

NEWS RELEASE

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COPT Defense Reports First Quarter 2025 Results

EPS of \$0.31

FFO per Share, as Adjusted for Comparability, of \$0.65

*4.8% FFO per Share Growth Year-over-Year
Met Midpoint of Guidance*

Reiterates Midpoint of 2025 FFO per Share Guidance of \$2.66

Implies 3.5% FFO per Share Growth for the Year

Continued Strong Occupancy and Leased Levels

*Defense/IT Portfolio 95.3% Occupied and 96.6% Leased
Occupancy Rate Exceeded 94% for 9 Consecutive Quarters*

Same Property Cash NOI Increased 7.1%

Reiterates Midpoint of Same Property Cash NOI Guidance for the Year of 2.75%

Committed \$52 million of Capital to New Investment in Huntsville

\$308 million of Active Developments (756,000 SF) are 62% Leased

Excellent Leasing to Start the Year

Total Leasing of 647,000 SF

120,000 SF of Vacancy Leasing

On Track to Achieve/Exceed Annual Target of 400,000 SF

Tenant Retention of 75%

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

89,000 SF of Investment Leasing

COLUMBIA, MD (BUSINESS WIRE) April 28, 2025 - COPT Defense Properties ("COPT Defense" or the "Company") (NYSE: CDP) announced results for the first quarter ended March 31, 2025.

FOR IMMEDIATE RELEASE

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 at the midpoint of our guidance range, despite incurring higher than expected net weather-related expenses. Our performance year-to-date is tracking according to plan and we are reiterating the midpoint of our 2025 FFO per share guidance range at \$2.66, which implies 3.5% year-over-year growth.

In terms of our leasing achievements, we are off to a great start, as we have executed 179,000 square feet of vacancy leasing and over 100,000 square feet of investment leasing year-to-date, while maintaining a strong tenant retention rate of 75%. Our Defense/IT Portfolio was 95.3% occupied and 96.6% leased at quarter-end, and marked nine consecutive quarters in which our occupancy rate exceeded 94%, highlighting the strength and durability of our portfolio.

In terms of external growth, we commenced construction on a 150,000 square foot development at Redstone Gateway in order to capture near-term demand, as we only have 37,000 square feet of inventory across our entire 2.5 million square foot Huntsville portfolio.

Our actual and expected performance led our Board of Trustees to approve a 3.4% increase in our quarterly dividend in February, which marks our third consecutive annual increase, amounting to a 10.9% cumulative increase since 2022. 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 \$0.31 for the quarter ended March 31, 2025, compared to \$0.29 for the quarter ended March 31, 2024.
- > Diluted funds from operations per share ("FFOPS"), as calculated in accordance with Nareit's definition and as adjusted for comparability, was \$0.65 for the quarter ended March 31, 2025, compared to \$0.62 for the quarter ended March 31, 2024.

Operating Performance Highlights

Operating Portfolio Summary:

- > At March 31, 2025, the Company's 24.5 million square foot total portfolio was 93.6% occupied and 95.1% leased, which includes the 22.6 million square foot Defense/IT Portfolio that was 95.3% occupied and 96.6% leased.
- > During the quarter ended March 31, 2025, the Company placed into service 10,000 square feet of development that was 100% leased.

Same Property Performance:

- > At March 31, 2025, the Company's 23.9 million square foot Same Property portfolio was 94.1% occupied and 95.2% leased.
- > The Company's Same Property cash NOI increased 7.1% in the quarter ended March 31, 2025, compared to the same period in 2024.

Leasing:

- > Total Square Feet Leased: For the quarter ended March 31, 2025, the Company leased 647,000 square feet, including 438,000 square feet of renewals, 120,000 square feet of vacancy leasing, and 89,000 square feet of investment leasing.
- > Tenant Retention Rates: During the quarter ended March 31, 2025, the Company renewed 74.9% of expiring square feet in its total portfolio, all of which was in the Defense/IT Portfolio.
- > Rent Spreads and Average Escalations on Renewing Leases: For the quarter ended March 31, 2025, straight-line rents on renewals increased 8.2% and cash rents on renewed space decreased 0.9% while annual escalations on renewing leases averaged 2.6%.
- > Lease Terms: In the quarter ended March 31, 2025, lease terms averaged 3.4 years on renewing leases, 7.1 years on vacancy leasing, and 10.5 years on investment leasing.

Investment Activity Highlights

- > Development Pipeline: The Company's development pipeline consists of five properties totaling 756,000 square feet that were 62% leased as of April 14, 2025. These projects represent a total estimated investment of \$308 million, of which \$91 million was spent as of March 31, 2025.

Balance Sheet and Capital Transaction Highlights

- > For the quarter ended March 31, 2025, the Company's adjusted EBITDA fixed charge coverage ratio was 4.7x.
- > At March 31, 2025, the Company's net debt to in-place adjusted EBITDA ratio was 6.1x and its net debt adjusted for fully-leased investment properties to in-place adjusted EBITDA ratio was 6.0x.
- > At March 31, 2025, 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 4.5 years, and 98% 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 2025 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>

2025 Guidance

Management is narrowing its full-year guidance for diluted EPS and diluted FFOPS, per Nareit and as adjusted for comparability of \$1.27-\$1.35 and \$2.62-\$2.70, respectively to new ranges of \$1.28-\$1.34 and \$2.63-\$2.69, respectively. Management is establishing second quarter guidance for diluted EPS and diluted FFOPS per Nareit and as adjusted for comparability at \$0.31-\$0.33 and \$0.65-\$0.67, 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, 2025		Year Ending December 31, 2025	
	Low	High	Low	High
Diluted EPS	\$ 0.31	\$ 0.33	\$ 1.28	\$ 1.34
Real estate-related depreciation and amortization	0.34	0.34	1.35	1.35
Diluted FFOPS, Nareit definition and as adjusted for comparability	<u>\$ 0.65</u>	<u>\$ 0.67</u>	<u>\$ 2.63</u>	<u>\$ 2.69</u>

The Company detailed its initial full year guidance, with supporting assumptions, in a separate press release issued February 6, 2025; that release can be found in the 'News & Events – Press Releases' section of COPT Defense's Investors website: <https://investors.copt.com/news-events/press-releases>

Conference Call Information

Management will discuss first quarter 2025 results on its conference call tomorrow at 12:00 p.m. Eastern Time, details of which are listed below:

Conference Call Date:	Tuesday, April 29, 2025
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-conf.media-server.com/register/Blcd5f0d58372b4632aafb741d70095683>

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, 2025, the Company’s Defense/IT Portfolio of 198 properties, including 24 owned through unconsolidated joint ventures, encompassed 22.6 million square feet and was 96.6% 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, 2024.

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,	
	2025	2024
Revenues		
Lease revenue	\$ 175,308	\$ 165,433
Other property revenue	2,289	1,230
Construction contract and other service revenues	10,259	26,603
Total revenues	<u>187,856</u>	<u>193,266</u>
Operating expenses		
Property operating expenses	72,040	66,746
Depreciation and amortization associated with real estate operations	39,359	38,351
Construction contract and other service expenses	9,705	26,007
General and administrative expenses	8,148	8,378
Leasing expenses	2,999	2,187
Business development expenses and land carry costs	1,009	1,182
Total operating expenses	<u>133,260</u>	<u>142,851</u>
Interest expense	(20,504)	(20,767)
Interest and other income, net	1,568	4,122
Gain on sales of real estate	300	—
Income before equity in income of unconsolidated entities and income taxes	<u>35,960</u>	<u>33,770</u>
Equity in income of unconsolidated entities	371	69
Income tax expense	<u>(103)</u>	<u>(168)</u>
Net income	36,228	33,671
Net income attributable to noncontrolling interests		
Common units in the Operating Partnership ("OP")	(726)	(608)
Other consolidated entities	<u>(762)</u>	<u>(454)</u>
Net income attributable to common shareholders	<u>\$ 34,740</u>	<u>\$ 32,609</u>
Earnings per share ("EPS") computation		
Numerator for diluted EPS		
Net income attributable to common shareholders	\$ 34,740	\$ 32,609
Amount allocable to share-based compensation awards	<u>(143)</u>	<u>(129)</u>
Numerator for diluted EPS	<u>\$ 34,597</u>	<u>\$ 32,480</u>
Denominator		
Weighted average common shares - basic	112,383	112,231
Dilutive effect of share-based compensation awards	643	509
Weighted average common shares - diluted	<u>113,026</u>	<u>112,740</u>
Diluted EPS	<u>\$ 0.31</u>	<u>\$ 0.29</u>

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

	For the Three Months Ended March 31,	
	2025	2024
Net income	\$ 36,228	\$ 33,671
Real estate-related depreciation and amortization	39,359	38,351
Gain on sales of real estate	(300)	—
Depreciation and amortization on unconsolidated real estate JVs	741	777
Funds from operations ("FFO")	76,028	72,799
FFO allocable to other noncontrolling interests	(1,158)	(836)
Basic FFO allocable to share-based compensation awards	(530)	(587)
Basic FFO available to common share and common unit holders ("Basic FFO")	74,340	71,376
Redeemable noncontrolling interest	—	469
Diluted FFO adjustments allocable to share-based compensation awards	53	47
Diluted FFO available to common share and common unit holders ("Diluted FFO")	74,393	71,892
Executive transition costs	—	77
Diluted FFO available to common share and common unit holders, as adjusted for comparability	74,393	71,969
Straight line rent adjustments and lease incentive amortization	(1,699)	3,473
Amortization of intangibles and other assets included in net operating income ("NOI")	162	122
Share-based compensation, net of amounts capitalized	2,854	2,645
Amortization of deferred financing costs	667	685
Amortization of net debt discounts, net of amounts capitalized	1,051	1,014
Replacement capital expenditures	(21,464)	(20,776)
Other	81	137
Diluted adjusted funds from operations available to common share and common unit holders ("Diluted AFFO")	\$ 56,045	\$ 59,269
Diluted FFO per share	\$ 0.65	\$ 0.62
Diluted FFO per share, as adjusted for comparability	\$ 0.65	\$ 0.62
Dividends/distributions per common share/unit	\$ 0.305	\$ 0.295

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

	March 31, 2025	December 31, 2024
Balance Sheet Data		
Properties, net of accumulated depreciation	\$ 3,643,482	\$ 3,630,526
Total assets	\$ 4,250,311	\$ 4,254,191
Debt per balance sheet	\$ 2,412,670	\$ 2,391,755
Total liabilities	\$ 2,688,481	\$ 2,693,624
Redeemable noncontrolling interest	\$ 23,539	\$ 23,974
Total equity	\$ 1,538,291	\$ 1,536,593
Debt to assets	56.8%	56.2%
Net debt to adjusted book	40.7%	40.4%
Defense/IT Portfolio Data (as of period end)		
Number of operating properties	198	197
Total operational square feet (in thousands)	22,560	22,549
% Occupied	95.3%	95.4%
% Leased	96.6%	96.7%
	For the Three Months Ended March 31,	
	2025	2024
GAAP		
Payout ratio		
Net income	97.2%	100.7%
Debt ratios		
Net income to interest expense ratio	1.8x	1.6x
Debt to net income ratio	16.6x	17.9x
Non-GAAP		
Payout ratios		
Diluted FFO	47.0%	46.8%
Diluted FFO, as adjusted for comparability	47.0%	46.7%
Diluted AFFO	62.4%	56.8%
Debt ratios		
Adjusted EBITDA fixed charge coverage ratio	4.7x	4.5x
Net debt to in-place adjusted EBITDA ratio	6.1x	6.1x
Net debt adj. for fully-leased investment properties to in-place adj. EBITDA ratio	6.0x	6.0x
Reconciliation of denominators for per share measures		
Denominator for diluted EPS	113,026	112,740
Weighted average common units	2,047	1,625
Redeemable noncontrolling interest	—	947
Denominator for diluted FFO per share and as adjusted for comparability	115,073	115,312

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

	For the Three Months Ended March 31,	
	2025	2024
Numerators for Payout Ratios		
Dividends on unrestricted common and deferred shares	\$ 34,318	\$ 33,143
Distributions on unrestricted common units	661	500
Dividends and distributions on restricted shares and units	236	267
Total dividends and distributions for GAAP payout ratio	35,215	33,910
Dividends and distributions on antidilutive shares and units	(237)	(266)
Dividends and distributions for non-GAAP payout ratios	<u>\$ 34,978</u>	<u>\$ 33,644</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	\$ 36,228	\$ 33,671
Interest expense	20,504	20,767
Income tax expense	103	168
Real estate-related depreciation and amortization	39,359	38,351
Other depreciation and amortization	542	608
Gain on sales of real estate	(300)	—
Adjustments from unconsolidated real estate JVs	1,518	1,671
EBITDAre	97,954	95,236
Credit loss expense	515	22
Business development expenses	593	630
Executive transition costs	57	430
Net gain on other investments	—	(477)
Adjusted EBITDA	99,119	95,841
Pro forma NOI adjustment for property changes within period	786	813
Change in collectability of deferred rental revenue	1,232	—
In-place adjusted EBITDA	<u>\$ 101,137</u>	<u>\$ 96,654</u>
Reconciliations of tenant improvements and incentives, building improvements and leasing costs for operating properties to replacement capital expenditures		
Tenant improvements and incentives	\$ 13,758	\$ 12,776
Building improvements	1,872	4,953
Leasing costs	3,461	3,590
Net additions to tenant improvements and incentives	3,538	316
Excluded building improvements	(201)	(818)
Excluded leasing costs	(964)	(41)
Replacement capital expenditures	<u>\$ 21,464</u>	<u>\$ 20,776</u>

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

	For the Three Months Ended March 31,	
	2025	2024
Reconciliation of interest expense to the denominator for fixed charge coverage-Adjusted EBITDA		
Interest expense	\$ 20,504	\$ 20,767
Less: Amortization of deferred financing costs	(667)	(685)
Less: Amortization of net debt discounts, net of amounts capitalized	(1,051)	(1,014)
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	752	804
Scheduled principal amortization	461	769
Capitalized interest	927	589
Denominator for fixed charge coverage-Adjusted EBITDA	<u>\$ 20,926</u>	<u>\$ 21,230</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	\$ 36,228	\$ 33,671
Construction contract and other service revenues	(10,259)	(26,603)
Depreciation and other amortization associated with real estate operations	39,359	38,351
Construction contract and other service expenses	9,705	26,007
General and administrative expenses	8,148	8,378
Leasing expenses	2,999	2,187
Business development expenses and land carry costs	1,009	1,182
Interest expense	20,504	20,767
Interest and other income, net	(1,568)	(4,122)
Gain on sales of real estate	(300)	—
Equity in income of unconsolidated entities	(371)	(69)
Unconsolidated real estate JVs NOI allocable to COPT Defense included in equity in income of unconsolidated entities	1,889	1,740
Income tax expense	103	168
NOI from real estate operations	<u>107,446</u>	<u>101,657</u>
Non-Same Property NOI from real estate operations	<u>(3,170)</u>	<u>(545)</u>
Same Property NOI from real estate operations	104,276	101,112
Straight line rent adjustments and lease incentive amortization	154	3,913
Amortization of acquired above- and below-market rents	(69)	(69)
Lease termination fees, net	(834)	(775)
Tenant funded landlord assets and lease incentives	(3,105)	(10,364)
Cash NOI adjustments in unconsolidated real estate JVs	<u>(260)</u>	<u>(262)</u>
Same Property Cash NOI from real estate operations	<u>\$ 100,162</u>	<u>\$ 93,555</u>

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

	March 31, 2025	December 31, 2024
Reconciliation of total assets to adjusted book		
Total assets	\$ 4,250,311	\$ 4,254,191
Accumulated depreciation	1,572,422	1,537,293
Accumulated amortization of intangibles on property acquisitions and deferred leasing costs	227,122	228,154
COPT Defense's share of liabilities of unconsolidated real estate JVs	61,190	61,294
COPT Defense's share of accumulated depreciation and amortization of unconsolidated real estate JVs	13,616	12,817
Less: Property - operating lease liabilities	(48,216)	(49,240)
Less: Property - finance lease liabilities	(384)	(391)
Less: Cash and cash equivalents	(24,292)	(38,284)
Less: COPT Defense's share of cash of unconsolidated real estate JVs	(1,766)	(2,053)
Adjusted book	<u>\$ 6,050,003</u>	<u>\$ 6,003,781</u>

	March 31, 2025	December 31, 2024	March 31, 2024
Reconciliation of debt to net debt and net debt adjusted for fully-leased investment properties			
Debt per balance sheet	\$ 2,412,670	\$ 2,391,755	\$ 2,416,873
Net discounts and deferred financing costs	21,886	23,262	27,358
COPT Defense's share of unconsolidated JV gross debt	<u>53,750</u>	<u>53,750</u>	<u>52,819</u>
Gross debt	2,488,306	2,468,767	2,497,050
Less: Cash and cash equivalents	(24,292)	(38,284)	(123,144)
Less: COPT Defense's share of cash of unconsolidated real estate JVs	<u>(1,766)</u>	<u>(2,053)</u>	<u>(1,159)</u>
Net debt	2,462,248	2,428,430	2,372,747
Costs incurred on fully-leased development properties	(27,499)	(18,774)	(43,034)
Costs incurred on fully-leased operating property acquisitions	—	(17,034)	—
Net debt adjusted for fully-leased investment properties	<u>\$ 2,434,749</u>	<u>\$ 2,392,622</u>	<u>\$ 2,329,713</u>