February 9, 2023

COPT DEFENSE PROPERTIES

COPT Establishes 2023 Guidance

COLUMBIA, Md.--(BUSINESS WIRE)-- Corporate Office Properties Trust (NYSE: OFC) ("COPT" or the "Company") is establishing the following guidance for the year ending December 31, 2023:

2023 Guidance.

- Diluted earnings per share ("EPS") in the range of $1.45−$1.53; and
- Diluted FFO per share ("FFOPS") - Nareit and as adjusted for comparability, in the range of $2.34−$2.42.

1Q23 Guidance. For the quarter ending March 31, 2023, the Company is establishing the following guidance:

- EPS in the range of $0.66−$0.68; and
- FFOPS - Nareit and as adjusted for comparability, in the range of $0.56−$0.58.

2023 Guidance Reconciliation Tables. Reconciliations of projected EPS to projected FFOPS - Nareit and as adjusted for comparability, are as follows:

Table 1: Reconciliation of EPS to FFOPS - Nareit and as adjusted for comparability	Year ending December 31, 2023		Quarter ending March 31, 2023	
	Low	High	Low	High
EPS	$ 1.45	$ 1.53	$ 0.66	$ 0.68
Real estate-related depreciation and amortization	1.32	1.32	0.33	0.33
Gain on sales of real estate	(0.43)	(0.43)	(0.43)	(0.43)
FFOPS - Nareit and as adjusted for comparability	$ 2.34	$ 2.42	$ 0.56	$ 0.58

Assumptions Underpinning 2023 Guidance. Table 2 details assumptions that underpin the Company's 2023 and 1Q23 full year EPS and FFOPS guidance, respectively:

Table 2: Full Year 2023 and 1Q23 Guidance Assumptions (a)

Metric	*2022 Actual*	*2023 Low*	*2023 Midpoint*	*2023 High*	*Management Commentary*
Earnings:					
EPS	$ 1.53	$ 1.45	$ 1.49	$ 1.53	
FFOPS - as adjusted for comparability	$ 2.36	$ 2.34	$ 2.38	$ 2.42	*Y/Y growth driven by increase in Same-Property NOI and developments placed into service, partially offset primarily by higher interest expense*
Key Assumptions:					
2023 Same-Property Pool:					
% Change in Cash NOI	n/a	2.0%	3.0%	4.0%	*Elevated growth in 2023, driven by cash rent commencement at properties added into the 2023 pool and commencement of 2022 leasing activity*

Year-end Occupancy (2023 Pool)	92.0%	93.0%	93.5%	94.0%	*Changes to 2023 Same Property Pool vs 2022 include: a) removing 750K SF of fully leased data center shells which were joint ventured in January, b) additions to the pool includes two assets currently in lease up. Occupancy expected to increase as leases executed in 2022 commence.*
% Change in Cash Rents	(2.0%)	(1.0%)	0.0%	1.0%	
Tenant Retention Rate	72%	75%	80%	85%	
Cash NOI from Developments (b)	$ 4.6	$ 11.0	$ 12.0	$ 13.0	*1.3M SF delivered in 2022 with another ~850K SF delivering in 2023. Range is driven by timing of rent commencement, not execution risk*
Net Construction Contract and Other Service Revenues	$ 4.7	$ 1.5	$ 2.0	$ 2.5	*Fees in 2022 driven by work performed and completed at NoVa Office C*
Interest Expense (net of Capitalized Interest)	$ 62.4	$ 71.0	$ 73.0	$ 75.0	*Elevated interest expense due to increases in SOFR, and lower capitalized interest resulting from developments placed in service*
Total G&A Expenses (c)	$ 39.0	$ 42.0	$ 43.0	$ 44.0	*Increase in 2023 guidance driven by filling several open positions, market increases in wages, and a reduction in capitalized labor*
Straight-line Rent & other GAAP Adjustments	$ 8.4	$ 21.0	$ 22.0	$ 23.0	*Increase is primarily driven by 2022 and 2023 developments placed in service*
Dividend / Diluted AFFO Payout Ratio	70.3%	~70%			
Investment Activity:					
Development Investment (d)	$ 290	$ 250	$ 263	$ 275	
Acquisitions	$ -	n/a			
Property Sales (e)	$ 283	$190			*Data center shell JV closed in January*
Leasing:					
Development Leasing Goal (SF)	476,000	600,000	700,000	800,000	*Executed over 460K SF thus far in 2023, consisting of 2 data center shell build to suits and a build to suit in Redstone Gateway*

	4Q22	***1Q23***			
1Q23 Metric	***Actual***	***Low***	***Midpoint***	***High***	***Management Commentary***
Earnings:					
EPS	$ 0.45	$ 0.66	$ 0.67	$ 0.68	
FFOPS - as adjusted for comparability	$ 0.60	$ 0.56	$ 0.57	$ 0.58	*4Q22 to 1Q23 decline driven by higher seasonal operating expenses*

a) Dollars are in millions (except per share data).

b) This amount represents cash NOI from developments placed into service during 2022 and expected to be placed into service during 2023 and, as such, are not yet in the Company's same-property portfolio.

c) Includes G&A, leasing expenses, business development expenses, and land carry cost.

d) Development investment excludes the value of owned land as of January 1, 2023 transferred to construction.

e) The Company sold 3 data center shells on January 10, 2023 to a new, 90%/10% joint venture with entities affiliated with Blackstone.

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 the Company believes are growing, durable, priority missions ("Defense/IT Locations"). The Company also owns a portfolio of office properties located in select urban submarkets in the Greater

Washington, DC/Baltimore region with durable Class-A office fundamentals and characteristics ("Regional Office Properties"). As of December 31, 2022, the Company derived 91% of its core portfolio annualized rental revenue from Defense/IT Locations and 9% from its Regional Office Properties. As of the same date and including 21 properties owned through unconsolidated joint ventures, COPT's core portfolio of 192 properties encompassed 22.8 million square feet and was 95.3% leased.

Non-GAAP Measures

The Company believes that the measures defined below that are not determined in accordance with generally accepted accounting principles ("GAAP") are helpful to investors in measuring its performance and comparing it to that of other real estate investment trusts ("REITs"). Since these measures exclude certain items includable in their respective most comparable GAAP measures, reliance on the measures has limitations; the Company's management compensates for these limitations by using the measures simply as supplemental measures that are weighed in balance with other GAAP and non-GAAP measures. These measures should not be used as an alternative to the respective most comparable GAAP measures when evaluating the Company's financial performance or to cash flow from operating, investing and financing activities when evaluating its liquidity or ability to make cash distributions or pay debt service.

Basic FFO available to common share and common unit holders ("Basic FFO")–*This measure is FFO adjusted to subtract (1) preferred share dividends, (2) income attributable to noncontrolling interests through ownership of preferred units in Corporate Office Properties, L.P. (the "Operating Partnership") or interests in other consolidated entities not owned by the Company, (3) depreciation and amortization allocable to noncontrolling interests in other consolidated entities, (4) Basic FFO allocable to share-based compensation awards and (5) issuance costs associated with redeemed preferred shares. With these adjustments, Basic FFO represents FFO available to common shareholders and holders of common units in the Operating Partnership ("common units"). Common units are substantially similar to the Company's common shares of beneficial interest ("common shares") and are exchangeable into common shares, subject to certain conditions. The Company believes that Basic FFO is useful to investors due to the close correlation of common units to common shares, and believes that net income is the most directly comparable GAAP measure to this non-GAAP measure.*

Cash net operating income ("Cash NOI")–*Defined as NOI from real estate operations adjusted to eliminate the effects of: straight-line rental adjustments, amortization of tenant incentives, amortization of intangibles and other assets included in FFO and NOI, lease termination fees from tenants to terminate their lease obligations prior to the end of the agreed upon lease terms and rental revenue recognized under GAAP resulting from landlord assets and lease incentives funded by tenants. Cash NOI also includes adjustments to NOI from real estate operations for the effects of the items noted above pertaining to unconsolidated real estate JVs that were allocable to the Company's ownership interest in the JVs. Under GAAP, rental revenue is recognized evenly over the term of tenant leases (through straight-line rental adjustments and amortization of tenant incentives), which, given the long term nature of its leases, does not align with the economics of when tenant payments are due to the Company under the arrangements. Also under GAAP, when a property is acquired, the Company allocates the acquisition to certain intangible*

components, which are then amortized into NOI over their estimated lives, even though the resulting revenue adjustments are not reflective of the Company's lease economics. In addition, revenue from lease termination fees and tenant-funded landlord improvements, absent an adjustment from the Company, would result in large one-time lump sum amounts in Cash NOI that the Company does not believe are reflective of a property's long-term value. The Company believes that Cash NOI is a useful supplemental measure of operating performance for a REIT's operating real estate because it makes adjustments to NOI for the above stated items to be more reflective of the economics of when tenant payments are due to the Company under its leases and the value of its properties. As is the case with NOI, the measure is useful in its opinion in evaluating and comparing the performance of reportable segments, Same Properties groupings and individual properties. The Company believes that net income is the most directly comparable GAAP measure to this non-GAAP measure.

Diluted adjusted funds from operations available to common share and common unit holders ("Diluted AFFO") *–Defined as Diluted FFO, as adjusted for comparability, adjusted for the following: (1) the elimination of the effect of (a) noncash rental revenues and property operating expenses (comprised of straight-line rental adjustments, which includes the amortization of recurring tenant incentives, and amortization of acquisition intangibles included in FFO and NOI, both of which are described under "Cash NOI" above), (b) share-based compensation, net of amounts capitalized, (c) amortization of deferred financing costs, (d) amortization of debt discounts and premiums and (e) amortization of settlements of debt hedges; and (2) replacement capital expenditures (defined below). Diluted AFFO also includes adjustments to Diluted FFO, as adjusted for comparability for the effects of the items noted above pertaining to unconsolidated real estate JVs that were allocable to the Company's ownership interest in the JVs. The Company believes that Diluted AFFO is a useful supplemental measure of operating performance for a REIT because it incorporates adjustments for: certain revenue and expenses that are not associated with cash to or from the Company during the period; and certain capital expenditures for operating properties incurred during the period that do require cash outlays. The Company believes that net income is the most directly comparable GAAP measure to this non-GAAP measure.*

Diluted FFO available to common share and common unit holders ("Diluted FFO") *–Diluted FFO is Basic FFO adjusted to add back any changes in Basic FFO that would result from the assumed conversion of securities that are convertible or exchangeable into common shares. The computation of Diluted FFO assumes the conversion of common units but does not assume the conversion of other securities that are convertible into common shares if the conversion of those securities would increase Diluted FFO per share in a given period. The Company believes that Diluted FFO is useful to investors because it is the numerator used to compute Diluted FFO per share, discussed below. The Company believes that net income is the most directly comparable GAAP measure to this non-GAAP measure.*

Diluted FFO available to common share and common unit holders, as adjusted for comparability ("Diluted FFO, as adjusted for comparability") *–Defined as Diluted FFO or FFO adjusted to exclude: operating property acquisition costs; gain or loss on early extinguishment of debt; FFO associated with properties that secured non-recourse debt on which it defaulted and, subsequently, extinguished via conveyance of such properties (including property NOI, interest expense and gains on debt extinguishment); loss on interest rate derivatives; and, for periods prior to 10/1/22, demolition costs on redevelopment and*

nonrecurring improvements and executive transition costs. Diluted FFO, as adjusted for comparability also includes adjustments to Diluted FFO for the effects of the items noted above pertaining to unconsolidated real estate JVs that were allocable to the Company's ownership interest in the JVs. The Company believes this to be a useful supplemental measure alongside Diluted FFO as it excludes gains and losses from certain investing and financing activities and certain other items that the Company believes are not closely correlated to (or associated with) operating performance. The Company believes that net income is the most directly comparable GAAP measure to this non-GAAP measure.

Diluted FFO per share–*Diluted FFO per share is (1) Diluted FFO divided by (2) the sum of the (a) weighted average common shares outstanding during a period, (b) weighted average common units outstanding during a period and (c) weighted average number of potential additional common shares that would have been outstanding during a period if other securities that are convertible or exchangeable into common shares were converted or exchanged. The computation of Diluted FFO per share assumes the conversion of common units but does not assume the conversion of other securities that are convertible into common shares if the conversion of those securities would increase Diluted FFO per share in a given period. The Company believes that Diluted FFO per share is useful to investors because it provides investors with a further context for evaluating its FFO results in the same manner that investors use earnings per share ("EPS") in evaluating net income available to common shareholders. The Company believes that diluted EPS is the most directly comparable GAAP measure to this non-GAAP measure.*

Diluted FFO per share, as adjusted for comparability*–Defined as (1) Diluted FFO available to common share and common unit holders, as adjusted for comparability divided by (2) the sum of the (a) weighted average common shares outstanding during a period, (b) weighted average common units outstanding during a period and (c) weighted average number of potential additional common shares that would have been outstanding during a period if other securities that are convertible or exchangeable into common shares were converted or exchanged. The computation of this measure assumes the conversion of common units but does not assume the conversion of other securities that are convertible into common shares if the conversion of those securities would increase the per share measure in a given period. The Company believes this to be a useful supplemental measure alongside Diluted FFO per share as it excludes gains and losses from investing and financing activities and certain other items that it believes are not closely correlated to (or associated with) its operating performance. The Company believes that diluted EPS is the most directly comparable GAAP measure to this non-GAAP measure.*

Reconciliations of Diluted EPS to Diluted FFOPS

Diluted EPS to Diluted FFOPS per Nareit and as adjusted for comparability (in dollars per share)	Actuals Quarter Ended December 31, 2022	Actuals Year Ended December 31, 2022
Diluted EPS	$ 0.45	$ 1.53
Real estate-related depreciation and amortization	0.33	1.25
Gain on sales of real estate	(0.18)	(0.43)
Diluted FFOPS, Nareit definition	0.60	2.35
Loss on early extinguishment of debt	-	0.01
Diluted FFOPS, as adjusted for comparability	$ 0.60	$ 2.36

Funds from operations ("FFO" or "FFO per Nareit")–*Defined as net income computed using GAAP, excluding gains on sales and impairment losses of real estate and investments in unconsolidated real estate JVs (net of associated income tax) and real estate-related depreciation and amortization. FFO also includes adjustments to net income for the effects of the items noted above pertaining to unconsolidated real estate JVs that were allocable to the Company's ownership interest in the JVs. The Company believes that it uses the National Association of Real Estate Investment Trust's ("Nareit") definition of FFO, although others may interpret the definition differently and, accordingly, its presentation of FFO may differ from those of other REITs. The Company believes that FFO is useful to management and investors as a supplemental measure of operating performance because, by excluding gains on sales and impairment losses of real estate (net of associated income tax) and real estate-related depreciation and amortization, FFO can help one compare its operating performance between periods. The Company believes that net income is the most directly comparable GAAP measure to this non-GAAP measure.*

Net operating income from real estate operations ("NOI")–*NOI, which is the Company's segment performance measure, includes: consolidated real estate revenues from continuing and discontinued operations; consolidated property operating expenses from continuing and discontinued operations; and the net of revenues and property operating expenses of real estate operations owned through unconsolidated real estate JVs that are allocable to COPT's ownership interest in the JVs. The Company believes that NOI is an important supplemental measure of operating performance for a REIT's operating real estate because it provides a measure of the core real estate operations that is unaffected by depreciation, amortization, financing and general, administrative and leasing expenses; the Company believes this measure is particularly useful in evaluating the performance of reportable segments, Same Properties groupings and individual properties.*

Net construction contract and other service revenues – *Defined as net operating income from real estate services such as property management, development and construction services primarily for the Company's properties but also for third parties. Construction contract and other service revenues and expenses consist primarily of subcontracted costs that are reimbursed to the Company by the customer along with a management fee. The operating margins from these activities are small relative to the revenue. The Company believes NOI from service operations is a useful measure in assessing both its level of activity and its profitability in conducting such operations.*

Reconciliation of Net Construction Contract and Other Service Revenues (in millions)

	Actuals	Guidance
	Year Ended December 31, 2022	Year Ending December 31, 2023
Construction contract and other service revenues	$ 155	$ 58
Construction contract and other service expenses	(150)	(56)
Net construction contract and other service revenues	$ 5	$ 2

Payout ratios based on Diluted AFFO–*These payout ratios are defined as (1) the sum of dividends on unrestricted common shares and distributions to holders of interests in the Operating Partnership (excluding unvested share-based compensation awards) and dividends on convertible preferred shares when such distributions and dividends are included in Diluted AFFO divided by (2) the respective non-GAAP measures on which the*

payout ratios are based.

Replacement capital expenditures *–Replacement capital expenditures are defined as tenant improvements and incentives, building improvements and leasing costs incurred during the period for operating properties that are not (1) items contemplated prior to the acquisition of a property, (2) improvements associated with the expansion of a building or its improvements, (3) renovations to a building which change the underlying classification of the building (for example, from industrial to office or Class C office to Class B office), (4) capital improvements that represent the addition of something new to the property rather than the replacement of something (for example, the addition of a new heating and air conditioning unit that is not replacing one that was previously there) or (5) replacements of significant components of a building after the building has reached the end of its original useful life. Replacement capital expenditures excludes expenditures of operating properties included in disposition plans during the period that were already sold or are held for future disposition. For cash tenant incentives not due to the tenant for a period exceeding three months past the date on which such incentives were incurred, the Company recognizes such incentives as replacement capital expenditures in the periods such incentives are due to the tenant. Replacement capital expenditures, which is included in the computation of Diluted AFFO, is intended to represent non-transformative capital expenditures of existing properties held for long-term investment. The Company believes that the excluded expenditures are more closely associated with its investing activities than the performance of its operating portfolio.*

Same-Properties *–Operating office and data center shell properties stably owned and 100% operational since at least January 1, 2022.*

Same-Property NOI and Same-Property Cash NOI *–Defined as NOI, or Cash NOI, from real estate operations of Same-Properties. The Company believes that these are important supplemental measures of operating performance of Same-Properties for the same reasons discussed above for NOI from real estate operations and Cash NOI.*

Reconciliations of Developments Property NOI to Cash NOI (in millions)

	Actuals	Guidance
	Year Ended December 31, 2022	Year Ending December 31, 2023
Property NOI	$ 9	$ 35
Straight line rent adjustments	(4)	(23)
Cash NOI	$ 5	$ 12

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, 2021.

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