



CORPORATE OFFICE  
PROPERTIES TRUST

2009 Online Annual Report



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## A Message from Randall M. Griffin

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I'm Rand Griffin, President and CEO of Corporate Office Properties Trust. As it was for most companies, 2009 was a challenging year for COPT. And yet, during this difficult market environment, we had excellent financial results.

We increased Funds From Operations (FFO) per share, after adjustments, by 5% over equivalent 2008 FFO. We also delivered a 25% total shareholder return, and, in a year when 75% of our REIT peers cut or suspended their dividend, we were able to raise our dividend by 5.4% and continue to pay in cash.

Once again in 2009, we outperformed our peers. For the past 10 years, we were number 2 among all equity REITs, with a total shareholder return of 693%. We increased our dividend this past year for the 12th year in a row, with a total increase in quarterly dividends over that time period of 214%.

The reason for our 12-year record of growth is our three-part portfolio and investment strategy. First, we are focused on a super core of customers – a U.S. Government, Defense Information Technology contractor and data center tenancy – that accounts for 58% of our Net Operating Income (NOI), with a target of 65%. Second, we have concentrated on core business parks located in growth corridors which will account for 20% of our NOI. And third, we have a 15% target for opportunistic office investments that do not fit either of the first two strategies but provide the opportunity for higher returns.

This strategy has helped us through the difficult times and has positioned us well for the future. We have the capital, the land and the team in place to take advantage of the expansion directed by the Base Realignment and Closure decisions of 2005 and the Cyber Security Initiative. These expansions will bring tens of thousands of new jobs to our area by 2011. 100% of our extensive development activities are currently focused on meeting this significant government and defense IT demand. This anticipated demand positions us well for future FFO growth.

## Dear Fellow Shareholders

In a year of volatility with significant financial risks, I am pleased to report that Corporate Office Properties Trust grew in dividends, earnings and development activity in 2009.

We increased our dividend by 5.4% and paid it in cash, in a time when the vast majority of our REIT peers cut or suspended dividends. This is the 12th year in a row that we have increased the dividend.

We generated Funds From Operations (FFO) after adjustments of \$2.49 per diluted share, a 5% increase over equivalent 2008 FFO of \$2.38 per diluted share, and our same office property Net Operating Income (NOI) increased 2%.

And, we delivered a 25% total shareholder return for 2009. For the past 10 years we were number two among all equity REITs with total shareholder return of 693%.

In other words, in a highly unusual economy, it was business as usual for COPT. How did we manage to perform at a consistently high level? There are five key reasons.

**We stayed true to our strategy.** Since 1998, COPT has carved out a unique niche market – the U.S. Government and its Defense IT contractors. We acquire land in locations where these customers want to be and develop office buildings to meet their requirements. Following this strategy, we moved aggressively to take advantage of the Base Realignment and Closure (BRAC) decisions of 2005, securing land around Fort Meade and Aberdeen Proving Ground. The expected creation of Cyber Security Headquarters at Fort Meade will also generate substantial demand for Class A office space. BRAC moves driving the extensive expansion at Aberdeen Proving Ground will create some 10,000 contractor jobs. We believe that COPT is positioned like no other developer to meet the demand.

**We strengthened our customer relationships.** While other companies cut costs last year by curtailing customer service, COPT took steps to enhance it. We invested in new property management technology and customer service training, and added depth to our team. As a result of our continued emphasis on customer service, COPT was rated “Best in Industry” for customer satisfaction in the large owner category by CEL & Associates, Inc. for 2009, the sixth year in a row. Not coincidentally, 100% of our building starts in 2009 were driven by customer demand.

**We positioned ourselves for growth.** One reason the recession had such a minimal impact on our performance is because we anticipated the severity of the downturn. We managed 2009 debt



*Randall M. Griffin, President  
and Chief Executive Officer*



*209 Research Boulevard – nearing completion at  
North Gate Business Park, just outside the gate  
of Aberdeen Proving Ground*



*308 Sentinel Drive – under construction in The  
National Business Park, with direct access to  
Fort Meade*



**Message to Shareholders**  
SHAREHOLDER LETTER

maturities to low levels and accessed the credit markets to refinance them. We also used our inclusion in the S&P MidCap 400 Index as an opportunity to raise a prudent amount of equity in an orderly and low cost manner.

**We seized opportunities.** We were able to acquire two high quality assets that had weak capital structures using our favorable access to credit. The first, 1550 West Nursery Road in Airport Square, adjacent to BWI Airport, is 100% leased long term to Northrop Grumman, our second largest customer. Second, Canton Crossing, a waterfront mixed-use development in Baltimore with a 474,000 square foot office tower and land to support additional development, offers tremendous potential.

**We added depth to our team.** COPT has always taken the long-term approach to hiring, because it ultimately benefits our shareholders. With the long view in mind, we hired some excellent people in 2009 to bolster our customer service and to improve performance across all divisions. We have already seen the positive impact of these decisions.

As we move forward, I believe 2010 will continue to be extremely challenging for our industry, and yet COPT is well positioned to recover more rapidly than others and actually thrive in these difficult times. Driven primarily by the BRAC movements, which by law must be completed in 2011, we anticipate this year starting almost 1.5 million square feet of new office buildings, 100% for the government and defense IT contractors in the super core portion of our strategy.

More importantly, we have the diligence and the discipline to make it all work. My thanks to our team of professionals for their excellent performance in 2009, to our Board of Trustees for their guidance and to you, our shareholders, for your confidence and support. I look forward to another excellent year for COPT.

Sincerely,



Randall M. Griffin  
President and Chief Executive Officer



*1550 West Nursery Road, acquired in October 2009*



*Canton Crossing Tower, acquired in October 2009*

## A History of High Returns

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Corporate Office Properties Trust registered as a Maryland REIT in 1998 with assets of approximately \$200 million. Today, we hold assets of over \$3.3 billion. Our portfolio consists of 269 properties with 20.2 million square feet of rentable space in strategic markets across the U.S.\*

For the 12th consecutive year, we increased our cash dividend – this time by 5.4%. We rank first among office REITs and second among all equity REITs in total shareholder return for the 10-year period ending in 2009.

How does COPT perform at such a consistently high level?

**We establish long-term customer relationships.** Our award-winning customer service, high quality solutions and uncompromising trust have resulted in unparalleled customer loyalty. In 2009, we leased 2.6 million square feet and renewed 73% of our expiring leases.

**We focus on markets where our customers want to be.** Since our super core customers include the U.S. Government and Defense IT contractors, we concentrate around government demand drivers. Most of our current development is in areas chosen for expansion by the Base Realignment and Closure decisions of 2005.

**We design and develop work environments that help our clients succeed.** Buildings we develop are technically sophisticated and visually appealing, and many meet the government's anti-terrorism security requirements.

**We adhere to disciplined financial principles.** We fund our growth through a variety of debt and equity sources to ensure broad access to cost-effective capital.

**We are committed to building and operating green.** In 2003, we pledged to build every new building to a minimum Leadership in Energy and Environmental Design (LEED) Silver certification standard. As of December 31, 2009, 16 buildings are certified LEED Gold or Silver and 36 buildings are registered for LEED certification. This commitment aligns precisely with our customers' environmental values and gives us a strategic advantage in the market.

*\*As of December 31, 2009. Includes 20 properties totaling 1.1 million square feet held through joint ventures.*

**Message to Shareholders**

## BUSINESS &amp; GROWTH STRATEGIES

## Proven Business & Growth Strategies

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The primary objectives of COPT are to achieve sustainable long-term growth in FFO and AFFO (Adjusted Funds From Operations) and to maximize long-term shareholder value. To meet these objectives year after year, we employ five proven strategies.

**Develop long-term customer relationships**

Most real estate companies think of their assets in terms of land and buildings. At COPT, we believe our greatest assets are our customers. Our customers believe that as well. For the sixth consecutive year, we have won the CEL & Associates, Inc. award for quality service and tenant satisfaction in the large owner category. By focusing our entire operations on solving customer needs, we have become the landlord of choice.

Over the years, we have become highly proficient in serving the U.S. Government, Defense Information Technology and Data sectors. More than half our revenue is derived from these customers, and we have a number of reasons to believe our position in these sectors will grow.

- First, we have strong relationships with these customers and a solid reputation for high quality service.
- Second, we have properties concentrated around government demand drivers in various regions of the country and a willingness to enter markets where our customers want to be.
- Third, we have a depth of knowledge and experience in developing and operating mission-critical properties that meet the government's force protection requirements.

We believe our ability to attract and retain high-quality customers will move us forward in the future just as it has in the past.

**Focus on demand-driven markets**

In keeping with our customer strategy, we focus on owning properties where our customers want to be: mainly near government demand drivers.

We look for markets and submarkets where we can maximize management efficiencies, operating synergies and competitive advantages. Among other criteria, such markets generally exhibit:

- proximity to large demand drivers
- strong demographics
- attractiveness to high quality tenants
- potential for growth
- stability in down economies
- future acquisition and development potential
- minimal competition

Typically, we acquire or develop properties in large business parks located outside of central business districts. These parks offer easy access to residential areas and help our customers attract and retain quality workers.

**Adhere to sound capital management principles**

Our capital strategy is aimed at maintaining a flexible capital structure to facilitate growth and performance in the face of differing market conditions in the most cost-effective manner. We execute this strategy by:

## Message to Shareholders

### BUSINESS & GROWTH STRATEGIES

- Using debt comprised primarily of mortgage loans, secured and unsecured revolving credit facilities, and other vehicles as appropriate, such as our unsecured exchangeable notes.
- Using equity raised through issuances of common and preferred shares, issuances of common and preferred units in our Operating Partnership, and joint venture structures for certain investments.
- Recycling capital by selectively disposing of non-core assets.
- Conservatively managing our debt by monitoring:
  - our debt levels relative to our overall capital structure
  - the relationship of certain measures of earnings to certain financing cost requirements (coverage ratios)
  - the relationship of our total variable-rate debt to our total debt
  - the timing of debt maturities to ensure that maturities in any year do not exceed levels that we believe we can refinance
- Continuously evaluating the ability of our capital resources to accommodate our plans for future growth.

### Practice environmentally responsible development and management

Since 2003, COPT has committed to constructing new buildings that meet the Leadership in Energy and Environmental Design (LEED) standards set by the U.S. Green Building Council. We have also committed to retrofitting selected existing properties to become green and to using green operating and purchasing practices in managing our properties.

As of year-end 2009, we have

- 7 buildings certified LEED Gold
- 9 buildings certified LEED Silver
- 1 building certified LEED
- 36 buildings registered for LEED certification
- 16 people on staff who are LEED Accredited Professionals

Our goal is for 50% of our portfolio to be green by 2015. We believe that developing and managing properties to have minimum environmental impact is good for our customers, good for our planet, and in the long run, good for our shareholders.

### Pursue opportunities for growth

COPT pursues two strategies for achieving long-term growth.

**Acquisition and property development.** To support our customer and market strategies, we acquire properties that are located near government demand drivers and that meet the criteria outlined in our demand-driven market strategy. We also pursue opportunities that do not align with these strategies but that provide for favorable risk-adjusted returns on investment.

We target acquisitions that generate attractive yields and are below replacement cost. We work to increase operating cash flow by repositioning certain properties, increasing rents upon re-leasing and capitalizing on expansion opportunities.

**Internal growth strategy.** We aggressively manage our portfolio to maximize the operating performance of each property. At COPT, property management and leasing are proactive. Operating efficiencies are achieved through increasing economies of scale and, where possible, through aggregating vendor contracts to achieve volume discounts. Where and when market conditions permit, leases are renewed and space re-tenanted at increased rents.



## A Message from Stephen E. Riffie

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I'm Stephen Riffie, Executive Vice President and Chief Financial Officer of Corporate Office Properties Trust, and I'm pleased to present our financial results for 2009.

While 2009 was a challenging year for our economy, it was a very strong year for COPT, as we produced continued growth in Funds From Operations.

Despite tremendous stress in the financial markets, we entered 2009 with minimal debt maturities, as planned, and were able to successfully access the permanent debt market. We also executed a low cost common stock offering that coincided with our inclusion in the S&P MidCap 400 Index in April.

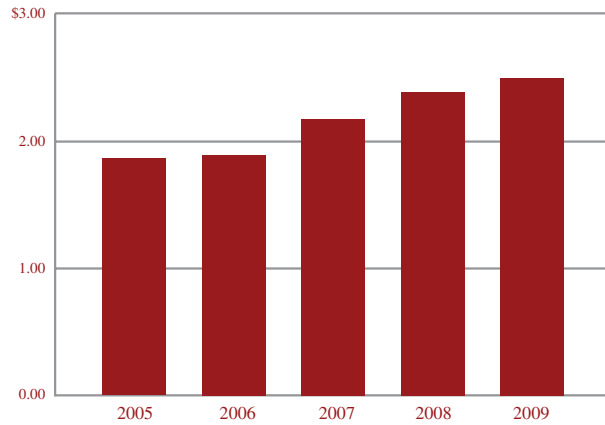
For the 12th year in a row, we increased our dividend and paid all of our dividends in cash.

Further, we continued to produce healthy financial coverage and payout ratios. We were able to reinvest in our company and based on our solid balance sheet and reputation in the capital markets, we believe we have access to capital to fund our 2010 development pipeline and acquisition opportunities to keep the company growing.

All things considered, it was a very good year for COPT.

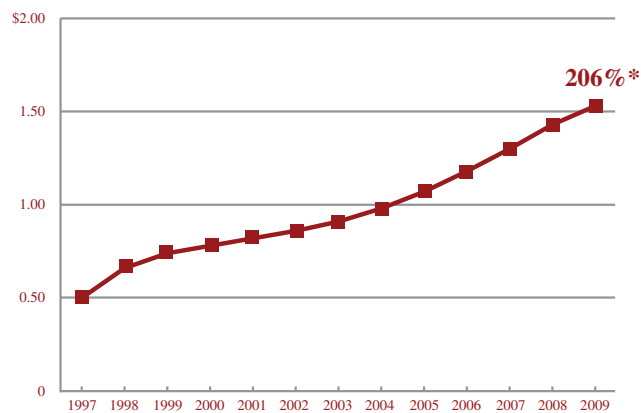
I invite you to review the financial highlights on this page. You can also see other details and download or view the 10-K we filed with the SEC by clicking the links on this page.

### Diluted FFO Per Share\*



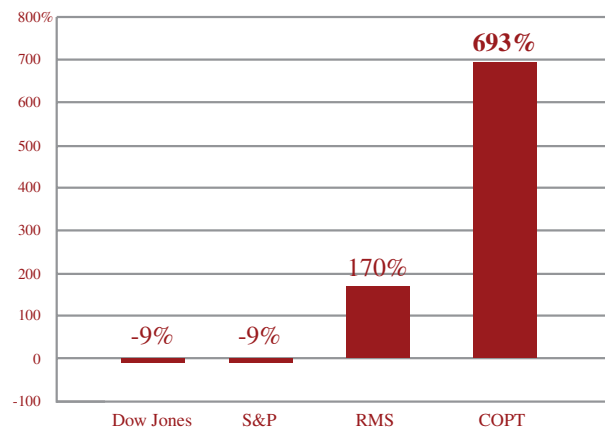
\*Excluding operating property acquisition costs and gain on early extinguishment of debt.

### Dividend Growth



\*Growth from 1997 to 2009

### 10 Year Total Shareholder Return\*



\*Data as of December 31, 2009, compiled by NAREIT and MSCI

## A Message from Roger A. Waesche, Jr.

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Most real estate companies consider their primary assets to be real estate – their buildings, their locations, their rents. At COPT, we see it differently. We believe our real assets are our customers. This gives us a distinct advantage over other commercial office companies. We view our buildings not just as physical space but rather as a means to build long-lasting customer relationships. It allows us to invest in a customer segment – in our case, the Defense IT sector – instead of just investing in property. Most importantly, it allows us to be not just our customers' landlord, but an integral part of their success. COPT is a partner who offers solutions, presents opportunities, and provides the kind of service that exceeds expectations and wins industry awards year after year.

We also understand that our customers' success drives our success, and thus we go where our customers want us to go. This has been demonstrated by our entry into the Colorado Springs and San Antonio markets and our recent entry into sites directly related to BRAC. Our growth is all due to taking care of our most valuable assets – our customers:

## Our Customers Are Our Greatest Assets

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In 2009, we leased 2.6 million square feet and renewed 75% of our expiring leases. At COPT, we believe customer loyalty like this is the key to our leasing success. It is the result of a mindset that thinks “customer” instead of “tenant,” “relationship” instead of “transaction,” and “solution, solution, solution” in addition to “location, location, location.”

Building long-term relationships with customers has been a strategy of COPT since day one, particularly among customers in the U.S. Government, Defense IT and Data sectors. Today, these “super core” customers account for 58% of our net operating income with a goal of 65% in the next few years.

### Top 20 COPT Customers

United States of America

Northrop Grumman Corporation

Booz Allen Hamilton, Inc.

CSC

General Dynamics Corporation

L-3 Communications Holdings, Inc.

Wells Fargo &amp; Company

The Aerospace Corporation

ITT Corporation

CareFirst, Inc.

Comcast Corporation

Integral Systems, Inc.

AT&amp;T Corporation

The Boeing Company

Unisys Corporation

Ciena Corporation

The Johns Hopkins Institutions

BAE Systems PLC

Merck &amp; Co., Inc

Lockheed Martin Corporation

## COPT is Tops in Customer Satisfaction. Again.

For the sixth year in a row, COPT has earned the highest award for customer service in the real estate industry. CEL & Associates, Inc. – the gold standard of tenant satisfaction – rated us “Best in Industry” in the large owner category.

In the highly competitive business of commercial real estate, this is practically unheard of. Yet it clearly differentiates COPT from our office REIT peers.

Our thanks to our loyal customers for bestowing us this honor. We will try even harder to make it seven in a row in 2010.





## A Message from Wayne H. Lingafelter

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I'm Wayne Lingafelter. As President of COPT Development and Construction Services, I'm pleased to report that COPT is well-positioned for long-term growth as a result of our robust development pipeline, significant land entitlements and anticipated BRAC-driven tenant demand.

When the Base Realignment and Closure decisions were announced in 2005, we moved aggressively to secure properties near expanding military installations. As personnel and missions are shifted to these installations to meet the 2011 federal deadline, COPT will be ready to offer our government and defense contractor customers state-of-the-art class A office space in strategically located business parks. With our experience in building mission critical facilities, we'll be able to deliver the kind of amenities they demand and the force protection they require.

Our disciplined approach to development gives us a competitive advantage, and current market conditions have given us a decided advantage in costs. Our focus on execution delivers revenue-producing office space even in difficult economic times. As a testament, more than 1.8 million square feet have been put into service in the last three years. And, every building has been built to a minimum LEED Silver standard.

To learn more, click through the pages in this section. You'll see why "creating environments that inspire success" is not just a slogan at COPT. It's a growth strategy.

## Well Positioned for Long-Term Growth

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When the Base Realignment and Closure (BRAC) decisions were announced in 2005, COPT moved aggressively to acquire or control land near two bases scheduled for significant expansion: Fort Meade and Aberdeen Proving Ground.

Realignment will bring tens of thousands of new jobs to these two areas. Fort Meade will be the new home for Cyber Security headquarters, the Defense Information Systems Agency, Defense Media and Adjudication. Some 16,000 high-tech military and civilian positions will be transferred to Aberdeen Proving Ground.

With more than 1.5 million square feet of development starts anticipated in 2010, COPT will be ready for both the military commands and the top-tier defense contractors that will transfer with them. With our long history of serving the Government, Defense IT and Data sectors, COPT has the experience to build mission-critical facilities with the force protection requirements these customers demand.

While many developers have retrenched, COPT is moving forward with state-of-the-art Class A office buildings designed to LEED certification standards. With BRAC realignment scheduled by law for completion in 2011, we are well positioned for growth.