

## Corporate Office Properties Trust Company History

### *A History of Growth and Shareholder Return*

#### **Company originates in 1988 as Royale Investments**

The Company is formed in 1988 as **Royale Investments, Inc.**, a retail Real Estate Investment Trust (REIT). Owning a variety of grocery store-anchored retail centers in the Mid-West region, Royale conducts its Initial Public Offering in December 1991.

#### **Merges with The Shidler Group in 1997 and acquires \$170 million portfolio**

In October 1997, the Company merges with **The Shidler Group's** Philadelphia-based organization, becomes self administered and converts into an UPREIT, and relocates its headquarters from Minneapolis to Philadelphia. Jay H. Shidler becomes the Company's new Chairman and Clay W. Hamlin, III, assumes the role of President and Chief Executive Officer. The Company shifts its focus to the acquisition, development and management of suburban office properties in targeted suburban submarkets. The Company also secures a \$100 million acquisition financing commitment from Bankers Trust. In combining with The Shidler Group's organization, the Company acquires its \$170 million, 1.5 million square foot Mid-Atlantic suburban office portfolio.

#### **Becomes Corporate Office Properties Trust in 1998, conducts public offering, and begins acquisitions strategy**

The Company changes its name to **Corporate Office Properties Trust** on January 1, 1998. In March 1998, the Company reforms as a Maryland REIT and the following month completes a \$78 million public offering at \$10.50 share. The Company is listed on the New York Stock Exchange under the ticker symbol OFC. Also in April, Corporate Office Properties begins its acquisition program by purchasing a 12-building, 813,000 square foot portfolio near the Baltimore-Washington International Airport and a two-building, 262,000 square foot office portfolio in Fairfield, New Jersey.

On May 15, 1998, the Company announces its intentions to combine with entities of **Constellation Real Estate Group, Inc.** (Constellation), a full-service real estate owner and developer based in Columbia, Maryland, and a wholly-owned subsidiary of Constellation Energy Group (CEG). The transaction is valued in excess of \$178 million, and will add 16 properties totaling 1.6 million square feet located primarily in the Baltimore-Washington corridor. The Company will also acquire a 75% interest in **Corporate Realty Management, LLC** (CRM) (which years later becomes the wholly owned COPT Property Management Services, LLC).

On August 21, 1998, the Company shareholders approve the Constellation transaction with 98.6% in favor, and on September 28, 1998, the Company closes the initial and most significant stage of this combination. **Randall M. Griffin** becomes the President and Chief Operating Officer. The Company also receives certain options and first refusal rights to acquire 91 acres of land over the next two to five years, which would permit approximately 1.7 million square feet of additional office development to be built. Effective with this merger, CEG becomes the largest shareholder with 41.5% ownership of the common stock. In March 2002, CEG sells its entire ownership of this stock representing nearly 8.9 million shares.

#### **A history of growth and performance**

During 1998, the Company also acquired \$173 million of other properties. As a result, the Company broadened its base further into the Baltimore/Washington corridor and penetrated further into Central New Jersey. In each case, the Company achieved the critical mass necessary to gain operating efficiencies and strengthen the base of high quality tenants.

In 1999, the Company acquired 29 office properties totaling approximately 1.5 million square feet of office space, for a total investment of \$158.3 million. An additional 351,000 square feet of office space was developed and placed into service, all of which was 100% leased at the time of its completion. The Company raised nearly \$100 million in equity capital without issuing common stock and finished the year

97.5% occupied and 98.5% leased. Corporate Office Properties achieved an 18.2% total return to common shareholders in 1999, which represented the highest total return in the REIT office sector.

**Company consistently ranks first among office REITs in shareholder return**

**The strong momentum continued in 2000**, with the Company finishing the year with 83 office properties totaling 6.5 million square feet of space in its portfolio. The Company leased nearly 1.4 million square feet of space in 2000, representing a 46.2% increase from the previous year. Two office buildings, totaling 223,500 square feet of space, were purchased and the Company developed an additional 380,760 square feet of Class A office space. Corporate Office Properties realized a total return to shareholders of 41.9% and a 60.1% return over the past two years, which ranked the Company first among all office REITs in the country.

**By year-end 2001**, Corporate Office Properties reached \$1.1 billion in total market capitalization. The Company acquired 1.2 million square feet of office space for \$141 million, which included the expansion into the adjacent Northern Virginia submarket with a \$59 million acquisition. Additionally, the Company completed three development projects totaling 240,245 square feet of space that were 91.7% leased by year-end and raised \$78 million in preferred equity. Total shareholder return in 2001 was 29% and 116.4% for the three-year period from 1999-2001. In both cases, the Company ranked first among all office REITs with a market capitalization greater than \$50 million.

**The Company was in the right place at the right time in 2002.** Again, the Company was first among all office REITs for its 2002 total shareholder return of 26% and its four year total shareholder return of 172%. \$107 million of office buildings were acquired in 2002 and the Company had occupancy numbers well above the national averages at 94% for the year. The Company remained focused on growth in 2002, growing its total market capitalization over 20% while increasing diluted FFO 7.8%.

**The Company consistently outperformed in 2003**, achieving a 58% total shareholder return and a 329% total shareholder return over the past five years. Total assets grew 136% over the past five years and the Company reached \$1 billion in equity capitalization for 2003. The Company increased diluted FFO 8%, outperforming its office peer group. During 2003, the Company entered a new submarket, Herndon, Virginia, acquiring three office buildings. Also in 2003, the Company made a commitment to building every new building to the LEED (Leadership in Energy and Environmental Design, a program of the U.S. Green Building Council) Silver certification level.

**The Company's ability to build on its long-term relationships with its tenants was showcased through 2004.** The Company has the ability to meet its tenants' expansion requirements with strategically located properties. Over the last five years, the Company achieved a 427% total shareholder return, the highest in the office REIT industry. The Company was among the top performing office REITs for 2004, increasing its diluted FFO 11.5%, its quarterly dividend 8.5%, renewing 71% of its expiring leases and increasing its portfolio occupancy to 94% at year-end. The Company entered a new submarket in St. Mary's County, Maryland, and King George County, Virginia, proving its ability to strategically locate near government demand drivers. The Company was named "Best in Industry" among large owners in the CEL & Associates national survey of tenant satisfaction.

**In 2005, the Company reported another year of strong financial results.** The Company achieved strong financial results through a sound strategy, FFO growth and solid execution by its team. The result: excellent shareholder returns – at 365% for the last 5 years – the highest of all office REITs. The Company grew strategically through its tenant-driven expansion strategy, and its expansion of land inventory, ensuring the continuation of the Company's development activities. The Company entered two new markets: Colorado Springs, Colorado, and San Antonio, Texas. The formation of mission-specific joint ventures added depth to the Company's portfolio, combined with its other acquisition activities. The Company was again named "Best in Industry" among large owners in the CEL & Associates national survey of tenant satisfaction. In 2005, the Company also receives the first-ever national Green Development Award from NAIOP. Rand Griffin becomes President and Chief Executive Officer.

**The Company's growth continued in 2006** as it continued to build its land inventory for future development. The Company closed on Fort Ritchie, a 591-acre former U.S. army post closed by BRAC and located in Washington County, Maryland, providing the capacity to build 1.7 million square feet of office development as well as 673 residential units. The Company's total land under control at year-end was over 1200 acres with a potential 11.2 million square feet of future office development. The Company's stock price hit an historic high at \$50.47 and shareholder returns remained among the highest in the office REIT sector with 46% for one year and 426% for five years. The Company made several significant management additions and changes, beginning the process of succession planning and positioning the Company for future growth. The Company also relocated its corporate headquarters to Columbia Gateway Business Community where the Company has a dominant ownership position. The Company defined its core values and core purpose, and created its vision for the future. Named "The COPT WAY", it defines how the Company operates every day with its customers, its vendors and its shareholders. For the third consecutive year, The Company was named "Best in Industry" among large owners in the CEL & Associates national survey of tenant satisfaction.

**2007 was another great earnings year for COPT.** It marked the 10th consecutive year of increasing revenue and FFO for the Company. COPT generated FFO of \$2.24 for the year, a 12.6% increase over 2006 results. 2007 also marked the 10th consecutive annual dividend increase for the Company with a dividend increase of 10%. COPT extended its dominant position in growth markets with the acquisition of the Nottingham Properties portfolio of 56 properties totaling 1,352,000 sf and 187 acres of land, and by being named master developer for a 272 acre business park at the entrance of the Colorado Springs Airport and adjacent to Peterson Air Force Base. The Company added to its specialty product expertise with two data centers placed into service during the year. COPT continued to strengthen customer relationships through consistently outstanding customer service. This year was the fourth consecutive year that the Company won the CEL & Associates, Inc. award for quality service and tenant satisfaction among nationwide office operators in the large owner category.

**2008 marked the 10 year anniversary of COPT as an NYSE company. It was "A Decade of Leadership in Performance."** COPT has grown from a \$523 million company in market capitalization to a nearly \$4 billion company in just 10 years. The Company produced a 648% total return for its shareholders over the past decade which was the highest among all equity REITs and far higher than the negative 13% total return for the S&P 500 stock index. Equally important for the Company's shareholders is its dividend growth of 111% for the 10 year period. For 2008, COPT was number one in its office REIT peer group for total shareholder return of 2% and was the only office REIT that generated a positive shareholder return in the peer group, which had an average 37% negative return. Also, in an environment where 60% of the Company's industry peers cut or suspended dividends since the fall of 2008, COPT increased its dividend by 10%, marking its 11th year in a row of increases. 2008 was a year of record performance for the Company: COPT achieved record FFO and AFFO as well as record leasing of 3.2 million square feet and a strong 78% renewal rate on expiring leases. COPT also experienced excellent capital activity in 2008, executing debt transactions to fund future development activities and create financial capacity to meet its limited debt maturities over the next several years. 2008 was also the fifth consecutive year that COPT won the CEL & Associates, Inc. award for quality service and tenant satisfaction among nationwide office operators in the large owner category.

## **2009**

COPT is included in the S&P MidCap 400 in April 2009. The Company continued to perform well despite an increasingly difficult real estate environment, and is well positioned to meet the imminent demand in several of its markets resulting from BRAC and the cyber initiative. Year to date (Sep 30 09), we had leased over 1.9 million SF of which 1.35 million SF were renewals, 340,000 was retenanting, 177,000 SF was first time lease up of previously acquired space and 79,000 was development space. The Company increased its cash dividend during the 3rd quarter by 5.4%, one of the few REITs to do so this year. Into November 2009, we are experiencing positive total shareholder return for the year of approximately 13%. In October, the Company acquired two high quality assets with weak capital structures: 474,000 SF Canton Crossing office tower in Baltimore and Northrop Grumman's new 156,000 SF building in Airport Square.