UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark one)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2025

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______________________ **to** ______________________

Commission file number 1-14023

COPT DEFENSE PROPERTIES
(Exact name of registrant as specified in its charter)

Maryland	**23-2947217**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
6711 Columbia Gateway Drive, Suite 300, Columbia, MD	**21046**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(443) 285-5400**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares of beneficial interest, $0.01 par value	CDP	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer	☐	Smaller reporting company	☐	Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

As of July 21, 2025, 112,927,513 of COPT Defense Properties' Common Shares of Beneficial Interest, $0.01 par value, were issued and outstanding.

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

COPT Defense Properties and Subsidiaries
Consolidated Balance Sheets
(in thousands, except share data)
(unaudited)

	June 30, 2025	December 31, 2024
Assets		
Properties, net		
Operating properties, net	$ 3,359,676	$ 3,353,477
Projects in development or held for future development	322,880	277,049
Total properties, net	3,682,556	3,630,526
Property - operating lease right-of-use assets	53,271	55,760
Cash and cash equivalents	21,288	38,284
Investment in unconsolidated real estate joint ventures	38,555	39,360
Accounts receivable, net	43,873	42,234
Deferred rent receivable	171,257	161,438
Lease incentives, net	66,478	64,013
Deferred leasing costs (net of accumulated amortization of $42,538 and $44,060, respectively)	73,342	71,268
Investing receivables (net of allowance for credit losses of $4,566 and $2,792, respectively)	79,300	69,680
Prepaid expenses and other assets, net	57,030	81,628
Total assets	$ 4,286,950	$ 4,254,191
Liabilities and equity		
Liabilities		
Debt, net	$ 2,438,591	$ 2,391,755
Accounts payable and accrued expenses	106,749	126,031
Rents received in advance and security deposits	37,799	38,560
Dividends and distributions payable	35,214	33,909
Deferred revenue associated with operating leases	39,325	39,752
Property - operating lease liabilities	47,372	49,240
Other liabilities	12,901	14,377
Total liabilities	2,717,951	2,693,624
Commitments and contingencies (Note 17)		
Redeemable noncontrolling interest	23,258	23,974
Equity		
Shareholders' equity		
Common Shares of beneficial interest ($0.01 par value; 150,000,000 shares authorized; shares issued and outstanding of 112,929,288 at June 30, 2025 and 112,703,460 at December 31, 2024)	1,129	1,127
Additional paid-in capital	2,495,422	2,494,369
Cumulative distributions in excess of net income	(999,218)	(1,003,401)
Accumulated other comprehensive income	342	988
Total shareholders' equity	1,497,675	1,493,083
Noncontrolling interests in subsidiaries		
Common units in COPT Defense Properties, L.P. ("CDPLP")	33,181	28,935
Other consolidated entities	14,885	14,575
Noncontrolling interests in subsidiaries	48,066	43,510
Total equity	1,545,741	1,536,593
Total liabilities, redeemable noncontrolling interest and equity	$ 4,286,950	$ 4,254,191

See accompanying notes to consolidated financial statements.

COPT Defense Properties and Subsidiaries
Consolidated Statements of Operations
(in thousands, except per share data)
(unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2025	2024	2025	2024
Revenues				
Lease revenue	$ 175,598	$ 165,619	$ 350,906	$ 331,052
Other property revenue	1,859	1,466	4,148	2,696
Construction contract and other service revenues	12,458	20,258	22,717	46,861
Total revenues	189,915	187,343	377,771	380,609
Operating expenses				
Property operating expenses	66,915	63,410	138,955	130,156
Depreciation and amortization associated with real estate operations	39,573	38,161	78,932	76,512
Construction contract and other service expenses	11,873	19,612	21,578	45,619
General, administrative, leasing and other expenses	11,911	12,032	24,067	23,779
Total operating expenses	130,272	133,215	263,532	276,066
Interest expense	(20,938)	(20,617)	(41,442)	(41,384)
Interest and other income, net	1,223	2,884	2,791	7,006
Gain on sales of real estate	—	—	300	—
Income before equity in income of unconsolidated entities and income taxes	39,928	36,395	75,888	70,165
Equity in income of unconsolidated entities	355	26	726	95
Income tax expense	(117)	(14)	(220)	(182)
Net income	40,166	36,407	76,394	70,078
Net income attributable to noncontrolling interests				
Common units in CDPLP	(846)	(694)	(1,572)	(1,302)
Other consolidated entities	(973)	(599)	(1,735)	(1,053)
Net income attributable to common shareholders	$ 38,347	$ 35,114	$ 73,087	$ 67,723
Earnings per common share				
Net income attributable to common shareholders - basic	$ 0.34	$ 0.31	$ 0.65	$ 0.60
Net income attributable to common shareholders - diluted	$ 0.34	$ 0.31	$ 0.64	$ 0.60

See accompanying notes to consolidated financial statements.

COPT Defense Properties and Subsidiaries
Consolidated Statements of Comprehensive Income
(in thousands)
(unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2025	**2024**	**2025**	**2024**
Net income	$ 40,166	$ 36,407	$ 76,394	$ 70,078
Other comprehensive (loss) income				
Unrealized income on interest rate derivatives	274	910	194	3,891
Reclassification adjustments on interest rate derivatives recognized in interest expense	(366)	(1,172)	(928)	(2,352)
Total other comprehensive (loss) income	(92)	(262)	(734)	1,539
Comprehensive income	40,074	36,145	75,660	71,617
Comprehensive income attributable to noncontrolling interests	(1,788)	(1,266)	(3,219)	(2,395)
Comprehensive income attributable to common shareholders	$ 38,286	$ 34,879	$ 72,441	$ 69,222

See accompanying notes to consolidated financial statements.

COPT Defense Properties and Subsidiaries
Consolidated Statements of Equity
(Dollars in thousands)
(unaudited)

	Common Shares	Additional Paid-in Capital	Cumulative Distributions in Excess of Net Income	Accumulated Other Comprehensive Income	Noncontrolling Interests	Total
For the Three Months Ended June 30, 2024						
Balance at March 31, 2024 (112,640,861 common shares outstanding)	$ 1,126	$ 2,487,468	$ (1,009,964)	$ 3,849	$ 43,567	$ 1,526,046
Redemption of common units	—	—	—	—	(98)	(98)
Share-based compensation (10,069 shares issued, net of redemptions)	1	962	—	—	1,712	2,675
Redemption of vested equity awards	—	(89)	—	—	—	(89)
Adjustments to noncontrolling interests resulting from changes in ownership of CDPLP	—	1,389	—	—	(1,389)	—
Comprehensive income	—	—	35,114	(235)	795	35,674
Dividends	—	—	(33,237)	—	—	(33,237)
Distributions to owners of common units in CDPLP	—	—	—	—	(659)	(659)
Distributions to noncontrolling interests in other consolidated entities	—	—	—	—	(7)	(7)
Adjustments for changes in fair value of redeemable noncontrolling interest	—	201	—	—	—	201
Balance at June 30, 2024 (112,650,930 common shares outstanding)	$ 1,127	$ 2,489,931	$ (1,008,087)	$ 3,614	$ 43,921	$ 1,530,506
For the Three Months Ended June 30, 2025						
Balance at March 31, 2025 (112,882,315 common shares outstanding)	$ 1,129	$ 2,492,454	$ (1,003,120)	$ 403	$ 47,425	$ 1,538,291
Redemption of common units	—	—	—	—	(27)	(27)
Share-based compensation (46,973 shares issued, net of redemptions)	—	1,195	—	—	1,958	3,153
Redemption of vested equity awards	—	(84)	—	—	—	(84)
Adjustments to noncontrolling interests resulting from changes in ownership of CDPLP	—	1,576	—	—	(1,576)	—
Comprehensive income	—	—	38,347	(61)	1,058	39,344
Dividends	—	—	(34,445)	—	—	(34,445)
Distributions to owners of common units in CDPLP	—	—	—	—	(764)	(764)
Distributions to noncontrolling interests in other consolidated entities	—	—	—	—	(8)	(8)
Adjustments for changes in fair value of redeemable noncontrolling interest	—	281	—	—	—	281
Balance at June 30, 2025 (112,929,288 common shares outstanding)	$ 1,129	$ 2,495,422	$ (999,218)	$ 342	$ 48,066	$ 1,545,741

See accompanying notes to consolidated financial statements.

COPT Defense Properties and Subsidiaries
Consolidated Statements of Equity (continued)
(Dollars in thousands)
(unaudited)

	Common Shares	Additional Paid-in Capital	Cumulative Distributions in Excess of Net Income	Accumulated Other Comprehensive Income	Noncontrolling Interests	Total
For the Six Months Ended June 30, 2024						
Balance at December 31, 2023 (112,555,352 common shares outstanding)	$ 1,126	$ 2,489,989	$ (1,009,318)	$ 2,115	$ 39,843	$ 1,523,755
Redemption of common units	—	—	—	—	(1,278)	(1,278)
Share-based compensation (95,578 shares issued, net of redemptions)	1	2,120	—	—	3,364	5,485
Redemption of vested equity awards	—	(1,128)	—	—	—	(1,128)
Adjustments to noncontrolling interests resulting from changes in ownership of CDPLP	—	(1,866)	—	—	1,866	—
Comprehensive income	—	—	67,723	1,499	1,455	70,677
Dividends	—	—	(66,492)	—	—	(66,492)
Distributions to owners of common units in CDPLP	—	—	—	—	(1,314)	(1,314)
Distributions to noncontrolling interests in other consolidated entities	—	—	—	—	(15)	(15)
Adjustments for changes in fair value of redeemable noncontrolling interest	—	816	—	—	—	816
Balance at June 30, 2024 (112,650,930 common shares outstanding)	$ 1,127	$ 2,489,931	$ (1,008,087)	$ 3,614	$ 43,921	$ 1,530,506
For the Six Months Ended June 30, 2025						
Balance at December 31, 2024 (112,703,460 common shares outstanding)	$ 1,127	$ 2,494,369	$ (1,003,401)	$ 988	$ 43,510	$ 1,536,593
Conversion of common units to common shares (11,589 shares)	—	156	—	—	(156)	—
Redemption of common units	—	—	—	—	(340)	(340)
Share-based compensation (214,239 shares issued, net of redemptions)	2	2,252	—	—	3,841	6,095
Redemption of vested equity awards	—	(1,209)	—	—	—	(1,209)
Adjustments to noncontrolling interests resulting from changes in ownership of CDPLP	—	(862)	—	—	862	—
Comprehensive income	—	—	73,087	(646)	1,884	74,325
Dividends	—	—	(68,904)	—	—	(68,904)
Distributions to owners of common units in CDPLP	—	—	—	—	(1,520)	(1,520)
Distributions to noncontrolling interests in other consolidated entities	—	—	—	—	(15)	(15)
Adjustments for changes in fair value of redeemable noncontrolling interest	—	716	—	—	—	716
Balance at June 30, 2025 (112,929,288 common shares outstanding)	$ 1,129	$ 2,495,422	$ (999,218)	$ 342	$ 48,066	$ 1,545,741

See accompanying notes to consolidated financial statements.

COPT Defense Properties and Subsidiaries
Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	For the Six Months Ended June 30,	
	2025	2024
Cash flows from operating activities		
Revenues from real estate operations received	$ 345,848	$ 339,196
Construction contract and other service revenues received	31,384	41,907
Property operating expenses paid	(123,814)	(110,893)
Construction contract and other service expenses paid	(25,223)	(40,710)
General, administrative, leasing and other expenses paid	(20,684)	(19,613)
Interest expense paid	(37,985)	(38,334)
Lease incentives paid	(12,961)	(10,679)
Other	3,407	3,951
Net cash provided by operating activities	159,972	164,825
Cash flows from investing activities		
Properties in development or held for future development	(93,224)	(66,945)
Acquisitions of operating properties and related intangible assets	—	(15,210)
Tenant improvements on operating properties	(26,636)	(22,479)
Other capital improvements on operating properties	(10,301)	(18,555)
Investing receivables funded	(9,481)	(887)
Leasing costs paid	(8,906)	(7,994)
Other	(25)	(172)
Net cash used in investing activities	(148,573)	(132,242)
Cash flows from financing activities		
Proceeds from debt		
Revolving Credit Facility	191,000	—
Repayments of debt		
Revolving Credit Facility	(146,000)	—
Scheduled principal amortization	(918)	(1,431)
Other debt repayments	—	(27,649)
Common share dividends paid	(67,718)	(65,335)
Other	(4,077)	(4,989)
Net cash used in financing activities	(27,713)	(99,404)
Net decrease in cash and cash equivalents and restricted cash	(16,314)	(66,821)
Cash and cash equivalents and restricted cash		
Beginning of period	39,697	169,424
End of period	$ 23,383	$ 102,603

See accompanying notes to consolidated financial statements.

COPT Defense Properties and Subsidiaries
Consolidated Statements of Cash Flows (continued)
(in thousands)
(unaudited)

	For the Six Months Ended June 30, 2025	For the Six Months Ended June 30, 2024
Reconciliation of net income to net cash provided by operating activities		
Net income	$ 76,394	$ 70,078
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and other amortization	79,942	77,684
Amortization of deferred financing costs and net debt discounts	3,435	3,403
Change in net deferred rent receivable and liability	(10,091)	1,417
Gain on sales of real estate	(300)	—
Share-based compensation	5,778	5,209
Other	745	(1,106)
Changes in operating assets and liabilities		
(Increase) decrease in accounts receivable	(1,566)	1,862
Decrease in lease incentives and prepaid expenses and other assets, net	19,637	7,510
(Decrease) increase in accounts payable, accrued expenses and other liabilities	(13,241)	692
Decrease in rents received in advance and security deposits	(761)	(1,924)
Net cash provided by operating activities	$ 159,972	$ 164,825
Reconciliation of cash and cash equivalents and restricted cash		
Cash and cash equivalents at beginning of period	$ 38,284	$ 167,820
Restricted cash at beginning of period	1,413	1,604
Cash and cash equivalents and restricted cash at beginning of period	$ 39,697	$ 169,424
Cash and cash equivalents at end of period	$ 21,288	$ 100,443
Restricted cash at end of period	2,095	2,160
Cash and cash equivalents and restricted cash at end of period	$ 23,383	$ 102,603
Supplemental schedule of non-cash investing and financing activities		
Decrease in accrued capital improvements, leasing and other investing activity costs	$ (7,745)	$ (15,180)
Recognition of operating right-of-use assets and related lease liabilities	$ 302	$ 2,055
(Decrease) increase in fair value of derivatives applied to accumulated other comprehensive income and noncontrolling interests	$ (734)	$ 1,539
Dividends/distributions payable	$ 35,214	$ 33,908
Decrease in noncontrolling interests and increase in shareholders' equity in connection with the conversion of common units into common shares	$ 156	$ —
Adjustments to noncontrolling interests resulting from changes in CDPLP ownership	$ 862	$ 1,866
Decrease in redeemable noncontrolling interest and increase in equity to adjust for changes in fair value of redeemable noncontrolling interest	$ (716)	$ (816)

See accompanying notes to consolidated financial statements.

COPT Defense Properties and Subsidiaries
Notes to Consolidated Financial Statements
(unaudited)

1. Organization

COPT Defense Properties ("COPT Defense") and subsidiaries (collectively, the "Company", "we" or "us") is a fully-integrated and self-managed real estate investment trust ("REIT") focused on owning, operating and developing properties in locations proximate to, or sometimes containing, key U.S. Government ("USG") defense installations and missions (which we refer to herein as our Defense/IT Portfolio). Our tenants include the USG and their defense contractors, who are primarily engaged in priority national security activities, and who generally require mission-critical and high security property enhancements. As of June 30, 2025, our Defense/IT Portfolio included:

> 198 operating properties totaling 22.6 million square feet comprised of 16.7 million square feet in 167 office properties and 5.9 million square feet in 31 single-tenant data center shells. We owned 24 of these data center shells totaling 4.3 million square feet through unconsolidated real estate joint ventures;
> five properties under development (three office properties and two data center shells), including one partially-operational property, that will total approximately 756,000 square feet upon completion; and
> approximately 1,010 acres of land controlled that we believe could be developed into approximately 10.8 million square feet.

We also owned six other operating properties totaling 2.0 million square feet and approximately 50 acres of other developable land in the Greater Washington, DC/Baltimore region as of June 30, 2025.

We conduct almost all of our operations and own almost all of our assets through our operating partnership, COPT Defense Properties, L.P. ("CDPLP") and subsidiaries (collectively, the "Operating Partnership"), of which COPT Defense is the sole general partner. CDPLP owns real estate directly and through subsidiary partnerships and limited liability companies ("LLCs"). In addition to owning real estate, CDPLP also owns subsidiaries that provide real estate services such as property management, development and construction services primarily for our properties but also for third parties, most of which are tenants. Some of these services are performed by a taxable REIT subsidiary ("TRS").

Equity interests in CDPLP are in the form of common and preferred units. As of June 30, 2025, COPT Defense owned 97.2% of the outstanding CDPLP common units ("common units") and there were no preferred units outstanding. Common units not owned by COPT Defense carry certain redemption rights. The number of common units owned by COPT Defense is equivalent to the number of outstanding common shares of beneficial interest ("common shares") of COPT Defense, and the entitlement of common units to quarterly distributions and payments in liquidation is substantially the same as that of COPT Defense common shareholders.

COPT Defense's common shares are publicly traded on the New York Stock Exchange ("NYSE") under the ticker symbol "CDP".

2. Summary of Significant Accounting Policies

Basis of Presentation

These consolidated financial statements include the accounts of COPT Defense, the Operating Partnership, their subsidiaries and other entities in which COPT Defense has a majority voting interest and control. We also consolidate certain entities when control of such entities can be achieved through means other than voting rights ("variable interest entities" or "VIEs") if we are deemed to be the primary beneficiary of such entities. We eliminate all intercompany balances and transactions in consolidation.

We use the equity method of accounting when we own an interest in an entity and can exert significant influence over but cannot control the entity's operations. We discontinue equity method accounting if our investment in an entity (and net advances) is reduced to zero unless we have guaranteed obligations of the entity or are otherwise committed to provide further financial support for the entity.

When we own an equity investment in an entity and cannot exert significant influence over its operations, we measure the investment at fair value, with changes recognized through net income. For an investment without a readily determinable fair value, we measure the investment at cost, less any impairments, plus or minus changes resulting from observable price changes for an identical or similar investment of the same issuer.

These interim financial statements should be read together with the consolidated financial statements and notes thereto as of and for the year ended December 31, 2024 included in our 2024 Annual Report on Form 10-K. The unaudited consolidated financial statements include all adjustments that are necessary, in the opinion of management, to fairly state our financial position and results of operations. All adjustments are of a normal recurring nature. The consolidated financial statements have been prepared using the accounting policies described in our 2024 Annual Report on Form 10-K.

Reclassifications

We reclassified certain amounts from prior periods to conform to the current period presentation of our consolidated financial statements with no effect on previously reported net income or equity.

Recent Accounting Pronouncements

Effective January 1, 2025, we adopted guidance issued by the Financial Accounting Standards Board ("FASB") aimed at reducing complexity and diversity in practice in determining whether a profits interest award is accounted for as a share-based payment. Our adoption of this guidance did not change the accounting for any of our share-based compensation award types, and therefore did not affect our consolidated financial statements.

In December 2023, the FASB issued guidance to improve income tax disclosures. This guidance requires enhanced annual disclosures primarily related to existing rate reconciliation and income taxes paid disclosure requirements and is effective for us for our 2025 annual reporting. We expect to apply this guidance prospectively and do not expect it to materially affect our future related disclosures.

In November 2024, the FASB issued guidance requiring disaggregated disclosure of specified information about certain expense categories included in expense line items on the consolidated statements of operations in the notes to the financial statements. This guidance is effective for us for annual periods beginning after December 15, 2026 and interim periods beginning after December 15, 2027. Early adoption is permitted. The guidance will be applied either prospectively to financial statements issued for reporting periods after the effective date or retrospectively to any and all prior periods presented in the financial statements. We are currently assessing the application of this guidance on our future consolidated financial statements.

3. Fair Value Measurements

Recurring Fair Value Measurements

The fair values of our interest rate derivatives, as disclosed in Note 9, are determined using widely accepted valuation techniques, including a discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate market data and implied volatilities in such interest rates. While we determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our interest rate derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default. However, as of June 30, 2025, we assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our derivatives and determined that these adjustments were not significant. As a result, we determined that our interest rate derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

The carrying values of cash and cash equivalents, restricted cash, accounts receivable, other assets (excluding investing receivables) and accounts payable and accrued expenses are reasonable estimates of their fair values because of the short maturities of these instruments. The fair values of our investing receivables, as disclosed in Note 7, were based on the discounted estimated future cash flows of the loans (categorized within Level 3 of the fair value hierarchy); the discount rates used approximate current market rates for loans with similar maturities and credit quality, and the estimated cash payments include scheduled principal and interest payments. For our disclosure of debt fair values in Note 8, we estimated the fair value of our unsecured senior notes based on quoted market rates for our senior notes (categorized within Level 1 of the fair value hierarchy) and estimated the fair value of our other debt based on the discounted estimated future cash payments to be made on such debt (categorized within Level 3 of the fair value hierarchy); the discount rates used approximate current market rates for loans, or groups of loans, with similar maturities and credit quality, and the estimated future payments include scheduled principal and interest payments. Fair value estimates are made as of a specific point in time, are subjective in nature and involve uncertainties and matters of significant judgment.

The table below sets forth our financial assets and liabilities accounted for at fair value on a recurring basis as of June 30, 2025 and the hierarchy level of inputs used in measuring their respective fair values under applicable accounting standards (in thousands):

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets (1)				
Interest rate derivatives	$ —	$ 581	$ —	$ 581

(1) Included in the line entitled "prepaid expenses and other assets, net" on our consolidated balance sheet.

4. Properties, Net

Operating properties, net consisted of the following (in thousands):

	June 30, 2025	December 31, 2024
Land	$ 495,523	$ 495,707
Buildings and improvements	4,472,185	4,395,063
Less: Accumulated depreciation	(1,608,032)	(1,537,293)
Operating properties, net	$ 3,359,676	$ 3,353,477

5. Leases

Lessor Arrangements

We lease real estate properties, comprised primarily of office properties and data center shells, to third parties. These leases encompass all, or a portion, of properties, with various expiration dates. Our lease revenue is comprised of: fixed-lease revenue, including contractual rent billings under leases recognized on a straight-line basis over lease terms and amortization of lease incentives and above- and below-market lease intangibles; and variable-lease revenue, including tenant expense recoveries, lease termination revenue and other revenue from tenants that is not fixed under leases. The table below sets forth our composition of lease revenue recognized between fixed- and variable-lease revenue (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
Lease revenue	**2025**	**2024**	**2025**	**2024**
Fixed	$ 136,334	$ 127,363	$ 268,025	$ 253,561
Variable	39,264	38,256	82,881	77,491
	$ 175,598	$ 165,619	$ 350,906	$ 331,052

Lessee Arrangements

As of June 30, 2025, our balance sheet included $55.7 million in right-of-use assets associated primarily with land leased from third parties underlying certain properties that we are operating with various expiration dates. Our property right-of-use assets and property lease liabilities on our consolidated balance sheets consisted of the following (in thousands):

Leases	Balance Sheet Location	June 30, 2025	December 31, 2024
Right-of-use assets			
Operating leases - Property	Property - operating lease right-of-use assets	$ 53,271	$ 55,760
Finance leases - Property	Prepaid expenses and other assets, net	2,454	2,491
Total right-of-use assets		$ 55,725	$ 58,251
Lease liabilities			
Operating leases - Property	Property - operating lease liabilities	$ 47,372	$ 49,240
Finance leases - Property	Other liabilities	377	391
Total lease liabilities		$ 47,749	$ 49,631

As of June 30, 2025, our operating leases had a weighted average remaining lease term of 39 years and a weighted average discount rate of 7.3%, while our finance leases had a weighted average remaining lease term of eight years and a weighted average discount rate of 9.1%. The table below presents our total property lease cost (in thousands):

		For the Three Months Ended June 30,		For the Six Months Ended June 30,	
Lease cost	**Statement of Operations Location**	**2025**	**2024**	**2025**	**2024**
Operating lease cost					
Property leases - fixed	Property operating expenses	$ 2,271	$ 1,899	$ 4,537	$ 3,758
Property leases - variable	Property operating expenses	27	143	54	177
Finance lease cost					
Amortization of property right-of-use assets	Property operating expenses	18	18	37	37
Interest on lease liabilities	Interest expense	9	10	18	19
		$ 2,325	$ 2,070	$ 4,646	$ 3,991

The table below presents the effect of property lease payments on our consolidated statements of cash flows (in thousands):

Supplemental cash flow information	For the Six Months Ended June 30, 2025	2024
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	$ 3,917	$ 3,476
Operating cash flows for finance leases	$ 18	$ 19
Financing cash flows for finance leases	$ 14	$ 12

Payments on property leases were due as follows (in thousands):

	June 30, 2025	
Year Ending December 31,	Operating Leases	Finance Leases
2025 (1)	$ 4,021	$ 31
2026	8,217	65
2027	8,418	67
2028	2,838	69
2029	2,094	71
Thereafter	154,000	226
Total lease payments	179,588	529
Less: Amount representing interest	(132,216)	(152)
Lease liability	$ 47,372	$ 377

(1) Represents the six months ending December 31, 2025.

6. Real Estate Joint Ventures

Consolidated Real Estate Joint Ventures

The table below sets forth information pertaining to our investments in consolidated real estate joint ventures, which are each variable interest entities (dollars in thousands):

				June 30, 2025			
Entity	Date Formed	Nominal Ownership %	Location	Total Assets	Encumbered Assets	Total Liabilities	Mortgage Debt
LW Redstone Company, LLC (1)	3/23/2010	85%	Huntsville, AL	$ 747,960	$ 35,266	$ 77,706	$ 22,025
Stevens Investors, LLC	8/11/2015	95%	Washington, DC	141,483	—	6,632	—
M Square Associates, LLC	6/26/2007	50%	College Park, MD	100,213	54,865	49,198	46,816
				$ 989,656	$ 90,131	$ 133,536	$ 68,841

(1) We fund all capital requirements. Our partner receives distributions of $1.2 million of annual operating cash flows and we receive the remainder.

Unconsolidated Real Estate Joint Ventures

The table below sets forth information pertaining to our investments in unconsolidated real estate joint ventures accounted for using the equity method of accounting (dollars in thousands):

Entity	Date Formed	Nominal Ownership %	Number of Properties	Carrying Value of Investment (1) June 30, 2025	Carrying Value of Investment (1) December 31, 2024
Redshift JV LLC	1/10/2023	10%	3	$ 20,842	$ 20,921
BREIT COPT DC JV LLC	6/20/2019	10%	9	9,058	9,584
Quark JV LLC	12/14/2022	10%	2	6,675	6,706
B RE COPT DC JV III LLC	6/2/2021	10%	2	1,980	2,149
B RE COPT DC JV II LLC (2)	10/30/2020	10%	8	(3,823)	(3,409)
			24	$ 34,732	$ 35,951

(1) Included $38.6 million and $39.4 million reported in “investment in unconsolidated real estate joint ventures” and $3.8 million and $3.4 million for investments with deficit balances reported in “other liabilities” on our consolidated balance sheets as of June 30, 2025 and December 31, 2024, respectively.

(2) Our investment in B RE COPT DC JV II LLC was lower than our share of the joint venture’s equity by $6.6 million as of June 30, 2025 and $6.7 million as of December 31, 2024 due to a difference between our cost basis and our share of the joint venture’s underlying equity in its net assets. We recognize adjustments to our share of the joint venture’s earnings and losses resulting from this basis difference in the underlying assets of the joint venture.

7. Investing Receivables

Investing receivables consisted of the following (in thousands):

	June 30, 2025	December 31, 2024
Notes receivable from the City of Huntsville	$ 71,963	$ 69,241
Other investing loans receivable	11,903	3,231
Amortized cost basis	83,866	72,472
Allowance for credit losses	(4,566)	(2,792)
Investing receivables, net	$ 79,300	$ 69,680

The balances above include accrued interest receivable, net of allowance for credit losses, of $2.6 million as of June 30, 2025 and $3.2 million as of December 31, 2024.

Our notes receivable from the City of Huntsville funded infrastructure costs in connection with our LW Redstone Company, LLC joint venture (see Note 6) and carry an interest rate of 9.95%. Our other investing loans receivable as of June 30, 2025 carry effective interest rates ranging from 12.0% to 14.0% and mature by early 2026.

The fair value of these receivables was approximately $84 million as of June 30, 2025 and $72 million as of December 31, 2024.

8. Debt, Net

Our debt consisted of the following (dollars in thousands):

	Carrying Value (1) as of		June 30, 2025	
	June 30, 2025	December 31, 2024	Stated Interest Rates	Scheduled Maturity
Mortgage and Other Secured Debt				
Fixed-rate mortgage debt	$ 36,601	$ 37,130	3.82%	June 2026
Variable-rate secured debt	32,240	32,471	SOFR + 0.10% + 1.45% to 1.55% (2)	2026 (3)
Total mortgage and other secured debt	68,841	69,601		
Revolving Credit Facility	120,000	75,000	SOFR + 0.10% + 0.725% to 1.400% (4)	October 2026 (5)
Term Loan Facility	124,805	124,633	SOFR + 0.10% + 0.850% to 1.700% (6)	January 2026 (7)
Unsecured Senior Notes				
2.25%, $400,000 aggregate principal	399,253	398,699	2.25% (8)	March 2026
5.25%, $345,000 aggregate principal (9)	338,517	337,588	5.25% (10)	September 2028
2.00%, $400,000 aggregate principal	398,209	397,961	2.00% (11)	January 2029
2.75%, $600,000 aggregate principal	592,899	592,330	2.75% (12)	April 2031
2.90%, $400,000 aggregate principal	395,910	395,692	2.90% (13)	December 2033
Unsecured note payable	157	251	0% (14)	May 2026
Total debt, net	$ 2,438,591	$ 2,391,755		

(1) The carrying values of our debt other than the Revolving Credit Facility reflect net deferred financing costs of $3.3 million as of June 30, 2025 and $4.0 million as of December 31, 2024.
(2) Including the effect of an interest rate swap that hedges the risk of interest rate changes, the weighted average interest rate on our variable-rate secured debt as of June 30, 2025 was 5.04%; excluding the effect of this swap, the weighted average interest rate on this debt as of June 30, 2025 was 5.90%.
(3) Most of this debt may be extended by a 12-month period at our option, provided that there is no default on the debt and we pay an extension fee of 0.10% of the debt balance.
(4) The weighted average interest rate on the Revolving Credit Facility was 5.47% as of June 30, 2025, excluding the effect of interest rate swaps that hedge the risk of interest rate changes (see Note 9 to our consolidated financial statements).
(5) The facility matures in October 2026, with the ability for us to extend such maturity by two six-month periods at our option, provided that there is no default under the facility and we pay an extension fee of 0.0625% of the total availability under the facility for each extension period.
(6) The interest rate on this loan was 5.72% as of June 30, 2025, excluding the effect of interest rate swaps that hedge the risk of interest rate changes (see Note 9 to our consolidated financial statements).
(7) This facility matures in January 2026, with the ability for us to extend such maturity by two 12-month periods at our option, provided that there is no default under the facility and we pay an extension fee of 0.125% of the outstanding loan balance for each extension period.
(8) The carrying value of these notes reflects unamortized discounts and commissions totaling $609,000 as of June 30, 2025 and $1.1 million as of December 31, 2024. The effective interest rate under the notes, including amortization of such costs, was 2.48%.
(9) These notes have an exchange settlement feature under which the notes may, under certain circumstances, be exchangeable at the option of the holders. Upon exchange, the principal amount of notes is payable in cash, with the remainder of the exchange obligation, if any, as determined based on the exchange price per common share at the time of settlement, payable in cash, common shares or a combination thereof at our election. As of June 30, 2025, the exchange rate of the notes equaled 33.4730 of our common shares per $1,000 principal amount of notes (equivalent to an exchange price of approximately $29.87 per common share).
(10) The carrying value of these notes reflects unamortized commissions totaling $5.7 million as of June 30, 2025 and $6.6 million as of December 31, 2024. The effective interest rate under the notes, including amortization of such costs, was 5.83%.
(11) The carrying value of these notes reflects unamortized discounts and commissions totaling $1.3 million as of June 30, 2025 and $1.5 million as of December 31, 2024. The effective interest rate under the notes, including amortization of such costs, was 2.09%.
(12) The carrying value of these notes reflects unamortized discounts and commissions totaling $6.2 million as of June 30, 2025 and $6.7 million as of December 31, 2024. The effective interest rate under the notes, including amortization of such costs, was 2.94%.
(13) The carrying value of these notes reflects unamortized discounts and commissions totaling $3.4 million as of June 30, 2025 and $3.5 million as of December 31, 2024. The effective interest rate under the notes, including amortization of such costs, was 3.01%.
(14) This note carries an interest rate that, upon assumption, was below market rates and it therefore was recorded at its fair value based on applicable effective interest rates. The carrying value of this note reflects an unamortized discount totaling $4,000 as of June 30, 2025 and $10,000 as of December 31, 2024.

All debt is owed by the Operating Partnership. While COPT Defense is not directly obligated by any debt, it has guaranteed CDPLP's Revolving Credit Facility, Term Loan Facility and Unsecured Senior Notes. All of our mortgage and other secured debt as of June 30, 2025 was for consolidated real estate joint ventures (see Note 6).

The table below sets forth interest expense recognized on the 5.25% Exchangeable Senior Notes due 2028 (the “5.25% Notes”) (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2025	2024	2025	2024
Interest expense at stated interest rate	$ 4,528	$ 4,528	$ 9,056	$ 9,056
Interest expense associated with amortization of debt discount and issuance costs	410	387	815	769
Total	$ 4,938	$ 4,915	$ 9,871	$ 9,825

Certain of our debt instruments require that we comply with a number of restrictive financial covenants. As of June 30, 2025, we were compliant with these financial covenants.

Our debt matures on the following schedule (in thousands):

Year Ending December 31,	June 30, 2025
2025 (1)	$ 925
2026	713,175
2027	—
2028	345,000
2029	400,000
Thereafter	1,000,000
Total	$ 2,459,100 (2)

(1) Represents the six months ending December 31, 2025.
(2) Represents scheduled principal amortization and maturities only and therefore excludes net discounts and deferred financing costs of $20.5 million.

We capitalized interest costs of $1.1 million in the three months ended June 30, 2025, $643,000 in the three months ended June 30, 2024, $2.1 million in the six months ended June 30, 2025 and $1.2 million in the six months ended June 30, 2024.

The following table sets forth information pertaining to the fair value of our debt (in thousands):

	June 30, 2025		December 31, 2024	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Fixed-rate debt				
Unsecured Senior Notes	$ 2,124,788	$ 1,988,692	$ 2,122,270	$ 1,946,905
Other fixed-rate debt	36,758	35,666	37,381	35,841
Variable-rate debt	277,045	277,062	232,104	232,768
	$ 2,438,591	$ 2,301,420	$ 2,391,755	$ 2,215,514

9. Interest Rate Derivatives

The following table sets forth the key terms and fair values of our interest rate swap derivatives (dollars in thousands):

					Fair Value at	
Notional Amount	Fixed Rate	Floating Rate Index	Effective Date	Expiration Date	June 30, 2025	December 31, 2024
$ 150,000	3.742%	One-Month SOFR	2/1/2023	2/2/2026	$ 258	$ 550
$ 50,000	3.747%	One-Month SOFR	2/1/2023	2/2/2026	85	181
$ 10,280 (1)	1.678%	SOFR + 0.10%	8/1/2019	8/1/2026	238	387
$ 22,100	0.573%	SOFR + 0.10%	4/1/2020	3/26/2025	—	197
					$ 581	$ 1,315

(1) The notional amount of this instrument is scheduled to amortize to $10.0 million.

Each of these swaps was designated as a cash flow hedge of interest rate risk.

The table below sets forth the fair value of our interest rate derivatives as well as their classification on our consolidated balance sheets (in thousands):

Derivatives	Balance Sheet Location	Fair Value at June 30, 2025	Fair Value at December 31, 2024
Interest rate swaps designated as cash flow hedges	Prepaid expenses and other assets, net	$ 581	$ 1,315

The table below presents the effect of our interest rate derivatives on our consolidated statements of operations and comprehensive income (in thousands):

	Amount of (Loss) Income Recognized in AOCI on Derivatives				Amount of Income Reclassified from AOCI into Interest Expense on Statement of Operations			
	For the Three Months Ended June 30,		For the Six Months Ended June 30,		For the Three Months Ended June 30,		For the Six Months Ended June 30,	
Derivatives in Hedging Relationships	2025	2024	2025	2024	2025	2024	2025	2024
Interest rate derivatives	$ 274	$ 910	$ 194	$ 3,891	$ 366	$ 1,172	$ 928	$ 2,352

Based on the fair value of our derivatives as of June 30, 2025, we estimate that approximately $569,000 of gains will be reclassified from accumulated other comprehensive income (“AOCI”) as a decrease to interest expense over the next 12 months.

We have agreements with each of our interest rate derivative counterparties that contain provisions under which, if we default or are capable of being declared in default on defined levels of our indebtedness, we could also be declared in default on our derivative obligations. Failure to comply with the loan covenant provisions could result in our being declared in default on any derivative instrument obligations covered by the agreements. As of June 30, 2025, we were not in default with any of these provisions. As of June 30, 2025, we did not have any derivatives in liability positions.

10. Redeemable Noncontrolling Interest

Redeemable noncontrolling interest on our consolidated balance sheets included the ownership interest of our partner in LW Redstone Company, LLC due to the partner’s rights to require us to acquire their interest. The table below sets forth the activity for redeemable noncontrolling interest (in thousands):

	For the Six Months Ended June 30, 2025	For the Six Months Ended June 30, 2024
Beginning balance	$ 23,974	$ 23,580
Distributions to noncontrolling interest	(1,335)	(939)
Net income attributable to noncontrolling interest	1,335	940
Adjustments for changes in fair value of interest	(716)	(816)
Ending balance	$ 23,258	$ 22,765

We determine the fair value of the interest based on unobservable inputs after considering the assumptions that market participants would make in pricing the interest. We apply a discount rate to the estimated future cash flows allocable to our partner from the properties underlying the respective joint venture. Estimated cash flows used in such analyses are based on our plans for the properties and our views of market and economic conditions, and consider items such as current and future rental rates, occupancy projections and estimated operating and development expenditures.

11. Equity

As of June 30, 2025, we had remaining capacity under our at-the-market stock offering program equal to an aggregate gross sales price of $300 million in common shares.

We declared dividends per common share of $0.305 in the three months ended June 30, 2025, $0.295 in the three months ended June 30, 2024, $0.61 in the six months ended June 30, 2025 and $0.59 in the six months ended June 30, 2024

During the six months ended June 30, 2025, a CDPLP limited partner converted 11,589 common units in CDPLP for an equal number of common shares.

See Note 15 for disclosure of common share activity pertaining to our share-based compensation plans.

12. Information by Business Segment

We have the following reportable segments: Defense/IT Portfolio; and Other. We also report on Defense/IT Portfolio sub-segments, which include the following: Fort George G. Meade and the Baltimore/Washington Corridor (“Fort Meade/BW Corridor”); Northern Virginia Defense/IT Locations (“NoVA Defense/IT”); Lackland Air Force Base (in San Antonio, Texas); locations serving the U.S. Navy (“Navy Support”), which included properties proximate to the Washington Navy Yard, the Naval Air Station Patuxent River in Maryland and the Naval Surface Warfare Center Dahlgren Division in Virginia; Redstone Arsenal (in Huntsville, Alabama); and data center shells (properties leased to tenants to be operated as data centers in which the tenants fund the costs for the power, fiber connectivity and data center infrastructure). In the first quarter of 2025, we retrospectively reclassified two properties to our Fort Meade/BW Corridor sub-segment from our Other segment.

We measure the performance of our segments through the measure we define as net operating income from real estate operations (“NOI from real estate operations”), which includes real estate revenues and other segment items, which is comprised of: property operating expenses; and the net of revenues and property operating expenses of real estate operations owned through unconsolidated real estate joint ventures (“UJV” or “UJVs”) that is allocable to our ownership interest (“UJV NOI allocable to COPT Defense”). Property operating expenses represent costs associated with operating our properties, including property taxes, ground rents, utilities, property management, insurance, repairs and exterior and interior maintenance, as well as associated labor and indirect costs.

Our chief operating decision maker uses budget to actual comparisons of operating expense information on a consolidated basis and for our Same Property pool (defined as our properties stably owned and 100% operational throughout both the current and prior year) to manage expenses associated with operating our properties.

Amounts reported for segment assets represent long-lived assets associated with consolidated operating properties (including the carrying value of properties, right-of-use assets, net of related lease liabilities, intangible assets, deferred leasing costs, deferred rents receivable and lease incentives) and the carrying value of investments in UJVs owning operating properties, net of deficit investment balances reported in “other liabilities” on our consolidated balance sheets (which were included in our data center shells sub-segment and totaled $34.7 million and $36.9 million as of June 30, 2025 and 2024, respectively).

Amounts reported as additions to long-lived assets represent additions to existing consolidated operating properties, excluding transfers from non-operating properties, which we report separately.

The table below reports segment financial information for our reportable segments (in thousands):

	Defense/IT Portfolio								
	Fort Meade/BW Corridor	NoVA Defense/IT	Lackland Air Force Base	Navy Support	Redstone Arsenal	Data Center Shells	Total Defense/IT Portfolio	Other	Total
Three Months Ended June 30, 2025									
Revenues from real estate operations	$ 81,337	$ 22,018	$ 17,475	$ 8,258	$ 18,977	$ 10,644	$ 158,709	$ 18,748	$ 177,457
Other segment items:									
Property operating expenses	(26,897)	(8,858)	(9,241)	(3,856)	(6,160)	(1,783)	(56,795)	(10,120)	(66,915)
UJV NOI allocable to COPT Defense	—	—	—	—	—	1,870	1,870	—	1,870
Total other segment items	(26,897)	(8,858)	(9,241)	(3,856)	(6,160)	87	(54,925)	(10,120)	(65,045)
NOI from real estate operations	$ 54,440	$ 13,160	$ 8,234	$ 4,402	$ 12,817	$ 10,731	$ 103,784	$ 8,628	$ 112,412
Additions to long-lived assets	$ 9,971	$ 3,263	$ 98	$ 2,746	$ 6,938	$ —	$ 23,016	$ 3,629	$ 26,645
Transfers from non-operating properties	$ 13,896	$ (2)	$ —	$ 2	$ 14,356	$ 5,325	$ 33,577	$ 2,225	$ 35,802
Three Months Ended June 30, 2024									
Revenues from real estate operations	$ 78,419	$ 20,601	$ 16,447	$ 8,240	$ 17,017	$ 9,600	$ 150,324	$ 16,761	$ 167,085
Other segment items:									
Property operating expenses	(24,999)	(8,930)	(8,797)	(3,633)	(5,721)	(2,091)	(54,171)	(9,239)	(63,410)
UJV NOI allocable to COPT Defense	—	—	—	—	—	1,735	1,735	—	1,735
Total other segment items	(24,999)	(8,930)	(8,797)	(3,633)	(5,721)	(356)	(52,436)	(9,239)	(61,675)
NOI from real estate operations	$ 53,420	$ 11,671	$ 7,650	$ 4,607	$ 11,296	$ 9,244	$ 97,888	$ 7,522	$ 105,410
Additions to long-lived assets	$ 7,716	$ 9,914	$ —	$ 1,931	$ 352	$ —	$ 19,913	$ 5,670	$ 25,583
Transfers from non-operating properties	$ 665	$ 2	$ —	$ 40	$ 1,389	$ 410	$ 2,506	$ 1,734	$ 4,240
Six Months Ended June 30, 2025									
Revenues from real estate operations	$ 165,945	$ 45,180	$ 33,885	$ 16,218	$ 35,399	$ 21,509	$ 318,136	$ 36,918	$ 355,054
Other segment items:									
Property operating expenses	(58,827)	(18,947)	(18,240)	(8,022)	(12,454)	(3,636)	(120,126)	(18,829)	(138,955)
UJV NOI allocable to COPT Defense	—	—	—	—	—	3,759	3,759	—	3,759
Total other segment items	(58,827)	(18,947)	(18,240)	(8,022)	(12,454)	123	(116,367)	(18,829)	(135,196)
NOI from real estate operations	$ 107,118	$ 26,233	$ 15,645	$ 8,196	$ 22,945	$ 21,632	$ 201,769	$ 18,089	$ 219,858
Additions to long-lived assets	$ 18,064	$ 5,819	$ 217	$ 6,412	$ 10,186	$ —	$ 40,698	$ 5,362	$ 46,060
Transfers from non-operating properties	$ 15,233	$ 16	$ —	$ 2	$ 18,622	$ 9,266	$ 43,139	$ 4,999	$ 48,138
Segment assets at June 30, 2025	$ 1,447,969	$ 490,419	$ 195,567	$ 164,254	$ 617,563	$ 494,805	$ 3,410,577	$ 316,482	$ 3,727,059
Six Months Ended June 30, 2024									
Revenues from real estate operations	$ 157,255	$ 42,027	$ 32,858	$ 16,466	$ 33,825	$ 18,057	$ 300,488	$ 33,260	$ 333,748
Other segment items:									
Property operating expenses	(53,376)	(18,192)	(17,485)	(7,259)	(11,513)	(3,034)	(110,859)	(19,297)	(130,156)
UJV NOI allocable to COPT Defense	—	—	—	—	—	3,475	3,475	—	3,475
Total other segment items	(53,376)	(18,192)	(17,485)	(7,259)	(11,513)	441	(107,384)	(19,297)	(126,681)
NOI from real estate operations	$ 103,879	$ 23,835	$ 15,373	$ 9,207	$ 22,312	$ 18,498	$ 193,104	$ 13,963	$ 207,067
Additions to long-lived assets	$ 34,269	$ 14,405	$ —	$ 2,529	$ 1,024	$ —	$ 52,227	$ 10,247	$ 62,474
Transfers from non-operating properties	$ 2,240	$ 995	$ 9	$ 40	$ 34,273	$ 3,485	$ 41,042	$ 1,743	$ 42,785
Segment assets at June 30, 2024	$ 1,453,287	$ 493,281	$ 185,595	$ 160,195	$ 580,886	$ 429,558	$ 3,302,802	$ 311,901	$ 3,614,703

The following table reconciles our segment revenues to total revenues as reported on our consolidated statements of operations (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2025	2024	2025	2024
Segment revenues from real estate operations	$ 177,457	$ 167,085	$ 355,054	$ 333,748
Construction contract and other service revenues	12,458	20,258	22,717	46,861
Total revenues	$ 189,915	$ 187,343	$ 377,771	$ 380,609

The following table reconciles UJV NOI allocable to COPT Defense to equity in income of unconsolidated entities as reported on our consolidated statements of operations (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2025	2024	2025	2024
UJV NOI allocable to COPT Defense	$ 1,870	$ 1,735	$ 3,759	$ 3,475
Less: Income from UJV allocable to COPT Defense attributable to depreciation and amortization expense and interest expense	(1,515)	(1,709)	(3,033)	(3,380)
Equity in income of unconsolidated entities	$ 355	$ 26	$ 726	$ 95

As previously discussed, we provide real estate services such as property management, development and construction services primarily for our properties but also for third parties. The primary manner in which we evaluate the operating performance of our service activities is through a measure we define as net operating income from service operations ("NOI from service operations"), which is based on the net of revenues and expenses from these activities. Construction contract and other service revenues and expenses consist primarily of subcontracted costs that are reimbursed to us by the customer along with a management fee. The operating margins from these activities are small relative to the revenue. We believe NOI from service operations is a useful measure in assessing both our level of activity and our profitability in conducting such operations. The table below sets forth the computation of our NOI from service operations (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2025	2024	2025	2024
Construction contract and other service revenues	$ 12,458	$ 20,258	$ 22,717	$ 46,861
Construction contract and other service expenses	(11,873)	(19,612)	(21,578)	(45,619)
NOI from service operations	$ 585	$ 646	$ 1,139	$ 1,242

The following table reconciles our NOI from real estate operations for reportable segments and NOI from service operations to net income as reported on our consolidated statements of operations (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2025	2024	2025	2024
NOI from real estate operations	$ 112,412	$ 105,410	$ 219,858	$ 207,067
NOI from service operations	585	646	1,139	1,242
Depreciation and other amortization associated with real estate operations	(39,573)	(38,161)	(78,932)	(76,512)
General, administrative, leasing and other expenses	(11,911)	(12,032)	(24,067)	(23,779)
Interest expense	(20,938)	(20,617)	(41,442)	(41,384)
Interest and other income, net	1,223	2,884	2,791	7,006
Gain on sales of real estate	—	—	300	—
Equity in income of unconsolidated entities	355	26	726	95
UJV NOI allocable to COPT Defense included in equity in income of unconsolidated entities	(1,870)	(1,735)	(3,759)	(3,475)
Income tax expense	(117)	(14)	(220)	(182)
Net income	$ 40,166	$ 36,407	$ 76,394	$ 70,078

The following table reconciles our segment assets to our consolidated total assets (in thousands):

	June 30, 2025	June 30, 2024
Segment assets	$ 3,727,059	$ 3,614,703
Operating properties lease liabilities included in segment assets	47,749	34,221
Investment in UJV deficit balance included in segment assets	3,823	3,216
Non-operating property assets	322,935	278,172
Other assets	185,384	289,026
Total consolidated assets	$ 4,286,950	$ 4,219,338

The accounting policies of the segments are the same as those used to prepare our consolidated financial statements. In the segment reporting presented above, we did not allocate interest expense, depreciation and amortization, gain on sales of real estate and equity in income of unconsolidated entities not included in NOI to our real estate segments since they are not included in the measure of segment profit reviewed by management. We also did not allocate general, administrative, leasing and other expenses, interest and other income, net, income taxes and noncontrolling interests because these items represent general corporate or non-operating property items not attributable to segments.

13. Construction Contract and Other Service Revenues

We disaggregate in the table below our construction contract and other service revenues by compensation arrangement as we believe it best depicts the nature, timing and uncertainty of our revenue (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2025	2024	2025	2024
Construction contract revenue				
Firm fixed price	$ 5,536	$ 10,285	$ 11,813	$ 21,185
Guaranteed maximum price	4,824	8,452	7,454	22,092
Cost-plus fee	1,836	1,220	2,907	2,706
Other	262	301	543	878
	$ 12,458	$ 20,258	$ 22,717	$ 46,861

We recognized an insignificant amount of revenue in the three and six months ended June 30, 2025 and 2024 from performance obligations satisfied (or partially satisfied) in previous periods.

Accounts receivable related to our construction contract services is included in accounts receivable, net on our consolidated balance sheets. The beginning and ending balances of accounts receivable related to our construction contracts were as follows (in thousands):

	For the Six Months Ended June 30,	
	2025	2024
Beginning balance	$ 8,828	$ 10,500
Ending balance	$ 4,858	$ 5,766

Contract assets are included in prepaid expenses and other assets, net on our consolidated balance sheets. The beginning and ending balances of our contract assets were as follows (in thousands):

	For the Six Months Ended June 30,	
	2025	2024
Beginning balance	$ 17,050	$ 15,086
Ending balance	$ 13,016	$ 22,924

Contract liabilities are included in other liabilities on our consolidated balance sheets. Changes in contract liabilities were as follows (in thousands):

	For the Six Months Ended June 30,	
	2025	2024
Beginning balance	$ 2,016	$ 4,176
Ending balance	$ 2,448	$ 2,512
Portion of beginning balance recognized in revenue during:		
Three months ended June 30,	$ 85	$ 624
Six months ended June 30,	$ 185	$ 2,111

Revenue allocated to the remaining performance obligations under existing contracts as of June 30, 2025 that will be recognized as revenue in future periods was $23.4 million, all of which we expect to recognize in the six months ending December 31, 2025.

We have no deferred incremental costs incurred to obtain or fulfill our construction contracts or other service revenues as of June 30, 2025 and December 31, 2024. Credit loss expense or recoveries on construction contracts receivable and unbilled construction revenue were insignificant for the three and six months ended June 30, 2025 and 2024.

14. Credit Losses on Financial Assets and Other Instruments

The table below sets forth the activity for our allowance for credit losses for the six months ended June 30, 2025 and 2024 (in thousands):

	Investing Receivables	Tenant Notes Receivable (1)	Other Assets (2)	Total
December 31, 2024	$ 2,792	$ 615	$ 75	$ 3,482
Net credit loss expense (recoveries) (3)	1,774	(43)	(29)	1,702
June 30, 2025	$ 4,566	$ 572	$ 46	$ 5,184
December 31, 2023	$ 2,377	$ 666	$ 153	$ 3,196
Net credit loss expense (3)	369	76	13	458
June 30, 2024	$ 2,746	$ 742	$ 166	$ 3,654

(1) Included in the line entitled “accounts receivable, net” on our consolidated balance sheets.
(2) The balance as of June 30, 2025 and December 31, 2024 included $13,000 and $60,000, respectively, in the line entitled “accounts receivable, net” and $33,000 and $15,000, respectively, in the line entitled “prepaid expenses and other assets, net” on our consolidated balance sheets.
(3) Included in the line entitled “interest and other income, net” on our consolidated statements of operations.

The following table presents the amortized cost basis of our investing receivables, tenant notes receivable and sales-type lease receivables by credit risk classification, by origination year as of June 30, 2025 (in thousands):

	Origination Year						
	2020 and Earlier	2021	2022	2023	2024	2025	Total
Investing receivables							
Credit risk classification							
Investment grade	$ 58,847	$ 11,415	$ —	$ 1,701	$ —	$ —	$ 71,963
Non-investment grade	—	—	3,230	—	—	8,673	11,903
Total	$ 58,847	$ 11,415	$ 3,230	$ 1,701	$ —	$ 8,673	$ 83,866
Tenant notes receivable							
Credit risk classification							
Investment grade	$ 480	$ —	$ —	$ —	$ —	$ —	$ 480
Non-investment grade	1,248	—	—	—	381	25	1,654
Total	$ 1,728	$ —	$ —	$ —	$ 381	$ 25	$ 2,134
Sales-type lease receivables							
Credit risk classification							
Investment grade	$ 4,165	$ —	$ —	$ —	$ —	$ —	$ 4,165

Our investment grade credit risk classification represents entities with investment grade credit ratings from ratings agencies (such as S&P Global Ratings, Moody’s Investors Service, Inc. or Fitch Ratings, Inc.), meaning that they are considered to have at least an adequate capacity to meet their financial commitments, with credit risk ranging from minimal to moderate. Our non-investment grade credit risk classification represents entities with either no credit agency credit ratings or ratings deemed to be sub-investment grade; we believe that there is significantly more credit risk associated with this classification. The credit risk classifications of our investing receivables and tenant notes receivable were last updated in June 2025.

An insignificant portion of the investing and tenant notes receivables set forth above were past due, which we define as being delinquent by more than three months from the due date.

We did not have any tenant notes receivable on nonaccrual status as of June 30, 2025 and December 31, 2024. We did not recognize any interest income on tenant notes receivable on nonaccrual status during the three and six months ended June 30, 2025 and 2024.

15. Share-Based Compensation

Restricted Shares

The following table summarizes restricted shares activity under our share-based compensation plan for the six months ended June 30, 2025:

	Number of Shares	Weighted Average Grant Date Fair Value
Unvested as of December 31, 2024	353,014	$ 25.65
Granted	238,084	$ 27.07
Forfeited	(11,824)	$ 26.49
Vested	(133,247)	$ 25.43
Unvested as of June 30, 2025	446,027	$ 26.46

Restricted shares granted to employees generally vest based on increments and over periods of time set forth under the terms of the respective awards provided that the employee remains employed by us. Restricted shares granted to non-employee Trustees vest on the first anniversary of the grant date, provided that the Trustee remains in the position.

The aggregate intrinsic value of restricted shares that vested was $3.6 million for the six months ended June 30, 2025.

Profit Interest Units in CDPLP (“PIUs”)

We granted two forms of PIUs: time-based PIUs (“TB-PIUs”); and performance-based PIUs (“PB-PIUs”). TB-PIUs are subject to forfeiture restrictions until the end of the requisite service period, at which time the TB-PIUs automatically convert into vested PIUs. PB-PIUs are subject to a market condition in that the number of earned awards are determined at the end of the performance period (as described further below) and then settled in vested PIUs. Vested PIUs automatically convert into common units in CDPLP if, or when, a book-up event (as defined under federal income tax regulations) has occurred and carry substantially the same rights to distributions as common units.

TB-PIUs

The following table summarizes TB-PIUs activity under our share-based compensation plans for the six months ended June 30, 2025:

	Number of TB-PIUs	Weighted Average Grant Date Fair Value
Unvested as of December 31, 2024	223,939	$ 25.14
Granted	123,250	$ 27.11
Vested	(106,592)	$ 25.32
Unvested as of June 30, 2025	240,597	$ 26.07

TB-PIUs granted to senior management team members vest based on increments and over periods of time set forth under the terms of the respective awards provided that the employee remains employed by us. TB-PIUs granted to non-employee Trustees vest on the first anniversary of the grant date, provided that the Trustee remains in the position. Prior to vesting, TB-PIUs carry substantially the same rights to distributions as common units but carry no redemption rights.

The aggregate intrinsic value of TB-PIUs that vested was $2.9 million for the six months ended June 30, 2025.

Performance-Based Awards

On January 1, 2025, we granted certain senior management team members performance-based equity, in the form of either PB-PIUs or performance share units (“PSUs”) as based on the election of the grant recipients. The grant recipients elected to receive, in aggregate, 246,230 PB-PIUs (equal to 200% of the target award) and 20,296 PSUs (equal to 200% of the target award). These grants have a three-year performance period concluding on the earlier of December 31, 2027 or the date of: (1) termination by us without cause, death or disability of the employee or constructive discharge of the employee (collectively, “qualified termination”); or (2) a sale event.

The number of earned awards following the end of the performance period will be determined based on the percentile rank of COPT Defense’s total shareholder return (“TSR”) relative to a peer group of companies, as set forth in the following schedule:

Percentile Rank	Earned Award Payout %
75th or greater	200% of target award
50th (target)	100% of target award
25th	50% of target award
Below 25th	0% of target award

If the percentile rank exceeds the 25th percentile and is between two of the percentile ranks set forth in the table above, then the percentage of the earned awards will be interpolated between the ranges set forth in the table above to reflect any performance between the listed percentiles. If COPT Defense’s TSR is negative when its TSR’s percentile rank exceeds the 50th percentile, then the earned award payout percentage used to arrive at the earned awards would be reduced by 25 percentage points, but in no event to a payout percentage of less than 100% of the target award; however, the resulting reduction in earned awards would subsequently be deemed earned awards if COPT Defense’s TSR becomes positive on any date in the calendar year following the end of the performance period. In addition, regardless of COPT Defense’s TSR relative to the peer group, no less than 100% of the target award will be earned if COPT Defense’s TSR is at least 10% and no less than 50% of the target award will be earned if COPT Defense’s TSR is at least 6%, with linear interpolation if COPT Defense’s TSR is between 6% and 10%.

During the performance period, PB-PIUs carry rights to distributions equal to 10% of the distribution rights of common units but carry no redemption rights.

Following the end of the performance period, we will settle the awards as follows:

- for PB-PIUs, issuing vested PIUs equal to: the number of earned awards; and the excess, if any, of (1) the aggregate distributions that would have been paid with respect to vested PIUs issued in settlement of the earned awards through the date of settlement had such vested PIUs been issued on the grant date over (2) the aggregate distributions made on the PB-PIUs through the date of settlement, divided by the price of our common shares over a defined period of time; and
- for PSUs, issuing fully-vested COPT Defense shares equal to: the number of earned awards; and the aggregate dividends that would have been paid with respect to the common shares issued in settlement of the earned awards through the date of settlement had such shares been issued on the grant date, divided by the price of our common shares over a defined period of time.

If a performance period ends due to a sale event or qualified termination, the number of earned awards is prorated based on the portion of the three-year performance period that has elapsed. If employment is terminated by the employee or by us for cause, all unvested performance-based awards are forfeited.

These performance-based grants had an aggregate grant date fair value of $5.3 million ($43.33 per target-level award) in the form of PB-PIUs and $444,000 ($43.75 per target-level award) in the form of PSUs, which are being recognized over the performance period. The grant date fair value was computed using a Monte Carlo model that included the following assumptions: baseline common share value of $30.95; expected volatility for common shares of 28.3%; and a risk-free interest rate of 4.5%.

Based on COPT Defense’s TSR relative to its peer group of companies, for the 2022 PB-PIUs issued to executives that vested on December 31, 2024, we issued 212,831 vested PIUs in settlement of the PB-PIUs on February 1, 2025.

Deferred Share Awards

During the six months ended June 30, 2025, a non-employee Trustee was granted 3,922 deferred share awards with an aggregate grant date fair value of $108,000 ($27.47 per share). Deferred share awards vest on the first anniversary of the grant date, provided that the Trustee remains in the position. We settle deferred share awards by issuing an equivalent number of common shares upon vesting of the awards or a later date elected by the Trustee (generally upon cessation of being a Trustee). During the six months ended June 30, 2025, we issued 32,669 common shares in settlement of deferred share awards with a weighted average grant date fair value of $26.19 per award and an aggregate intrinsic value on the settlement date of $897,000.

16. Earnings Per Share ("EPS")

We present both basic and diluted EPS. We compute basic EPS by dividing net income available to common shareholders allocable to unrestricted common shares by the weighted average number of unrestricted common shares outstanding during the period after allocating undistributed earnings between common shareholders and participating securities under the two-class method. Our participating securities include restricted shares and PIUs and deferred share awards not previously settled by common share issuances. Our computation of diluted EPS is similar except that:

> the denominator is increased to include: (1) the weighted average number of potential additional common shares that would have been outstanding if securities that are convertible into common shares were converted; and (2) the effect of dilutive potential common shares outstanding during the period attributable to redeemable noncontrolling interest and share-based compensation awards using the if-converted or treasury stock methods; and

> the numerator is adjusted to add back any changes in income that would result from the assumed conversion into common shares that we add to the denominator.

We compute diluted EPS using the treasury stock method for unvested restricted shares, TB-PIUs and deferred share awards and the if-converted method for exchangeable debt (including our 5.25% Notes), common units, redeemable noncontrolling interest, PB-PIUs, PSUs and vested PIUs and deferred share awards not previously settled by common share issuances.

Summaries of the numerator and denominator for purposes of basic and diluted EPS calculations are set forth below (in thousands, except per share data):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2025	2024	2025	2024
Numerator				
Net income attributable to common shareholders	$ 38,347	$ 35,114	$ 73,087	$ 67,723
Income attributable to share-based compensation awards for basic EPS	(157)	(114)	(323)	(259)
Numerator for basic EPS on net income attributable to common shareholders	38,190	35,000	72,764	67,464
Adjustment to income attributable to share-based compensation awards for diluted EPS	45	22	94	44
Numerator for diluted EPS on net income attributable to common shareholders	$ 38,235	$ 35,022	$ 72,858	$ 67,508
Denominator (all weighted averages)				
Denominator for basic EPS (common shares)	112,459	112,293	112,421	112,261
Dilutive effect of share-based compensation awards	765	492	744	501
Denominator for diluted EPS (common shares)	113,224	112,785	113,165	112,762
Basic EPS attributable to common shareholders	$ 0.34	$ 0.31	$ 0.65	$ 0.60
Diluted EPS attributable to common shareholders	$ 0.34	$ 0.31	$ 0.64	$ 0.60

Our diluted EPS computations do not include the effects of the following securities since the conversions of such securities would increase diluted EPS for the respective periods (in thousands):

	Weighted Average Shares Excluded from Denominator			
	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2025	2024	2025	2024
Conversion of common units	2,177	1,703	2,113	1,664
Conversion of redeemable noncontrolling interest	826	926	850	937

The following securities were also excluded from the computation of diluted EPS because their effect was antidilutive:

> weighted average restricted shares and deferred share awards of 448,000 and 435,000 for the three months ended June 30, 2025 and 2024, respectively, and 420,000 and 432,000 for the six months ended June 30, 2025 and 2024, respectively;

> weighted average TB-PIUs of 235,000 and 229,000 for the three months ended June 30, 2025 and 2024, respectively, and 231,000 and 218,000 for the six months ended June 30, 2025 and 2024, respectively; and

> weighted average vested PIUs of 223,000 and 206,000 for the three and six months ended June 30, 2024, respectively.

Our 5.25% Notes issued in 2023 have an exchange settlement feature under which the principal amount of notes exchanged is payable in cash, with the remainder of the exchange obligation, if any, determined based on the exchange price per common share at the time of settlement, payable in cash, common shares or a combination thereof at our election. These notes did not affect our diluted EPS reported above since the weighted average closing price of our common shares for the three and six months ended June 30, 2025 and 2024 was less than the exchange price applicable to those periods.

17. Commitments and Contingencies

Litigation and Claims

In the normal course of business, we are subject to legal actions and other claims. We record losses for specific legal proceedings and claims when we determine that a loss is probable and the amount of loss can be reasonably estimated. As of June 30, 2025, management believes that it is reasonably possible that we could recognize a loss of up to $5.1 million for certain municipal tax claims; while we do not believe this loss would materially affect our financial position or liquidity, it could be material to our results of operations. Management believes that it is also reasonably possible that we could incur losses pursuant to other claims but do not believe such losses would materially affect our financial position, liquidity or results of operations. Our assessment of the potential outcomes of these matters involves significant judgment and is subject to change based on future developments.

Environmental

We are subject to various federal, state and local environmental regulations related to our property ownership and operations. We have performed environmental assessments of our properties, the results of which have not revealed any environmental liability that we believe would have a materially adverse effect on our financial position, operations or liquidity.

In connection with a lease and subsequent sale in prior periods of three properties in Dayton, New Jersey, we agreed to provide certain environmental indemnifications limited to $19 million in the aggregate. We have insurance coverage in place to mitigate most of any potential future losses that may result from these indemnification agreements.

Tax Incremental Financing Obligation

Anne Arundel County, Maryland issued tax incremental financing bonds to third-party investors in order to finance public improvements needed in connection with our project known as the National Business Park. These bonds had a remaining principal balance of approximately $25 million as of June 30, 2025. The real estate taxes on increases in assessed values post-bond issuance of properties in development districts encompassing the National Business Park are transferred to a special fund pledged to the repayment of the bonds. While we are obligated to fund, through a special tax, any future shortfalls between debt service of the bonds and real estate taxes available to repay the bonds, as of June 30, 2025, we do not expect any such future fundings will be required.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

During the six months ended June 30, 2025, we:

> finished the period with our portfolio 94.0% occupied and 95.6% leased; and
> achieved a tenant retention rate of 81.9%, which was driven by our Defense/IT Portfolio.

We discuss significant factors contributing to changes in our net income in the section below entitled “Results of Operations.” In addition, the section below entitled “Liquidity and Capital Resources” includes discussions of, among other things:

> how we expect to generate and obtain cash for short and long-term capital needs; and
> material cash requirements for known contractual and other obligations.

We refer to the measures annualized rental revenue (“ARR”), “tenant retention rate,” “investment space leasing” and “vacant space leasing” in this Quarterly Report on Form 10-Q. ARR is a measure that we use to evaluate the source of our rental revenue as of a point in time. It is computed by multiplying by 12 the sum of monthly contractual base rents and estimated monthly expense reimbursements under active leases as of a point in time (ignoring free rent then in effect and rent associated with tenant funded landlord assets). Our computation of ARR excludes the effect of lease incentives. We consider ARR to be a useful measure for analyzing revenue sources because, since it is point-in-time based, it does not contain increases and decreases in revenue associated with periods in which lease terms were not in effect; historical revenue under generally accepted accounting principles in the United States of America (“GAAP”) does contain such fluctuations. We find the measure particularly useful for leasing, tenant, segment and industry analysis. In instances in which we report ARR per occupied square foot, the measure excludes revenue from leases not associated with our buildings. Tenant retention rate is a measure we use that represents the percentage of square feet renewed in a period relative to the total square feet scheduled to expire in that period, including the effect of early renewals. Investment space leasing represents vacant space leased within two years of the shell completion date for development properties or the acquisition date for operating property acquisitions. Vacant space leasing represents our vacated second-generation space leased and vacant space leased in development properties and operating property acquisitions after two years from such properties’ shell completion or acquisition date.

For operating portfolio square footage, occupancy and leasing statistics included below and elsewhere in this Quarterly Report on Form 10-Q, amounts disclosed include information pertaining to properties owned through unconsolidated real estate joint ventures except for amounts reported for ARR, which represent the portion attributable to our ownership interest.

You should refer to our consolidated financial statements and the notes thereto as you read this section.

This section contains “forward-looking” statements, as defined in the Private Securities Litigation Reform Act of 1995, that are based on our current expectations, estimates and projections about future events and financial trends affecting the financial condition and operations of our business. Forward-looking statements can be identified by the use of words such as “may,” “will,” “should,” “could,” “believe,” “anticipate,” “expect,” “estimate,” “plan” or other comparable terminology. Forward-looking statements are inherently subject to risks and uncertainties, many of which we cannot predict with accuracy and some of which we might not even anticipate. Although we believe that the expectations, estimates and projections reflected in such forward-looking statements are based on reasonable assumptions at the time made, we can give no assurance that these expectations, estimates and projections will be achieved. Future events and actual results may differ materially from those discussed in the forward-looking statements. We caution readers that forward-looking statements reflect our opinion only as of the date on which they were made. You should not place undue reliance on forward-looking statements. The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

> general economic and business conditions, which will, among other things, affect office property and data center demand and rents, tenant creditworthiness, interest rates, financing availability, property operating and construction costs, and property values;
> adverse changes in the real estate markets, including, among other things, increased competition with other companies;
> our ability to borrow on favorable terms;
> risks of property acquisition and development activities, including, among other things, risks that development projects may not be completed on schedule, that tenants may not take occupancy or pay rent or that development or operating costs may be greater than anticipated;
> risks of investing through joint venture structures, including risks that our joint venture partners may not fulfill their financial obligations as investors or may take actions that are inconsistent with our objectives;
> changes in our plans for properties or views of market economic conditions or failure to obtain development rights, either of which could result in recognition of significant impairment losses;
> potential impact of prolonged government shutdowns or budgetary reductions or impasses, such as a reduction of rental revenues, non-renewal of leases and/or reduced or delayed demand for additional space by existing or new tenants;

> potential additional costs, such as capital improvements, fees and penalties, associated with environmental laws or regulations;
> adverse changes resulting from other government actions and initiatives, such as changes in taxation, zoning laws or other regulations;
> our ability to satisfy and operate effectively under federal income tax rules relating to real estate investment trusts and partnerships;
> the dilutive effects of issuing additional common shares; and
> security breaches relating to cyber attacks, cyber intrusions or other factors, and other significant disruptions of our information technology networks and related systems.

We undertake no obligation to publicly update or supplement forward-looking statements.

Occupancy and Leasing

The tables below set forth occupancy information:

	June 30, 2025	December 31, 2024
Occupancy rates at period end		
Total	94.0%	93.6%
Defense/IT Portfolio		
Fort Meade/BW Corridor	94.5%	95.8%
NoVA Defense/IT	93.1%	91.7%
Lackland Air Force Base	100.0%	93.0%
Navy Support	84.0%	82.6%
Redstone Arsenal	95.8%	94.5%
Data Center Shells	100.0%	100.0%
Total Defense/IT Portfolio	95.6%	95.4%
Other	76.2%	72.7%
ARR per occupied square foot at period end	$ 35.77	$ 35.35

	Rentable Square Feet	Occupied Square Feet
	(in thousands)	
December 31, 2024	24,537	22,961
Vacated upon lease expiration (1)	—	(211)
Occupancy for new leases	—	324
Development placed in service	36	36
Other changes	(2)	(4)
June 30, 2025	24,571	23,106

(1) Includes lease terminations and space reductions occurring in connection with lease renewals.

During the six months ended June 30, 2025, we leased 1.4 million square feet, including: 915,000 square feet of renewal leasing (representing a tenant retention rate of 81.9%); 353,000 square feet of vacant space leasing; and 103,000 square feet of investment space leasing.

Results of Operations

We evaluate the operating performance of our properties using NOI from real estate operations, our segment performance measure, which includes: real estate revenues and property operating expenses; and the net of revenues and property operating expenses of real estate operations owned through unconsolidated real estate joint ventures ("UJV" or "UJVs") that is allocable to our ownership interest ("UJV NOI allocable to COPT Defense"). The table below reconciles net income, the most directly comparable GAAP measure, to NOI from real estate operations:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2025	2024	2025	2024
	(in thousands)			
Net income	$ 40,166	$ 36,407	$ 76,394	$ 70,078
Construction contract and other service revenues	(12,458)	(20,258)	(22,717)	(46,861)
Depreciation and other amortization associated with real estate operations	39,573	38,161	78,932	76,512
Construction contract and other service expenses	11,873	19,612	21,578	45,619
General, administrative, leasing and other expenses	11,911	12,032	24,067	23,779
Interest expense	20,938	20,617	41,442	41,384
Interest and other income, net	(1,223)	(2,884)	(2,791)	(7,006)
Gain on sales of real estate	—	—	(300)	—
Equity in income of unconsolidated entities	(355)	(26)	(726)	(95)
UJV NOI allocable to COPT Defense included in equity in income of unconsolidated entities	1,870	1,735	3,759	3,475
Income tax expense	117	14	220	182
NOI from real estate operations	$ 112,412	$ 105,410	$ 219,858	$ 207,067

We view our changes in NOI from real estate operations as being comprised of the following primary categories:

- Same Property, which we define as properties stably owned and 100% operational throughout the current and prior year reporting periods being compared;
- developed properties placed into service that were not 100% operational throughout the current and prior year reporting periods being compared; and
- properties acquired during the current or prior year reporting periods being compared.

Our Same Property pool consisted of 198 properties, comprising 97.1% of our portfolio's square footage as of June 30, 2025. This pool of properties changed from the pool used for purposes of comparing 2024 and 2023 in our 2024 Annual Report on Form 10-K due to the addition of six properties placed in service and 100% operational on or before January 1, 2024 and three properties owned through a UJV that was formed in 2023.

In addition to owning properties, we provide construction management and other services. The primary manner in which we evaluate the operating performance of our construction management and other service activities is through a measure we define as NOI from service operations, which is based on the net of the revenues and expenses from these activities. The revenues and expenses from these activities consist primarily of subcontracted costs that are reimbursed to us by customers along with a management fee. The operating margins from these activities are small relative to the revenue. We believe NOI from service operations is a useful measure in assessing both our level of activity and our profitability in conducting such operations.

Since both of the measures discussed above exclude certain items includable in net income or loss, reliance on these measures has limitations; management compensates for these limitations by using the measures simply as supplemental measures that are considered alongside other GAAP and non-GAAP measures. A reconciliation of NOI from real estate operations and NOI from service operations to net income reported on the consolidated statements of operations is provided in Note 12 to our consolidated financial statements.

Comparison of Statements of Operations for the Three Months Ended June 30, 2025 and 2024

	For the Three Months Ended June 30,		
	2025	2024	Variance
	(in thousands)		
Revenues			
Revenues from real estate operations	$ 177,457	$ 167,085	$ 10,372
Construction contract and other service revenues	12,458	20,258	(7,800)
Total revenues	189,915	187,343	2,572
Operating expenses			
Property operating expenses	66,915	63,410	3,505
Depreciation and amortization associated with real estate operations	39,573	38,161	1,412
Construction contract and other service expenses	11,873	19,612	(7,739)
General, administrative, leasing and other expenses	11,911	12,032	(121)
Total operating expenses	130,272	133,215	(2,943)
Interest expense	(20,938)	(20,617)	(321)
Interest and other income, net	1,223	2,884	(1,661)
Equity in income of unconsolidated entities	355	26	329
Income tax expense	(117)	(14)	(103)
Net income	$ 40,166	$ 36,407	$ 3,759

NOI from Real Estate Operations

	For the Three Months Ended June 30,		
	2025	2024	Variance
	(Dollars in thousands, except per square foot data)		
Revenues			
Same Property revenues			
Lease revenue, excluding lease termination revenue and collectability recovery provisions	$ 167,453	$ 160,826	$ 6,627
Lease termination revenue, net	728	881	(153)
Collectability recovery provisions included in lease revenue	260	9	251
Other property revenue	1,834	1,439	395
Same Property total revenues	170,275	163,155	7,120
Developed properties placed in service	3,052	939	2,113
Acquired properties	1,673	972	701
Other	2,457	2,019	438
	177,457	167,085	10,372
Property operating expenses			
Same Property	(63,480)	(60,798)	(2,682)
Developed properties placed in service	(628)	(95)	(533)
Acquired properties	(747)	(602)	(145)
Other	(2,060)	(1,915)	(145)
	(66,915)	(63,410)	(3,505)
UJV NOI allocable to COPT Defense			
Same Property	1,870	1,735	135
NOI from real estate operations			
Same Property	108,665	104,092	4,573
Developed properties placed in service	2,424	844	1,580
Acquired properties	926	370	556
Other	397	104	293
	$ 112,412	$ 105,410	$ 7,002
Same Property NOI from real estate operations by segment			
Defense/IT Portfolio	$ 100,434	$ 96,673	$ 3,761
Other	8,231	7,419	812
	$ 108,665	$ 104,092	$ 4,573
Same Property rent statistics			
Average occupancy rate	94.3%	93.8%	0.5%
Average straight-line rent per occupied square foot (1)	$ 7.10	$ 6.85	$ 0.25

(1) Includes minimum base rents, net of abatements and lease incentives and excluding lease termination revenue, on a straight-line basis for the periods set forth above.

Regarding the changes in NOI from real estate operations reported above:

> the increase for our Same Properties was due primarily to additional revenue in the current period resulting from increased rental and occupancy rates;
> developed properties placed in service reflects the effect of four properties placed in service in 2024 and 2025; and
> acquired properties includes two operating office properties acquired in 2024.

NOI from Service Operations

	For the Three Months Ended June 30,		
	2025	2024	Variance
	(in thousands)		
Construction contract and other service revenues	$ 12,458	$ 20,258	$ (7,800)
Construction contract and other service expenses	(11,873)	(19,612)	7,739
NOI from service operations	$ 585	$ 646	$ (61)

Construction contract and other service revenues and expenses decreased in the current period due to a lower volume of construction activity for one of our tenants. Construction contract activity is inherently subject to significant variability depending on the volume and nature of projects undertaken by us primarily on behalf of tenants. Service operations are an ancillary component of our overall operations that typically contribute an insignificant amount of income relative to our real estate operations.

Comparison of Statements of Operations for the Six Months Ended June 30, 2025 and 2024

	For the Six Months Ended June 30,		
	2025	2024	Variance
	(in thousands)		
Revenues			
Revenues from real estate operations	$ 355,054	$ 333,748	$ 21,306
Construction contract and other service revenues	22,717	46,861	(24,144)
Total revenues	377,771	380,609	(2,838)
Operating expenses			
Property operating expenses	138,955	130,156	8,799
Depreciation and amortization associated with real estate operations	78,932	76,512	2,420
Construction contract and other service expenses	21,578	45,619	(24,041)
General, administrative, leasing and other expenses	24,067	23,779	288
Total operating expenses	263,532	276,066	(12,534)
Interest expense	(41,442)	(41,384)	(58)
Interest and other income, net	2,791	7,006	(4,215)
Gain on sales of real estate	300	—	300
Equity in income of unconsolidated entities	726	95	631
Income tax expense	(220)	(182)	(38)
Net income	$ 76,394	$ 70,078	$ 6,316

NOI from Real Estate Operations

	For the Six Months Ended June 30,		
	2025	2024	Variance
	(Dollars in thousands, except per square foot data)		
Revenues			
Same Property revenues			
Lease revenue, excluding lease termination revenue and collectability loss provisions	$ 337,687	$ 322,839	$ 14,848
Lease termination revenue, net	1,562	1,656	(94)
Collectability (loss) recovery provisions included in lease revenue	(1,875)	118	(1,993)
Other property revenue	4,098	2,641	1,457
Same Property total revenues	341,472	327,254	14,218
Developed properties placed in service	5,939	1,335	4,604
Acquired properties	2,692	1,134	1,558
Other	4,951	4,025	926
	355,054	333,748	21,306
Property operating expenses			
Same Property	(132,290)	(125,525)	(6,765)
Developed properties placed in service	(1,043)	(229)	(814)
Acquired properties	(1,450)	(693)	(757)
Other	(4,172)	(3,709)	(463)
	(138,955)	(130,156)	(8,799)
UJV NOI allocable to COPT Defense			
Same Property	3,759	3,475	284
NOI from real estate operations			
Same Property	212,941	205,204	7,737
Developed properties placed in service	4,896	1,106	3,790
Acquired properties	1,242	441	801
Other	779	316	463
	$ 219,858	$ 207,067	$ 12,791
Same Property NOI from real estate operations by segment			
Defense/IT Portfolio	$ 195,631	$ 191,552	$ 4,079
Other	17,310	13,652	3,658
	$ 212,941	$ 205,204	$ 7,737
Same Property rent statistics			
Average occupancy rate	94.2%	93.8%	0.4%
Average straight-line rent per occupied square foot (1)	$ 14.14	$ 13.69	$ 0.45

(1) Includes minimum base rents, net of abatements and lease incentives and excluding lease termination revenue, on a straight-line basis for the periods set forth above.

Regarding the changes in NOI from real estate operations reported above:

> the increase for our Same Properties was due in large part to additional revenue in the current period resulting from increased rental and occupancy rates. Our Same Properties also experienced increased property operating expenses, driven primarily by higher snow removal and utility expenses, the effect of which was mostly offset by increased tenant expense reimbursements and prior year real estate taxes refunded upon appeal. For the increases in our Same Properties by segment, the Defense/IT Portfolio increase was adversely affected by $1.9 million in collectability loss provisions, while our Other segment increase included $2.2 million from refunds of prior year real estate taxes, net of related tenant reimbursements;
> developed properties placed in service reflects the effect of four properties placed in service in 2024 and 2025; and
> acquired properties includes two operating office properties acquired in 2024.

NOI from Service Operations

	For the Six Months Ended June 30,		
	2025	2024	Variance
	(in thousands)		
Construction contract and other service revenues	$ 22,717	$ 46,861	$ (24,144)
Construction contract and other service expenses	(21,578)	(45,619)	24,041
NOI from service operations	$ 1,139	$ 1,242	$ (103)

Construction contract and other service revenue and expenses decreased in the current period due primarily to a lower volume of construction activity for one of our tenants.

Interest and Other Income, Net

Interest and other income, net decreased due in large part to interest income earned from excess loan proceeds that we invested in short-term interest-bearing money market accounts in the prior period.

Funds from Operations

Funds from operations ("FFO") is defined as net income or loss computed using GAAP, excluding gains on sales and impairment losses of real estate and investments in UJVs (net of associated income tax) and real estate-related depreciation and amortization. FFO also includes adjustments to net income or loss for the effects of the items noted above pertaining to UJVs that were allocable to our ownership interest in the UJVs. We believe that we use the National Association of Real Estate Investment Trusts ("Nareit") definition of FFO, although others may interpret the definition differently and, accordingly, our presentation of FFO may differ from those of other REITs. We believe that FFO is useful to management and investors as a supplemental measure of operating performance because, by excluding gains on sales and impairment losses of real estate (net of associated income tax), and real estate-related depreciation and amortization, FFO can help one compare our operating performance between periods. In addition, since most equity REITs provide FFO information to the investment community, we believe that FFO is useful to investors as a supplemental measure for comparing our results to those of other equity REITs. We believe that net income or loss is the most directly comparable GAAP measure to FFO.

Since FFO excludes certain items includable in net income or loss, reliance on the measure has limitations; management compensates for these limitations by using the measure simply as a supplemental measure that is weighed in balance with other GAAP and non-GAAP measures. FFO is not necessarily an indication of our cash flow available to fund cash needs. Additionally, it should not be used as an alternative to net income or loss when evaluating our financial performance or to cash flow from operating, investing and financing activities when evaluating our liquidity or ability to make cash distributions or pay debt service.

Basic FFO available to common share and common unit holders ("Basic FFO") is FFO adjusted to subtract (1) preferred share dividends, (2) income attributable to noncontrolling interests through ownership of preferred units in the Operating Partnership or interests in other consolidated entities not owned by us, (3) depreciation and amortization allocable to noncontrolling interests in other consolidated entities and (4) Basic FFO allocable to share-based compensation awards. With these adjustments, Basic FFO represents FFO available to common shareholders and common unitholders. Common units in the Operating Partnership are substantially similar to our common shares and are exchangeable into common shares, subject to certain conditions. We believe that Basic FFO is useful to investors due to the close correlation of common units to common shares. We believe that net income or loss is the most directly comparable GAAP measure to Basic FFO. Basic FFO has essentially the same limitations as FFO; management compensates for these limitations in essentially the same manner as described above for FFO.

Diluted FFO available to common share and common unit holders ("Diluted FFO") is Basic FFO adjusted to add back any changes in Basic FFO that would result from the assumed conversion of securities that are convertible or exchangeable into common shares. We believe that Diluted FFO is useful to investors because it is the numerator used to compute Diluted FFO per share, discussed below. We believe that net income or loss is the most directly comparable GAAP measure to Diluted FFO. Since Diluted FFO excludes certain items includable in the numerator to diluted EPS, reliance on the measure has limitations; management compensates for these limitations by using the measure simply as a supplemental measure that is weighed in the balance with other GAAP and non-GAAP measures. Diluted FFO (which includes discontinued operations) is not necessarily an indication of our cash flow available to fund cash needs. Additionally, it should not be used as an alternative to net income or loss when evaluating our financial performance or to cash flow from operating, investing and financing activities when evaluating our liquidity or ability to make cash distributions or pay debt service.

Diluted FFO available to common share and common unit holders, as adjusted for comparability is defined as Diluted FFO adjusted to exclude: operating property acquisition costs (for acquisitions classified as business combinations); gain or loss on early extinguishment of debt; FFO associated with properties that secured non-recourse debt on which we defaulted and, subsequently, extinguished, via conveyance of such properties (including property NOI, interest expense and gains on debt extinguishment); loss on interest rate derivatives; and executive transition costs associated with named executive officers. This measure also includes adjustments for the effects of the items noted above pertaining to UJVs that were allocable to our ownership interest in the UJVs. We believe this to be a useful supplemental measure alongside Diluted FFO as it excludes gains and losses from certain investing and financing activities and certain other items that we believe are not closely correlated to (or associated with) our operating performance. We believe that net income or loss is the most directly comparable GAAP measure to this non-GAAP measure. This measure has essentially the same limitations as Diluted FFO, as well as the further limitation of not reflecting the effects of the excluded items; we compensate for these limitations in essentially the same manner as described above for Diluted FFO.

Diluted FFO per share is (1) Diluted FFO divided by (2) the sum of the (a) weighted average common shares outstanding during a period, (b) weighted average common units outstanding during a period and (c) weighted average number of potential additional common shares that would have been outstanding during a period if other securities that are convertible or exchangeable into common shares were converted or exchanged. We believe that Diluted FFO per share is useful to investors because it provides investors with a further context for evaluating our FFO results in the same manner that investors use earnings per share ("EPS") in evaluating net income or loss available to common shareholders. In addition, since most equity REITs provide Diluted FFO per share information to the investment community, we believe that Diluted FFO per share is a useful supplemental measure for comparing us to other equity REITs. We believe that diluted EPS is the most directly comparable GAAP measure to Diluted FFO per share. Diluted FFO per share has most of the same limitations as Diluted FFO (described above); management compensates for these limitations in essentially the same manner as described above for Diluted FFO.

Diluted FFO per share, as adjusted for comparability is (1) Diluted FFO, as adjusted for comparability divided by (2) the sum of the (a) weighted average common shares outstanding during a period, (b) weighted average common units outstanding during a period and (c) weighted average number of potential additional common shares that would have been outstanding during a period if other securities that are convertible or exchangeable into common shares were converted or exchanged. We believe that this measure is useful to investors because it provides investors with a further context for evaluating our FFO results. We believe this to be a useful supplemental measure alongside Diluted FFO per share as it excludes gains and losses from investing and financing activities and certain other items that we believe are not closely correlated to (or associated with) our operating performance. We believe that diluted EPS is the most directly comparable GAAP measure to this per share measure. This measure has most of the same limitations as Diluted FFO (described above) as well as the further limitation of not reflecting the effects of the excluded items; we compensate for these limitations in essentially the same manner as described above for Diluted FFO.

The computations for all of the above measures on a diluted basis assume the conversion of common units in CDPLP but do not assume the conversion of other securities that are convertible into common shares if the conversion of those securities would increase per share measures in a given period.

The table below sets forth the computation of the above stated measures, and provides reconciliations from the GAAP measures associated with such measures:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2025	2024	2025	2024
	(Dollars and shares in thousands, except per share data)			
Net income	$ 40,166	$ 36,407	$ 76,394	$ 70,078
Real estate-related depreciation and amortization	39,573	38,161	78,932	76,512
Gain on sales of real estate	—	—	(300)	—
Depreciation and amortization on UJVs allocable to COPT Defense	732	778	1,473	1,555
FFO	80,471	75,346	156,499	148,145
FFO allocable to other noncontrolling interests	(1,382)	(984)	(2,540)	(1,820)
Basic FFO allocable to share-based compensation awards	(550)	(599)	(1,080)	(1,186)
Basic FFO available to common share and common unit holders	78,539	73,763	152,879	145,139
Redeemable noncontrolling interest	—	471	—	940
Diluted FFO adjustments allocable to share-based compensation awards	96	46	201	94
Diluted FFO available to common share and common unit holders	78,635	74,280	153,080	146,173
Executive transition costs	—	81	—	158
Diluted FFO comparability adjustments allocable to share-based compensation awards	—	(1)	—	(1)
Diluted FFO available to common share and common unit holders, as adjusted for comparability	$ 78,635	$ 74,360	$ 153,080	$ 146,330
Weighted average common shares	112,459	112,293	112,421	112,261
Conversion of weighted average common units	2,177	1,703	2,113	1,664
Weighted average common shares/units - Basic FFO per share	114,636	113,996	114,534	113,925
Dilutive effect of share-based compensation awards	765	492	744	501
Redeemable noncontrolling interest	—	926	—	937
Weighted average common shares/units - Diluted FFO per share and as adjusted for comparability	115,401	115,414	115,278	115,363
Diluted EPS	$ 0.34	$ 0.31	$ 0.64	$ 0.60
Diluted FFO per share	$ 0.68	$ 0.64	$ 1.33	$ 1.27
Diluted FFO per share, as adjusted for comparability	$ 0.68	$ 0.64	$ 1.33	$ 1.27
Denominator for diluted EPS	113,224	112,785	113,165	112,762
Weighted average common units	2,177	1,703	2,113	1,664
Redeemable noncontrolling interest	—	926	—	937
Denominator for diluted FFO per share and as adjusted for comparability	115,401	115,414	115,278	115,363

Property Additions

The table below sets forth the major components of our additions to properties for the six months ended June 30, 2025 (in thousands):

Properties in development or held for future development	$	93,771
Tenant improvements on operating properties (1)		21,670
Capital improvements on operating properties		7,513
	$	122,954

(1) Tenant improvement costs incurred on newly-developed properties are classified in this table as development.

Cash Flows

Net cash flow from operating activities decreased $4.9 million when comparing the six months ended June 30, 2025 and 2024, which included offsetting changes in the timing of cash flows from real estate operations and third-party construction projects.

Net cash flow used in investing activities increased $16.3 million when comparing the six months ended June 30, 2025 and 2024 due primarily to cash paid for properties in development or held for future development and funding of investing receivables, which was partially offset by our acquisition of an operating property in the prior period.

Net cash flow used in financing activities in the six months ended June 30, 2025 was $27.7 million, and included primarily the following:

> net proceeds from debt borrowings during the period of $44.1 million; and
> dividends to common shareholders of $67.7 million.

Net cash flow used in financing activities in the six months ended June 30, 2024 was $99.4 million, and included primarily the following:

> repayments of debt borrowings during the period of $29.1 million; and
> dividends to common shareholders of $65.3 million.

Supplemental Guarantor Information

As of June 30, 2025, CDPLP had several series of unsecured senior notes outstanding that were issued in transactions registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended. These notes are CDPLP’s direct, senior unsecured and unsubordinated obligations and rank equally in right of payment with all of CDPLP’s existing and future senior unsecured and unsubordinated indebtedness. However, these notes are effectively subordinated in right of payment to CDPLP’s existing and future secured indebtedness. The notes are also effectively subordinated in right of payment to all existing and future liabilities and other indebtedness, whether secured or unsecured, of CDPLP's subsidiaries. COPT Defense fully and unconditionally guarantees CDPLP’s obligations under these notes. COPT Defense’s guarantees of these notes are senior unsecured obligations that rank equally in right of payment with other senior unsecured obligations of, or guarantees by, COPT Defense. COPT Defense itself does not hold any indebtedness, and its only material asset is its investment in CDPLP.

As permitted under Rule 13-01(a)(4)(vi), we do not provide summarized financial information for the Operating Partnership since: the assets, liabilities, and results of operations of the Company and the Operating Partnership are not materially different than the corresponding amounts presented in the consolidated financial statements of the Company; and we believe that inclusion of such summarized financial information would be repetitive and not provide incremental value to investors.

Liquidity and Capital Resources

As of June 30, 2025, we had $21.3 million in cash and cash equivalents.

We have a Revolving Credit Facility with a maximum borrowing capacity of $600.0 million. We use this facility to initially fund most of the cash requirements from our investing activities, including property development and acquisition costs, as well as certain debt balloon payments due upon maturity. We then subsequently pay down the facility using cash available from operations and proceeds from financing and/or investing activities, such as long-term borrowings, equity issuances and sales of interests in properties. The facility matures in October 2026 and may be extended by two six-month periods at our option, provided that there is no default under the facility and we pay an extension fee of 0.0625% of the total availability under the facility for each extension period. Our available borrowing capacity under the facility totaled $480.0 million as of June 30, 2025.

Our senior unsecured debt is rated investment grade, with either stable or positive outlooks, by the three major rating agencies. We aim to maintain an investment grade rating to enable us to use debt comprised of unsecured, primarily fixed-rate debt (including the effect of interest rate swaps) from public markets and banks. We also use secured nonrecourse debt from institutional lenders and banks primarily for joint venture financings. In addition, we periodically raise equity when we access the public equity markets by issuing common shares.

We have a program in place under which we may offer and sell common shares in at-the-market stock offerings having an aggregate gross sales price of up to $300 million. Under this program, we may also, at our discretion, sell common shares under forward equity sales agreements. The use of a forward equity sales agreement would enable us to lock in a price on a sale of common shares when the agreement is executed but defer issuing the shares and receiving the sale proceeds until a later date.

We believe that our liquidity and capital resources are adequate for our near-term and longer-term requirements without necessitating property sales. However, we may dispose of interests in properties opportunistically or when market conditions otherwise warrant.

Our material cash requirements, including contractual and other obligations, include:

> property operating expenses, including future lease obligations from us as a lessee;
> construction contract expenses;
> general, administrative, leasing and other expenses;
> debt service, including interest expense;
> property development costs;
> tenant and capital improvements and leasing costs for operating properties (expected to total approximately $60 million during the remainder of 2025);
> debt balloon payments due upon maturity; and
> dividends to our shareholders.

We expect to use cash flow from operations during the remainder of 2025 and annually thereafter for the foreseeable future to fund all of these cash requirements except for debt balloon payments due upon maturity and a portion of property development costs, the fundings for which are discussed below.

During the remainder of 2025, we expect to spend $115 million to $135 million on costs for properties actively under development, most of which was contractually obligated as of June 30, 2025. During the remainder of 2025 and beyond, we expect to continue to actively develop additional properties and also could opportunistically acquire operating properties. We expect to fund these activities using, in part, available cash flow from operations and any excess available cash and cash equivalents, with the balance funded, at least initially, using borrowings under our Revolving Credit Facility.

We provide disclosure in our consolidated financial statements on our future lessee obligations (expected to be funded primarily by cash flow from operations) in Note 5 and future debt obligations (expected to be refinanced by new debt borrowings or funded by future equity issuances and/or sales of interests in properties) in Note 8.

Certain of our debt instruments require that we comply with a number of restrictive financial covenants, including maximum leverage ratio, unencumbered leverage ratio, minimum net worth, minimum fixed charge coverage, minimum unencumbered interest coverage ratio, minimum debt service and maximum secured indebtedness ratio. As of June 30, 2025, we were compliant with these covenants.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to certain market risks, one of the most predominant of which is a change in interest rates. Increases in interest rates can result in increased interest expense under our Revolving Credit Facility and other variable-rate debt to the extent we do not have interest rate swaps in place to hedge the effect of such rate increases. Increases in interest rates can also result in increased interest expense when our fixed-rate debt matures and needs to be refinanced.

The following table sets forth as of June 30, 2025 our debt obligations and weighted average interest rates on debt maturing each year (dollars in thousands):

	For the Periods Ending December 31,						
	2025	2026	2027	2028	2029	Thereafter	Total
Debt:							
Fixed rate debt (1)	$ 655	$ 436,140	$ —	$ 345,000	$ 400,000	$ 1,000,000	$ 2,181,795
Weighted average interest rate	3.24%	2.38%	—%	5.25%	2.00%	2.81%	2.96%
Variable rate debt (2)	$ 270	$ 277,035	$ —	$ —	$ —	$ —	$ 277,305
Weighted average interest rate (3)	5.89%	5.63%	—%	—%	—%	—%	5.64%

(1) Represents principal maturities only and therefore excludes net discounts and deferred financing costs of $20.5 million.
(2) Maturities in 2026 included $141.8 million that may be extended to 2027 and $125.0 million that may be extended to 2028, all subject to certain conditions.
(3) Represents interest rates in effect for variable-rate debt as of June 30, 2025.

The fair value of our debt was $2.3 billion as of June 30, 2025. If interest rates had been 1% lower, the fair value of our fixed-rate debt would have increased by approximately $77 million as of June 30, 2025.

See Note 9 to our consolidated financial statements for information pertaining to interest rate swap contracts in place as of June 30, 2025 and their respective fair values.

Based on our variable-rate debt balances, including the effect of interest rate swap contracts, our interest expense would have increased by approximately $260,000 in the six months ended June 30, 2025 if the applicable variable index rate was 1% higher.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of June 30, 2025. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of June 30, 2025 were functioning effectively to provide reasonable assurance that the information required to be disclosed in reports filed or submitted under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and (ii) accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

(b) Change in Internal Control over Financial Reporting

No change in our internal control over financial reporting occurred during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are not currently involved in any material litigation nor, to our knowledge, is any material litigation currently threatened against us (other than routine litigation arising in the ordinary course of business, substantially all of which is expected to be covered by liability insurance).

Item 1A. Risk Factors

There have been no material changes to the risk factors included in our 2024 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) Not applicable

(b) Not applicable

(c) Not applicable

Item 3. Defaults Upon Senior Securities

(a) Not applicable

(b) Not applicable

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

(a) Not applicable

(b) Not applicable

(c) Rule 10b5-1 Trading Plans

During the quarter ended June 30, 2025, none of our trustees or executive officers adopted or terminated contracts, instructions or written plans for the sale or purchase of our securities that (i) were intended to satisfy the affirmative defense conditions of Rule 10b5-1 or (ii) qualified as non-Rule 10b5-1 trading arrangements (as that term is defined in Item 408 of Regulation S-K under the Exchange Act).

Item 6. Exhibits

(a) Exhibits.

EXHIBIT NO.	DESCRIPTION
22.1	List of Subsidiary Issuers of Guaranteed Securities (filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2024 and incorporated herein by reference).
31.1	Certification of the Chief Executive Officer of COPT Defense Properties required by Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended (filed herewith).
31.2	Certification of the Chief Financial Officer of COPT Defense Properties required by Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended (filed herewith).
32.1	Certification of the Chief Executive Officer of COPT Defense Properties required by Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended. (This exhibit shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. Further, this exhibit shall not be deemed to be incorporated by reference into any filing under the Securities Exchange Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.) (Furnished herewith).
32.2	Certification of the Chief Financial Officer of COPT Defense Properties required by Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended. (This exhibit shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. Further, this exhibit shall not be deemed to be incorporated by reference into any filing under the Securities Exchange Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended). (Furnished herewith).
101.INS	XBRL Instance Document - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document (filed herewith).
101.SCH	Inline XBRL Taxonomy Extension Schema Document (filed herewith).
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document (filed herewith).
101.LAB	Inline XBRL Extension Labels Linkbase (filed herewith).
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document (filed herewith).
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document (filed herewith).
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

			COPT DEFENSE PROPERTIES
Date:	July 31, 2025	By:	/s/ Stephen E. Budorick
			Stephen E. Budorick President and Chief Executive Officer
Date:	July 31, 2025	By:	/s/ Anthony Mifsud
			Anthony Mifsud Executive Vice President and Chief Financial Officer

EXHIBIT 31.1

COPT DEFENSE PROPERTIES

CERTIFICATIONS REQUIRED BY
RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

CERTIFICATIONS

I, Stephen E. Budorick, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of COPT Defense Properties;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2025

/s/ Stephen E. Budorick
Stephen E. Budorick
President and Chief Executive Officer

EXHIBIT 31.2

COPT DEFENSE PROPERTIES

CERTIFICATIONS REQUIRED BY
RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

CERTIFICATIONS

I, Anthony Mifsud, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of COPT Defense Properties;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2025

/s/ Anthony Mifsud
Anthony Mifsud
Executive Vice President and Chief Financial Officer

EXHIBIT 32.1

COPT DEFENSE PROPERTIES

CERTIFICATIONS REQUIRED BY

RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934

In connection with the Quarterly Report on Form 10-Q of COPT Defense Properties (the “Company”) for the quarter ended June 30, 2025, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Stephen E. Budorick, President and Chief Executive Officer of the Company, certify that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Stephen E. Budorick

Stephen E. Budorick
President and Chief Executive Officer

Date: July 31, 2025

EXHIBIT 32.2

COPT DEFENSE PROPERTIES

CERTIFICATIONS REQUIRED BY

RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934

In connection with the Quarterly Report on Form 10-Q of COPT Defense Properties (the “Company”) for the quarter ended June 30, 2025, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Anthony Mifsud, Executive Vice President and Chief Financial Officer of the Company, certify that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Anthony Mifsud
Anthony Mifsud
Executive Vice President and Chief Financial Officer

Date: July 31, 2025