

February 4, 2021



COPT Reports Fourth Quarter and Full Year 2020 Results

**EPS of \$0.87 for 2020 Exceeded High End of Guidance by 8-Cents;
FFO per Share, as Adjusted for Comparability, of \$2.12 Represented 4.4% Growth over
2019 Results & Exceeded High End of Guidance by 2-Cents**

Same-Property Cash NOI Increased 1.6% During the Year

Core Portfolio 94.3% Occupied & 95.0% Leased

Record 1.8 Million SF of 99% Leased Developments Placed into Service During 2020

1.5 Million SF of Active Developments are 84% Leased

Operations Minimally Affected by COVID-19 Shutdowns

Monthly Rent Collections During Pandemic Shutdowns Totaled 99.7%

Rent Relief Totaled 1% of Annualized Rental Revenues

Solid Annual Leasing Activity

*Total Leasing of 3.6 Million SF for the Year included 1 Million SF of Development Leasing
and 416,000 SF of Vacancy Leasing*

Record Tenant Retention of 81% for the Year

GAAP Rents on Renewals Increased 6.5% & Cash Rents Rolled Down 2.1%

COLUMBIA, Md.--(BUSINESS WIRE)-- Corporate Office Properties Trust ("COPT" or the "Company") (NYSE: OFC) announced financial and operating results for the fourth quarter and full year ended December 31, 2020.

Management Comments

Stephen E. Budorick, COPT's President & Chief Executive Officer, commented, "Notwithstanding the challenges presented by the COVID-19 pandemic, 2020 was a very strong year for our Company. Our operations were minimally impacted by the pandemic shutdowns, as demonstrated by our 99.7% rent collection rate, the record 1.8 million square feet of fully leased developments we placed in service, and the one million square feet of new development leasing we completed during the year. Additionally, fourth quarter and full-year FFO per share, as adjusted for comparability, outperformed the high ends of guidance by 2-cents due to non-recurring items in the quarter."

He continued, "During 2021, we expect incremental NOI from developments placed in

service to drive solid FFO per share growth. The \$2.19 midpoint of our 2021 initial guidance is a penny higher than the midpoint implied by the growth guideposts we provided last October and reflects the on-going strength of our operations.”

Financial Highlights

4th Quarter Financial Results:

- Diluted earnings per share (“EPS”) was \$0.73 for the quarter ended December 31, 2020 as compared to \$0.38 for the fourth quarter of 2019.
- Diluted funds from operations per share (“FFOPS”), as calculated in accordance with Nareit’s definition, was \$0.53 for the fourth quarter of 2020 as compared to \$0.49 for fourth quarter 2019 results.
- FFOPS, as adjusted for comparability, was \$0.56 in the fourth quarter of 2020 as compared to \$0.50 for the fourth quarter of 2019.

Full Year 2020 Financial Results:

- EPS for the year ended December 31, 2020 was \$0.87 as compared to 2019 EPS of \$1.71.
- Per Nareit’s definition, FFOPS for 2020 was \$1.50 as compared to \$2.02 for 2019.
- FFOPS, as adjusted for comparability, for 2020 was \$2.12 as compared to \$2.03 for 2019.

Operating Performance Highlights

Operating Portfolio Summary:

- At December 31, 2020, the Company’s core portfolio of 179 operating office and data center shell properties was 94.3% occupied and 95.0% leased.
- During the quarter and the year, the Company placed into service 582,000 and 1.8 million square feet that were 100% and 99% leased, respectively.

Same-Property Performance:

- At December 31, 2020, COPT’s same-property portfolio of 144 buildings was 92.1% occupied and 93.1% leased.
- For the quarter and year ended December 31, 2020, the Company’s same-property cash NOI was flat and increased 1.6%, respectively, over the prior year’s comparable periods.

Leasing:

- Total Square Feet Leased: For the quarter ended December 31, 2020, the Company leased 869,000 total square feet, including 232,000 square feet of renewals, 495,000

square feet in development projects, and 142,000 square feet of new leases on vacant space.

For the year ended December 31, 2020, the Company executed 3.6 million square feet of total leasing, including 2.2 million square feet of renewals, 1.0 million square feet of development leasing, and 416,000 square feet of vacancy leasing.

- **Renewal Rates:** During the quarter and year ended December 31, 2020, the Company respectively renewed 59.0% and 80.6% of total expiring square feet.
- **Cash Rent Spreads & Average Escalations on Renewing Leases:** For the quarter and year ended December 31, 2020, cash rents on renewed space decreased 2.6% and 2.1%, respectively. For the same respective periods, annual escalations on renewing leases averaged 2.5% and 2.4%.
- **Lease Terms:** In the fourth quarter, lease terms averaged 3.8 years on renewing leases, 15.0 years on development leasing, and 5.3 years on new leasing of vacant space. For the year, lease terms averaged 4.2 years on renewing leases, 14.6 years on development leasing, and 6.2 years on vacancy leasing.

Investment Activity Highlights

- **Development Pipeline:** As of December 31, 2020, the Company's development pipeline consisted of 11 properties totaling 1.5 million square feet that were 84% leased. These projects have a total estimated cost of \$613.0 million, of which \$324.4 million had been incurred.

Balance Sheet and Capital Transaction Highlights

- During the fourth quarter, the Company formed a new joint venture with funds affiliated with Blackstone Real Estate ("B RE-COPT JV") and sold a 90% interest in two wholly-owned data center shell properties; in a second transaction, COPT sold a 40% interest in six data center shells properties already owned in a 50-50 joint venture. From these two transactions, COPT received approximately \$165 million of equity value and recognized gains on the sales totaling \$59.4 million.
- In October, the Company redeemed the remaining \$177.1 million of its 3.70% Senior Notes due in 2021 for \$180.9 million plus accrued interest, and recognized a loss on early extinguishment of debt of \$4.1 million.
- Additionally, in December, the Company redeemed all \$8.8 million of Series I Preferred Convertible Units and, as a result, had zero preferred equity outstanding at the end of 2020.
- As of December 31, 2020, the Company's net debt to adjusted book ratio was 39.1% and its net debt to in-place adjusted EBITDA ratio was 6.2x. For the quarter and year ended December 31, 2020, the Company's adjusted EBITDA fixed charge coverage ratio was 4.1x.
- As of December 31, 2020, and including the effect of interest rate swaps, the Company's weighted average effective interest rate on its consolidated debt portfolio

was 3.4% with a weighted average maturity of 3.3 years; additionally, 82.1% 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 fourth quarter and year end 2020 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

The Company details its initial full year and first quarter guidance, with supporting assumptions, in a separate press release issued concurrently with this press release; that release can be found in the 'News, Presentations & Event Calendar' section of COPT's Investors website: <https://investors.copt.com/News/news-releases/default.aspx>

Conference Call Information

Management will discuss fourth quarter and year end 2020 results on its conference call tomorrow at 12:00 p.m. Eastern Time, details of which are listed below:

Conference Call Date:	Friday, February 5, 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:	1548922

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, February 5, through 3:00 p.m. Eastern Time on Friday, February 19. 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 1548922.

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 December 31, 2020, the Company derived 87% of its core portfolio annualized rental revenue from Defense/IT Locations and 13% from its Regional Office Properties. As of the same date and including 17 properties owned through unconsolidated joint ventures, COPT's core portfolio of 179 office and data center shell properties encompassed 20.8 million square feet and was 95.0% 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, 2019 and subsequent Quarterly Reports on Form 10-Q.

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 December 31,		For the Years Ended December 31,	
	2020	2019	2020	2019
Revenues				
Revenues from real estate operations	\$ 139,628	\$ 131,968	\$ 538,725	\$ 527,463
Construction contract and other service revenues	24,400	25,817	70,640	113,763
Total revenues	164,028	157,785	609,365	641,226
Operating expenses				
Property operating expenses	52,085	51,098	203,840	198,143
Depreciation and amortization associated with real estate operations	36,653	32,779	138,193	137,069
Construction contract and other service expenses	23,563	24,832	67,615	109,962
Impairment losses	—	2	1,530	329
General and administrative expenses	7,897	7,043	25,269	27,517
Leasing expenses	1,993	2,293	7,732	7,885
Business development expenses and land carry costs	999	1,292	4,473	4,239
Total operating expenses	123,190	119,339	448,652	485,144
Interest expense	(17,148)	(16,777)	(67,937)	(71,052)
Interest and other income	3,341	1,917	8,574	7,894
Credit loss recoveries	772	—	933	—
Gain on sales of real estate	30,204	20,761	30,209	105,230
Gain on sale of investment in unconsolidated real estate joint venture	29,416	—	29,416	—
Loss on early extinguishment of debt	(4,069)	—	(7,306)	—
Loss on interest rate derivatives	—	—	(53,196)	—
Income before equity in income of unconsolidated entities and income taxes	83,354	44,347	101,406	198,154
Equity in income of unconsolidated entities	453	426	1,825	1,633
Income tax (expense) benefit	(258)	104	(353)	217
Net income	83,549	44,877	102,878	200,004
Net income attributable to noncontrolling interests:				
Common units in the Operating Partnership ("OP")	(995)	(500)	(1,180)	(2,363)
Preferred units in the OP	(69)	(77)	(300)	(564)
Other consolidated entities	(817)	(1,515)	(4,024)	(5,385)
Net income attributable to COPT common shareholders	\$ 81,668	\$ 42,785	\$ 97,374	\$ 191,692
Earnings per share ("EPS") computation:				
Numerator for diluted EPS:				
Net income attributable to COPT common shareholders	\$ 81,668	\$ 42,785	\$ 97,374	\$ 191,692
Amount allocable to share-based compensation awards	(280)	(154)	(404)	(623)
Redeemable noncontrolling interests	44	33	—	132
Distributions on dilutive convertible preferred units	69	—	—	—
Numerator for diluted EPS	\$ 81,501	\$ 42,664	\$ 96,970	\$ 191,201
Denominator:				
Weighted average common shares - basic	111,817	111,670	111,788	111,196
Dilutive effect of share-based compensation awards	320	293	288	308
Dilutive effect of redeemable noncontrolling interests	117	108	—	119
Dilutive convertible preferred units	155	—	—	—
Weighted average common shares - diluted	112,409	112,071	112,076	111,623
Diluted EPS	\$ 0.73	\$ 0.38	\$ 0.87	\$ 1.71

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

	For the Three Months Ended December 31,		For the Years Ended December 31,	
	2020	2019	2020	2019
Net income	\$ 83,549	\$ 44,877	\$102,878	\$200,004
Real estate-related depreciation and amortization	36,653	32,779	138,193	137,069
Impairment losses on real estate	—	2	1,530	329
Gain on sales of real estate	(30,204)	(20,761)	(30,209)	(105,230)
Gain on sale of investment in unconsolidated real estate joint venture	(29,416)	—	(29,416)	—
Depreciation and amortization on unconsolidated real estate JVs	874	781	3,329	2,703
Funds from operations ("FFO")	61,456	57,678	186,305	234,875
Noncontrolling interests - preferred units in the OP	(69)	(77)	(300)	(564)
FFO allocable to other noncontrolling interests	(1,091)	(1,436)	(15,705)	(5,024)
Basic FFO allocable to share-based compensation awards	(272)	(243)	(719)	(905)
Basic FFO available to common share and common unit holders ("Basic FFO")	60,024	55,922	169,581	228,382
Dilutive preferred units in the OP	69	77	—	—
Redeemable noncontrolling interests	44	33	147	132
Diluted FFO available to common share and common unit holders ("Diluted FFO")	60,137	56,032	169,728	228,514
Loss on early extinguishment of debt	4,069	—	7,306	—
Loss on interest rate derivatives	—	—	53,196	—
Demolition costs on redevelopment and nonrecurring improvements	—	104	63	148
Executive transition costs	—	—	—	4
Non-comparable professional and legal expenses	—	195	—	681
Dilutive preferred units in the OP	—	—	300	—
FFO allocation to other noncontrolling interests resulting from capital event	—	—	11,090	—
Diluted FFO comparability adjustments allocable to share-based compensation awards	(18)	(1)	(327)	(3)
Diluted FFO available to common share and common unit holders, as adjusted for comparability	64,188	56,330	241,356	229,344
Straight line rent adjustments and lease incentive amortization	3,438	1,386	4,100	255
Amortization of intangibles included in net operating income	24	(174)	(162)	(221)
Share-based compensation, net of amounts capitalized	1,751	1,735	6,505	6,728
Amortization of deferred financing costs	664	541	2,539	2,136
Amortization of net debt discounts, net of amounts capitalized	504	382	1,733	1,503
Accum. other comprehensive loss on derivatives amortized to expense	—	—	—	79
Replacement capital expenditures	(13,973)	(19,862)	(60,944)	(63,789)
Other diluted AFFO adjustments associated with real estate JVs	196	(68)	190	212
Diluted adjusted funds from operations available to common share and common unit holders ("Diluted AFFO")	\$ 56,792	\$ 40,270	\$195,317	\$176,247
Diluted FFO per share	\$ 0.53	\$ 0.49	\$ 1.50	\$ 2.02
Diluted FFO per share, as adjusted for comparability	\$ 0.56	\$ 0.50	\$ 2.12	\$ 2.03
Dividends/distributions per common share/unit	\$ 0.275	\$ 0.275	\$ 1.100	\$ 1.100

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

	December 31, 2020	December 31, 2019		
Balance Sheet Data				
Properties, net of accumulated depreciation	\$ 3,562,549	\$ 3,340,886		
Total assets	4,077,023	3,854,453		
Debt, per balance sheet	2,086,918	1,831,139		
Total liabilities	2,357,881	2,105,777		
Redeemable noncontrolling interests	25,430	29,431		
Equity	1,693,712	1,719,245		
Net debt to adjusted book	39.1%	36.8%		
Core Portfolio Data (as of period end) (1)				
Number of operating properties	179	168		
Total operational square feet (in thousands)	20,802	19,016		
% Occupied	94.3%	93.1%		
% Leased	95.0%	94.6%		
	For the Three Months Ended December 31,	For the Years Ended December 31,		
	2020	2019	2020	2019
Payout ratios				
Diluted FFO	51.8%	55.6%	73.3%	54.4%
Diluted FFO, as adjusted for comparability	48.6%	55.3%	51.7%	54.2%
Diluted AFFO	54.9%	77.3%	63.8%	70.5%
Adjusted EBITDA fixed charge coverage ratio	4.1x	3.7x	3.9x	3.7x
Net debt plus preferred equity to in-place adjusted EBITDA ratio (2)	6.2x	6.1x	N/A	N/A
Reconciliation of denominators for per share measures				
Denominator for diluted EPS	112,409	112,071	112,076	111,623
Weighted average common units	1,239	1,228	1,236	1,299
Redeemable noncontrolling interests	—	—	123	—
Dilutive convertible preferred units	—	176	—	—
Denominator for diluted FFO per share	113,648	113,475	113,435	112,922
Dilutive convertible preferred units	—	—	171	—
Denominator for diluted FFO per share, as adjusted for comparability	113,648	113,475	113,606	112,922

(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).

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

	For the Three Months Ended December 31,		For the Years Ended December 31,	
	2020	2019	2020	2019
Reconciliation of common share dividends to dividends and distributions for payout ratios				
Common share dividends - unrestricted shares and deferred shares	\$30,764	\$30,724	\$123,042	\$122,823
Common unit distributions - unrestricted units	341	337	1,362	1,405
Distributions on dilutive preferred units	69	77	—	—
Dividends and distributions for diluted FFO payout ratio	31,174	31,138	124,404	124,228
Distributions on dilutive preferred units	—	—	300	—
Dividends and distributions for other payout ratios	<u>\$31,174</u>	<u>\$31,138</u>	<u>\$124,704</u>	<u>\$124,228</u>
Reconciliation of GAAP net income to earnings before interest, income taxes, depreciation and amortization for real estate ("EBITDAre"), adjusted EBITDA and in-place adjusted EBITDA				
Net income	\$83,549	\$44,877	\$102,878	\$200,004
Interest expense	17,148	16,777	67,937	71,052
Income tax expense (benefit)	258	(104)	353	(217)
Real estate-related depreciation and amortization	36,653	32,779	138,193	137,069
Other depreciation and amortization	513	438	1,837	1,834
Impairment losses on real estate	—	2	1,530	329
Gain on sales of real estate	(30,204)	(20,761)	(30,209)	(105,230)
Gain on sale of investment in unconsolidated real estate joint venture	(29,416)	—	(29,416)	—
Adjustments from unconsolidated real estate JVs	1,306	1,206	5,120	4,065
EBITDAre	79,807	75,214	258,223	308,906
Loss on early extinguishment of debt	4,069	—	7,306	—
Loss on interest rate derivatives	—	—	53,196	—
Net gain on other investments	(1,218)	(1)	(966)	(401)
Credit loss recoveries	(772)	—	(933)	—
Business development expenses	412	512	2,042	1,939
Non-comparable professional and legal expenses	—	195	—	681
Demolition costs on redevelopment and nonrecurring improvements	—	104	63	148
Executive transition costs	—	—	—	4
Adjusted EBITDA	82,298	76,024	<u>\$318,931</u>	<u>\$311,277</u>
Proforma net operating income adjustment for property changes within period	1,459	463		
Change in collectability of deferred rental revenue	678	928		
In-place adjusted EBITDA	<u>\$84,435</u>	<u>\$77,415</u>		
Reconciliation of interest expense to the denominators for fixed charge coverage-Adjusted EBITDA				
Interest expense	\$17,148	\$16,777	\$ 67,937	\$ 71,052
Less: Amortization of deferred financing costs	(664)	(541)	(2,539)	(2,136)
Less: Amortization of net debt discounts, net of amounts capitalized	(504)	(382)	(1,733)	(1,503)
Less: Accum. other comprehensive loss on derivatives amortized to expense	—	—	—	(79)
COPT's share of interest expense of unconsolidated real estate JVs, excluding deferred financing costs	422	416	1,749	1,332
Scheduled principal amortization	1,048	1,010	4,125	4,310
Capitalized interest	2,620	3,467	12,060	10,786
Preferred unit distributions	69	77	300	564
Denominator for fixed charge coverage-Adjusted EBITDA	<u>\$20,139</u>	<u>\$20,824</u>	<u>\$ 81,899</u>	<u>\$ 84,326</u>

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

	For the Three Months Ended December 31,		For the Years Ended December 31,	
	2020	2019	2020	2019
Reconciliations of tenant improvements and incentives, building improvements and leasing costs for operating properties to replacement capital expenditures				
Tenant improvements and incentives	\$ 9,165	\$ 11,447	\$ 36,342	\$ 38,047
Building improvements	7,523	8,826	34,060	26,598
Leasing costs	1,514	2,998	8,432	11,663
Net (exclusions from) additions to tenant improvements and incentives	(370)	(426)	1,042	(2,292)
Excluded building improvements and leasing costs	(3,859)	(2,983)	(18,932)	(10,227)
Replacement capital expenditures	<u>\$13,973</u>	<u>\$19,862</u>	<u>\$ 60,944</u>	<u>\$ 63,789</u>
Same Properties cash NOI				
Straight line rent adjustments and lease incentive amortization	(1,831)	(2,681)	(5,372)	(3,584)
Amortization of acquired above- and below-market rents	99	197	390	312
Amortization of intangibles and other assets to property operating expenses	—	(23)	(69)	(92)
Lease termination fees, gross	399	417	1,451	2,046
Tenant funded landlord assets and lease incentives	248	754	812	2,206
Same Properties NOI	<u>\$73,155</u>	<u>\$72,887</u>	<u>\$289,295</u>	<u>\$288,477</u>
		December 31, 2020	December 31, 2019	
Reconciliation of total assets to adjusted book				
Total assets		\$ 4,077,023	\$ 3,854,453	
Accumulated depreciation		1,124,253	1,007,120	
Accumulated amortization of real estate intangibles and deferred leasing costs		217,124	212,547	
COPT's share of liabilities of unconsolidated real estate JVs		26,710	50,734	
COPT's share of accumulated depreciation and amortization of unconsolidated real estate JVs		1,489	8,164	
Less: Property - operating lease liabilities		(30,746)	(17,317)	
Less: Property - finance lease liabilities		(28)	(702)	
Less: Cash and cash equivalents		(18,369)	(14,733)	
Less: COPT's share of cash of unconsolidated real estate JVs		(152)	(498)	
Adjusted book		<u>\$ 5,397,304</u>	<u>\$ 5,099,768</u>	
Reconciliation of debt outstanding to net debt and net debt plus preferred equity				
Debt outstanding (excluding net debt discounts and deferred financing costs)		\$ 2,127,715	1,893,057	
Less: Cash and cash equivalents		(18,369)	(14,733)	
Less: COPT's share of cash of unconsolidated real estate JVs		(152)	(498)	
Net debt		<u>\$ 2,109,194</u>	<u>\$ 1,877,826</u>	
Preferred equity		—	8,800	
Net debt plus preferred equity		<u>\$ 2,109,194</u>	<u>\$ 1,886,626</u>	

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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