

CORPORATE OFFICE PROPERTIES TRUST
Form 8-K
July 26, 2001

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported) July 26, 2001

CORPORATE OFFICE PROPERTIES TRUST

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation)

0-20047
(Commission File Number)

23-2947217
(IRS Employer
Identification Number)

**8815 Centre Park Drive, Suite 400
Columbia, Maryland 21045**
(Address of principal executive offices)

(410) 730-9092
(Registrant's telephone number, including area code)

Item 7. Financial Statements and Exhibits

The information contained in the attached exhibit is unaudited and should be read in conjunction with the Registrant's annual and quarterly reports filed with the Securities and Exchange Commission.

| Exhibit Number | Description |
|-----------------------|--------------------|
|-----------------------|--------------------|

| | |
|------|---|
| 99.1 | Supplemental information dated June 30, 2001 for Corporate Office Properties Trust. |
|------|---|

Item 9. Regulation FD Disclosure

In connection with its release of earnings on July 25, 2001, the Registrant is making available certain additional information pertaining to its properties and operations as of and for the period ended June 30, 2001. This information is filed herewith as Exhibit 99.1 and is incorporated

Financial Statements

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To Members of the Investment Community:

We prepared this supplemental information package to provide you with additional detail on our properties and operations. The information in this package is unaudited, filed with the Securities and Exchange Commission and should be read in conjunction with our quarterly and annual reports. If you have any questions or comments, please contact Ms. Sara L. Grootwassink, Vice President, Finance and Investor Relations at (410) 992-7324 or sara.grootwassink@copt.com.

Reporting Period Highlights Second Quarter 2001***Financial Results***

Reported FFO diluted of \$10,560,000 or \$.32 per share/unit for the second quarter of 2001 as compared to \$9,250,000 or \$.29 per share/unit for the comparable 2000 period, representing an increase of 10.3% per share/unit. FFO diluted increased \$1,310,000, or 14.2%, over the comparable 2000 period.

Reported AFFO diluted of \$8,591,000 or \$.26 per share/unit for the second quarter of 2001 as compared to \$7,634,000 or \$.24 per share/unit for the comparable 2000 period, representing an increase of 8.3% per share/unit.

For the six months ended June 30, 2001, reported FFO diluted of \$20,723,000 or \$.63 per share/unit as compared to \$18,150,000 or \$.56 per share/unit for the same six month period in 2000, representing an increase of 12.5% per share/unit. Similarly, reported AFFO diluted of \$16,948,000 or \$.51 per share/unit for the same six month period as compared to \$15,063,000 or \$.47 per share/unit, representing an increase of 8.5% per share/unit.

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Our diluted FFO payout ratio improved to 62.4% for the second quarter of 2001 as compared to 66.0% for the comparable 2000 period. For the six months ended June 30, 2001, the diluted FFO payout ratio was 63.4% as compared to 67.4% for the comparable period in 2000.

Financing and Capital Transactions

In April 2001, we issued 1,150,000 Series E cumulative redeemable preferred shares with a liquidation value of \$25.00 per share, raising \$28,750,000 in gross proceeds. These Series E preferred shares have a 10.25% coupon and can be redeemed at par at our option subsequent to July 15, 2006. Net proceeds were primarily used to pay down our Deutsche Bank revolving credit facility.

We closed on three permanent loans for \$73.8 million with a blended fixed interest rate of 7.13% and an average term of 7.4 years. The net proceeds were utilized to repay existing debt. Additionally, our \$50.0 million line of credit with Prudential Securities Corp. expired in June and we repaid the outstanding balance of \$29.1 million.

Our debt to market capitalization is 54.5% and our debt to undepreciated book value of real estate assets is 57.1% as of June 30, 2001. We achieved an EBITDA interest coverage ratio of 2.64x and an EBITDA fixed charge coverage ratio of 2.06x for this quarter.

Operations

We renewed 76.9% of our office leases (based upon square footage) with an average capital cost of \$5.58 per square foot during the 2nd quarter. We realized increases in base and total rents on a straight-line basis of 26.2% and 21.0%, respectively, as measured from the GAAP straight-line rent in effect preceding the renewal date. Base and total rent on a cash basis increased 21.0% and 16.6%, respectively, on this renewed and retented space.

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Overall occupancy was 96.9% as of June 30, 2001. Occupancy rates approximated 98.0% in the Baltimore/Washington Corridor, which represents 63.4% of our office square footage and 65.1% of our total office revenues for the 2nd quarter of 2001. We were 97.6% leased as of June 30, 2001.

Weighted average lease term of our office portfolio is 4.5 years as of June 30, 2001, with an average contractual rental rate (including tenant reimbursements for operating costs) of \$17.61 per square foot.

Acquisition / Disposition

On May 14, 2001, we acquired two operating properties totaling 110,675 square feet and a 30,855 square foot redevelopment property. The two operating properties are 100% leased, primarily to State Farm Mutual, General Physics Corp. and Arbitron. Our market concentration improves to over 30% in the Columbia Gateway Business Park through our portfolio of 8 operating properties comprising 557,000 square feet.

On June 18, 2001, we sold 19 Commerce, a 65,277 square foot building and development opportunity located in Cranbury, New Jersey, for \$11,525,000.

Development

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In May 2001, we delivered a 43,785 square foot property located in Montpelier Research Park, Columbia, Maryland. This property is 100% leased to Johns Hopkins University and was developed through a joint venture arrangement in which we hold an 80% interest.

During June, we signed a ten-year lease for 29,741 square feet with Titan Systems Corporation in 201 NBP, currently under construction. This building is now 77.1% pre-leased.

Subsequent Events

On July 2, 2001 we paid \$6.9 million to acquire the remaining 60% interest in a joint venture which owned 5 properties totaling 314,594 square feet in the BWI Airport submarket. We now directly own these 5 properties.

Note: This supplemental information contains "forward looking" statements, as defined in the Private Securities Litigation Reform Act of 1995, that are based on the Company's current expectations, estimates and projections about future events and financial trends affecting the financial condition of the business. Statements that are not historical facts, including statements about the Company's beliefs and expectations, are forward-looking statements. These statements are not guarantees of future performance, events or results and involve potential risks and uncertainties. Accordingly, actual results may differ materially. The Company undertakes no obligations to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. For further information, please refer to the Company's filings with the Securities and Exchange Commission.

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Quarterly Selected Financial Summary Data

(Dollars in thousands)

| | 2001 | | 2000 | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| | June 30 | March 31 | December 31 | September 30 | June 30 |
| Total Revenues from Real Estate Operations | \$ 28,711 | \$ 28,851 | \$ 27,609 | \$ 27,656 | \$ 26,417 |
| Net Operating Income from Real Estate Operations | 20,153 | 20,385 | 19,469 | 19,606 | 18,980 |
| EBITDA | 20,471 | 19,490 | 19,298 | 18,559 | 17,772 |
| Net Income before Preferred Dividends | 5,081 | 3,726 | 4,087 | 3,685 | 3,712 |
| Preferred Dividends | (1,613) | (881) | (782) | (781) | (1,119) |
| Net Income Available to Common Shareholders | \$ 3,468 | \$ 2,845 | \$ 3,305 | \$ 2,904 | \$ 2,593 |
| Funds From Operations (FFO) Diluted | \$ 10,560 | \$ 10,102 | \$ 9,804 | \$ 9,550 | \$ 9,250 |
| FFO per diluted share | \$ 0.32 | \$ 0.31 | \$ 0.31 | \$ 0.30 | \$ 0.29 |
| Adjusted FFO Diluted(A) | \$ 8,591 | \$ 8,296 | \$ 8,228 | \$ 6,691 | \$ 7,634 |
| Adjusted FFO per diluted share | \$ 0.26 | \$ 0.25 | \$ 0.26 | \$ 0.23 | \$ 0.24 |
| Payout Ratios: | | | | | |

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| | 2001 | | 2000 | | |
|--------------------------------------|----------|----------|----------|----------|----------|
| | | | | | |
| FFO Diluted(B) | 62.43% | 64.87% | 65.67% | 67.42% | 66.02% |
| AFFO Diluted(C) | 76.73% | 78.99% | 78.25% | 87.68% | 80.00% |
| Total Dividends/Distributions | \$ 8,069 | \$ 7,334 | \$ 7,220 | \$ 7,220 | \$ 6,888 |

- (A) For the quarter ended September 30, 2000, the Series C convertible preferred units were anti-dilutive for AFFO calculations. Thus, in computing AFFO, the quarterly dividend of \$572 was included in the numerator and the related 2,421 of Series C convertible preferred units (as if already converted into common shares) were excluded from the denominator.
- (B) Computed by dividing total dividends/distributions (except for dividends on Series B and Series E Cumulative Redeemable Preferred Shares which are subtracted to calculate FFO) by FFO diluted.
- (C) Computed by dividing total dividends/distributions (except for dividends on Series B and Series E Cumulative Redeemable Preferred Shares which are subtracted to calculate AFFO) by AFFO diluted. In addition, for the quarter ended September 30, 2000, the quarterly Series C preferred unit dividend of \$572 was excluded from the numerator.

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Quarterly Consolidated Balance Sheets

(Dollars in thousands except per share data)

| | 2001 | | 2000 | | |
|--|----------------|----------------|----------------|----------------|----------------|
| | June 30 | March 31 | December 31 | September 30 | June 30 |
| Assets | | | | | |
| Investment in real estate: | | | | | |
| Land operational | \$ 142,461 | \$ 140,620 | \$ 140,018 | \$ 136,723 | \$ 141,646 |
| Land development | 24,488 | 24,683 | 19,069 | 21,888 | 15,888 |
| Construction in progress | 30,066 | 22,228 | 17,489 | 21,579 | 20,300 |
| Buildings and improvements | 624,635 | 615,586 | 604,666 | 585,067 | 575,531 |
| Investment in and advances to real estate joint ventures | 12,009 | 6,877 | 3,616 | 8,606 | |
| Less: accumulated depreciation | (41,659) | (37,652) | (33,271) | (29,460) | (25,490) |
| Net investment in real estate | 792,000 | 772,342 | 751,587 | 744,403 | 727,875 |
| Cash and cash equivalents | 2,962 | 3,806 | 4,981 | 3,259 | 630 |
| Restricted cash | 9,633 | 4,468 | 2,703 | 2,007 | 2,903 |
| Accounts receivable, net | 4,855 | 5,519 | 3,245 | 3,571 | 3,386 |
| Investment in and advances to other unconsolidated entities | 2,041 | 2,159 | 6,124 | 4,074 | 4,095 |
| Deferred rent receivable | 9,804 | 9,335 | 8,644 | 7,882 | 6,010 |
| Deferred charges, net | 16,357 | 15,550 | 12,905 | 12,667 | 10,953 |
| Prepaid and other assets | 9,383 | 6,726 | 4,501 | 6,836 | 4,197 |
| Furniture, fixtures and equipment, net of accumulated depreciation | 1,772 | 1,807 | 147 | 166 | 185 |

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| | 2001 | | 2000 | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| | | | | | |
| Total assets | \$ 848,807 | \$ 821,712 | \$ 794,837 | \$ 784,865 | \$ 760,234 |
| Liabilities and beneficiaries' equity | | | | | |
| Liabilities: | | | | | |
| Mortgage loans payable | \$ 475,999 | \$ 478,913 | \$ 474,349 | \$ 465,696 | \$ 436,679 |
| Accounts payable and accrued expenses | 13,361 | 10,889 | 10,227 | 6,435 | 11,245 |
| Rents received in advance and security deposits | 4,023 | 4,236 | 3,883 | 5,351 | 4,277 |
| Dividends/distributions payable | 7,918 | 7,203 | 7,090 | 7,090 | 6,757 |
| Fair value of derivatives | 2,232 | 1,993 | | | |
| Other liabilities | 10,637 | 10,243 | | | |
| Total liabilities | 514,170 | 513,477 | 495,549 | 484,572 | 458,958 |
| Minority interests: | | | | | |
| Preferred Units in the Operating Partnership | 24,367 | 24,367 | 24,367 | 24,367 | 24,367 |
| Common Units in the Operating Partnership | 78,900 | 80,467 | 81,069 | 81,402 | 78,720 |
| Other consolidated partnership | 224 | 166 | 124 | 115 | 109 |
| Total minority interests | 103,491 | 105,000 | 105,560 | 105,884 | 103,196 |
| Commitments and contingencies | | | | | |
| Beneficiaries' equity: | | | | | |
| Preferred Shares (\$0.01 par value; 5,000,000 authorized); | | | | | |
| 1,025,000 designated as Series A Convertible Preferred Shares of beneficial interest (1 share issued as of June 30, 2001) | | | | | 10 |
| 1,725,000 designated as Series B Cumulative Redeemable Preferred Shares of beneficial interest (1,250,000 shares issued as of June 30, 2001) | 13 | 13 | 12 | 12 | 12 |
| 544,000 designated as Series D Cumulative Redeemable Preferred Shares of beneficial interest (544,000 shares issued as of June 30, 2001) | 5 | 5 | | | |
| 1,150,000 designated as Series E Cumulative Redeemable Preferred Shares of beneficial interest (1,150,000 shares issued as of June 30, 2001) | 11 | | | | |
| Common Shares of beneficial interest (\$0.01 par value; 45,000,000 authorized, 20,692,663 shares issued as of June 30, 2001) | 208 | 207 | 206 | 206 | 187 |
| Treasury Shares, at cost (166,600 shares as of June 30, 2001) | (1,415) | (1,415) | (1,415) | (1,415) | (1,415) |
| Additional paid-in capital | 249,617 | 221,682 | 209,388 | 209,384 | 211,978 |
| Accumulated deficit | (12,776) | (12,222) | (11,064) | (10,379) | (9,293) |
| Value of unearned restricted Common Share grants | (3,042) | (3,042) | (3,399) | (3,399) | (3,399) |
| Accumulated comprehensive loss | (1,475) | (1,993) | | | |
| Total beneficiaries' equity | 231,146 | 203,235 | 193,728 | 194,409 | 198,080 |
| Total beneficiaries' equity and minority interests | 334,637 | 308,235 | 299,288 | 300,293 | 301,276 |
| Total liabilities and beneficiaries' equity | \$ 848,807 | \$ 821,712 | \$ 794,837 | \$ 784,865 | \$ 760,234 |

Note: Prior to January 1, 2001, other unconsolidated entities include Corporate Office Services, Inc. (COS); Corporate Office Management, Inc. (COMI); Corporate Development Services, LLC (CDS); MediTract, LLC; Corporate Management Services, LLC (CMS); Corporate Realty Management, LLC

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(CRM); and Martin G. Knott and Associates, LLC (MGK). Subsequent to January 1, 2001, other unconsolidated entities consist solely of Meditract, LLC and Paragon Smart Technologies, LLC.

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Quarterly Consolidated Statements of Operations and Funds From Operations (FFO)

(Dollars and units in thousands)

| | 2001 | | 2000 | | |
|--|---------------|---------------|---------------|---------------|---------------|
| | June 30 | March 31 | December 31 | September 30 | June 30 |
| Revenues | | | | | |
| Rental revenue | \$ 25,960 | \$ 25,619 | \$ 24,269 | \$ 23,980 | \$ 23,154 |
| Tenant recoveries and other revenue | 2,751 | 3,232 | 3,340 | 3,676 | 3,263 |
| Total Revenues from Real Estate Operations | 28,711 | 28,851 | 27,609 | 27,656 | 26,417 |
| Expenses | | | | | |
| Property operating | 3,492 | 3,448 | 3,220 | 3,596 | 3,049 |
| Repairs and maintenance | 3,595 | 3,518 | 3,491 | 3,018 | 3,065 |
| Real estate taxes | 1,471 | 1,500 | 1,429 | 1,436 | 1,323 |
| Total Property Expenses from Real Estate Operations | 8,558 | 8,466 | 8,140 | 8,050 | 7,437 |
| Net Operating Income from Real Estate Operations | 20,153 | 20,385 | 19,469 | 19,606 | 18,980 |
| General and administrative | (1,329) | (1,446) | (1,040) | (1,319) | (1,160) |
| Equity in income of unconsol. real estate joint ventures | 124 | 30 | | | |
| Earnings from service companies | 143 | (329) | | | |
| Income from real estate services | 1,380 | 850 | 1,067 | 383 | |
| Equity in (loss) income of other unconsolidated entities | | | (198) | (111) | (48) |
| EBITDA | 20,471 | 19,490 | 19,298 | 18,559 | 17,772 |
| Interest expense | (7,762) | (8,194) | (8,266) | (7,850) | (7,404) |
| Series B & E Preferred Share dividends | (1,477) | (781) | (782) | (781) | (780) |
| Amortization of deferred financing costs | (546) | (383) | (416) | (349) | (311) |
| Income tax (expense) benefit | (44) | 122 | | | |
| Income on options assumed to be converted | | (61) | | | |
| Depreciation on unconsolidated real estate entities | 70 | (4) | (4) | (3) | (3) |
| Minority interestholders' share of operations | (58) | 4 | (9) | (6) | (4) |
| Depreciation of corporate FF&E | (94) | (91) | (17) | (20) | (20) |
| Funds From Operations (FFO) Diluted | 10,560 | 10,102 | 9,804 | 9,550 | 9,250 |
| Depreciation and other amortization | (4,863) | (4,809) | (4,485) | (4,275) | (4,287) |
| Gain on property sales | 416 | | 50 | | 57 |
| Loss on early extinguishment of debt | (99) | (106) | (2) | (109) | (42) |
| Cumulative effect adjustment for accounting change | | (263) | | | |
| Income on options assumed to be converted | | 61 | | | |
| Depreciation on unconsolidated real estate entities | (70) | 4 | 4 | 3 | 3 |
| Minority interestholders' share of operations | 58 | (4) | 9 | 6 | 4 |

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| | 2001 | | 2000 | | |
|---|------------------|------------------|-----------------|-----------------|-----------------|
| | | | | | |
| Series B & E Preferred Share dividends | 1,477 | 781 | 782 | 781 | 780 |
| Income Before Minority Interests and Preferred Share dividends | 7,479 | 5,766 | 6,162 | 5,956 | 5,765 |
| Minority Interests: | | | | | |
| Preferred Units in Operating Partnership | (572) | (572) | (572) | (572) | (548) |
| Common Units in Operating Partnership | (1,768) | (1,472) | (1,494) | (1,693) | (1,501) |
| Other consolidated partnership | (58) | 4 | (9) | (6) | (4) |
| Preferred Share dividends | (1,613) | (881) | (782) | (781) | (1,119) |
| Net Income Available to Common Shareholders | \$ 3,468 | \$ 2,845 | \$ 3,305 | \$ 2,904 | \$ 2,593 |
| Funds From Operations (FFO) Diluted | \$ 10,560 | \$ 10,102 | \$ 9,804 | \$ 9,550 | \$ 9,250 |
| Preferred Units in Operating Partnership(1) | | | | (572) | |
| Straight line rents | (816) | (690) | (800) | (1,872) | (693) |
| Non-incremental capital expenditures | (1,153) | (1,116) | (776) | (415) | (923) |
| Adjusted Funds from Operations Diluted | \$ 8,591 | \$ 8,296 | \$ 8,228 | \$ 6,691 | \$ 7,634 |
| Preferred dividends/distributions(2) | 2,185 | 1,453 | 1,353 | 1,353 | 1,668 |
| Common dividends/distributions | 5,884 | 5,881 | 5,867 | 5,867 | 5,220 |
| Total Dividends/Distributions | \$ 8,069 | \$ 7,334 | \$ 7,220 | \$ 7,220 | \$ 6,888 |

- (1) For the quarter ended September 30, 2000, the Series C convertible preferred units were anti-dilutive for AFFO calculations. Thus, in computing AFFO, the quarterly dividend of \$572 was included in the numerator and the related 2,421 of Series C convertible preferred units (as if already converted into common shares) were excluded from the denominator.
- (2) Includes Series B and E Cumulative Redeemable Preferred Share dividends deducted for FFO/AFFO computations.

Quarterly Consolidated Statements of Operations and FFO per Diluted Share

(Shares in thousands)

| | 2001 | | 2000 | | |
|---|-------------|-------------|-------------|--------------|-------------|
| | June 30 | March 31 | December 31 | September 30 | June 30 |
| Revenues | | | | | |
| Rental revenue | \$ 0.78 | \$ 0.78 | \$ 0.76 | \$ 0.75 | \$ 0.71 |
| Tenant recoveries and other revenue | 0.08 | 0.10 | 0.10 | 0.11 | 0.10 |
| Total Revenues from Real Estate Operations | 0.86 | 0.88 | 0.86 | 0.86 | 0.82 |

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| | 2001 | | 2000 | | |
|---|----------------|----------------|----------------|----------------|----------------|
| Expenses | | | | | |
| Property operating | 0.10 | 0.10 | 0.10 | 0.11 | 0.09 |
| Repairs and maintenance | 0.11 | 0.11 | 0.11 | 0.09 | 0.09 |
| Real estate taxes | 0.04 | 0.05 | 0.04 | 0.04 | 0.04 |
| Total Property Expenses from Real Estate Operations | 0.26 | 0.26 | 0.25 | 0.25 | 0.23 |
| Net Operating Income from Real Estate Operations | 0.60 | 0.62 | 0.61 | 0.61 | 0.59 |
| General and administrative | (0.04) | (0.04) | (0.03) | (0.04) | (0.04) |
| Equity in income of unconsol. real estate joint ventures | 0.00 | 0.00 | | | |
| Earnings from service companies | 0.00 | (0.01) | | | |
| Income from real estate services | 0.04 | 0.03 | 0.03 | 0.01 | |
| Equity in (loss) income of other unconsolidated entities | | | (0.01) | (0.00) | (0.00) |
| EBITDA | 0.61 | 0.59 | 0.60 | 0.58 | 0.55 |
| Interest expense | (0.23) | (0.25) | (0.26) | (0.25) | (0.23) |
| Series B & E Preferred Share dividends | (0.04) | (0.02) | (0.02) | (0.02) | (0.02) |
| Amortization of deferred financing costs | (0.02) | (0.01) | (0.01) | (0.01) | (0.01) |
| Income tax (expense) benefit | (0.00) | 0.00 | | | |
| Income on options assumed to be converted | | (0.00) | | | |
| Depreciation on unconsolidated real estate entities | 0.00 | (0.00) | (0.00) | (0.00) | (0.00) |
| Minority interestholders' share of operations | (0.00) | 0.00 | (0.00) | (0.00) | (0.00) |
| Depreciation of corporate FF&E | (0.00) | (0.00) | (0.00) | (0.00) | (0.00) |
| Funds From Operations (FFO) Diluted | 0.32 | 0.31 | 0.31 | 0.30 | 0.29 |
| Depreciation and other amortization | (0.15) | (0.15) | (0.14) | (0.13) | (0.13) |
| Gain on property sales | 0.01 | | 0.00 | | 0.00 |
| Loss on early extinguishment of debt | (0.00) | (0.00) | (0.00) | (0.00) | (0.00) |
| Cumulative effect adjustment for accounting change | | (0.01) | | | |
| Income on options assumed to be converted | | 0.00 | | | |
| Depreciation on unconsolidated real estate entities | (0.00) | 0.00 | 0.00 | 0.00 | 0.00 |
| Minority interestholders' share of operations | 0.00 | (0.00) | 0.00 | 0.00 | 0.00 |
| Series B & E Preferred Share dividends | 0.04 | 0.02 | 0.02 | 0.02 | 0.02 |
| Income Before Minority Interests and Preferred Share dividends | 0.22 | 0.18 | 0.19 | 0.19 | 0.18 |
| Minority Interests: | | | | | |
| Preferred Units in Operating Partnership | (0.02) | (0.02) | (0.02) | (0.02) | (0.02) |
| Common Units in Operating Partnership | (0.05) | (0.04) | (0.05) | (0.05) | (0.05) |
| Other consolidated partnership | (0.00) | 0.00 | (0.00) | (0.00) | (0.00) |
| Preferred Share dividends | (0.05) | (0.03) | (0.02) | (0.02) | (0.03) |
| Net Income Available to Common Shareholders | \$ 0.10 | \$ 0.09 | \$ 0.10 | \$ 0.09 | \$ 0.08 |
| Funds From Operations (FFO) Diluted | \$ 0.32 | \$ 0.31 | \$ 0.31 | \$ 0.30 | \$ 0.29 |
| Preferred Units in Operating Partnership | | | | (0.02) | |
| Straight line rents | (0.02) | (0.02) | (0.02) | (0.06) | (0.02) |
| Non-incremental capital expenditures | (0.03) | (0.03) | (0.02) | (0.01) | (0.03) |

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| | 2001 | | 2000 | | |
|--|----------------|----------------|----------------|----------------|----------------|
| | | | | | |
| Adjusted Funds from Operations Diluted | \$ 0.26 | \$ 0.25 | \$ 0.26 | \$ 0.23 | \$ 0.24 |
| For FFO Computations: | | | | | |
| Weighted Average Converted Preferred Shares/Units | 3,618 | 3,299 | 2,421 | 2,421 | 4,642 |
| Weighted Average Common Shares/Units Outstanding | 29,746 | 29,643 | 29,611 | 29,561 | 27,750 |
| Weighted Average Diluted Shares Outstanding | 33,364 | 32,942 | 32,032 | 31,982 | 32,393 |
| For AFFO Computations: | | | | | |
| Weighted Average Converted Preferred Shares/Units | 3,618 | 3,299 | 2,421 | | 4,642 |
| Weighted Average Common Shares/Units Outstanding | 29,746 | 29,643 | 29,611 | 29,561 | 27,750 |
| Weighted Average Diluted Shares Outstanding | 33,364 | 32,942 | 32,032 | 29,561 | 32,393 |

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Quarterly Consolidated Statements of Operations and FFO as a Percentage of Total Revenues

| | 2001 | | 2000 | | |
|--|--------------|--------------|--------------|--------------|--------------|
| | June 30 | March 31 | December 31 | September 30 | June 30 |
| Revenues | | | | | |
| Rental revenue | 90 % | 89 % | 88 % | 87 % | 88 % |
| Tenant recoveries and other revenue | 10 % | 11 % | 12 % | 13 % | 12 % |
| Total Revenues from Real Estate Operations | 100 % | 100 % | 100 % | 100 % | 100 % |
| Expenses | | | | | |
| Property operating | 12 % | 12 % | 12 % | 13 % | 12 % |
| Repairs and maintenance | 13 % | 12 % | 13 % | 11 % | 12 % |
| Real estate taxes | 5 % | 5 % | 5 % | 5 % | 5 % |
| Total Property Expenses from Real Estate Operations | 30 % | 29 % | 29 % | 29 % | 28 % |
| Net Operating Income from Real Estate Operations | 70 % | 71 % | 71 % | 71 % | 72 % |
| General and administrative | (5)% | (5)% | (4)% | (5)% | (4)% |
| Equity in income of unconsol. real estate joint ventures | 0 % | 0 % | 0 % | 0 % | 0 % |
| Earnings from service companies | 0 % | (1)% | 0 % | 0 % | 0 % |
| Income from real estate services | 5 % | 3 % | 4 % | 1 % | 0 % |
| Equity in (loss) income of other unconsolidated entities | 0 % | 0 % | (1)% | (0)% | (0)% |
| EBITDA | 71 % | 68 % | 70 % | 67 % | 67 % |
| Interest expense | (27)% | (28)% | (30)% | (28)% | (28)% |
| Series B & E Preferred Share dividends | (5)% | (3)% | (3)% | (3)% | (3)% |
| Amortization of deferred financing costs | (2)% | (1)% | (2)% | (1)% | (1)% |
| Income tax (expense) benefit | (0)% | 0 % | 0 % | 0 % | 0 % |
| Income on options assumed to be converted | 0 % | (0)% | 0 % | 0 % | 0 % |
| Depreciation on unconsolidated real estate entities | 0 % | (0)% | (0)% | (0)% | (0)% |

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| | 2001 | | 2000 | | |
|---|-------------|-------------|-------------|-------------|-------------|
| | | | | | |
| Minority interestholders' share of operations | (0)% | 0 % | (0)% | (0)% | (0)% |
| Depreciation of corporate FF&E | (0)% | (0)% | (0)% | (0)% | (0)% |
| Funds From Operations (FFO) Diluted | 37 % | 35 % | 36 % | 35 % | 35 % |
| Depreciation and other amortization | (17)% | (17)% | (16)% | (15)% | (16)% |
| Gain on property sales | 1 % | 0 % | 0 % | 0 % | 0 % |
| Loss on early extinguishment of debt | (0)% | (0)% | (0)% | (0)% | (0)% |
| Cumulative effect adjustment for accounting change | 0 % | (1)% | 0 % | 0 % | 0 % |
| Income on options assumed to be converted | 0 % | 0 % | 0 % | 0 % | 0 % |
| Depreciation on unconsolidated real estate entities | (0)% | 0 % | 0 % | 0 % | 0 % |
| Minority interestholders' share of operations | 0 % | (0)% | 0 % | 0 % | 0 % |
| Series B & E Preferred Share dividends | 5 % | 3 % | 3 % | 3 % | 3 % |
| Income Before Minority Interests and Preferred Share dividends | 26 % | 20 % | 22 % | 22 % | 22 % |
| Minority Interests: | | | | | |
| Preferred Units in Operating Partnership | (2)% | (2)% | (2)% | (2)% | (2)% |
| Common Units in Operating Partnership | (6)% | (5)% | (5)% | (6)% | (6)% |
| Other consolidated partnership | (0)% | 0 % | (0)% | (0)% | (0)% |
| Preferred Share dividends | (6)% | (3)% | (3)% | (3)% | (4)% |
| Net Income Available to Common Shareholders | 12 % | 10 % | 12 % | 11 % | 10 % |
| Funds From Operations (FFO) Diluted | | | | | |
| Preferred Units in Operating Partnership | 0 % | 0 % | 0 % | (2)% | 0 % |
| Straight line rents | (3)% | (2)% | (3)% | (7)% | (3)% |
| Non-incremental capital expenditures | (4)% | (4)% | (3)% | (2)% | (3)% |
| Adjusted Funds from Operations Diluted | 30 % | 29 % | 30 % | 24 % | 29 % |

7

Quarterly Equity Analysis

(Amounts in thousands, except per share data, share prices and ratios)

| | 2001 | | 2000 | | |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|
| | June 30 | March 31 | December 31 | September 30 | June 30 |
| Common Equity End of Quarter | | | | | |
| Common Shares(1) | 20,526 | 20,429 | 20,409 | 20,407 | 18,544 |
| Common Units | 9,307 | 9,388 | 9,388 | 9,388 | 9,388 |
| Total | 29,833 | 29,817 | 29,797 | 29,795 | 27,932 |

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| | 2001 | | 2000 | | |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Convertible Preferred Equity End of Quarter | | | | | |
| Convertible Series A Preferred Shares Outstanding(2) | 0 | 0 | 0 | 0 | 984 |
| Conversion Ratio | 1.8748 | 1.8748 | 1.8748 | 1.8748 | 1.8748 |
| Common Shares Issued Assuming Conversion | 0 | 0 | 0 | 0 | 1,845 |
| Preferred Share Liquidation Preference | \$ 25.00 | \$ 25.00 | \$ 25.00 | \$ 25.00 | \$ 25.00 |
| Convertible Series D Preferred Shares Outstanding(3) | 544 | 544 | n/a | n/a | n/a |
| Conversion Ratio | 2.2000 | 2.2000 | n/a | n/a | n/a |
| Common Shares Issued Assuming Conversion | 1,197 | 1,197 | n/a | n/a | n/a |
| Preferred Share Liquidation Preference | \$ 25.00 | \$ 25.00 | n/a | n/a | n/a |
| Convertible Series C Preferred Units Outstanding(4) | 1,017 | 1,017 | 1,017 | 1,017 | 975 |
| Conversion Ratio | 2.3810 | 2.3810 | 2.3810 | 2.3810 | 2.3810 |
| Common Units Issued Assuming Conversion | 2,421 | 2,421 | 2,421 | 2,421 | 2,321 |
| Preferred Share Liquidation Preference | \$ 25.00 | \$ 25.00 | \$ 25.00 | \$ 25.00 | \$ 25.00 |
| Perpetual Preferred Equity End of Quarter | | | | | |
| Redeemable Series B Shares Outstanding | 1,250 | 1,250 | 1,250 | 1,250 | 1,250 |
| Preferred Share Liquidation Preference | \$ 25.00 | \$ 25.00 | \$ 25.00 | \$ 25.00 | \$ 25.00 |
| Redeemable Series E Shares Outstanding(5) | 1,150 | n/a | n/a | n/a | n/a |
| Preferred Share Liquidation Preference | \$ 25.00 | n/a | n/a | n/a | n/a |
| Weighted Average Shares: | | | | | |
| Weighted Average Common Shares Outstanding | 20,077 | 19,982 | 19,947 | 19,934 | 18,014 |
| Weighted Average Preferred Shares Outstanding Assuming Conversion | 1,197 | 878 | | | 1,845 |
| Weighted Average Dilutive Options | 334 | 273 | 276 | 239 | 180 |
| Weighted Average Dilutive Warrants(4) | | | | | 476 |
| Weighted Average Common Units | 9,335 | 9,388 | 9,388 | 9,388 | 9,556 |
| Weighted Average Preferred Units Assuming Conversion | 2,421 | 2,421 | 2,421 | 2,421 | 2,321 |
| Weighted Avg. Shares/Units Outstanding Assuming Conversion of Preferred Shares/Units | 33,364 | 32,942 | 32,032 | 31,982 | 32,393 |
| Common Shares Trading Volume | | | | | |
| Average Daily Volume (Shares) | 24 | 21 | 13 | 20 | 22 |
| Average Daily Volume (Dollars in thousands) | \$ 237.66 | \$ 198.00 | \$ 122.20 | \$ 188.38 | \$ 187.74 |
| As a Percentage of Common Shares | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% |
| Common Share Price Range | | | | | |
| Quarterly High | \$ 10.60 | \$ 9.98 | \$ 10.00 | \$ 10.13 | \$ 9.25 |
| Quarterly Low | \$ 9.36 | \$ 9.03 | \$ 8.94 | \$ 8.75 | \$ 8.00 |
| Quarterly Average | \$ 10.10 | \$ 9.59 | \$ 9.63 | \$ 9.39 | \$ 8.72 |
| End of Quarter | \$ 10.00 | \$ 9.51 | \$ 9.94 | \$ 9.94 | \$ 9.19 |
| Capitalization | | | | | |
| Liquidation Value of Preferred Shares/Units | \$ 99,017 | \$ 70,267 | \$ 56,667 | \$ 56,667 | \$ 80,224 |
| Market Value of Common Shares/Units | 298,330 | 283,560 | 296,106 | 296,088 | 256,625 |
| Total Equity Market Capitalization | \$ 397,347 | \$ 353,826 | \$ 352,773 | \$ 352,754 | \$ 336,850 |

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| | 2001 | | 2000 | | |
|---|------------|------------|------------|------------|------------|
| | | | | | |
| Total Debt | \$ 475,999 | \$ 478,913 | \$ 474,349 | \$ 465,696 | \$ 436,679 |
| Total Market Capitalization | \$ 873,346 | \$ 832,739 | \$ 827,122 | \$ 818,450 | \$ 773,529 |
| Debt to Total Market Capitalization | 54.5% | 57.5% | 57.3% | 56.9% | 56.5% |
| Debt to Undepreciated Book Value of Real Estate Assets | 57.1% | 59.1% | 60.4% | 60.0% | 58.0% |

- (1) Net of 166,600 treasury shares as of June 30, 2001.
- (2) On September 28, 2000, all Convertible Series A preferred shares except for 1 share were converted into common shares.
- (3) We issued 544,000 Convertible Series D preferred shares on January 25, 2001.
- (4) Eliminated a warrant to acquire a maximum of 476,200 common units in exchange for the issuance of 42,000 Series C convertible preferred units in July 2000.
- (5) We issued 1,150,000 Cumulative Redeemable Series E preferred shares on April 6, 2001.

8

Quarterly Valuation Analysis

(Dollars in thousands except per share data and ratios)

| | 2001 | | 2000 | | |
|---|---------|----------|-------------|--------------|---------|
| | June 30 | March 31 | December 31 | September 30 | June 30 |
| PRICING MULTIPLES | | | | | |
| NOI Multiple (Market value of Common Equity + Avg. Preferred Share/Units + Avg. Total Debt) / Ann. NOI | 10.82x | 10.17x | 10.54x | 10.25x | 10.10x |
| EBITDA Multiple (Market value of Common Equity + Avg. Preferred Share/Units + Avg. Total Debt) / Ann. EBITDA | 10.66x | 10.64x | 10.63x | 10.83x | 10.79x |
| FFO Multiple (Quarter End Common Share Price / Ann. FFO diluted) | 7.90x | 7.75x | 8.12x | 8.32x | 8.04x |
| AFFO Multiple (Quarter End Common Share Price / Ann. AFFO diluted) | 9.71x | 9.44x | 9.67x | 10.98x | 9.75x |
| NOI Yield (Ann. NOI / (Market value of Common Equity + Avg. Preferred Share/Units + Avg. Debt)) | 9.24% | 9.83% | 9.49% | 9.76% | 9.90% |
| EBITDA Yield (Ann. EBITDA / (Market value of Common Equity + Avg. | 9.38% | 9.40% | 9.41% | 9.24% | 9.27% |

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| | 2001 | | 2000 | | |
|--|-----------|-----------|-----------|-----------|-----------|
| Preferred Share/Units + Avg. Debt) | | | | | |
| FFO Yield (Ann. FFO / Quarter End Common Share Price) | 12.66% | 12.90% | 12.32% | 12.02% | 12.43% |
| AFFO Yield (Ann. AFFO / Quarter End Common Share Price) | 10.30% | 10.59% | 10.34% | 9.11% | 10.26% |
| Total Market Capitalization Per Square Foot (Market Value of Common Stock + Preferred Share/Units + Total Debt) / GLA(1) | \$ 129.22 | \$ 124.70 | \$ 127.79 | \$ 128.86 | \$ 121.76 |

RETURNS

| | | | | | |
|---|--------|--------|--------|--------|--------|
| Yield on Real Estate Owned NOI (Ann. NOI / Avg. Adjusted Gross Real Estate Investment)(2) | 10.54% | 10.85% | 10.58% | 10.86% | 10.86% |
| Yield on Real Estate Owned EBITDA (Ann. EBITDA / Avg. Adjusted Gross Real Estate Investment)(2) | 10.71% | 10.37% | 10.49% | 10.28% | 10.17% |
| Return on Book Value of Average Equity & Minority Interest (Ann. EBTDA / Avg. Equity & Minority Interest) | 15.82% | 14.87% | 14.72% | 14.24% | 13.69% |

(1) Excludes square footage of assets under development, under construction or held in a joint venture.

(2) Excludes land-development, construction in progress and investment in development real estate joint ventures as these assets are not yet income generating.

Quarterly Debt Analysis

(Dollars in thousands)

| | 2001 | | 2000 | | |
|-----------------------------------|------------|------------|-------------|--------------|------------|
| | June 30 | March 31 | December 31 | September 30 | June 30 |
| Debt Outstanding | | | | | |
| Mortgage Loans | \$ 409,670 | \$ 356,872 | \$ 329,955 | \$ 338,063 | \$ 313,325 |
| Construction Loans | 13,099 | 18,950 | 33,058 | 25,586 | 38,669 |
| Revolving Credit Facility | | 29,091 | 29,091 | 4,761 | |
| Secured Revolving Credit Facility | 53,230 | 74,000 | 82,245 | 97,285 | 84,685 |
| | \$ 475,999 | \$ 478,913 | \$ 474,349 | \$ 465,695 | \$ 436,679 |

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| | 2001 | | 2000 | | |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Average Outstanding Balance | | | | | |
| Mortgage Loans | \$ 377,222 | \$ 344,023 | \$ 325,971 | \$ 319,745 | \$ 318,249 |
| Construction Loans | 10,436 | 26,967 | 28,277 | 37,700 | 34,145 |
| Revolving Credit Facility | 28,445 | 29,091 | 22,545 | 2,381 | |
| Secured Revolving Credit Facility | 59,123 | 75,507 | 90,910 | 91,239 | 77,794 |
| | <u>\$ 475,226</u> | <u>\$ 475,588</u> | <u>\$ 467,703</u> | <u>\$ 451,065</u> | <u>\$ 430,188</u> |
| Interest Rate Structure | | | | | |
| Fixed | \$ 305,431 | \$ 240,501 | \$ 201,715 | \$ 305,614 | \$ 277,575 |
| Variable | | 13,412 | 147,634 | 60,081 | 109,104 |
| Variable Subject to Interest Rate Protection(1 4) | 170,568 | 225,000 | 125,000 | 100,000 | 50,000 |
| | <u>\$ 475,999</u> | <u>\$ 478,913</u> | <u>\$ 474,349</u> | <u>\$ 465,695</u> | <u>\$ 436,679</u> |
| % of Fixed Rate Loans(A) | 64.17% | 50.22% | 42.52% | 65.63% | 63.56% |
| % of Variable Rate Loans | 35.83% | 49.78% | 57.48% | 34.37% | 36.44% |
| | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> |

(A) Excludes interest rate protection agreements.

Average Interests Rates

| | | | | | |
|-----------------------------------|-------|-------|-------|-------|-------|
| Mortgage & Construction Loans | 7.31% | 7.44% | 7.84% | 7.62% | 7.52% |
| Revolving Credit Facility | 6.71% | 7.31% | 8.17% | 8.12% | n/a |
| Secured Revolving Credit Facility | 6.93% | 7.85% | 8.38% | 8.33% | 8.11% |
| Total Weighted Average | 7.22% | 7.50% | 7.96% | 7.64% | 7.58% |

Debt Ratios

| | | | | | |
|--|-------|-------|-------|-------|-------|
| Debt to Total Market Capitalization | 54.5% | 57.5% | 57.3% | 56.9% | 56.5% |
| Debt to Undepreciated Book Value of Real Estate Assets | 57.1% | 59.1% | 60.4% | 60.0% | 58.0% |

Coverage Ratios (excluding capitalized interest)

| | | | | | |
|---|-------|-------|-------|-------|-------|
| Interest Coverage NOI (NOI / Interest) | 2.60x | 2.49x | 2.36x | 2.50x | 2.56x |
| Interest Coverage EBITDA (EBITDA / Interest) | 2.64x | 2.38x | 2.33x | 2.36x | 2.40x |
| Interest Coverage EBITDA YTD (EBITDA / Interest Year-to-date) | 2.50x | 2.38x | 2.38x | 2.40x | 2.42x |
| Debt Service Coverage NOI (NOI / (Interest + Principal Amortization)) | 2.28x | 2.23x | 2.09x | 2.23x | 2.32x |
| Debt Service Coverage EBITDA (EBITDA / (Interest + Principal Amortization)) | 2.32x | 2.13x | 2.07x | 2.11x | 2.17x |
| Fixed Charge Coverage NOI (NOI / (Interest + Preferred Distribution)) | 2.03x | 2.11x | 2.02x | 2.13x | 2.09x |
| Fixed Charge Coverage EBITDA (EBITDA / (Interest + Preferred Distribution)) | 2.06x | 2.02x | 2.01x | 2.02x | 1.96x |

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- (1) We purchased a \$50 million 2-year cap on LIBOR at a rate of 7.7% which expires May 31, 2002.
- (2) We purchased a \$50 million 1-year cap on LIBOR at a rate of 7.0% which expires October 13, 2001.
- (3) We purchased a \$25 million 1-year cap on LIBOR at a rate of 7.0% which expires October 13, 2001.
- (4) We executed a \$100 million notional amount swap exchanging 30-day floating LIBOR for LIBOR of 5.76% over a two-year period which expires January 2, 2003.

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Quarterly Operating Ratios

(Dollars in thousands except per share data and ratios)

| | 2001 | | 2000 | | |
|--|----------|----------|-------------|--------------|---------|
| | June 30 | March 31 | December 31 | September 30 | June 30 |
| OPERATING RATIOS | | | | | |
| NOI as a % of Real Estate Revenues | | | | | |
| (NOI / (Rental Revenue + Oper. Expense Reimb.)) | 70.19% | 70.66% | 70.52% | 70.89% | 71.85% |
| EBITDA as a % of Real Estate Revenues | | | | | |
| (EBITDA / (Rental Revenue + Oper. Expense Reimb.)) | 71.30% | 67.55% | 69.90% | 67.11% | 67.27% |
| G&A as a % of Real Estate Revenues | | | | | |
| (G&A / (Rental Revenue + Oper. Expense Reimb.)) | 4.63% | 5.01% | 3.77% | 4.77% | 4.39% |
| G&A as a % of EBITDA | | | | | |
| (G&A / EBITDA) | 6.49% | 7.42% | 5.39% | 7.11% | 6.53% |
| Quarter end occupancy for operating portfolio | 96.92% | 96.95% | 97.03% | 97.33% | 96.66% |
| Quarter end % leased for operating portfolio | 97.60% | 98.39% | 98.17% | 98.30% | 98.40% |
| Non-Incremental Capital Expenditures | \$ 1,153 | \$ 1,116 | \$ 776 | \$ 415 | \$ 923 |
| Non-Incremental Capital Expenditures per average square feet | \$ 0.36 | \$ 0.34 | \$ 0.12 | \$ 0.07 | \$ 0.15 |
| Non-Incremental Capital Expenditures per Diluted Share | \$ 0.03 | \$ 0.03 | \$ 0.02 | \$ 0.01 | \$ 0.03 |
| Non-Incremental Capital Expenditures as a % of NOI | 5.72% | 5.47% | 3.99% | 2.12% | 4.86% |

11

Quarterly Dividend Analysis

| | 2001 | | 2000 | | |
|--|------------|------------|-------------|--------------|------------|
| | June 30 | March 31 | December 31 | September 30 | June 30 |
| Common Share Dividends | | | | | |
| Dividends per share/unit | \$ 0.20 | \$ 0.20 | \$ 0.20 | \$ 0.20 | \$ 0.19 |
| Increase over prior quarter | 0.0% | 0.0% | 0.0% | 5.3% | 0.0% |
| Increase over prior year | 5.3% | 5.3% | 5.3% | 5.3% | 5.6% |
| Common Dividend Payout Ratios | | | | | |
| Payout FFO Diluted (Dividend + Distributions)/FFO | 62.4% | 64.9% | 65.7% | 67.4% | 66.0% |
| Payout AFFO Diluted (Dividend /FAD) | 76.7% | 79.0% | 78.3% | 87.7% | 80.0% |
| Dividend Coverage FFO Diluted (FFO /dividends) | 1.60x | 1.54x | 1.52x | 1.48x | 1.51x |
| Dividend Coverage AFFO Diluted (AFFO /dividends) | 1.30x | 1.27x | 1.28x | 1.14x | 1.25x |
| Common Dividend Yields | | | | | |
| Dividend Yield | 8.00% | 8.41% | 8.05% | 8.05% | 8.27% |
| Series C Preferred Unit Distributions | | | | | |
| Preferred Unit Distributions Per Share | \$ 0.5625 | \$ 0.5625 | \$ 0.5625 | \$ 0.5625 | \$ 0.5625 |
| Preferred Unit Distributions Yield | 9.00% | 9.00% | 9.00% | 9.00% | 9.00% |
| Quarter End Liquidation Preference | \$ 25.00 | \$ 25.00 | \$ 25.00 | \$ 25.00 | \$ 25.00 |
| Series A Preferred Share Dividends | | | | | |
| Preferred Share Dividends Per Share | \$ 0.34375 | \$ 0.34375 | \$ 0.34375 | \$ 0.34375 | \$ 0.34375 |
| Preferred Share Dividend Yield | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% |
| Quarter End Liquidation Preference | \$ 25.00 | \$ 25.00 | \$ 25.00 | \$ 25.00 | \$ 25.00 |
| Series B Preferred Share Dividends | | | | | |
| Preferred Share Dividends Per Share | \$ 0.6250 | \$ 0.6250 | \$ 0.6250 | \$ 0.6250 | \$ 0.6250 |
| Preferred Share Dividend Yield | 10.00% | 10.00% | 10.00% | 10.00% | 10.00% |
| Quarter End Liquidation Preference | \$ 25.00 | \$ 25.00 | \$ 25.00 | \$ 25.00 | \$ 25.00 |
| Series D Preferred Share Dividends(1) | | | | | |
| Preferred Share Dividends Per Share | \$ 0.2500 | \$ 0.2500 | n/a | n/a | n/a |
| Preferred Share Dividend Yield | 4.00% | 4.00% | n/a | n/a | n/a |
| Quarter End Liquidation Preference | \$ 25.00 | \$ 25.00 | n/a | n/a | n/a |
| Series E Preferred Share Dividends(2) | | | | | |
| Preferred Share Dividends Per Share | \$ 0.6406 | n/a | n/a | n/a | n/a |
| Preferred Share Dividend Yield | 10.25% | n/a | n/a | n/a | n/a |
| Quarter End Liquidation Preference | \$ 25.00 | n/a | n/a | n/a | n/a |

(1) We issued 544,000 of Series D Convertible Preferred Shares on January 25, 2001. Dividend was prorated based upon the number of days outstanding from date of issuance through quarter end. Prorated dividend was \$.1833 per share.

(2)

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We issued 1,150,000 of Series E Cumulative Redeemable Preferred Shares on April 6, 2001. Dividend was prorated based upon the number of days outstanding from date of issuance through quarter end. Prorated dividend was \$.6050 per share.

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Investor Composition and Analyst Coverage (as of June 30, 2001)

| SHAREHOLDER CLASSIFICATION | Common Shares | Common Units | As if Converted Preferred Shares / Units | Total | Fully Diluted Ownership % of Total |
|---------------------------------|-------------------|------------------|--|-------------------|--|
| Constellation Real Estate, Inc. | 8,876,171 | | 2 | 8,876,173 | 26.54% |
| Insiders | 1,123,628 | 7,837,937 | | 8,961,565 | 26.79% |
| Institutional Ownership | 3,456,876 | | | 3,456,876 | 10.33% |
| Other / Retail | 7,069,388 | 1,469,080 | 3,617,472 | 12,155,940 | 36.34% |
| | 20,526,063 | 9,307,017 | 3,617,474 | 33,450,554 | 100.00% |

| RESEARCH COVERAGE | June 30, 2001 | March 31, 2001 | December 31, 2000 | September 30, 2000 | June 30, 2000 |
|------------------------------------|------------------|-------------------|----------------------|-----------------------|------------------|
| A. G. Edwards | x | x | x | x | |
| Credit Suisse First Boston | x | x | x | x | x |
| Deutsche Banc Alex. Brown | x | x | x | | |
| Ferris, Baker Watts, Incorporated | x | x | | | |
| Janney Montgomery Scott | x | x | x | x | x |
| Johnston, Lemon | | | | | x |
| Legg Mason Wood Walker, Inc. | x | x | x | x | x |
| McDonald Investments | x | x | x | x | x |
| Prudential Securities Incorporated | | | | x | x |
| Tucker Anthony Cleary Gull | | | | | x |

Source: Institutional ownership was obtained from filed Forms 13(f) as of March 31, 2001 per Vickers Stock Research Corporation.

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Debt Maturity Schedule June 30, 2001 (Dollars in thousands)

| Year of Maturity | Mortgages | | Construction Loans(1) | | Term Credit Facility(3) | \$125,000 Secured Revolving Credit Facility | Total Scheduled Payments |
|------------------|-------------------------|--------------------|-------------------------|-----------------------|----------------------------|---|--------------------------------|
| | Monthly Amortization | Due on Maturity | Monthly Amortization | Due on Maturity(2) | | | |
| 2001 | 2,519 | | | 2,000 | | | 4,519 |
| 2002 | 5,530 | | 158 | | 90,954 | | 96,642 |
| 2003 | 5,676 | 12,719 | 181 | 5,780 | | | 24,356 |
| 2004 | 5,800 | 25,762 | | 4,980 | | 53,230 | 89,772 |
| 2005 | 5,848 | 16,368 | | | | | 22,216 |
| 2006 | 5,661 | 59,975 | | | | | 65,636 |
| 2007 | 4,669 | 6,142 | | | | | 10,811 |
| 2008 | 3,062 | 142,879 | | | | | 145,941 |
| 2009 | 273 | 15,833 | | | | | 16,106 |

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| Mortgages | | Construction Loans(1) | | | | | | | | | | | |
|-----------|--------|-----------------------|---------|----|-----|----|--------|----|--------|----|--------|----|---------|
| \$ | 39,038 | \$ | 279,678 | \$ | 339 | \$ | 12,760 | \$ | 90,954 | \$ | 53,230 | \$ | 475,999 |

Notes:

- (1) The construction loan balances as of June 30 represent the outstanding balances as of that date.
- (2) We have the right to extend construction loans of \$6,018 and \$5,081, for a one-year period subject to certain conditions, upon maturity in 2002 and 2003, respectively. The above table reflects the maturities in 2003 and 2004, respectively, as if the loans had been extended.
- (3) The Term Credit Facility was extended through October 13, 2001. We have the right to extend for another one-year period, subject to certain conditions. This loan has been presented as maturing in October 2002 in the above table.

We have obtained interest rate protection agreements as follows:

- \$50 million cap on thirty-day LIBOR at 7.7% expiring in May 2002.
- \$50 million cap on thirty-day LIBOR at 7.0% expiring in October 2001.
- \$25 million cap on thirty-day LIBOR at 7.0% expiring in October 2001.
- \$100 million notional amount swap of thirty-day LIBOR at 5.76% expiring in January 2003.

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Property Summary by Region June 30, 2001

| Operating Property Count | Owned or Joint Venture (JV) | Submarket | State | Year Built or Renovated | Single Story (S) or Multi-story (M) | Rentable Square Feet | Anticipated Rentable Square Feet Development |
|-------------------------------|-----------------------------|-----------|-------------|-------------------------|-------------------------------------|----------------------|--|
| Office Properties | | | | | | | |
| <i>Baltimore</i> | | | | | | | |
| <i>Washington Corridor</i> | | | | | | | |
| 131 National Business Parkway | 1 | Owned | BWI Airport | MD | 1990 | M | 68,906 |
| 132 National Business Parkway | 2 | Owned | BWI Airport | MD | 2000 | M | 117,568 |
| 133 National Business Parkway | 3 | Owned | BWI Airport | MD | 1997 | M | 88,666 |
| 134 National Business Parkway | 4 | Owned | BWI Airport | MD | 1999 | M | 93,482 |
| 135 National Business Parkway | 5 | Owned | BWI Airport | MD | 1998 | M | 86,863 |
| 141 National Business Parkway | 6 | Owned | BWI Airport | MD | 1990 | M | 86,964 |

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| Operating Property Count | Owned or Joint Venture (JV) | Submarket | State | Year Built or Renovated | Single Story (S) or Multi-story (M) | Rentable Square Feet | Anticipated Rentable Square Feet Development |
|-----------------------------|-----------------------------|-----------|-------------|-------------------------|-------------------------------------|----------------------|--|
| 2721 Phoenix Road (221 NBP) | 7 | Owned | BWI Airport | MD | 2000 | M | 117,890 |
| 2701 Phoenix Road (201 NBP) | | JV | BWI Airport | MD | | M | 118,000 |
| 2711 Phoenix Road (211 NBP) | | JV | BWI Airport | MD | | M | 150,000 |
| 1099 Winterson Road | 8 | Owned | BWI Airport | MD | 1988 | M | 70,938 |
| 1190 Winterson Road | 9 | Owned | BWI Airport | MD | 1987 | M | 68,567 |
| 1199 Winterson Road | 10 | Owned | BWI Airport | MD | 1988 | M | 96,636 |
| 1201 Winterson Road | 11 | Owned | BWI Airport | MD | 1985 | M | 67,903 |
| 1331 Ashton Road | 12 | Owned | BWI Airport | MD | 1989 | S | 29,936 |
| 1334 Ashton Road | 13 | Owned | BWI Airport | MD | 1989 | S | 37,565 |
| 1340 Ashton Road | 14 | Owned | BWI Airport | MD | 1989 | S | 46,400 |
| 1341 Ashton Road | 15 | Owned | BWI Airport | MD | 1989 | S | 15,841 |
| 1343 Ashton Road | 16 | Owned | BWI Airport | MD | 1989 | S | 9,962 |
| 1344 Ashton Road | 17 | Owned | BWI Airport | MD | 1989 | M | 16,865 |
| 1350 Dorsey Road | 18 | Owned | BWI Airport | MD | 1989 | S | 19,992 |
| 2730 Hercules Road | 19 | Owned | BWI Airport | MD | 1990 | M | 240,336 |
| 7240 Parkway Drive | 20 | Owned | BWI Airport | MD | 1985 | M | 73,500 |
| 7318 Parkway Drive | 21 | Owned | BWI Airport | MD | 1984 | S | 59,204 |
| 7321 Parkway Drive | 22 | Owned | BWI Airport | MD | 1984 | S | 39,822 |
| 7467 Ridge Road | 23 | Owned | BWI Airport | MD | 1990 | M | 73,756 |
| 800 International Drive | 24 | Owned | BWI Airport | MD | 1988 | S | 50,979 |
| 849 International Drive | 25 | Owned | BWI Airport | MD | 1988 | M | 68,186 |
| 881 Elkridge Landing Road | 26 | Owned | BWI Airport | MD | 1986 | M | 73,572 |
| 891 Elkridge Landing Road | 27 | JV | BWI Airport | MD | 2001 | M | 56,489 |
| 900 Elkridge Landing Road | 28 | Owned | BWI Airport | MD | 1982 | M | 97,139 |
| 900 International Drive | 29 | Owned | BWI Airport | MD | 1986 | S | 57,140 |
| 901 Elkridge Landing Road | 30 | JV | BWI Airport | MD | 2001 | M | 56,847 |
| 911 Elkridge Landing Road | 31 | Owned | BWI Airport | MD | 1985 | M | 68,296 |

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| Operating Property Count | Owned or Joint Venture (JV) | Submarket | State | Year Built or Renovated | Single Story (S) or Multi-story (M) | Rentable Square Feet | Anticipated Rentable Square Feet Development |
|-----------------------------|-----------------------------|-----------|-------------------------|-------------------------|-------------------------------------|----------------------|--|
| 920 Elkrige Landing Road | 32 | JV | BWI Airport | MD | 2001 | M | 96,566 |
| 921 Elkrige Landing Road | 33 | Owned | BWI Airport | MD | 1983 | M | 54,057 |
| 930 International Drive | 34 | Owned | BWI Airport | MD | 1986 | S | 57,140 |
| 938 Elkrige Landing Road | 35 | JV | BWI Airport | MD | 2001 | M | 52,988 |
| 939 Elkrige Landing Road | 36 | Owned | BWI Airport | MD | 1983 | M | 53,031 |
| 940 Elkrige Landing Road | 37 | JV | BWI Airport | MD | 2001 | M | 51,704 |
| 999 Corporate Boulevard | 38 | Owned | BWI Airport | MD | 2000 | M | 67,351 |
| 1302 Concourse Drive | 39 | Owned | BWI Airport | MD | 1996 | M | 84,607 |
| 1304 Concourse Drive | | Owned | BWI Airport | MD | | M | 100,000 |
| 1306 Concourse Drive | 40 | Owned | BWI Airport | MD | 1990 | M | 114,046 |
| 1615 and 1629 Thames Street | 41 | Owned | Baltimore City | MD | 1989 | M | 103,683 |
| 9690 Deereco Road | 42 | Owned | North Baltimore County | MD | 1988 | M | 133,737 |
| 375 West Padonia Road | 43 | Owned | North Baltimore County | MD | 1986 | M | 100,804 |
| 9140 Route 108 | 44 | Owned | Howard County Perimeter | MD | 1974/1985 | S | 150,000 |
| 15 | | | | | | | |
| 6700 Alexander Bell Drive | 45 | Owned | Howard County Perimeter | MD | 1988 | M | 75,635 |
| 6708 Alexander Bell Drive | 46 | Owned | Howard County Perimeter | MD | 1988 | M | 35,040 |
| 6716 Alexander Bell Drive | 47 | Owned | Howard County Perimeter | MD | 1990 | M | 52,002 |
| 6724 Alexander Bell Drive | | Owned | Howard County Perimeter | MD | | | 30,855 |
| 6740 Alexander Bell Drive | 48 | Owned | Howard County Perimeter | MD | 1992 | M | 61,878 |
| 6750 Alexander Bell Drive | 49 | Owned | Howard County Perimeter | MD | 2001 | M | 78,460 |
| 6760 Alexander Bell Drive | 50 | Owned | Howard County Perimeter | MD | 1991 | M | 37,248 |
| 6940 Columbia Gateway Drive | 51 | Owned | Howard County Perimeter | MD | 1999 | M | 108,737 |
| 6950 Columbia Gateway Drive | 52 | Owned | Howard County Perimeter | MD | 1998 | M | 107,778 |
| 6731 Columbia Gateway Drive | | Owned | Howard County Perimeter | MD | | M | 122,889 |
| Montpelier Research Phase I | 53 | JV | Howard County Perimeter | MD | 2001 | S | 43,785 |
| Robert Fulton Drive Phase I | | JV | Howard County Perimeter | MD | | M | 144,350 |
| 7200 Riverwood Drive | 54 | Owned | Howard County Perimeter | MD | 1986 | S | 160,000 |
| 8815 Centre Park Drive | 55 | Owned | Howard County Perimeter | MD | 1987 | M | 53,782 |
| | 56 | Owned | Laurel | MD | 1988 | M | 71,873 |

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| | | | | | | | | |
|---|----|-------|---------------------------------|----|------|---|------------------|----------------|
| 14502 Greenview Drive | | | | | | | | |
| 14504 Greenview Drive | 57 | Owned | Laurel | MD | 1985 | M | 69,194 | |
| 4260 Forbes Boulevard | | JV | Lanham | MD | | | | 54,692 |
| 6009-6011 Oxon Hill Road | 58 | Owned | Southern Prince George's County | MD | 1990 | M | 181,768 | |
| Total Baltimore / Washington Corridor: | | | | | | | 4,413,104 | 720,786 |

Greater

Philadelphia

| | | | | | | | | |
|------------------------------------|---|-------|-----------|----|--------------|---|----------------|--|
| 751 Jolly Road | 1 | Owned | Blue Bell | PA | 1966/1991 | M | 112,958 | |
| 753 Jolly Road | 2 | Owned | Blue Bell | PA | 1960/1992-94 | M | 419,472 | |
| 760 Jolly Road | 3 | Owned | Blue Bell | PA | 1974/1994 | M | 208,854 | |
| 785 Jolly Road | 4 | Owned | Blue Bell | PA | 1970/1996 | M | 219,065 | |
| Total Greater Philadelphia: | | | | | | | 960,349 | |

Greater

Harrisburg

| | | | | | | | | |
|----------------------------------|----|-------|------------|----|------|---|----------------|--|
| 2601 Market Place | 1 | Owned | East Shore | PA | 1989 | M | 67,743 | |
| 2605 Interstate Drive | 2 | Owned | East Shore | PA | 1990 | M | 84,404 | |
| 6375 Flank Drive | 3 | Owned | East Shore | PA | 2000 | S | 19,783 | |
| 6385 Flank Drive | 4 | Owned | East Shore | PA | 1995 | S | 32,800 | |
| 75 Shannon Road | 5 | Owned | East Shore | PA | 1999 | S | 20,887 | |
| 85 Shannon Road | 6 | Owned | East Shore | PA | 1999 | S | 12,863 | |
| 95 Shannon Road | 7 | Owned | East Shore | PA | 1999 | S | 21,976 | |
| 6340 Flank Drive | 8 | Owned | East Shore | PA | 1988 | S | 68,200 | |
| 6345 Flank Drive | 9 | Owned | East Shore | PA | 1989 | S | 69,443 | |
| 6360 Flank Drive | 10 | Owned | East Shore | PA | 1988 | S | 46,500 | |
| 6380 Flank Drive | 11 | Owned | East Shore | PA | 1991 | S | 32,000 | |
| 6400 Flank Drive | 12 | Owned | East Shore | PA | 1992 | S | 52,439 | |
| 6405 Flank Drive | 13 | Owned | East Shore | PA | 1991 | S | 32,000 | |
| 5035 Ritter Road | 14 | Owned | West Shore | PA | 1988 | S | 56,556 | |
| 5070 Ritter Road Building A | 15 | Owned | West Shore | PA | 1989 | S | 32,309 | |
| 5070 Ritter Road Building B | 16 | Owned | West Shore | PA | 1989 | S | 28,000 | |
| Total Greater Harrisburg: | | | | | | | 677,903 | |

Northern/Central

New Jersey

| | | | | | | | | |
|-----------------------|----|-------|------------------|----|-----------|---|---------|--|
| 101 Interchange Plaza | 1 | Owned | Exit 8A Cranbury | NJ | 1985 | M | 43,621 | |
| 104 Interchange Plaza | 2 | Owned | Exit 8A Cranbury | NJ | 1990 | M | 47,677 | |
| 2 Centre Drive | 3 | Owned | Exit 8A Cranbury | NJ | 1989 | S | 16,132 | |
| 429 Ridge Road | 4 | Owned | Exit 8A Cranbury | NJ | 1966/1996 | M | 142,385 | |
| 431 Ridge Road | 5 | Owned | Exit 8A Cranbury | NJ | 1958/1998 | S | 170,000 | |
| 437 Ridge Road | 6 | Owned | Exit 8A Cranbury | NJ | 1962/1996 | S | 30,000 | |
| 47 Commerce | 7 | Owned | Exit 8A Cranbury | NJ | 1992/1998 | S | 41,398 | |
| 7 Centre Drive | 8 | Owned | Exit 8A Cranbury | NJ | 1989 | S | 19,466 | |
| 8 Centre Drive | 9 | Owned | Exit 8A Cranbury | NJ | 1986 | S | 16,199 | |
| 68 Culver Road | 10 | Owned | Exit 8A Cranbury | NJ | 2000 | M | 57,280 | |

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| | | | | | | | | | | |
|---|----|-------|-------------------|----|------|---|----------------|-----------|------------------|----------------|
| 4301 Route 1 | 11 | Owned | Monmouth Junction | NJ | 1986 | M | 61,300 | | | |
| 695 Route 46 | 12 | Owned | Wayne | NJ | 1990 | M | 157,394 | | | |
| 710 Route 46 | 13 | Owned | Wayne | NJ | 1985 | M | 102,002 | | | |
| Total Northern / Central New Jersey: | | | | | | | 904,854 | | | |
| TOTAL OFFICE PROPERTIES | | | | | | | | 91 | 6,956,210 | 720,786 |
| Retail Properties | | | | | | | | | | |
| 114 National Business Parkway | | Owned | BWI Airport | MD | | S | | 10,000 | | |
| # of Operating Buildings: | | | | | | | | 0 | | |
| TOTAL RETAIL PROPERTIES | | | | | | | | | 10,000 | |
| TOTAL PORTFOLIO | | | | | | | | 91 | 6,956,210 | 730,786 |
| # of Operating Buildings: | | | | | | | | 0 | | |

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Property Occupancy Rates by Region by Quarter

Office

| | Greater Philadelphia | Baltimore/Washington Corridor | Northern/Central New Jersey | Greater Harrisburg | Total Office | Retail | Total Portfolio |
|---------------------------|----------------------|-------------------------------|-----------------------------|--------------------|--------------|--------|-----------------|
| June 30, 2001 | | | | | | | |
| Number of Buildings | 4 | 58 | 13 | 16 | 91 | | 91 |
| Rentable Square Feet | 960,349 | 4,413,104 | 904,854 | 677,903 | 6,956,210 | | 6,956,210 |
| Percent Occupied | 100.00% | 97.96% | 94.19% | 89.41% | 96.92% | 0% | 96.92% |
| March 31, 2001 | | | | | | | |
| Number of Buildings | 4 | 55 | 14 | 16 | 89 | | 89 |
| Rentable Square Feet | 960,349 | 4,258,610 | 970,048 | 677,458 | 6,866,465 | | 6,866,465 |
| Percent Occupied | 100.00% | 97.76% | 94.03% | 91.75% | 96.95% | 0% | 96.95% |
| December 31, 2000 | | | | | | | |
| Number of Buildings | 4 | 49 | 14 | 16 | 83 | | 83 |
| Rentable Square Feet | 960,349 | 3,864,766 | 970,048 | 677,468 | 6,472,631 | | 6,472,631 |
| Percent Occupied | 100.00% | 97.84% | 93.07% | 93.86% | 97.03% | 0% | 97.03% |
| September 30, 2000 | | | | | | | |

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Office

| | | | | | | | |
|----------------------|---------|-----------|---------|---------|-----------|---------|-----------|
| Number of Buildings | 4 | 47 | 15 | 15 | 81 | 1 | 82 |
| Rentable Square Feet | 960,349 | 3,594,058 | 990,385 | 657,685 | 6,202,477 | 149,191 | 6,351,668 |
| Percent Occupied | 100.00% | 97.79% | 96.08% | 92.82% | 97.33% | 97.04% | 97.33% |

June 30, 2000

| | | | | | | | |
|----------------------|---------|-----------|---------|---------|-----------|---------|-----------|
| Number of Buildings | 4 | 47 | 15 | 15 | 81 | 1 | 82 |
| Rentable Square Feet | 960,349 | 3,595,118 | 990,808 | 657,685 | 6,203,960 | 149,191 | 6,353,151 |
| Percent Occupied | 100.00% | 97.38% | 92.15% | 94.47% | 96.64% | 97.41% | 96.66% |

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Top Twenty Office Tenants as of June 30, 2001

(Dollars and Square Feet in thousands)

| Tenant | Number of Leases | Total Occupied Square Feet | Percentage of Total Occupied Square Feet | Total Rental Revenue(1) | Percentage of Total Rental Revenue | Weighted Average Remaining Lease Term(2) | |
|---------------------------------------|------------------|----------------------------|--|-------------------------|------------------------------------|--|-----|
| United States of America | (3) | 19 | 960 | 14.2% | \$ 17,098 | 14.8% | 4.7 |
| AT&T Local Services | (4),(5) | 6 | 415 | 6.2% | 8,380 | 7.2% | 7.3 |
| Unisys | (6) | 3 | 741 | 11.0% | 7,297 | 6.3% | 8.0 |
| Ciena Corporation | | 5 | 298 | 4.4% | 3,806 | 3.3% | 3.9 |
| Magellan Behavioral Health, Inc. | | 2 | 151 | 2.2% | 3,259 | 2.8% | 2.6 |
| Booz Allen Hamilton | | 3 | 128 | 1.9% | 2,440 | 2.1% | 2.5 |
| Johns Hopkins University | (4) | 4 | 124 | 1.8% | 2,432 | 2.1% | 5.1 |
| General Dynamics Government Corp. | | 2 | 102 | 1.5% | 2,370 | 2.1% | 9.1 |
| Merck & Co., Inc. | (6) | 1 | 219 | 3.2% | 2,193 | 1.9% | 8.0 |
| Bookham Technology, Inc. | | 1 | 150 | 2.2% | 1,870 | 1.6% | 6.6 |
| Commonwealth of Pennsylvania | (4) | 8 | 150 | 2.2% | 1,861 | 1.6% | 2.1 |
| Sun Microsystems, Inc. | | 2 | 61 | 0.9% | 1,403 | 1.2% | 4.5 |
| Credit Management Solutions, Inc. | | 1 | 71 | 1.1% | 1,381 | 1.2% | 7.4 |
| Deutsche Banc Alex. Brown | | 1 | 84 | 1.3% | 1,338 | 1.2% | 2.9 |
| Mentor Technologies | | 1 | 59 | 0.9% | 1,307 | 1.1% | 1.8 |
| Ameritrade Holding Corporation | | 1 | 62 | 0.9% | 1,304 | 1.1% | 9.0 |
| Raytheon E-Systems | (4) | 3 | 65 | 1.0% | 1,189 | 1.0% | 2.0 |
| Computer Sciences Corporation | | 1 | 55 | 0.8% | 1,174 | 1.0% | 0.8 |
| RAG American Coal Holding | | 1 | 48 | 0.7% | 1,093 | 1.0% | 8.9 |
| Aerotek, Inc. | | 3 | 67 | 1.0% | 1,089 | 1.0% | 1.3 |
| Subtotal Top 20 Office Tenants | 68 | 4,010 | 59.4% | 64,284 | 55.6% | 5.4 | |
| All remaining tenants | 358 | 2,732 | 40.6% | 51,381 | 44.4% | 3.3 | |
| Total/Weighted Average | 426 | 6,742 | 100.0% | \$ 115,665 | 100.0% | 4.5 | |

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- (1) Total Rental Revenue is the monthly contractual base rent as of June 30, 2001 multiplied by 12 plus the estimated annualized expense reimbursements under existing office leases.
- (2) The weighting of the lease term was computed using Total Rental Revenue.
- (3) Many of our government leases are subject to early termination provisions which are customary to government leases. The weighted average remaining lease term was computed assuming no exercise of such early termination rights.
- (4) Includes affiliated organizations or agencies.
- (5) AT&T Local Services subleases 173,072 square feet under 2 leases which expire March 30, 2002. Effective April 1, 2002, this same 173,072 square feet will become directly leased by AT&T Local Services with expiration dates ranging from 2006 and 2009. The above weighted average lease term reflects the expiration date of these direct leases.
- (6) Merck & Co., Inc. subleases 219,065 rentable square feet from Unisys' 960,349 leased rentable square feet.

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Total Rental Revenue by Geographic Region by Quarter(1)
(Dollars in thousands)

| | 2001 | | 2000 | | |
|--------------------------------------|------------------|------------------|------------------|------------------|------------------|
| | June 30 | March 31 | December 31 | September 30 | June 30 |
| Office Properties: | | | | | |
| Greater Philadelphia | \$ 2,506 | \$ 2,506 | \$ 2,506 | \$ 2,506 | \$ 2,506 |
| Baltimore/Washington Corridor | 18,654 | 18,573 | 17,224 | 17,197 | 16,297 |
| Northern/Central New Jersey | 4,998 | 4,922 | 5,311 | 5,326 | 4,969 |
| Greater Harrisburg | 2,483 | 2,789 | 2,271 | 2,228 | 2,275 |
| Total Office Properties | 28,641 | 28,790 | 27,312 | 27,257 | 26,047 |
| Retail Properties: | | | | | |
| Total Retail Properties | | | 72 | 261 | 279 |
| Total Regional Rental Revenue | \$ 28,641 | \$ 28,790 | \$ 27,384 | \$ 27,518 | \$ 26,326 |

- (1) Rental revenue represents GAAP revenue including operating expense reimbursements, straight line rent adjustments and tenant services income.

Net Operating Income by Geographic Region by Quarter
(Dollars in thousands)

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| | 2001 | | 2000 | | |
|--------------------------------|------------------|------------------|------------------|------------------|------------------|
| | June 30 | March 31 | December 31 | September 30 | June 30 |
| Office Properties: | | | | | |
| Greater Philadelphia | \$ 2,469 | \$ 2,486 | \$ 2,481 | \$ 2,482 | \$ 2,482 |
| Baltimore/Washington Corridor | 12,704 | 12,614 | 11,571 | 11,664 | 11,528 |
| Northern/Central New Jersey | 3,173 | 3,028 | 3,418 | 3,458 | 3,014 |
| Greater Harrisburg | 1,736 | 2,195 | 1,718 | 1,683 | 1,645 |
| Total Office Properties | 20,082 | 20,323 | 19,188 | 19,287 | 18,669 |
| Retail Properties: | | | | | |
| Total Retail Properties | | | 55 | 179 | 222 |
| Total Regional NOI | \$ 20,082 | \$ 20,323 | \$ 19,243 | \$ 19,466 | \$ 18,891 |
| Other income / expenses, net | 71 | 62 | 226 | 140 | 89 |
| Total NOI | \$ 20,153 | \$ 20,385 | \$ 19,469 | \$ 19,606 | \$ 18,980 |

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Same Office Property Cash Net Operating Income by Quarter (1)
(Dollars in thousands)

| | 2001 | | 2000 | | |
|--------------------------------|------------------|------------------|------------------|------------------|------------------|
| | June 30 | March 31 | December 31 | September 30 | June 30 |
| Office Properties:(2) | | | | | |
| Greater Philadelphia | \$ 2,364 | \$ 2,363 | \$ 2,363 | \$ 2,361 | \$ 2,317 |
| Baltimore/Washington Corridor | 10,456 | 10,357 | 10,321 | 10,030 | 10,327 |
| Northern/Central New Jersey | 2,566 | 2,446 | 2,614 | 2,578 | 2,192 |
| Greater Harrisburg | 1,606 | 1,690 | 1,592 | 1,654 | 1,565 |
| Total Office Properties | \$ 16,992 | \$ 16,856 | \$ 16,890 | \$ 16,623 | \$ 16,401 |

Same Office Property GAAP Net Operating Income by Quarter(1)
(Dollars in thousands)

| | 2001 | | 2000 | | |
|------------------------------|----------|----------|-------------|--------------|----------|
| | June 30 | March 31 | December 31 | September 30 | June 30 |
| Office Properties:(2) | | | | | |
| Greater Philadelphia | \$ 2,497 | \$ 2,497 | \$ 2,497 | \$ 2,495 | \$ 2,497 |

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| | 2001 | | 2000 | | |
|--------------------------------|------------------|------------------|------------------|------------------|------------------|
| | | | | | |
| Baltimore/Washington Corridor | 10,683 | 10,628 | 10,544 | 10,523 | 10,710 |
| Northern/Central New Jersey | 2,645 | 2,521 | 2,769 | 2,634 | 2,244 |
| Greater Harrisburg | 1,634 | 1,722 | 1,629 | 1,691 | 1,613 |
| Total Office Properties | \$ 17,459 | \$ 17,368 | \$ 17,439 | \$ 17,343 | \$ 17,064 |

(1) Net operating income for some office properties has been presented on a GAAP basis and a modified cash basis which removes the effect of straight-line rents from the GAAP net operating income.

(2) Same office properties include buildings owned for a minimum of five reporting quarters.

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Office Lease Expiration
Analysis by Year

| Year of Lease Expiration(1) | Number of Leases Expiring | Square Footage of Leases Expiring | Percentage of Total Occupied Square Feet | Total Rental Revenue of Expiring Leases(2) | Percentage of Total Rental Revenue Expiring | Total Rental Revenue of Expiring Leases per Occupied Square Foot |
|-------------------------------|---------------------------|-----------------------------------|--|--|---|--|
| (\$000s) | | | | | | |
| 2001 | 37 | 281,808 | 4.2% | \$ 5,042 | 4.4% | \$ 17.89 |
| 2002 | 92 | 1,029,331 | 15.3% | 17,621 | 15.2% | 17.12 |
| 2003 | 89 | 775,724 | 11.5% | 14,618 | 12.6% | 18.84 |
| 2004 | 62 | 693,029 | 10.3% | 13,118 | 11.3% | 18.93 |
| 2005 | 63 | 702,217 | 10.4% | 13,611 | 11.8% | 19.38 |
| 2006 | 40 | 520,808 | 7.7% | 9,553 | 8.3% | 18.34 |
| 2007 | 10 | 393,924 | 5.8% | 6,246 | 5.4% | 15.86 |
| 2008 | 10 | 706,309 | 10.5% | 12,574 | 10.9% | 17.80 |
| 2009 | 13 | 1,223,320 | 18.1% | 14,387 | 12.4% | 11.76 |
| 2010 | 9 | 389,475 | 5.8% | 8,273 | 7.2% | 21.24 |
| 2011 | 1 | 26,051 | 0.4% | 622 | 0.5% | 23.88 |
| Total/Weighted Average | 426 | 6,741,996 | 100.0% | \$ 115,665 | 100.0% | \$ 17.61 |

NOTE: As of June 30, 2001, the weighted average lease term is 4.5 years.

(1) Many of our government leases are subject to certain early termination provisions which are customary to government leases. The year of lease expiration was computed assuming no exercise of such early termination rights.

(2) Total Rental Revenue is the monthly contractual base rent as of June 30, 2001 multiplied by 12 plus the estimated annualized expense reimbursements under existing office leases.

Year to Date Office Renewal Analysis

| | <u>Greater Philadelphia</u> | <u>Baltimore/ Washington Corridor</u> | <u>Northern/ Central New Jersey</u> | <u>Greater Harrisburg</u> | <u>Total Office</u> |
|--|---------------------------------|---|---|-------------------------------|-------------------------|
| For Six Months Ended June 30, 2001: | | | | | |
| Expiring Square Feet | | 254,755 | 24,188 | 49,325 | 328,268 |
| Vacated Square Feet | | 18,137 | 6,050 | 33,026 | 57,213 |
| Renewed Square Feet | | 236,618 | 18,138 | 16,299 | 271,055 |
| Retention Rate (% based upon square feet) | 0.00% | 92.88% | 74.99% | 33.04% | 82.57% |
| <i>Renewal & Retenanted Space:</i> | | | | | |
| Increase in Base Rent Straight-line | 0.00% | 24.01% | 36.52% | 1.74% | 23.84% |
| Increase in Total Rent Straight-line | 0.00% | 20.00% | 31.32% | 2.37% | 19.95% |
| Increase in Base Rent Cash | 0.00% | 17.67% | 32.91% | (5.35)% | 17.74% |
| Increase in Total Rent Cash | 0.00% | 14.37% | 28.04% | (3.84)% | 14.52% |
| Average Capital Cost per Square Foot | \$ | \$ 5.30 | \$ 13.53 | \$ 5.30 | \$ 6.07 |

Quarterly Office Renewal Analysis

| | <u>Greater Philadelphia</u> | <u>Baltimore/ Washington Corridor</u> | <u>Northern/ Central New Jersey</u> | <u>Greater Harrisburg</u> | <u>Total Office</u> |
|---|---------------------------------|---|---|-------------------------------|---------------------|
| Quarter Ended June 30, 2001: | | | | | |
| Expiring Square Feet | | 174,078 | 22,678 | 45,325 | 242,081 |
| Vacated Square Feet | | 16,922 | 6,050 | 33,026 | 55,998 |
| Renewed Square Feet | | 157,156 | 16,628 | 12,299 | 186,083 |
| Retention Rate (% based upon square feet) | 0.00% | 90.28% | 73.32% | 27.14% | 76.87% |
| <i>Renewal & Retenanted Space:</i> | | | | | |
| Increase in Base Rent Straight-line | 0.00% | 24.86% | 38.02% | 13.69% | 26.15% |
| Increase in Total Rent Straight-line | 0.00% | 19.76% | 32.98% | 10.21% | 21.02% |
| Increase in Base Rent Cash | 0.00% | 19.81% | 34.23% | 4.57% | 21.00% |
| Increase in Total Rent Cash | 0.00% | 15.52% | 29.50% | 2.37% | 16.63% |
| Average Capital Cost per Square Foot | \$ | \$ 3.87 | \$ 14.05 | \$ 6.50 | \$ 5.58 |
| Quarter Ended March 31, 2001: | | | | | |
| Expiring Square Feet | | 80,677 | 1,510 | 4,000 | 86,187 |
| Vacated Square Feet | | 1,215 | | | 1,215 |
| Renewed Square Feet | | 79,462 | 1,510 | 4,000 | 84,972 |
| Retention Rate (% based upon square feet) | 0.00% | 98.49% | 100.00% | 100.00% | 98.59% |
| <i>Renewal & Retenanted Space:</i> | | | | | |
| Increase in Base Rent Straight-line | 0.00% | 23.01% | 2.78% | (28.63)% | 20.44% |
| Increase in Total Rent Straight-line | 0.00% | 20.31% | 2.03% | (18.63)% | 18.20% |
| Increase in Base Rent Cash | 0.00% | 15.15% | 2.78% | (30.74)% | 12.95% |
| Increase in Total Rent Cash | 0.00% | 12.84% | 2.03% | (20.55)% | 11.12% |
| Average Capital Cost per Square Foot | \$ | \$ 7.20 | \$ 0.42 | \$ 1.70 | \$ 6.88 |

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| | Greater Philadelphia | Baltimore/ Washington Corridor | Northern/ Central New Jersey | Greater Harrisburg | Total Office |
|---|-------------------------|--------------------------------------|------------------------------------|-----------------------|--------------|
| Quarter Ended December 31, 2000: | | | | | |
| Expiring Square Feet | | 75,372 | 3,174 | 6,623 | 85,169 |
| Vacated Square Feet | | 29,132 | | | 29,132 |
| Renewed Square Feet | | 46,240 | 3,174 | 6,623 | 56,037 |
| Retention Rate (% based upon square feet) | 0.00% | 61.35% | 100.00% | 100.00% | 65.80% |

Renewal & Retenanted Space:

| | | | | | |
|--------------------------------------|-------|----------|----------|----------|---------|
| Increase in Base Rent Straight-line | 0.00% | 24.55% | 21.47% | (17.49)% | 17.74% |
| Increase in Total Rent Straight-line | 0.00% | 15.08% | 11.19% | (9.98)% | 10.57% |
| Increase in Base Rent Cash | 0.00% | 18.45% | 20.00% | (18.85)% | 13.19% |
| Increase in Total Rent Cash | 0.00% | 9.73% | 10.01% | (11.15)% | 6.66% |
| Average Capital Cost per Square Foot | \$ | \$ 10.27 | \$ 17.92 | \$ 1.10 | \$ 9.72 |

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Quarter Ended September 30, 2000:

| | | | | | |
|---|-------|---------|---------|-------|---------|
| Expiring Square Feet | | 186,061 | 116,771 | 6,757 | 309,589 |
| Vacated Square Feet | | 50,043 | 40,094 | 6,757 | 96,894 |
| Renewed Square Feet | | 136,018 | 76,677 | | 212,695 |
| Retention Rate (% based upon square feet) | 0.00% | 73.10% | 65.66% | 0.00% | 68.70% |

Renewal & Retenanted Space:

| | | | | | |
|--------------------------------------|-------|---------|----------|-------|----------|
| Increase in Base Rent Straight-line | 0.00% | 6.31% | 32.53% | 0.00% | 14.75% |
| Increase in Total Rent Straight-line | 0.00% | 4.24% | 20.06% | 0.00% | 9.74% |
| Increase in Base Rent Cash | 0.00% | 3.45% | 13.01% | 0.00% | 6.52% |
| Increase in Total Rent Cash | 0.00% | 1.44% | 2.97% | 0.00% | 1.97% |
| Average Capital Cost per Square Foot | \$ | \$ 5.32 | \$ 27.35 | \$ | \$ 12.57 |

Quarter Ended June 30, 2000:

| | | | | | |
|---|-------|--------|---------|--------|---------|
| Expiring Square Feet | | 71,275 | 10,322 | 23,483 | 105,080 |
| Vacated Square Feet | | 34,644 | | 3,920 | 38,564 |
| Renewed Square Feet | | 36,631 | 10,322 | 19,563 | 66,516 |
| Retention Rate (% based upon square feet) | 0.00% | 51.39% | 100.00% | 83.31% | 63.30% |

Renewal & Retenanted Space:

| | | | | | |
|--------------------------------------|-------|---------|----------|---------|---------|
| Increase in Base Rent Straight-line | 0.00% | 18.79% | 15.87% | 4.15% | 17.03% |
| Increase in Total Rent Straight-line | 0.00% | 14.10% | 4.75% | 3.69% | 11.05% |
| Increase in Base Rent Cash | 0.00% | 13.92% | 14.87% | 0.78% | 13.14% |
| Increase in Total Rent Cash | 0.00% | 9.43% | 3.42% | 0.38% | 7.33% |
| Average Capital Cost per Square Foot | \$ | \$ 7.40 | \$ 19.95 | \$ 4.58 | \$ 9.85 |

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**Acquisition Summary as of June 30, 2001
(Dollars in Thousands)**

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| | Submarket | Acquisition Date | Square Feet | Occupied Sq. Ft. at Acquisition | Occupancy Percentage at Acquisition | June 30, 2001 Occupancy Percentage | Investment(1) |
|------------------------------------|-------------------------|------------------|----------------|---------------------------------|-------------------------------------|------------------------------------|------------------|
| Wholly Owned Portfolio:(2) | | | | | | | |
| 6700 Alexander Bell Drive | Howard County Perimeter | 5/14/2001 | 75,635 | 75,635 | 100.0% | 100.0% | \$ 8,762 |
| 6708 Alexander Bell Drive | Howard County Perimeter | 5/14/2001 | 35,040 | 35,040 | 100.0% | 100.0% | 4,478 |
| Total | | | 110,675 | 110,675 | 100.0% | 100.0% | \$ 13,240 |
| Joint Venture Portfolio:(3) | | | | | | | |
| 920 Elkridge Landing Road | BWI Airport | 3/21/2001 | 96,566 | 96,566 | 100.0% | 100.0% | \$ 10,939 |
| 938 Elkridge Landing Road | BWI Airport | 3/21/2001 | 52,988 | 52,988 | 100.0% | 100.0% | 5,941 |
| 940 Elkridge Landing Road | BWI Airport | 3/21/2001 | 51,704 | 51,704 | 100.0% | 100.0% | 4,904 |
| 891 Elkridge Landing Road | BWI Airport | 3/21/2001 | 56,489 | 56,489 | 100.0% | 89.0% | 6,129 |
| 901 Elkridge Landing Road | BWI Airport | 3/21/2001 | 56,847 | 50,155 | 88.2% | 88.2% | 5,705 |
| Total | | | 314,594 | 307,902 | 97.9% | 95.9% | \$ 33,618 |

- (1) Initial investment recorded by property as of June 30, 2001 for asset purchase.
- (2) In conjunction with these operating properties, we also purchased a 30,855 square foot property to be redeveloped.
- (3) We held a 40% ownership interest in these office properties through a joint venture agreement during the quarter. As of July 2, 2001, we acquired the remaining 60% ownership interest for \$6.9 million.

NOTE: COPT classifies its acquisitions by type entity, portfolio or individual acquisitions. Entity acquisitions are defined as mergers of significant portfolios of \$100 + million with strong management organizations and a regional presence.

Disposition Summary as of June 30, 2001
(Dollars in Thousands)

| | Submarket | Disposition Date | Square Feet | Gross Sales Proceeds | Debt Assumption or Repayment | Cash Proceeds After Debt Repayment |
|-----------------------------|--------------|------------------|-------------|----------------------|------------------------------|------------------------------------|
| Individual Property: | | | | | | |
| 19 Commerce | Cranbury, NJ | 6/18/2001 | 65,277 | \$ 11,525 | \$ 7,000 | \$ 4,525 |

Development Summary as of June 30, 2001
(Dollars in Thousands except per square foot data)

| Property and Location | Submarket | Owned or Joint Venture (JV) | Rentable Square Feet | Percentage Pre-Leased or Committed | Anticipated Cost per Rentable Square Foot | Anticipated Cost | Cost to date | Anticipated Stabilization/Delivery |
|-----------------------|-----------|-----------------------------|----------------------|------------------------------------|---|------------------|--------------|------------------------------------|
|-----------------------|-----------|-----------------------------|----------------------|------------------------------------|---|------------------|--------------|------------------------------------|

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Under Construction

| | | | | | | | | | |
|---|-----|-------------------------------|-------|----------------|---------------|---------------|-------------------|------------------|----------------|
| 2701 Phoenix Road (201 NBP) Annapolis Junction, MD | (1) | BWI Airport | JV | 118,000 | 77.11% | \$ 155 | \$ 18,313 | \$ 13,604 | September 2001 |
| 1304 Concourse Drive Linthicum, MD | (2) | BWI Airport | Owned | 100,000 | 0.00% | 166 | 16,572 | 11,866 | October 2001 |
| Robert Fulton Drive Phase IA Columbia, Maryland | (3) | Howard County Perimeter | JV | 115,850 | 0.00% | 116 | 13,406 | 6,239 | October 2001 |
| 114 National Business Parkway Annapolis Junction, MD | | BWI Airport | Owned | 10,000 | 100.00% | 164 | 1,644 | 656 | December 2001 |
| 6731 Columbia Gateway Drive Columbia, Maryland | (4) | Howard County Perimeter | Owned | 122,889 | 0.00% | 176 | 21,613 | 13,574 | December 2001 |
| 6724 Alexander Bell Drive Columbia, Maryland | (5) | Howard County Perimeter | Owned | 30,855 | 0.00% | 157 | 4,835 | 2,378 | March 2002 |
| 2711 Phoenix Road (211 NBP) Annapolis Junction, MD | (6) | BWI Airport | JV | 150,000 | 100.00% | 174 | 26,135 | 8,941 | March 2002 |
| 4260 Forbes Boulevard Phase I Laurel, Maryland | (7) | Lanham | JV | 54,692 | 43.08% | 92 | 5,027 | 4,640 | April 2002 |
| Total Under Construction: | | | | 702,286 | 39.09% | \$ 153 | \$ 107,545 | \$ 61,898 | |

Under Development

| | | | | | | | | | |
|--|-----|-------------------------------|----|----------------|---------------|------------|-------------------|------------------|---------------|
| Robert Fulton Drive Phase IB Columbia, Maryland | (3) | Howard County Perimeter | JV | 28,500 | 0.00% | 116 | 3,298 | 771 | December 2002 |
| Total Under Development: | | | | 28,500 | 0.00% | 116 | \$ 3,298 | \$ 771 | |
| TOTAL/AVERAGE | | | | 730,786 | 37.57% | 152 | \$ 110,843 | \$ 62,669 | |

- (1) On September 29, 2000, we contributed this development asset into a joint venture. The joint venture obtained a \$13,725 construction loan in October 2000 and \$4,436 is outstanding as of June 30, 2001.
- (2) We obtained a \$11,800 construction loan and \$6,018 is outstanding as of June 30, 2001.
- (3) We participate in the development of this asset through a joint venture arrangement. The joint venture has obtained a \$14,000 construction loan (to fund Phase IA and Phase IB) and has borrowed \$2,965 as of June 30, 2001.
- (4) We obtained a \$15,750 construction loan and \$5,081 is outstanding as of June 30, 2001.
- (5)

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We purchased this property in May 2001 and are redeveloping.

- (6) On December 15, 2000, we contributed this development asset into a joint venture. The joint venture has obtained a \$20,550 construction loan. No draws have been made as of June 30, 2001.
- (7) We participate in the development of this asset through a joint venture arrangement. The joint venture has obtained a \$9,026 construction loan (to fund Phase I and II) and has borrowed \$3,125 as of June 30, 2001.

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