

NEWS RELEASE

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COPT Defense Reports First Quarter 2024 Results

EPS of \$0.29

FFO per Share, as Adjusted for Comparability, of \$0.62

Exceeded High-End of Guidance

Increased Midpoint of 2024 FFO per Share Guidance by 3-cents to \$2.54

Implies 5% FFO per Share Growth at the Midpoint for the Year

Defense/IT Portfolio 95.6% Occupied and 96.8% Leased

Same Property Cash NOI Increased 6.1%

Raised Same Property Cash NOI Guidance for the Year by 50 Basis Points, to 6.0%-7.0%

Committed \$91 Million of Capital to New Investments

Placed 73,000 SF of Developments into Service that are 100% Leased

\$381 Million of Active Developments (959,000 SF) are 74% Leased

Excellent Leasing to Start the Year

Total Leasing of 721,000 SF

160,000 SF of Vacancy Leasing

On Track to Achieve Annual Target of 400,000 SF

Tenant Retention of 78%

On Track to Achieve Annual Goal of 75%-85%

COLUMBIA, MD (BUSINESS WIRE) April 25, 2024 - COPT Defense Properties ("COPT Defense" or the "Company") (NYSE: CDP) announced results for the first quarter ended March 31, 2024.

Management Comments

Stephen E. Budorick, COPT Defense's President & Chief Executive Officer, commented, "Our Defense/IT investment strategy, which concentrates our portfolio near priority U.S. defense installations, generated strong results in the first quarter with FFO per share exceeding the midpoint of our guidance range by \$0.02. Based on this outperformance and our forecast over the remainder of the year, we increased the midpoint of 2024 FFO per share guidance by \$0.03 to \$2.54, which implies 5% year-over-year growth.

In terms of internal growth, the strength of demand for our portfolio is evidenced by our same property cash NOI growth of 6.1% for our Total Portfolio and 7.6% for our Defense/IT Portfolio on a year-over-year basis, which led us to increase our 2024 guidance by 50 basis points at the midpoint. Our Defense/IT Portfolio was 95.6% occupied and 96.8% leased at quarter-end, while our tenant retention rate was 78%, all of which we believe compare favorably to other leading REIT sectors.

In terms of external growth, we committed \$91 million of capital to new investments which includes two development projects totaling \$76 million at The National Business Park and Redstone Gateway, two of our highest occupancy markets. We also acquired Franklin Center in Columbia Gateway for \$15 million, which marks our first acquisition since 2015. This transaction is an excellent opportunity to acquire high quality inventory at a deeply discounted basis, and leverage our Defense/IT franchise and strong demand from defense contractors, to create significant shareholder value.

Our actual and expected performance led our Board of Trustees to approve a 3.5% increase in our quarterly dividend in February, which marks our second consecutive annual increase, following the 3.6% raise in 2023. Looking forward, we continue to anticipate compound annual FFO per share growth of roughly 4% between 2023 to 2026."

Financial Highlights**1st Quarter Financial Results:**

- Diluted earnings per share ("EPS") was \$0.29 for the quarter ended March 31, 2024 as compared to \$0.70 for the quarter ended March 31, 2023.
- Diluted funds from operations per share ("FFOPS"), as calculated in accordance with Nareit's definition and as adjusted for comparability, was \$0.62 for the quarter ended March 31, 2024 compared to \$0.59 for the quarter ended March 31, 2023.

Operating Performance Highlights

Operating Portfolio Summary:

- At March 31, 2024, the Company's 24.1 million square foot Total Portfolio was 93.6% occupied and 94.9% leased, which includes the 22.0 million square foot Defense/IT Portfolio that was 95.6% occupied and 96.8% leased.
- During the quarter ended March 31, 2024, the Company placed into service \$32.3 million of developments totaling 73,000 square feet that were 100% leased.

Same Property Performance:

- At March 31, 2024, the Company's 22.2 million square foot same property portfolio was 93.5% occupied and 95.0% leased.
- The Company's same property cash NOI increased 6.1% for the three months ended March 31, 2024 compared to the same period in 2023.

Leasing:

- Total Square Feet Leased: For the quarter ended March 31, 2024, the Company leased 721,000 square feet, including 551,000 square feet of renewals, 160,000 square feet of vacancy leasing, and 10,000 square feet in development projects.
- Tenant Retention Rates: During the quarter ended March 31, 2024, the Company renewed 78% of expiring square feet in its Total Portfolio and 82.9% in its Defense/IT Portfolio.
- Rent Spreads & Average Escalations on Renewing Leases: For the quarter ended March 31, 2024, straight-line rents on renewals increased 3.7% and cash rents on renewed space decreased 2.5%. For the same time period, annual escalations on renewing leases averaged 2.4%.
- Lease Terms: In the quarter ended March 31, 2024, lease terms averaged 4.1 years on renewing leases, 8.2 years on vacancy leasing, and 5.3 years on development projects.

Investment Activity Highlights

- **Development Pipeline:** The Company's development pipeline consists of six properties totaling 959,000 square feet that were 74% leased as of March 31, 2024. These projects represent a total estimated investment of \$381.4 million, of which \$89.1 million has been spent.
- **Acquisition:** During the quarter, the Company acquired 6841 Benjamin Franklin Center Drive, a 7-story LEED-Gold office building containing 202,000 square feet in Columbia, Maryland for \$15 million.
 - Please see the Company's Franklin Center acquisition press release dated April 25, 2024 for further details and pages 8-14 of the Company's 1Q24 Results Presentation (refer to the 'Associated Supplemental Presentation' section below).

Balance Sheet and Capital Transaction Highlights

- For the quarter ended March 31, 2024, the Company's adjusted EBITDA fixed charge coverage ratio was 4.5x.
- At March 31, 2024, the Company's net debt to in-place adjusted EBITDA ratio was 6.1x and its net debt adjusted for fully-leased development to in-place adjusted EBITDA ratio was 6.0x.
- At March 31, 2024, and including the effect of interest rate swaps, the Company's weighted average effective interest rate on its consolidated debt portfolio was 3.3% with a weighted average maturity of 5.4 years, and 100% 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 2024 conference call; the presentation can be viewed and downloaded from the 'Financial Info – Financial Results' section of COPT Defense's Investors website: <https://investors.copt.com/financial-information/financial-results>

2024 Guidance

Management is revising its full-year guidance for diluted EPS and diluted FFOPS, per Nareit and as adjusted for comparability, from the prior range of \$1.15-\$1.23, and \$2.47-\$2.55, respectively, to new ranges of \$1.19-\$1.25, and \$2.51-\$2.57, respectively. Management is establishing second quarter guidance for diluted EPS and diluted FFOPS per Nareit and as adjusted for comparability at \$0.29-\$0.31 and \$0.62-\$0.64, respectively. Reconciliations of projected diluted EPS to projected diluted FFOPS, in accordance with Nareit and as adjusted for comparability are as follows:

Reconciliation of Diluted EPS to FFOPS, per Nareit, and As Adjusted for Comparability	Quarter Ending June 30, 2024		Year Ending December 31, 2024	
	Low	High	Low	High
Diluted EPS	\$ 0.29	\$ 0.31	\$ 1.19	\$ 1.25
Real estate-related depreciation and amortization	0.33	0.33	1.32	1.32
Diluted FFOPS, Nareit definition and as adjusted for comparability	\$ 0.62	\$ 0.64	\$ 2.51	\$ 2.57

Conference Call Information

Management will discuss first quarter 2024 results on its conference call tomorrow at 12:00 p.m. Eastern Time, details of which are listed below:

Conference Call Date:	Friday, April 26, 2024
Time:	12:00 p.m. Eastern Time

Participants must register for the conference call at the link below to receive the dial-in number and personal pin. Registering only takes a few moments and provides direct access to the conference call without waiting for an operator. You may register at any time, including up to and after the call start time:

<https://register.vevent.com/register/BI45e0b73633dc499fa57ffc62af57efd2>

The conference call will also be available via live webcast in the 'News & Events – IR Calendar' section of COPT Defense's Investors website: <https://investors.copt.com/news-events/ir-calendar>

Replay Information

A replay of the conference call will be immediately available via webcast only on COPT Defense's Investors website and will be maintained on the website for approximately 90 days after the conference call.

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 Defense

COPT Defense, an S&P MidCap 400 Company, is a self-managed REIT focused on owning, operating and developing properties in locations proximate to, or sometimes containing, key U.S. Government ("USG") defense installations and missions (referred to as its Defense/IT Portfolio). The Company's tenants include the USG and their defense contractors, who are primarily engaged in priority national security activities, and who generally require mission-critical and high security property enhancements. As of March 31, 2024, the Company's Defense/IT Portfolio of 193 properties, including 24 owned through unconsolidated joint ventures, encompassed 22.0 million square feet and was 96.8% 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, 2023.

Source: COPT Defense Properties

COPT Defense Properties
Summary Financial Data
(unaudited)
(dollars and shares in thousands, except per share data)

	For the Three Months Ended March 31,	
	2024	2023
Revenues		
Lease revenue	\$ 165,433	\$ 150,560
Other property revenue	1,230	1,121
Construction contract and other service revenues	26,603	15,820
Total revenues	193,266	167,501
Operating expenses		
Property operating expenses	66,746	59,420
Depreciation and amortization associated with real estate operations	38,351	36,995
Construction contract and other service expenses	26,007	15,201
General and administrative expenses	8,378	7,996
Leasing expenses	2,187	1,999
Business development expenses and land carry costs	1,182	495
Total operating expenses	142,851	122,106
Interest expense	(20,767)	(16,442)
Interest and other income, net	4,122	2,256
Gain on sales of real estate	—	49,378
Income before equity in income (loss) of unconsolidated entities and income taxes	33,770	80,587
Equity in income (loss) of unconsolidated entities	69	(64)
Income tax expense	(168)	(125)
Net income	33,671	80,398
Net income attributable to noncontrolling interests:		
Common units in the Operating Partnership ("OP")	(608)	(1,293)
Other consolidated entities	(454)	(326)
Net income attributable to common shareholders	\$ 32,609	\$ 78,779
Earnings per share ("EPS") computation:		
Numerator for diluted EPS:		
Net income attributable to common shareholders	\$ 32,609	\$ 78,779
Amount allocable to share-based compensation awards	(129)	(248)
Redeemable noncontrolling interests	—	(64)
Numerator for diluted EPS	\$ 32,480	\$ 78,467
Denominator:		
Weighted average common shares - basic	112,231	112,127
Dilutive effect of share-based compensation awards	509	410
Dilutive effect of redeemable noncontrolling interests	—	91
Weighted average common shares - diluted	112,740	112,628
Diluted EPS	\$ 0.29	\$ 0.70

COPT Defense Properties
Summary Financial Data
(unaudited)
(in thousands, except per share data)

	For the Three Months Ended March 31,	
	2024	2023
Net income	\$ 33,671	\$ 80,398
Real estate-related depreciation and amortization	38,351	36,995
Gain on sales of real estate	—	(49,378)
Depreciation and amortization on unconsolidated real estate JVs	777	801
Funds from operations ("FFO")	72,799	68,816
FFO allocable to other noncontrolling interests	(836)	(708)
Basic FFO allocable to share-based compensation awards	(587)	(466)
Basic FFO available to common share and common unit holders ("Basic FFO")	71,376	67,642
Redeemable noncontrolling interests	469	(30)
Diluted FFO adjustments allocable to share-based compensation awards	47	39
Diluted FFO available to common share and common unit holders ("Diluted FFO")	71,892	67,651
Executive transition costs	77	—
Diluted FFO available to common share and common unit holders, as adjusted for comparability	71,969	67,651
Straight line rent adjustments and lease incentive amortization	3,473	(3,516)
Amortization of intangibles and other assets included in net operating income ("NOI")	122	(19)
Share-based compensation, net of amounts capitalized	2,645	1,733
Amortization of deferred financing costs	685	632
Amortization of net debt discounts, net of amounts capitalized	1,014	618
Replacement capital expenditures	(20,776)	(28,210)
Other	137	(273)
Diluted adjusted funds from operations available to common share and common unit holders ("Diluted AFFO")	\$ 59,269	\$ 38,616
Diluted FFO per share	\$ 0.62	\$ 0.59
Diluted FFO per share, as adjusted for comparability	\$ 0.62	\$ 0.59
Dividends/distributions per common share/unit	\$ 0.295	\$ 0.285

COPT Defense Properties
Summary Financial Data
(unaudited)
(Dollars and shares in thousands, except per share data)

	March 31, 2024	December 31, 2023
Balance Sheet Data		
Properties, net of accumulated depreciation	\$ 3,517,878	\$ 3,503,678
Total assets	\$ 4,232,895	\$ 4,246,966
Debt per balance sheet	\$ 2,416,873	\$ 2,416,287
Total liabilities	\$ 2,683,883	\$ 2,699,631
Redeemable noncontrolling interests	\$ 22,966	\$ 23,580
Total equity	\$ 1,526,046	\$ 1,523,755
Debt to assets	57.1%	56.9%
Net debt to adjusted book	40.9%	40.6%
Defense/IT Portfolio Data (as of period end)		
Number of operating properties	193	190
Total operational square feet (in thousands)	21,993	21,719
% Occupied	95.6%	96.2%
% Leased	96.8%	97.2%
For the Three Months Ended March 31,		
	2024	2023
GAAP		
Payout ratio:		
Net income	100.7%	40.6%
Debt ratios:		
Net income to interest expense ratio	1.6x	4.9x
Debt to net income ratio	17.9x	6.6x
Non-GAAP		
Payout ratios:		
Diluted FFO	46.8%	47.9%
Diluted FFO, as adjusted for comparability	46.7%	47.9%
Diluted AFFO	56.8%	83.9%
Debt ratios:		
Adjusted EBITDA fixed charge coverage ratio	4.5x	5.0x
Net debt to in-place adjusted EBITDA ratio	6.1x	6.2x
Net debt adj. for fully-leased development to in-place adj. EBITDA ratio	6.0x	5.8x
Reconciliation of denominators for per share measures		
Denominator for diluted EPS	112,740	112,628
Weighted average common units	1,625	1,489
Redeemable noncontrolling interests	947	—
Denominator for diluted FFO per share and as adjusted for comparability	<u>115,312</u>	<u>114,117</u>

COPT Defense Properties
Summary Financial Data
(unaudited)
(in thousands)

	For the Three Months Ended March 31,	
	2024	2023
Numerators for Payout Ratios		
Dividends on unrestricted common and deferred shares	\$ 33,143	\$ 31,989
Distributions on unrestricted common units	500	430
Dividends and distributions on restricted shares and units	267	215
Total dividends and distributions for GAAP payout ratio	33,910	32,634
Dividends and distributions on antidilutive shares and units	(266)	(216)
Dividends and distributions for non-GAAP payout ratios	<u>\$ 33,644</u>	<u>\$ 32,418</u>

Reconciliation of net income to earnings before interest, income taxes, depreciation and amortization for real estate ("EBITDAre"), adjusted EBITDA and in-place adjusted EBITDA

Net income	\$ 33,671	\$ 80,398
Interest expense	20,767	16,442
Income tax expense	168	125
Real estate-related depreciation and amortization	38,351	36,995
Other depreciation and amortization	608	602
Gain on sales of real estate	—	(49,378)
Adjustments from unconsolidated real estate JVs	1,671	1,704
EBITDAre	95,236	86,888
Credit loss expense	22	67
Business development expenses	630	241
Executive transition costs	430	247
Net gain on other investments	(477)	—
Adjusted EBITDA	95,841	87,443
Pro forma NOI adjustment for property changes within period	813	(318)
Change in collectability of deferred rental revenue	—	899
In-place adjusted EBITDA	<u>\$ 96,654</u>	<u>\$ 88,024</u>

Reconciliations of tenant improvements and incentives, building improvements and leasing costs for operating properties to replacement capital expenditures

Tenant improvements and incentives	\$ 12,776	\$ 19,986
Building improvements	4,953	2,141
Leasing costs	3,590	1,750
Net additions to tenant improvements and incentives	316	4,839
Excluded building improvements and leasing costs	(859)	(506)
Replacement capital expenditures	<u>\$ 20,776</u>	<u>\$ 28,210</u>

COPT Defense Properties
Summary Financial Data
(unaudited)
(in thousands)

	For the Three Months Ended March 31,	
	2024	2023
Reconciliation of interest expense to the denominator for fixed charge coverage-Adjusted EBITDA		
Interest expense	\$ 20,767	\$ 16,442
Less: Amortization of deferred financing costs	(685)	(632)
Less: Amortization of net debt discounts, net of amounts capitalized	(1,014)	(618)
COPT Defense's share of interest expense of unconsolidated real estate JVs, excluding amortization of deferred financing costs and net debt premium and gain or loss on interest rate derivatives	804	773
Scheduled principal amortization	769	790
Capitalized interest	589	770
Denominator for fixed charge coverage-Adjusted EBITDA	<u>\$ 21,230</u>	<u>\$ 17,525</u>
Reconciliation of net income to NOI from real estate operations, same property NOI from real estate operations and same property cash NOI from real estate operations		
Net income	\$ 33,671	\$ 80,398
Construction contract and other service revenues	(26,603)	(15,820)
Depreciation and other amortization associated with real estate operations	38,351	36,995
Construction contract and other service expenses	26,007	15,201
General and administrative expenses	8,378	7,996
Leasing expenses	2,187	1,999
Business development expenses and land carry costs	1,182	495
Interest expense	20,767	16,442
Interest and other income, net	(4,122)	(2,256)
Gain on sales of real estate	—	(49,378)
Equity in (income) loss of unconsolidated entities	(69)	64
Unconsolidated real estate JVs NOI allocable to COPT Defense included in equity in income (loss) of unconsolidated entities	1,740	1,642
Income tax expense	168	125
NOI from real estate operations	<u>101,657</u>	<u>93,903</u>
Non-Same Property NOI from real estate operations	<u>(6,254)</u>	<u>(1,180)</u>
Same Property NOI from real estate operations	95,403	92,723
Straight line rent adjustments and lease incentive amortization	5,367	(3,570)
Amortization of acquired above- and below-market rents	(69)	(166)
Lease termination fees, net	(775)	(1,221)
Tenant funded landlord assets and lease incentives	(8,190)	(1,222)
Cash NOI adjustments in unconsolidated real estate JVs	<u>(117)</u>	<u>(153)</u>
Same Property Cash NOI from real estate operations	<u>\$ 91,619</u>	<u>\$ 86,391</u>

COPT Defense Properties
Summary Financial Data
(unaudited)
(in thousands)

	<u>March 31, 2024</u>	<u>December 31, 2023</u>
Reconciliation of total assets to adjusted book		
Total assets	\$ 4,232,895	\$ 4,246,966
Accumulated depreciation	1,434,621	1,400,162
Accumulated amortization of intangibles on property acquisitions and deferred leasing costs	225,443	228,484
COPT Defense's share of liabilities of unconsolidated real estate JVs	60,904	60,583
COPT Defense's share of accumulated depreciation and amortization of unconsolidated real estate JVs	10,364	9,528
Less: Property - operating lease liabilities	(33,141)	(33,931)
Less: Property - finance lease liabilities	(409)	(415)
Less: Cash and cash equivalents	(123,144)	(167,820)
Less: COPT Defense's share of cash of unconsolidated real estate JVs	(1,159)	(852)
Adjusted book	<u>\$ 5,806,374</u>	<u>\$ 5,742,705</u>

	<u>March 31, 2024</u>	<u>December 31, 2023</u>	<u>March 31, 2023</u>
Reconciliation of debt to net debt and net debt adjusted for fully-leased development			
Debt per balance sheet	\$ 2,416,873	\$ 2,416,287	\$ 2,123,012
Net discounts and deferred financing costs	27,358	28,713	22,250
COPT Defense's share of unconsolidated JV gross debt	<u>52,819</u>	<u>52,613</u>	<u>52,226</u>
Gross debt	2,497,050	2,497,613	2,197,488
Less: Cash and cash equivalents	(123,144)	(167,820)	(15,199)
Less: COPT Defense's share of cash of unconsolidated real estate JVs	<u>(1,159)</u>	<u>(852)</u>	<u>(881)</u>
Net debt	2,372,747	2,328,941	2,181,408
Costs incurred on fully-leased development properties	<u>(43,034)</u>	<u>(53,914)</u>	<u>(137,309)</u>
Net debt adjusted for fully-leased development	<u>\$ 2,329,713</u>	<u>\$ 2,275,027</u>	<u>\$ 2,044,099</u>