusted EBITDA and in-place adjusted EBITDA		
Net (loss) income	$ (6,079)	$25,550
Interest expense	17,519	16,840
Income tax expense	32	49
Real estate-related depreciation and amortization	37,321	32,596
Other depreciation and amortization	555	419
Gain on sales of real estate	490	(5)
Adjustments from unconsolidated real estate JVs	693	1,270
EBITDAre	50,531	76,719
Loss on early extinguishment of debt	33,166	—
Credit loss (recoveries) expense	(907)	689
Business development expenses	548	538
Demolition costs on redevelopment and nonrecurring improvements	—	43
Adjusted EBITDA	83,338	77,989
Proforma net operating income adjustment for property changes within period	166	734
Change in collectability of deferred rental revenue	124	—
In-place adjusted EBITDA	$83,628	$78,723
Reconciliation of interest expense to the denominators for fixed charge coverage-Adjusted EBITDA		
Interest expense	$17,519	$16,840
Less: Amortization of deferred financing costs	(793)	(575)
Less: Amortization of net debt discounts, net of amounts capitalized	(542)	(386)
COPT's share of interest expense of unconsolidated real estate JVs, excluding deferred financing costs	234	441
Scheduled principal amortization	962	1,021
Capitalized interest	1,805	3,358
Preferred unit distributions	—	77
Denominator for fixed charge coverage-Adjusted EBITDA	$19,185	$20,776

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

	For the Three Months Ended March 31,	
	2021	**2020**
Reconciliations of tenant improvements and incentives, building improvements and leasing costs for operating properties to replacement capital expenditures		
Tenant improvements and incentives	$ 7,139	$ 11,357
Building improvements	3,628	2,475
Leasing costs	1,129	2,762
Net additions to tenant improvements and incentives	2,900	2,026
Excluded building improvements and leasing costs	(2,566)	(866)
Replacement capital expenditures	$ 12,230	$ 17,754
Same Properties cash NOI	$ 74,000	$ 76,041
Straight line rent adjustments and lease incentive amortization	151	182
Amortization of acquired above- and below-market rents	99	96
Amortization of intangibles and other assets to property operating expenses	—	(23)
Lease termination fees, net	1,362	38
Tenant funded landlord assets and lease incentives	179	368
Cash NOI adjustments in unconsolidated real estate JV	42	53
Same Properties NOI	$ 75,833	$ 76,755

	March 31, 2021	**December 31, 2020**
Reconciliation of total assets to adjusted book		
Total assets	$4,112,948	$4,077,023
Accumulated depreciation	1,157,059	1,124,253
Accumulated amortization of real estate intangibles and deferred leasing costs	217,811	217,124
COPT's share of liabilities of unconsolidated real estate JVs	27,603	26,710
COPT's share of accumulated depreciation and amortization of unconsolidated real estate JVs	2,043	1,489
Less: Property - operating lease liabilities	(30,176)	(30,746)
Less: Property - finance lease liabilities	(28)	(28)
Less: Cash and cash equivalents	(36,139)	(18,369)
Less: COPT's share of cash of unconsolidated real estate JVs	(202)	(152)
Adjusted book	$5,450,919	$5,397,304
Reconciliation of debt outstanding to net debt and net debt adjusted for fully-leased development plus preferred equity		
Debt outstanding (excluding net debt discounts and deferred financing costs)	$2,257,854	2,127,715
Less: Cash and cash equivalents	(36,139)	(18,369)
Less: COPT's share of cash of unconsolidated real estate JVs	(202)	(152)
Net debt	$2,221,513	$2,109,194
Costs incurred on fully-leased development properties	(128,032)	(114,532)
Net debt adjusted for fully-leased development plus preferred equity	$2,093,481	$1,994,662

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