July 29, 2021

COPT Reports Second Quarter 2021 Results; Raises Midpoint of Full Year Guidance by 4-Cents, Implying 6.6% Growth in FFOPS, as Adjusted for Comparability

Earlier Development Completions & Stronger Same-Property ResultsDrive Higher 2021 Expectations

Reported EPS of $0.38 in 2Q;
FFO per Share, as Adjusted for Comparability, of $0.58 was 1-Cent Above High-End of Guidance

Same-Property Cash NOI Increased 2.4% in the Quarter, Strongly Outperforming Guidance Raising Midpoint of Same-Property Cash NOI Guidance for the Year

Core Portfolio 93.7% Occupied & 94.6% Leased

1.95 Million SF of Active Developments are 87% Leased

Solid Leasing Activity

Total Leasing of 1.4 Million SF in the Quarter Included 630,000 SF of Development Leasing

2Q Tenant Retention of 89% and Cash Rent Rolled Up 0.1%
78% Retention Rate and a Modest (0.2%) Change in Cash Rents for the First Half of 2021

COLUMBIA, Md.--(BUSINESS WIRE)-- Corporate Office Properties Trust ("COPT" or the "Company") (NYSE: OFC) announced results for the second quarter ended June 30, 2021.

Management Comments

Stephen E. Budorick, COPT's President & Chief Executive Officer, commented, "Our differentiated portfolio of office and data center properties that support priority missions at U.S. defense installations continues to produce strong results. Existing operations generated better than expected same-property results, vacancy leasing for Defense/IT Locations was solid, and development leasing was strong. Having completed 694,000 square feet of development leasing through July, we are confident we will achieve our one million square feet development leasing goal for the year. Additionally, we expect to deliver three major development projects early, thereby accelerating our lease commencements. Due to excellent execution on development projects and an improved outlook for same-property operations, we are increasing the midpoint of our full-year guidance for FFO per share, as adjusted for comparability, from $2.22 to $2.26. The midpoint of our updated full year

guidance is seven-cents above our original midpoint and represents 6.6% growth over 2020 elevated results."

Financial Highlights

2nd Quarter Financial Results:

- Diluted earnings per share ("EPS") was $0.38 for the quarter ended June 30, 2021 compared to $0.21 for the second quarter of 2020.
- Diluted funds from operations per share ("FFOPS"), as calculated in accordance with Nareit's definition, was $0.35 for the second quarter of 2021 compared to $0.51 for second quarter 2020.
- FFOPS, as adjusted for comparability, was $0.58 for the second quarter of 2021 compared to $0.51 for the second quarter of 2020.

Operating Performance Highlights

Operating Portfolio Summary:

- At June 30, 2021, the Company's core portfolio of 181 operating office and data center shell properties was 93.7% occupied and 94.6% leased.
- During the quarter, the Company placed into service 197,000 square feet that were 60% leased.

Same-Property Performance:

- At June 30, 2021, COPT's same-property portfolio of 158 buildings was 92.6% occupied and 93.5% leased.
- For the quarter ended June 30, 2021, the Company's same-property cash NOI increased 2.4% over the prior year's comparable period.

Leasing:

- Total Square Feet Leased: For the quarter ended June 30, 2021, the Company leased 1.4 million total square feet, including 661,000 square feet of renewals, 630,000 square feet in development projects, and 111,000 square feet of new leases on vacant space. For the six months ended June 30, 2021, the Company executed 1.7 million square feet of total leasing, including 815,000 square feet of renewals, 641,000 square feet in development projects, and 205,000 square feet of vacancy leasing.
- Renewal Rates: During the quarter and six months ended June 30, 2021, the Company renewed 88.9% and 78.3%, respectively, of expiring square feet.
- Rent Spreads & Average Escalations on Renewing Leases: For the quarter and six months ended June 30, 2021, cash rents on renewed space increased 0.1% and decreased 0.2%, respectively. For the same time periods, annual escalations on renewing leases averaged 2.6%.

- Lease Terms: In the second quarter of 2021, lease terms averaged 4.6 years on renewing leases, 12.9 years on development leasing, and 7.3 years on new leasing of vacant space. For the first six months, lease terms averaged 4.3 years on renewing leases, 12.8 years on development leasing, and 7.8 years on vacancy leasing.

Investment Activity Highlights

- Development Pipeline: At June 30, 2021, the Company's development pipeline consisted of 13 properties totaling 1.9 million square feet that were 87% leased. These projects have a total estimated cost of $628.9 million, of which $239.7 million has been incurred.

- During the quarter, the Company also moved 6740 Alexander Bell Drive, a 57,000 square foot building in Columbia Gateway into redevelopment. COPT intends to invest $11.6 million to reposition the property.

Balance Sheet and Capital Transaction Highlights

- In April, the Company redeemed the remaining $166 million of its 3.6% senior notes due 2023 and $104 million of its 5.25% senior notes due 2024.

- In June, the Company sold two data center shells to a new, 90%/10% joint venture with Blackstone Real Estate, generating approximately $107 million of equity.

- At June 30, 2021, the Company's net debt to adjusted book ratio was 39.4% and its net debt to in-place adjusted EBITDA ratio was 6.3x. As of the same date, net debt adjusted for fully-leased development plus preferred equity to in-place adjusted EBITDA ratio was 5.8x. For the quarter ended June 30, 2021, the Company's adjusted EBITDA fixed charge coverage ratio was 4.9x.

- At June 30, 2021, and including the effect of interest rate swaps, the Company's weighted average effective interest rate on its consolidated debt portfolio was 2.99% with a weighted average maturity of 4.9 years; additionally, 80.9% 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 second 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 ranges of $0.28-$0.34, $1.68-$1.74, and $2.19-$2.25, respectively, to new ranges of $0.72-$0.76, $1.73-$1.77, and $2.24-$2.28, respectively. Management is establishing guidance ranges for EPS and FFOPS (per Nareit and as adjusted for comparability) for third quarter at $0.19-$0.21 and $0.54-$0.56, respectively, and fourth quarter at $0.21-$0.23 and $0.56-$0.58, respectively. Reconciliations of projected EPS to projected FFOPS, in accordance with Nareit and as

adjusted for comparability are as follows:

Table 1: Reconciliation of EPS to FFOPS, per Nareit and As Adjusted for Comparability	Quarter ending September 30, 2021		Quarter ending December 31, 2021		Year ending December 31, 2021	
	Low	High	Low	High	Low	High
EPS	$ 0.19	$ 0.21	$ 0.21	$ 0.23	$ 0.72	$ 0.76
Real estate-related depreciation and amortization	0.35	0.35	0.35	0.35	1.36	1.36
Gain on sales of real estate	-	-	-	-	(0.35)	(0.35)
FFOPS, Nareit definition	0.54	0.56	0.56	0.58	1.73	1.77
Loss on early extinguishment of debt	-	-	-	-	0.51	0.51
FFOPS, as adjusted for comparability	$ 0.54	$ 0.56	$ 0.56	$ 0.58	$ 2.24	$ 2.28

Conference Call Information

Management will discuss second 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, July 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:	8848821

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, July 30, through 3:00 p.m. Eastern Time on Friday, August 13. 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 8848821.

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 June 30, 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 19 properties owned through unconsolidated joint ventures, COPT's core portfolio of 181 office and data center shell properties encompassed 21.0 million square feet and was 94.6% 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 June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Revenues				
Revenues from real estate operations	$144,423	$ 132,538	$ 289,587	$ 264,654
Construction contract and other service revenues	19,988	12,236	36,546	25,917
Total revenues	164,411	144,774	326,133	290,571
Operating expenses				
Property operating expenses	54,616	50,204	111,590	100,203
Depreciation and amortization associated with real estate operations	37,555	33,612	74,876	66,208
Construction contract and other service expenses	19,082	11,711	34,875	24,832
General and administrative expenses	7,293	6,511	13,355	11,814
Leasing expenses	1,929	1,647	4,273	3,830
Business development expenses and land carry costs	1,372	1,262	2,466	2,380
Total operating expenses	121,847	104,947	241,435	209,267
Interest expense	(15,942)	(16,797)	(33,461)	(33,637)
Interest and other income	2,228	2,282	4,093	3,487
Credit loss (expense) recoveries	(193)	(615)	714	(1,304)
Gain on sales of real estate	40,233	—	39,743	5
Loss on early extinguishment of debt	(25,228)	—	(58,394)	—
Income before equity in income of unconsolidated entities and income taxes	43,662	24,697	37,393	49,855
Equity in income of unconsolidated entities	260	454	482	895
Income tax expense	(24)	(30)	(56)	(79)
Net income	43,898	25,121	37,819	50,671
Net income attributable to noncontrolling interests:				
Common units in the Operating Partnership (“OP”)	(559)	(284)	(474)	(571)
Preferred units in the OP	—	(77)	—	(154)
Other consolidated entities	(938)	(1,263)	(1,613)	(2,395)
Net income attributable to COPT common shareholders	$ 42,401	$ 23,497	$ 35,732	$ 47,551
Earnings per share (“EPS”) computation:				
Numerator for diluted EPS:				
Net income attributable to COPT common shareholders	$ 42,401	$ 23,497	$ 35,732	$ 47,551
Amount allocable to share-based compensation awards	(125)	(109)	(235)	(206)
Redeemable noncontrolling interests	(20)	—	7	—
Numerator for diluted EPS	$ 42,256	$ 23,388	$ 35,504	$ 47,345
Denominator:				
Weighted average common shares - basic	111,974	111,800	111,931	111,762
Dilutive effect of share-based compensation awards	297	321	280	280
Dilutive effect of redeemable noncontrolling interests	133	—	125	—
Weighted average common shares - diluted	112,404	112,121	112,336	112,042
Diluted EPS	$ 0.38	$ 0.21	$ 0.32	$ 0.42

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Net income	$ 43,898	$25,121	$ 37,819	$50,671
Real estate-related depreciation and amortization	37,555	33,612	74,876	66,208
Gain on sales of real estate	(40,233)	—	(39,743)	(5)
Depreciation and amortization on unconsolidated real estate JVs	476	818	930	1,636
Funds from operations ("FFO")	41,696	59,551	73,882	118,510
FFO allocable to other noncontrolling interests	(1,302)	(1,525)	(2,329)	(13,540)
Basic FFO allocable to share-based compensation awards	(193)	(254)	(353)	(447)
Noncontrolling interests - preferred units in the OP	—	(77)	—	(154)
Basic FFO available to common share and common unit holders ("Basic FFO")	40,201	57,695	71,200	104,369
Dilutive preferred units in the OP	—	77	—	154
Redeemable noncontrolling interests	11	37	70	69
Diluted FFO available to common share and common unit holders ("Diluted FFO")	40,212	57,809	71,270	104,592
Loss on early extinguishment of debt	25,228	—	58,394	—
Diluted FFO comparability adjustments allocable to share-based compensation awards	(137)	(1)	(304)	(51)
Demolition costs on redevelopment and nonrecurring improvements	302	9	302	52
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	65,605	57,817	129,662	115,683
Straight line rent adjustments and lease incentive amortization	(1,288)	2,523	(4,645)	1,671
Amortization of intangibles and other assets included in net operating income	41	(73)	81	(147)
Share-based compensation, net of amounts capitalized	2,009	1,638	3,913	3,027
Amortization of deferred financing costs	811	642	1,604	1,217
Amortization of net debt discounts, net of amounts capitalized	520	390	1,062	776
Replacement capital expenditures	(13,095)	(16,132)	(25,325)	(33,886)
Other diluted AFFO adjustments associated with real estate JVs	178	(115)	419	(156)
Diluted adjusted funds from operations available to common share and common unit holders ("Diluted AFFO")	$ 54,781	$46,690	$106,771	$88,185
Diluted FFO per share	$ 0.35	$ 0.51	$ 0.63	$ 0.92
Diluted FFO per share, as adjusted for comparability	$ 0.58	$ 0.51	$ 1.14	$ 1.02
Dividends/distributions per common share/unit	$ 0.275	$ 0.275	$ 0.550	$ 0.550

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

	June 30, 2021	December 31, 2020
Balance Sheet Data		
Properties, net of accumulated depreciation	$ 3,530,717	$ 3,562,549
Total assets	4,052,032	4,077,023
Debt, per balance sheet	2,109,640	2,086,918
Total liabilities	2,354,680	2,357,881
Redeemable noncontrolling interests	26,040	25,430
Equity	1,671,312	1,693,712
Net debt to adjusted book	39.4%	39.1%
Core Portfolio Data (as of period end) (1)		
Number of operating properties	181	179
Total operational square feet (in thousands)	20,978	20,802
% Occupied	93.7%	94.3%
% Leased	94.6%	95.0%

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Payout ratios				
Diluted FFO	77.5%	53.9%	87.4%	59.6%
Diluted FFO, as adjusted for comparability	47.5%	53.9%	48.1%	53.9%
Diluted AFFO	56.9%	66.8%	58.4%	70.7%
Adjusted EBITDA fixed charge coverage ratio	4.9x	3.8x	4.6x	3.8x
Net debt plus preferred equity to in-place adjusted EBITDA ratio (2)	6.3x	6.4x	N/A	N/A
Net debt adj. for fully-leased development plus pref. equity to in-place adj. EBITDA ratio (3)	5.8x	5.9x	N/A	N/A
Reconciliation of denominators for per share measures				
Denominator for diluted EPS	112,404	112,121	112,336	112,042
Weighted average common units	1,262	1,237	1,254	1,232
Redeemable noncontrolling interests	—	157	—	133
Dilutive convertible preferred units	—	176	—	176
Denominator for diluted FFO per share and as adjusted for comparability	113,666	113,691	113,590	113,583

(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 June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Reconciliation of common share dividends to dividends and distributions for payout ratios				
Common share dividends - unrestricted shares and deferred shares	$30,811	$30,761	$ 61,616	$ 61,515
Common unit distributions - unrestricted units	347	341	694	680
Distributions on dilutive preferred units	—	77	—	154
Dividends and distributions for payout ratios	$31,158	$31,179	$ 62,310	$ 62,349
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 income	$43,898	$25,121	$ 37,819	$ 50,671
Interest expense	15,942	16,797	33,461	33,637
Income tax expense	24	30	56	79
Real estate-related depreciation and amortization	37,555	33,612	74,876	66,208
Other depreciation and amortization	1,045	448	1,600	867
Gain on sales of real estate	(40,233)	—	(39,743)	(5)
Adjustments from unconsolidated real estate JVs	711	1,270	1,404	2,540
EBITDAre	58,942	77,278	109,473	153,997
Loss on early extinguishment of debt	25,228	—	58,394	—
Net (gain) loss on other investments	(63)	2	(63)	2
Credit loss expense (recoveries)	193	615	(714)	1,304
Business development expenses	584	678	1,132	1,216
Demolition costs on redevelopment and nonrecurring improvements	302	9	302	52
Adjusted EBITDA	85,186	78,582	$168,524	$156,571
Proforma net operating income adjustment for property changes within period	(379)	959		
Change in collectability of deferred rental revenue	—	1,007		
In-place adjusted EBITDA	$84,807	$80,548		
Reconciliation of interest expense to the denominators for fixed charge coverage-Adjusted EBITDA				
Interest expense	$15,942	$16,797	$ 33,461	$ 33,637
Less: Amortization of deferred financing costs	(811)	(642)	(1,604)	(1,217)
Less: Amortization of net debt discounts, net of amounts capitalized	(520)	(390)	(1,062)	(776)
COPT's share of interest expense of unconsolidated real estate JVs, excluding deferred financing costs	236	442	470	883
Scheduled principal amortization	959	1,023	1,921	2,044
Capitalized interest	1,707	3,174	3,512	6,532
Preferred unit distributions	—	77	—	154
Denominator for fixed charge coverage-Adjusted EBITDA	$17,513	$20,481	$ 36,698	$ 41,257

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Reconciliations of tenant improvements and incentives, building improvements and leasing costs for operating properties to replacement capital expenditures				
Tenant improvements and incentives	$ 8,303	$ 8,870	$ 15,442	$ 20,227
Building improvements	6,771	13,662	10,399	16,137
Leasing costs	2,805	2,222	3,934	4,984
Net additions to tenant improvements and incentives	(988)	329	1,912	2,355
Excluded building improvements and leasing costs	(3,796)	(8,951)	(6,362)	(9,817)
Replacement capital expenditures	$13,095	$16,132	$ 25,325	$ 33,886
Same Properties cash NOI	$77,241	$75,414	$149,604	$149,874
Straight line rent adjustments and lease incentive amortization	(2,272)	(1,131)	(2,231)	(1,115)
Amortization of acquired above- and below-market rents	98	97	197	193
Amortization of intangibles and other assets to property operating expenses	—	(23)	—	(46)
Lease termination fees, net	1,094	200	2,456	238
Tenant funded landlord assets and lease incentives	441	(20)	620	348
Cash NOI adjustments in unconsolidated real estate JV	40	49	82	102
Same Properties NOI	$76,642	$74,586	$150,728	$149,594

	June 30, 2021	December 31, 2020
Reconciliation of total assets to adjusted book		
Total assets	$ 4,052,032	$ 4,077,023
Accumulated depreciation	1,182,432	1,124,253
Accumulated amortization of real estate intangibles and deferred leasing costs	219,666	217,124
COPT's share of liabilities of unconsolidated real estate JVs	27,529	26,710
COPT's share of accumulated depreciation and amortization of unconsolidated real estate JVs	2,578	1,489
Less: Property - operating lease liabilities	(29,909)	(30,746)
Less: Property - finance lease liabilities	(18)	(28)
Less: Cash and cash equivalents	(17,182)	(18,369)
Less: COPT's share of cash of unconsolidated real estate JVs	(373)	(152)
Adjusted book	$ 5,436,755	$ 5,397,304

	June 30, 2021	December 31, 2020	June 30, 2020
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)	$ 2,157,325	$2,127,715	$2,073,351
Less: Cash and cash equivalents	(17,182)	(18,369)	(21,596)
Less: COPT's share of cash of unconsolidated real estate JVs	(373)	(152)	(627)
Net debt	$ 2,139,770	$2,109,194	$2,051,128
Preferred equity	—	—	8,800
Net debt plus preferred equity	$ 2,139,770	$2,109,194	$2,059,928
Costs incurred on fully-leased development properties	(171,453)	(114,532)	(152,557)
Net debt adjusted for fully-leased development plus preferred equity	$ 1,968,317	$1,994,662	$1,907,371

View source version on businesswire.com:
https://www.businesswire.com/news/home/20210729006045/en/

IR Contacts:
Stephanie Krewson-Kelly
443-285-5453
stephanie.kelly@copt.com

Michelle Layne
443-285-5452
michelle.layne@copt.com

Source: Corporate Office Properties Trust