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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended JUNE 30, 2002

or

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

For the transition period from _____ to _____

Commission file number 0-20047

CORPORATE OFFICE PROPERTIES TRUST
(Exact name of registrant as specified in its charter)

MARYLAND
(State or other jurisdiction of
incorporation or organization)

23-2947217
(IRS Employer
Identification No.)

8815 CENTRE PARK DRIVE, SUITE 400, COLUMBIA MD
(Address of principal executive offices)

21045
(Zip Code)

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

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

On August 8, 2002, 23,421,190 of the Company's Common Shares of Beneficial Interest, \$0.01 par value, were issued.

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTSCORPORATE OFFICE PROPERTIES TRUST AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS)<Table>
<Caption>

	June 30, 2002 ----- (unaudited) <C>	December 31, 2001 ----- <C>
ASSETS		
Investment in real estate:		
Operating properties, net	\$ 939,906	\$ 851,762
Property held for sale, net	6,016	--
Projects under construction or development	37,881	64,244

Total commercial real estate properties, net	983,803	916,006
Investments in and advances to unconsolidated real estate joint ventures	11,508	11,047

Investment in real estate, net	995,311	927,053
Cash and cash equivalents	4,256	6,640
Restricted cash	6,596	4,947
Accounts receivable, net	3,953	3,805
Investments in and advances to other unconsolidated entities	2,107	2,112
Deferred rent receivable	12,636	11,447
Deferred charges, net	19,877	16,884
Prepaid and other assets	4,821	9,551
Furniture, fixtures and equipment, net	1,783	1,771

TOTAL ASSETS	\$1,051,340	\$ 984,210

LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Mortgage and other loans payable	\$ 633,498	\$ 573,327
Accounts payable and accrued expenses	7,943	10,674
Rents received in advance and security deposits	5,514	6,567
Dividends and distributions payable	9,455	8,965
Fair value of derivatives	1,970	3,781
Other liabilities	873	12,193

Total liabilities	659,253	615,507

Minority interests:		
Preferred Units in the Operating Partnership	24,367	24,367
Common Units in the Operating Partnership	79,150	80,158
Other consolidated entities	229	257

Total minority interests	103,746	104,782

Commitments and contingencies (Note 16)		
Shareholders' equity:		
Preferred Shares (\$0.01 par value; 10,000,000 shares authorized; 40,693 designated as Series A Convertible Preferred Shares of beneficial interest (shares issued of 0 at June 30, 2002 and 1 at December 31, 2001)	--	--
1,725,000 designated as Series B Cumulative Redeemable Preferred Shares of beneficial interest (1,250,000 shares issued with an aggregate liquidation preference of \$31,250)	13	13
544,000 designated as Series D Cumulative Convertible Redeemable Preferred Shares of beneficial interest (544,000 shares issued with an aggregate liquidation preference of \$13,600)	5	5
1,265,000 designated as Series E Cumulative Redeemable Preferred Shares of beneficial interest (1,150,000 shares issued with an aggregate liquidation preference of \$28,750)	11	11
1,425,000 designated as Series F Cumulative Redeemable Preferred Shares of		

beneficial interest (1,425,000 shares issued with an aggregate liquidation preference of \$35,625)	14	14
Common Shares of beneficial interest (\$0.01 par value; 45,000,000 shares authorized, shares issued of 23,402,398 at June 30, 2002 and 20,814,701 at December 31, 2001)	234	208
Additional paid-in capital	311,391	285,362
Cumulative distributions in excess of net income	(17,899)	(14,502)
Value of unearned restricted Common Share grants	(2,739)	(3,275)
Treasury Shares, at cost (166,600 shares)	(1,415)	(1,415)
Accumulated other comprehensive loss	(1,274)	(2,500)

Total shareholders' equity	288,341	263,921

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$1,051,340	\$ 984,210

</Table>

See accompanying notes to financial statements.

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CORPORATE OFFICE PROPERTIES TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	For the three months ended		For the six months
	June 30,		June 30,
	2002	2001	2002

ended,			
2001			
Real Estate Operations:			
Revenues			
Rental revenue	\$32,922	\$25,684	\$63,162
\$51,029			
Tenant recoveries and other revenue	3,589	2,953	7,582
7,002			
Revenue from real estate operations	36,511	28,637	70,744
58,031			
Expenses			
Property operating	10,268	8,472	20,368
16,848			
Interest	9,002	7,680	17,569
15,792			
Amortization of deferred financing costs	549	546	1,035
929			
Depreciation and other amortization	6,707	4,914	13,348
9,755			
Expenses from real estate operations	26,526	21,612	52,320
43,324			
Earnings from real estate operations before equity in (loss) income of unconsolidated real estate joint ventures	9,985	7,025	18,424
14,707			
Equity in (loss) income of unconsolidated real estate joint ventures	(22)	124	(4)
154			
Earnings from real estate operations	9,963	7,149	18,420
14,861			
Service operations			
Revenues	1,076	1,136	2,087
2,176			

Expenses (2,244)	(1,182)	(875)	(2,276)	
Equity in income (loss) of unconsolidated Service Companies (118)	2	(118)	(5)	

(Losses) earnings from service operations (186)	(104)	143	(194)	

General and administrative expense (2,775)	(1,940)	(1,329)	(4,110)	

Income before gain on sales of real estate, minority interests, income taxes, discontinued operations, extraordinary item and cumulative effect of accounting change 11,900	7,919	5,963	14,116	
Gain on sales of real estate 1,596	--	1,596	946	

Income before minority interests, income taxes, discontinued operations, extraordinary item and cumulative effect of accounting change 13,496	7,919	7,559	15,062	
Minority interests				
Common Units in the Operating Partnership (3,325)	(1,475)	(1,795)	(2,783)	
Preferred Units in the Operating Partnership (1,144)	(572)	(572)	(1,144)	
Other consolidated entities (54)	(14)	(58)	(45)	

Income before income taxes, discontinued operations, extraordinary item and cumulative effect of accounting change 8,973	5,858	5,134	11,090	
Income tax benefit (expense), net of minority interests 52	25	(29)	52	

Income before discontinued operations, extraordinary item and cumulative effect of accounting change 9,025	5,883	5,105	11,142	
Income from discontinued operations, net of minority interests 92	110	42	174	

Income before extraordinary item and cumulative effect of accounting change 9,117	5,993	5,147	11,316	
Extraordinary item-loss on early retirement of debt, net of minority interests (136)	(109)	(66)	(137)	

Income before cumulative effect of accounting change 8,981	5,884	5,081	11,179	
Cumulative effect of accounting change, net of minority interests (174)	--	--	--	

NET INCOME 8,807	5,884	5,081	11,179	
Preferred Share dividends (2,494)	(2,534)	(1,613)	(5,067)	

NET INCOME AVAILABLE TO COMMON SHAREHOLDERS 6,313	\$ 3,350	\$ 3,468	\$ 6,112	\$
=====				
BASIC EARNINGS PER COMMON SHARE				
Income before discontinued operations, extraordinary item and cumulative effect of accounting change 0.33	\$ 0.15	\$ 0.17	\$ 0.28	\$
Discontinued operations --	--	0.01	0.01	
Extraordinary item --	--	(0.01)	(0.01)	
Cumulative effect of accounting change (0.01)	--	--	--	

Net income	\$ 0.15	\$ 0.17	\$ 0.28	\$
0.32				
=====				
DILUTED EARNINGS PER COMMON SHARE				
Income before discontinued operations, extraordinary item and cumulative effect of accounting change	\$ 0.14	\$ 0.17	\$ 0.27	\$
0.32				
Discontinued operations	--	--	--	
--				
Extraordinary item	--	--	--	
--				
Cumulative effect of accounting change	--	--	--	
(0.01)				

Net income	\$ 0.14	\$ 0.17	\$ 0.27	\$
0.31				
=====				

See accompanying notes to financial statements.

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CORPORATE OFFICE PROPERTIES TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(DOLLARS IN THOUSANDS)
(UNAUDITED)

<Table>
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	For the six months ended June 30,	
	2002	2001
	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$11,179	\$ 8,807
Adjustments to reconcile net income to net cash provided by operating activities:		
Minority interests	4,015	4,437
Depreciation and other amortization	13,348	9,755
Amortization of deferred financing costs	1,035	929
Equity in loss (income) of unconsolidated entities	9	(36)
Gain on sales of real estate	(946)	(1,596)
Extraordinary item - loss on early retirement of debt	199	206
Cumulative effect of accounting change	--	263
Increase in deferred rent receivable	(1,189)	(1,477)
Increase in accounts receivable, restricted cash and prepaid and other assets	1,853	449
(Decrease) increase in accounts payable, accrued expenses, rents received in advance and security deposits	(1,742)	95
Other	1,435	1,182
Net cash provided by operating activities	29,196	23,014
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of and additions to commercial real estate properties	(62,041)	(38,228)
Proceeds from sales of real estate	1,345	3,797
Investments in and advances to unconsolidated real estate joint ventures	(1,211)	(8,239)
Cash from acquisition of Service Companies	--	568
Investments in and advances to other unconsolidated entities	--	(564)
Leasing commissions paid	(4,393)	(2,019)
Increase in restricted cash, investing activities	--	(4,262)
Decrease (increase) in advances to certain real estate joint ventures	2,583	(6,235)
Other	(549)	(748)
Net cash used in investing activities	(64,266)	(55,930)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from mortgage and other loans payable	120,569	174,558
Repayments of mortgage and other loans payable	(80,438)	(165,948)
Deferred financing costs paid	(1,286)	(3,290)
(Decrease) increase in other liabilities	(11,320)	1,027

Net proceeds from issuance of Preferred Shares	--	38,844
Net proceeds from issuance of Common Shares	24,793	280
Dividends paid	(14,017)	(9,674)
Distributions paid	(5,195)	(4,900)
Other	(420)	--

Net cash provided by financing activities	32,686	30,897

Net decrease in cash and cash equivalents	(2,384)	(2,019)
CASH AND CASH EQUIVALENTS		
Beginning of period	6,640	4,981

End of period	\$ 4,256	\$ 2,962
=====		

</Table>

See accompanying notes to financial statements.

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CORPORATE OFFICE PROPERTIES TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

1. ORGANIZATION

Corporate Office Properties Trust ("COPT") and subsidiaries (collectively, the "Company") is a fully-integrated and self-managed real estate investment trust ("REIT"). We focus principally on the ownership, management, leasing, acquisition and development of suburban office properties located in select submarkets in the Mid-Atlantic region of the United States. COPT is qualified as a REIT as defined in the Internal Revenue Code and is the successor to a corporation organized in 1988. As of June 30, 2002, our portfolio included 108 office properties.

We conduct almost all of our operations principally through our operating partnership, Corporate Office Properties, L.P. (the "Operating Partnership"), for which we are the managing general partner. The Operating Partnership owns real estate both directly and through subsidiary partnerships and limited liability companies ("LLCs"). The Operating Partnership also owns Corporate Office Management, Inc. ("COMI") (together with its subsidiaries defined as the "Service Companies"). A summary of our Operating Partnership's classes of securities and the percentage of the outstanding units of each class owned by COPT as of June 30, 2002 follows:

<Table>

<Caption>

	% Owned by COPT

<S>	<C>
Common Units	70%
Series B Preferred Units	100%
Series C Preferred Units	0%
Series D Preferred Units	100%
Series E Preferred Units	100%
Series F Preferred Units	100%

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2. BASIS OF PRESENTATION

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with the rules and regulations for reporting on Form 10-Q. Accordingly, certain information and disclosures required by accounting principles generally accepted in the United States for complete consolidated financial statements are not included herein. These interim financial statements should be read together with the financial statements and notes thereto included in our 2001 Annual Report on Form 10-K. The interim financial statements on the previous pages reflect all adjustments which we believe are necessary for the fair presentation of our financial position and results of operations for the interim periods presented. These adjustments are of a normal recurring nature. The results of operations for such interim periods are not necessarily indicative of the results for a full year.

We use three different accounting methods to report our investments in entities: the consolidation method, the equity method and the cost method.

CONSOLIDATION METHOD

We use the consolidation method when we own most of the outstanding voting

interests in an entity and can control its operations. This means the accounts of the entity are combined with our accounts. We eliminate balances and transactions between companies when we consolidate these accounts. Our consolidated financial statements include the accounts of:

- - COPT;
- - the Operating Partnership and its subsidiary partnerships and LLCs; and
- - Corporate Office Properties Holdings, Inc. (of which we own 100%).

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EQUITY METHOD

We use the equity method of accounting when we own an interest in an entity and can exert significant influence over the entity's operations but cannot control the entity's operations. Under the equity method, we report:

- our ownership interest in the entity's capital as an investment on our Consolidated Balance Sheets and
- our percentage share of the earnings or losses from the entity in our Consolidated Statements of Operations.

COST METHOD

We use the cost method of accounting when we own an interest in an entity and cannot exert significant influence over the entity's operations. Under the cost method, we report:

- the cost of our investment in the entity as an investment on our Consolidated Balance Sheets and
- distributions to us of the entity's earnings in our Consolidated Statements of Operations.

RECLASSIFICATION

We reclassified certain amounts from the prior period to conform to the current period presentation of our consolidated financial statements. These reclassifications did not affect consolidated net income or shareholders' equity.

In the first quarter of 2002, we sold a land parcel and an interest in a real estate joint venture; the income and gains on sale derived from these assets were classified as discontinued operations in the first quarter's Form 10-Q filed with the Securities and Exchange Commission. In the Consolidated Statements of Operations included herein, we reclassified the income earned from the real estate joint venture prior to its sale from the line entitled discontinued operations to the line entitled equity in (loss) income of unconsolidated real estate joint ventures; we also reclassified the gain on sales of these assets from the line entitled discontinued operations to the line entitled gain on sales of real estate. These reclassifications increased income before discontinued operations, extraordinary item and cumulative effect of accounting change by \$656 from what was originally reported but did not affect consolidated net income or earnings per share on net income available to Common Shareholder. The reclassifications were made as a result of recent interpretations of Statements of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets."

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

We make estimates and assumptions when preparing financial statements under generally accepted accounting principles. These estimates and assumptions affect various matters, including:

- our reported amounts of assets and liabilities in our Consolidated Balance Sheets at the dates of the financial statements;
- our disclosure of contingent assets and liabilities at the dates of the financial statements; and
- our reported amounts of revenues and expenses in our Consolidated Statements of Operations during the reporting periods.

These estimates involve judgments with respect to, among other things, future economic factors that are difficult to predict and are often beyond management's control. As a result, actual amounts could differ from these estimates.

MINORITY INTERESTS

As discussed previously, we consolidate the accounts of our Operating Partnership and its subsidiaries into our financial statements. However, we do not own 100% of the Operating Partnership. Our Operating Partnership also does not own 11% of one of its subsidiary partnerships. In addition, COMI did not own 20% of one of its subsidiaries, Martin G. Knott and Associates, LLC, until May

31, 2002, when it acquired that remaining interest. The amounts reported for minority interests on our Consolidated Balance Sheets represent the portion of these consolidated entities' equity that we do not own. The amounts reported for minority interests on our Consolidated Statements of Operations represent the portion of these consolidated entities' net income not allocated to us.

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EARNINGS PER SHARE

We present both basic and diluted earnings per Common Share ("EPS"). We compute basic EPS by dividing income available to common shareholders by the weighted-average number of Common Shares of beneficial interest ("Common Shares") outstanding during the period. Our computation of diluted EPS is similar except that:

- - the denominator is increased to include the weighted-average number of potential additional Common Shares that would have been outstanding if securities that are convertible into our Common Shares were converted; and
- - the numerator is adjusted to add back any convertible preferred dividends and any other changes in income or loss that would result from the assumed conversion into Common Shares.

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Our computation of diluted EPS does not assume conversion of securities into our Common Shares if conversion of those securities would increase our diluted EPS in a given period. A summary of the numerator and denominator for purposes of basic and diluted EPS calculations is as follows (in thousands, except per share data):

	Three months ended June 30,		Six months ended June 30,	
	2002	2001	2002	2001
Numerator:				
<S>	<C>	<C>	<C>	<C>
Net income available to Common Shareholders	\$ 3,350	\$ 3,468	\$ 6,112	\$ 6,313
Add: Cumulative effect of accounting change, net	--	--	--	174
Add: Extraordinary item, net	109	66	137	136
Less: Income from discontinued operations, net	(110)	(42)	(174)	(92)
Numerator for basic EPS before discontinued operations, extraordinary item and cumulative effect of accounting change	3,349	3,492	6,075	6,531
Add: Series D Preferred Share dividends	136	136	272	236
Numerator for diluted EPS before discontinued operations, extraordinary item and cumulative effect of accounting change	3,485	3,628	6,347	6,767
Add: Income from discontinued operations, net	110	42	174	92
Numerator for diluted EPS before extraordinary item and cumulative effect of accounting change	3,595	3,670	6,521	6,859
Less: Extraordinary item, net	(109)	(66)	(137)	(136)
Numerator for diluted EPS before cumulative effect of accounting change	3,486	3,604	6,384	6,723
Less: Cumulative effect of accounting change, net	--	--	--	(174)
Numerator for diluted EPS on net income available to Common Shareholders	\$ 3,486	\$ 3,604	\$ 6,384	\$ 6,549
Denominator (all weighted averages):				
Common Shares - basic	22,704	20,077	21,801	20,034
Assumed conversion of share options	971	334	850	287
Conversion of Series D Preferred Shares	1,197	1,197	1,197	1,038
Denominator for diluted EPS	24,872	21,608	23,848	21,359
Basic EPS:				
Income before discontinued operations, extraordinary item and cumulative effect of accounting change	\$ 0.15	\$ 0.17	\$ 0.28	\$ 0.33
Income from discontinued operations	--	0.01	0.01	--
Extraordinary item	--	(0.01)	(0.01)	--
Cumulative effect of accounting change	--	--	--	(0.01)
Net income available to Common Shareholders	\$ 0.15	\$ 0.17	\$ 0.28	\$ 0.32
Diluted EPS:				
Income before discontinued operations, extraordinary				

item and cumulative effect of accounting change	\$ 0.14	\$ 0.17	\$ 0.27	\$ 0.32
Income from discontinued operations	--	--	--	--
Extraordinary item	--	--	--	--
Cumulative affect of accounting change	--	--	--	(0.01)
	-----	-----	-----	-----
Net income available to Common Shareholders	\$ 0.14	\$ 0.17	\$ 0.27	\$ 0.31
	=====	=====	=====	=====

</Table>

Our diluted EPS computation assumes only conversion of share options and Series D Cumulative Convertible Redeemable Preferred Shares of beneficial interest (the "Series D Preferred Shares") because conversions of Preferred Units, Series A Convertible Preferred Shares of beneficial interest (the "Series A Preferred Shares") and Common Units would increase diluted EPS in the periods presented.

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RECENT ACCOUNTING PRONOUNCEMENTS

On July 1, 2001 and January 1, 2002, we adopted Statement of Financial Accounting Standards No. 141 "Business Combinations" ("SFAS 141") and No. 142 "Goodwill and Other Intangible Assets" ("SFAS 142"), respectively. SFAS 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. The provisions of SFAS 142 require that (1) amortization of goodwill, including goodwill recorded in past business combinations, be discontinued upon adoption of this standard and (2) goodwill be tested annually for impairment and in interim periods if certain events occur indicating that the carrying value of goodwill may be impaired. After completing an evaluation of our unamortized goodwill under the provisions of SFAS 142, we concluded that our carrying value of goodwill was not impaired as of January 1, 2002 and June 30, 2002. The following table summarizes our goodwill amortization and operating results as if goodwill amortization did not occur. Basic and diluted earnings per Common Share on net income available to Common Shareholders reported on our Consolidated Statements of Operations would not have changed if goodwill amortization did not occur in the 2001 periods reported herein.

<Table>

<Caption>

	Three months ended June 30,		Six months ended June 30,	
	2002	2001	2002	2001
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Amortization of goodwill	\$ --	\$ 44	\$ --	\$ 84
Amortization of goodwill, net of minority interests and income taxes	\$ --	\$ 17	\$ --	\$ 33
Income before extraordinary item and cumulative effect of accounting change, as reported	\$ 5,993	\$ 5,147	\$ 11,316	\$ 9,117
Income before extraordinary item and cumulative effect of accounting change, exclusive of goodwill amortization	\$ 5,993	\$ 5,164	\$ 11,316	\$ 9,150
Net income available to Common Shareholders, as reported	\$ 3,350	\$ 3,468	\$ 6,112	\$ 6,313
Net income available to Common Shareholders, exclusive of goodwill amortization	\$ 3,350	\$ 3,485	\$ 6,112	\$ 6,346

</Table>

In January 1, 2002, we adopted Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 provides new guidance on recognition of impairment losses on long-lived assets to be held and used and broadens the definition of what constitutes a discontinued operation and how the results of discontinued operations are to be measured. The primary impact of our adoption of this standard is that revenues and expenses associated with our property held for sale at June 30, 2002 are classified as discontinued operations on our Consolidated Statements of Operations for the periods reported.

In April 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections" ("SFAS No. 145"). SFAS 145 generally eliminates the requirement that gains and losses from the extinguishment of debt be aggregated and, if material, classified as an extraordinary item, net of the related income tax effect. SFAS 145 also eliminates previously existing inconsistencies between the accounting for sale-leaseback transactions and certain lease modifications that have economic effects similar to that of sale-leaseback transactions. The amendment requires that lease modifications result in recognition of a gain or loss in the financial statements and, where applicable, be subject to existing accounting

standards governing sales of real estate and sale-leaseback transactions. SFAS 145 is effective for us on January 1, 2003, although certain aspects of the standard are effective for transactions occurring after May 15, 2002. SFAS 145 also requires that gains or losses from extinguishment of debt reported as an extraordinary item in prior periods presented be reclassified upon adoption. We expect the only impact of adoption on January 1, 2003 will be the reclassification of all prior period losses on early retirement of debt from the line on the Consolidated Statements of Operations entitled "extraordinary item" to the line entitled "amortization of deferred financing costs". These reclassifications will not result in changes to net income available to Common Shareholders or basic and diluted

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earnings per Common Share on net income available to Common Shareholders. The following table summarizes our early extinguishment of debt and change to the line entitled "income before extraordinary item and cumulative effect of accounting change" as if such reclassifications were made for the periods reported herein.

<Table>

<Caption>

	Three months ended June 30,		Six months ended June 30,	
	2002	2001	2002	2001
<S>	<C>	<C>	<C>	<C>
Early extinguishment of debt	\$ 157	\$ 99	\$ 199	\$ 206
Early extinguishment of debt, net of minority interests	\$ 109	\$ 66	\$ 137	\$ 136
Income before extraordinary item and cumulative effect of accounting change, as reported	\$ 5,993	\$ 5,147	\$11,316	\$ 9,117
Income before extraordinary item and cumulative effect of accounting change, as restated for the reclassification discussed above	\$ 5,884	\$ 5,081	\$11,179	\$ 8,981

</Table>

4. COMMERCIAL REAL ESTATE PROPERTIES

Operating properties consist of the following:

<Table>

<Caption>

	June 30, 2002	December 31, 2001
<S>	<C>	<C>
Land	\$ 177,775	\$ 164,994
Buildings and improvements	824,726	738,320
	1,002,501	903,314
Less: accumulated depreciation	(62,595)	(51,552)
	\$ 939,906	\$ 851,762

</Table>

We are under contract to sell our property located at 8815 Centre Park Drive in Columbia, Maryland at June 30, 2002. As a result, this property is classified as held for sale. The components associated with this property at June 30, 2002 include the following:

<Table>

<Caption>

	June 30, 2002
<S>	<C>
Land	\$ 1,252
Buildings and improvements	5,270
	6,522
Less: accumulated depreciation	(506)
	\$ 6,016

</Table>

We completed the sale of this property on July 18, 2002.

Projects under construction or development consist of the following:

<Table>
<Caption>

	June 30, 2002	December 31, 2001
<S>	<C>	<C>
Land	\$22,891	\$26,751
Construction in progress	14,990	37,493
	\$37,881	\$64,244

</Table>

ACQUISITIONS

We acquired the following office properties during the six months ended June 30, 2002:

<Table>
<Caption>

Project Name	Location	Date of Acquisition	Number of Buildings	Total Rentable Square Feet	Initial Cost
<S>	<C>	<C>	<C>	<C>	<C>
7320 Parkway Drive	Hanover, MD	4/4/02	1	57,176	\$ 4,957
Rivers 95	Columbia, MD	4/4/02	4	109,449	11,562
7000 Columbia Gateway Drive	Columbia, MD	5/31/02	1	145,806	16,196

</Table>

On January 31, 2002, we acquired a parcel of land located in Annapolis Junction, Maryland for \$3,757 from an affiliate of Constellation Real Estate, Inc. ("Constellation"). On the date of this transaction, Constellation owned 43% of our Common Shares and had the right to designate nominees for two of the eight positions on our Board of Trustees (see Note 10).

2002 CONSTRUCTION/DEVELOPMENT

During the six months ended June 30, 2002, we completed the construction of three office buildings totaling 279,167 square feet. The buildings are located in the Baltimore/Washington Corridor.

As of June 30, 2002, we also had construction underway on three new buildings.

2002 DISPOSITION

We sold a land parcel located in Hanover, Maryland for \$1,300 on March 29, 2002. We realized a gain of \$597 on the sale of this property.

ACCOUNTING FOR CERTAIN REAL ESTATE JOINT VENTURES

Prior to 2002, we contributed parcels of land into two real estate joint ventures. In exchange for the contributions of land, we received joint venture interests and \$9,600 in cash. Each of these joint ventures constructed office buildings on the land parcels. Each of the joint ventures' operating agreements provided us with the option to acquire the joint venture partners' interests for a pre-determined purchase price over a limited period of time. In February 2002, we acquired the joint venture partner's interest in one of these joint ventures for the pre-determined purchase price of \$5,448. In June 2002, we acquired the joint venture partner's interest in the other joint venture for the pre-determined purchase price of \$6,361. For periods prior to acquiring the joint venture partners' interests, we accounted for our interests in these joint ventures as follows:

- - the costs associated with these land parcels at the time of their respective contributions were reported as commercial real estate properties on our Consolidated Balance Sheets;
- - the cash received from these joint ventures in connection with the land contributions was reported as other liabilities on our Consolidated Balance Sheets. These liabilities were accreted towards the pre-determined purchase price over the life of our option to acquire the joint venture partners' interests. We also reported interest expense in connection with the accretion of these liabilities;
- - as construction of the buildings on these land parcels was completed and operations commenced, we reported 100% of the revenues and expenses associated with these properties on our Consolidated Statements of Operations; and

- - construction costs and debt activity for these projects relating to periods after the respective land contributions were not reported by us.

Upon completion of these acquisitions, we began consolidating the accounts of the entities with our accounts.

5. INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED REAL ESTATE JOINT VENTURES

On February 21, 2002, we acquired the remaining 20% interest in MOR Montpelier LLC not previously owned by us and simultaneously sold the 43,785 square foot building owned by that entity, realizing a gain of \$352.

On February 21, 2002, we also acquired a 50% interest in MOR Montpelier 3 LLC, an entity developing a parcel of land located in Columbia, Maryland.

Our investments in and advances to unconsolidated real estate joint ventures are accounted for using the equity method of accounting and include the following:

<Table>
<Caption>

	June 30, 2002	December 31, 2001
<S>	<C>	<C>
Gateway 67, LLC	\$ 4,043	\$ 3,904
NBP 140, LLC	3,851(1)	2,885(1)
Gateway 70 LLC	2,409	2,326
MOR Forbes LLC	907	924
MOR Montpelier 3 LLC	298	--
MOR Montpelier LLC	--	1,008
	-----	-----
	\$ 11,508	\$ 11,047
	=====	=====

</Table>

(1)Includes a mortgage loan receivable of \$3,113 at June 30, 2002 and \$2,640 at December 31, 2001 carrying an annual interest rate of Prime through its maturity on December 27, 2002.

We have additional commitments pertaining to our real estate joint ventures that are disclosed in Note 16.

The following table sets forth condensed combined balance sheet information for these unconsolidated real estate joint ventures:

<Table>
<Caption>

	June 30, 2002	December 31, 2001
<S>	<C>	<C>
Commercial real estate property	\$ 24,574	\$ 27,869
Other assets	861	1,566
	-----	-----
Total assets	\$ 25,435	\$ 29,435
	=====	=====
Liabilities	\$ 15,904	\$ 18,935
Owners' equity	9,531	10,500
	-----	-----
Total liabilities and owners' equity	\$ 25,435	\$ 29,435
	=====	=====

</Table>

6. ACCOUNTS RECEIVABLE

Our accounts receivable are reported net of an allowance for bad debts of \$731 at June 30, 2002 and \$723 at December 31, 2001.

<Page>

7. INVESTMENTS IN AND ADVANCES TO OTHER UNCONSOLIDATED ENTITIES

Our investments in and advances to other unconsolidated entities include the following:

<Table>
<Caption>

June 30, 2002	December 31, 2001
-----	-----

<S>	<C>	<C>
MediTract, LLC	\$ 1,621	\$ 1,621
Paragon Smart Technologies, LLC (1)	486	491
	-----	-----
Total	\$ 2,107	\$ 2,112
	=====	=====

</Table>

(1) Investment includes \$245 in notes receivable carrying an interest rate of 12% per annum that are payable on demand.

8. DEFERRED CHARGES

Deferred charges consist of the following:

<Table>		
<Caption>		
	June 30, 2002	December 31, 2001
	-----	-----
<S>	<C>	<C>
Leasing costs	\$ 17,691	\$ 13,298
Financing costs	10,777	9,599
Goodwill	1,465	1,320
Other intangible costs	154	154
	-----	-----
	30,087	24,371
Accumulated amortization (1)	(10,210)	(7,487)
	-----	-----
Deferred charges, net	\$ 19,877	\$ 16,884
	=====	=====

</Table>

(1) Includes accumulated amortization associated with other intangibles of \$147 at June 30, 2002 and \$132 at December 31, 2001.

9. DERIVATIVES

The following table sets forth derivative contracts we had in place and their respective fair market values ("FMV"):

<Table>						
<Caption>						
					FMV	
					-----	-----
Nature of Derivative	Notional Amount (in millions)	One-Month LIBOR base	Effective Date	Expiration Date	June 30, 2002	December 31, 2001
	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Interest rate swap	\$ 100.0	5.76%	1/2/01	1/2/03	\$ (1,970)	\$ (3,781)
Interest rate cap	50.0	7.70%	5/25/00	5/31/02	--	--
					-----	-----
Total					\$ (1,970)	\$ (3,781)
					=====	=====

</Table>

We designated each of these derivatives as cash flow hedges. At June 30, 2002, the interest rate swap is effective. During the six months ended June 30, 2002, we decreased the negative balance in the accumulated other comprehensive loss component of shareholders' equity ("AOCL") and increased minority interests in total by \$1,813 to recognize the increase in the fair value of the interest rate swap during that period. Over time, the unrealized loss held in AOCL and minority interests associated with our interest rate swap will be reclassified to earnings. Within the next six months, we expect to reclassify to earnings an estimated \$2.0 million of the balances held in AOCL and minority interests.

10. SHAREHOLDERS' EQUITY

On March 5, 2002, we participated in an offering of 10,961,000 Common Shares to the public at a price of \$12.04 per share; Constellation was the owner of 8,876,172 of these shares and 2,084,828 of these shares were newly issued by us. With the completion of this transaction, Constellation, which had been our largest Common

<Page>

shareholder, is no longer a shareholder. We contributed the net proceeds from the sale of the newly-issued shares to our Operating Partnership in exchange for 2,084,828 Common Units.

Also on March 5, 2002, Constellation converted its one remaining series A Preferred Share into 1.8748 Common Shares. As holder of the Series A Preferred Share, Constellation had the right to nominate two members for election to our Board of Trustees; with the conversion of its Series A Preferred Share into Common Shares, Constellation no longer has that right. Constellation sold one of these Common Shares and we redeemed the fractional share.

On December 16, 1999, we issued 471,875 Common Shares subject to forfeiture restrictions to certain officers; we issued an additional 12,500 Common Shares to an officer in 2000 that were subject to the same restrictions. The forfeiture restrictions of specified percentages of these shares lapse annually through 2004 provided that the officers remain employed by us and we attain defined earnings or shareholder return growth targets. These shares may not be sold, transferred or encumbered while the forfeiture restrictions are in place. Forfeiture restrictions lapsed on 72,659 of these shares in 2002.

During the six months ended June 30, 2002, 329,142 Common Units in our Operating Partnership were converted into Common Shares on the basis of one Common Share for each Common Unit.

We issued 173,726 Common Shares in connection with the exercise of share options during the six months ended June 30, 2002.

A summary of the activity in the accumulated other comprehensive loss component of shareholders' equity for the six months ended June 30, 2002 follows:

<Table>	
<S>	<C>
Balance, December 31, 2001	\$2,500
Unrealized gain on interest rate swap for the six months ended June 30, 2002, net of minority interests	(1,226)

Balance, June 30, 2002	\$1,274
	=====

</Table>

The components of comprehensive income for the three and six month ended June 30, 2002 and 2001 follow:

<Table>				
<Caption>				
	Three months ended June 30,	Six months ended June 30,		
	-----	-----	-----	-----
	2002	2001	2002	2001
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Net income	\$ 5,884	\$ 5,081	\$ 11,179	\$ 8,807
Unrealized gain (loss) on interest rate swap, net of minority interests	518	(157)	1,226	(1,312)
Cumulative effect adjustment on January 1, 2001 for unrealized loss on interest rate swap, net of minority interests	--	--	--	(163)
	-----	-----	-----	-----
Comprehensive net income	\$ 6,402	\$ 4,924	\$ 12,405	\$ 7,332
	=====	=====	=====	=====

</Table>

<Page>

11. DIVIDENDS AND DISTRIBUTIONS

The following summarizes our dividends and distributions for the six months ended June 30, 2002:

<Table>		
<Caption>		
	Dividend/ Distribution Per Share/Unit	Total Dividend/ Distribution
	-----	-----
<S>	<C>	<C>
Series B Preferred Shares:	Record Date	Payable Date
	-----	-----
Fourth Quarter 2001	December 31, 2001	January 15, 2002
First Quarter 2002	March 29, 2002	April 15, 2002
Second Quarter 2002	June 28, 2002	July 15, 2002
		\$ 0.625
		\$ 0.625
		\$ 0.625
Series D Preferred Shares:	Record Date	Payable Date
	-----	-----
Fourth Quarter 2001	December 31, 2001	January 15, 2002
First Quarter 2002	March 29, 2002	April 15, 2002
Second Quarter 2002	June 28, 2002	July 15, 2002
		\$ 0.25
		\$ 0.25
		\$ 0.25

Series E Preferred Shares:				
Fourth Quarter 2001	December 31, 2001	January 15, 2002	\$ 0.6406	\$ 737
First Quarter 2002	March 29, 2002	April 15, 2002	\$ 0.6406	\$ 737
Second Quarter 2002	June 28, 2002	July 15, 2002	\$ 0.6406	\$ 737
Series F Preferred Shares:				
Fourth Quarter 2001	December 31, 2001	January 15, 2002	\$ 0.6172	\$ 880
First Quarter 2002	March 29, 2002	April 15, 2002	\$ 0.6172	\$ 880
Second Quarter 2002	June 28, 2002	July 15, 2002	\$ 0.6172	\$ 880
Common Shares:				
Fourth Quarter 2001	December 31, 2001	January 15, 2002	\$ 0.21	\$ 4,245
First Quarter 2002	March 29, 2002	April 15, 2002	\$ 0.21	\$ 4,706
Second Quarter 2002	June 28, 2002	July 15, 2002	\$ 0.21	\$ 4,803
Series C Preferred Units:				
Fourth Quarter 2001	December 31, 2001	January 15, 2002	\$ 0.5625	\$ 572
First Quarter 2002	March 29, 2002	April 15, 2002	\$ 0.5625	\$ 572
Second Quarter 2002	June 28, 2002	July 15, 2002	\$ 0.5625	\$ 572
Common Units:				
Fourth Quarter 2001	December 31, 2001	January 15, 2002	\$ 0.21	\$ 2,018
First Quarter 2002	March 29, 2002	April 15, 2002	\$ 0.21	\$ 2,018
Second Quarter 2002	June 28, 2002	July 15, 2002	\$ 0.21	\$ 1,948

</Table>

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12. SUPPLEMENTAL INFORMATION TO CONSOLIDATED STATEMENTS OF CASH FLOWS

<Table>

<Caption>

	For the six months ended June 30,	
	2002	2001
	-----	-----
	<C>	<C>
Supplemental schedule of non-cash investing and financing activities:		
Debt assumed in connection with acquisitions of real estate	\$ 20,040	\$ --
Debt repaid in connection with sales of real estate	\$ --	\$ 7,000
Note receivable assumed upon sale of real estate	\$ 1,040	\$ --
Decrease in accrued capital improvements	\$ 2,042	\$ 855
Reclassification of other liabilities from projects under construction or development	\$ --	\$ 9,600
Acquisition of Service Companies:		
Investments in and advances to other unconsolidated entities	\$ --	\$ (4,529)
Restricted cash	--	5
Accounts receivable, net	--	2,005
Deferred costs, net	--	1,537
Prepaid and other assets	--	1,033
Furniture, fixtures and equipment, net	--	1,603
Mortgage and other loans payable	--	(40)
Accounts payable and accrued expenses	--	(2,106)
Rents received in advance and security deposits	--	(20)
Other liabilities	--	(10)
Minority interest	--	(46)
Cash from acquisition of Service Companies	\$ --	\$ (568)
Dividends/distributions payable	\$ 9,455	\$ 7,918
Book value of derivatives reclassified from deferred costs, net to fair value of derivatives	\$ --	\$ 268
Increase (decrease) in fair value of derivatives applied to accumulated other comprehensive loss and minority interests	\$ 1,813	\$ (2,232)
Adjustments to minority interests resulting from changes in ownership of Operating Partnership by COPT	\$ 4,142	\$ (104)
Decrease in minority interests and increase in shareholders' equity in connection with conversion of Common Units into Common Shares	\$ 4,599	\$ 808

</Table>

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13. INFORMATION BY BUSINESS SEGMENT

We have five office property segments: Baltimore/Washington Corridor, Greater Philadelphia, Northern/Central New Jersey, Greater Harrisburg and Northern Virginia.

The table below reports segment financial information. Our segment entitled "Other" includes other assets and operations not specifically associated with the other defined segments (including deferred goodwill and other intangible deferred costs). We measure the performance of our segments based on total revenues less property operating expenses. Accordingly, we do not report other expenses by segment in the table below.

<Table>
<Caption>

Total	Baltimore/ Washington Corridor (1)	Greater Philadelphia	Northern/ Central New Jersey	Greater Harrisburg	Northern Virginia	Other	

<S> Three months ended June 30, 2002:	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Revenues from real estate operations 36,837	\$ 24,573	\$ 2,506	\$ 4,604	\$ 2,390	\$ 2,661	\$ 103	\$
Property operating expenses 10,356	6,885	33	1,674	653	1,111	--	

Income from real estate operations 26,481	\$ 17,688	\$ 2,473	\$ 2,930	\$ 1,737	\$ 1,550	\$ 103	\$
=====							
Commercial real estate property expenditures 57,938	\$ 57,425	\$ 158	\$ 126	\$ 91	\$ 138	\$ --	\$
=====							
Three months ended June 30, 2001:							
Revenues from real estate operations 28,911	\$ 18,654	\$ 2,506	\$ 4,998	\$ 2,483	\$ --	\$ 270	\$
Property operating expenses 8,558	5,950	38	1,823	747	--	--	

Income from real estate operations 20,353	\$ 12,704	\$ 2,468	\$ 3,175	\$ 1,736	\$ --	\$ 270	\$
=====							
Commercial real estate property expenditures 26,808	\$ 26,326	\$ 119	\$ 289	\$ 74	\$ --	\$ --	\$
=====							
Six months ended June 30, 2002:							
Revenues from real estate operations 71,339	\$ 46,469	\$ 5,012	\$ 9,525	\$ 4,797	\$ 5,349	\$ 187	\$
Property operating expenses 20,549	13,640	74	3,383	1,250	2,202	--	

Income from real estate operations 50,790	\$ 32,829	\$ 4,938	\$ 6,142	\$ 3,547	\$ 3,147	\$ 187	\$
=====							
Commercial real estate property expenditures 80,039	\$ 78,153	\$ 280	\$ 330	\$ 799	\$ 477	\$ --	\$
=====							
Segment assets at June 30, 2002	\$ 669,006	\$ 104,435	\$ 109,324	\$ 70,995	\$ 58,680	\$ 38,900	\$

1,051,340

Six months ended June 30, 2001:

Revenues from real estate operations	\$ 37,227	\$ 5,012	\$ 9,920	\$ 5,272	\$ --	\$ 1,181	\$
58,612							
Property operating expenses	11,908	58	3,717	1,341	--	--	
17,024							
Income from real estate operations	\$ 25,319	\$ 4,954	\$ 6,203	\$ 3,931	\$ --	\$ 1,181	\$
41,588							
Commercial real estate property expenditures	\$ 45,707	\$ 260	\$ 1,946	\$ 770	\$ --	--	\$
48,683							
Segment assets at June 30, 2001	\$ 515,518	\$ 105,769	\$ 110,218	\$ 71,179	\$ --	\$ 46,123	\$
848,807							

</Table>

(1) Includes property held for sale at June 30, 2002.

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The following table reconciles our income from operations for reportable segments to income before income taxes, discontinued operations, extraordinary item and cumulative effect of accounting change as reported in our Consolidated Statements of Operations.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Income from operations for reportable segments	\$ 26,481	\$ 20,353	\$ 50,790	\$ 41,588
Equity in (loss) income of unconsolidated real estate joint ventures	(22)	124	(4)	154
(Losses) earnings from service operations	(104)	143	(194)	(186)
Add: Gain on sales of properties	--	1,596	946	1,596
Less:				
General and administrative	(1,940)	(1,329)	(4,110)	(2,775)
Interest	(9,002)	(7,680)	(17,569)	(15,792)
Amortization of deferred financing costs	(549)	(546)	(1,035)	(929)
Depreciation and other amortization	(6,707)	(4,914)	(13,348)	(9,755)
Minority interests	(2,061)	(2,425)	(3,972)	(4,523)
Income from real estate operations included in discontinued operations	(238)	(188)	(414)	(405)
Income before income taxes, discontinued operations, extraordinary item and cumulative effect of accounting change	\$ 5,858	\$ 5,134	\$ 11,090	\$ 8,973

</Table>

We did not allocate interest expense, amortization of deferred financing costs and depreciation and other amortization to segments since they are not included in the measure of segment profit reviewed by management. We also did not allocate equity in (loss) income of unconsolidated real estate joint ventures, (losses) earnings from service operations, general and administrative expense and minority interests since these items represent general corporate expenses not attributable to segments.

14. INCOME TAXES

COMI's provision for income tax benefit consists of the following:

<Table>
<Caption>

For the six months ended June 30,	
2002	2001

<S>	<C>	<C>
Current		
Federal	\$ (10)	\$ 15
State	(2)	3
	-----	-----
	(12)	18
	-----	-----
Deferred		
Federal	73	50
State	16	10
	-----	-----
	89	60
	-----	-----
Income tax benefit	77	78
Less: minority interests	(25)	(26)
	-----	-----
Income tax benefit, net of minority interests	\$ 52	\$ 52
	=====	=====

</Table>

Items contributing to temporary differences that lead to deferred taxes include depreciation and amortization, certain accrued compensation, compensation made in the form of contributions to a deferred nonqualified compensation plan and expenses associated with share options.

COMI's combined Federal and state effective tax rate for the six months ended June 30, 2002 and 2001 was approximately 40%.

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15. DISCONTINUED OPERATIONS

Discontinued operations includes revenues and expenses associated with our property located at 8815 Centre Park Drive in Columbia, Maryland, which is classified as held for sale at June 30, 2002. The table below sets forth the components of income from discontinued operations.

<Table>

<Caption>

	For the three months ended June 30,		For the six months ended June 30,	
	2002	2001	2002	2001
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Revenue	\$ 326	\$ 274	\$ 595	\$ 581
Expenses	(167)	(211)	(341)	(442)
	-----	-----	-----	-----
Earnings from discontinued operations	159	63	254	139
Minority interests in discontinued operations	(49)	(21)	(80)	(47)
	-----	-----	-----	-----
Income from discontinued operations	\$ 110	\$ 42	\$ 174	\$ 92
	=====	=====	=====	=====

</Table>

16. COMMITMENTS AND CONTINGENCIES

In the normal course of business, we are involved in legal actions arising from our ownership and administration of properties. Management does not anticipate that any liabilities that may result will have a materially adverse effect on our financial position, operations or liquidity. We are subject to various Federal, state and local environmental regulations related to our property ownership and operation. We have performed environmental assessments of all 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.

We may need to make our share of additional investments in our real estate joint ventures (generally based on our percentage ownership) in the event that additional funds are needed. In the event that the other members of these joint ventures do not pay their share of investments when additional funds are needed, we may then need to make even larger investments in these joint ventures.

As of June 30, 2002, we served as guarantor for the repayment of mortgage loans totaling \$7,809 for certain of our unconsolidated real estate joint ventures.

In four of our five joint ventures, we would be obligated to acquire the membership interests of those joint ventures not owned by us (20% in the case of three and 50% in the case of one) in the event that all of the following were to occur:

(1) an 18-month period passes from the date that 85% of the square feet in

- the joint ventures' respective buildings become occupied (the "18-month period");
- (2) at the end of the 18-month period, the joint ventures' respective buildings are 90% leased and occupied by tenants who are not in default under their leases; and
 - (3) six months passes from the end of the 18-month period and either the buildings are not sold or we have not acquired the other members' interests.

The amount we would need to pay for those membership interests is computed based on the amount that the owners of those interests would receive under the joint venture agreements in the event that the buildings were sold for a capitalized fair value (as defined in the agreements) on a defined date. At June 30, 2002, none of the buildings in these joint ventures have occupancy equal to or exceeding 85%.

As of June 30, 2002, we are under contract to sell our property located at 8815 Centre Park Drive in Columbia, Maryland for \$7,175. We completed the sale of this property on July 18, 2002.

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17. PRO FORMA FINANCIAL INFORMATION

We accounted for our 2001 and 2002 acquisitions using the purchase method of accounting. We included the results of operations for the acquisitions in our Consolidated Statements of Operations from their respective purchase dates through June 30, 2002.

We prepared the pro forma condensed consolidated financial information presented below as if all of our 2001 and 2002 acquisitions and dispositions of operating properties had occurred on January 1, 2001. The pro forma financial information is unaudited and is not necessarily indicative of the results that actually would have occurred if these acquisitions and dispositions had occurred on January 1, 2001, nor does it intend to represent our results of operations for future periods.

<Table>
<Caption>

	Six months ended June 30,	
	2002	2001
<S>	<C>	<C>
Pro forma total revenues	\$ 73,929	\$ 71,961
Pro forma net income available to Common Shareholders	\$ 6,475	\$ 5,781
Pro forma earnings per Common Share		
Basic	\$ 0.30	\$ 0.29
Diluted	\$ 0.28	\$ 0.28

</Table>

18. SUBSEQUENT EVENTS

ACQUISITIONS

On July 18, 2002, we acquired for a purchase price of \$3,600 a 32.8 acre land parcel in Chantilly, Virginia.

On August 1, 2002, we acquired for a purchase price of \$27,250 an office building totaling 236,441 square feet located in Silver Spring, Maryland.

In July 2002, we became committed to acquire for a purchase price of \$47,032 property in Chantilly, Virginia consisting of two office buildings totaling 290,245 square feet and a leasehold interest in an adjacent 6.3 acre land parcel.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In this section, we discuss our financial condition and results of operations for the three and six months ended June 30, 2002. This section includes discussions on, among other things:

- why various components of our Consolidated Statements of Operations changed for the three and six months ended June 30, 2002 compared to the same periods in 2001;
- what our primary sources and uses of cash were in the six months ended June

- 30, 2002;
- - how we raised cash for acquisitions and other capital expenditures during the six months ended June 30, 2002;
 - - how we intend to generate cash for short and long-term capital needs; and
 - - the computation of our funds from operations.

You should refer to our consolidated financial statements and the operating data variance analysis table set forth below 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 of our business. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. These statements are not guarantees of future performance, events or results and involve potential risks and uncertainties. Accordingly, actual results may differ materially from those addressed in the forward-looking statements. We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise.

Important factors that may affect these expectations, estimates or projections include, but are not limited to: our ability to borrow on favorable terms; general economic and business conditions, which will, among other things, affect office property demand and rents, tenant creditworthiness, interest rates and financing availability; adverse changes in the real estate markets including, among other things, increased competition with other companies; risks of real estate acquisition and development; governmental actions and initiatives and environmental requirements.

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<Page>

<Table>
<Caption>

CORPORATE OFFICE PROPERTIES TRUST OPERATING DATA VARIANCE ANALYSIS (DOLLARS FOR THIS TABLE ARE IN THOUSANDS, EXCEPT PER SHARE DATA) Three Months Ended June 30,				
	2002	2001	Variance	% Change
	<C>	<C>	<C>	<C>
<S>				
Real Estate Operations:				
Revenues				
Rental revenue	\$ 32,922	\$ 25,684	\$ 7,238	28%
Tenant recoveries and other revenue	3,589	2,953	636	22%
	-----	-----	-----	-----
Revenue from real estate operations	36,511	28,637	7,874	27%
	-----	-----	-----	-----
Expenses				
Property operating	10,268	8,472	1,796	21%
Interest and amortization of deferred financing costs	9,551	8,226	1,325	16%
Depreciation and other amortization	6,707	4,914	1,793	36%
	-----	-----	-----	-----
Expenses from real estate operations	26,526	21,612	4,914	23%
	-----	-----	-----	-----
Earnings from real estate operations before equity in (loss) income of unconsolidated real estate joint ventures	9,985	7,025	2,960	42%
Equity in (loss) income of unconsolidated real estate joint ventures	(22)	124	(146)	(118%)
	-----	-----	-----	-----
Earnings from real estate operations	9,963	7,149	2,814	39%
(Losses) earnings from service operations	(104)	143	(247)	(173%)
General and administrative expense	(1,940)	(1,329)	(611)	46%
Gain on sales of real estate	--	1,596	(1,596)	(100%)
	-----	-----	-----	-----
Income before minority interests, income taxes, discontinued operations, extraordinary item and cumulative effect of accounting change	7,919	7,559	360	5%
Minority interests	(2,061)	(2,425)	364	(15%)
Income tax benefit (expense), net	25	(29)	54	N/A
Income from discontinued operations, net	110	42	68	162%
Extraordinary item - loss on early retirement of debt, net	(109)	(66)	(43)	65%
Cumulative effect of accounting change, net	--	--	--	0%
	-----	-----	-----	-----
Net income	5,884	5,081	803	16%
Preferred Share dividends	(2,534)	(1,613)	(921)	57%
	-----	-----	-----	-----
Net income available to Common Shareholders	\$ 3,350	\$ 3,468	\$ (118)	(3%)
	=====	=====	=====	=====

Basic earnings per Common Share				
Income before discontinued operations, extraordinary item and cumulative effect of accounting change	\$ 0.15	\$ 0.17	\$ (0.02)	(12%)
Net income	\$ 0.15	\$ 0.17	\$ (0.02)	(12%)
Diluted earnings per Common Share				
Income before discontinued operations, extraordinary item and cumulative effect of accounting change	\$ 0.14	\$ 0.17	\$ (0.03)	(18%)
Net Income	\$ 0.14	\$ 0.17	\$ (0.03)	(18%)

<Caption>

	Six Months Ended June 30,			
	2002	2001	Variance	% Change
<S>	<C>	<C>	<C>	<C>
Real Estate Operations:				
Revenues				
Rental revenue	\$ 63,162	\$ 51,029	\$ 12,133	24%
Tenant recoveries and other revenue	7,582	7,002	580	8%
Revenue from real estate operations	70,744	58,031	12,713	22%
Expenses				
Property operating	20,368	16,848	3,520	21%
Interest and amortization of deferred financing costs	18,604	16,721	1,883	11%
Depreciation and other amortization	13,348	9,755	3,593	37%
Expenses from real estate operations	52,320	43,324	8,996	21%
Earnings from real estate operations before equity in (loss) income of unconsolidated real estate joint ventures	18,424	14,707	3,717	25%
Equity in (loss) income of unconsolidated real estate joint ventures	(4)	154	(158)	(103%)
Earnings from real estate operations	18,420	14,861	3,559	24%
(Losses) earnings from service operations	(194)	(186)	(8)	4%
General and administrative expense	(4,110)	(2,775)	(1,335)	48%
Gain on sales of real estate	946	1,596	(650)	(41%)
Income before minority interests, income taxes, discontinued operations, extraordinary item and cumulative effect of accounting change	15,062	13,496	1,566	12%
Minority interests	(3,972)	(4,523)	551	(12%)
Income tax benefit (expense), net	52	52	--	0%
Income from discontinued operations, net	174	92	82	89%
Extraordinary item - loss on early retirement of debt, net	(137)	(136)	(1)	1%
Cumulative effect of accounting change, net	--	(174)	174	(100%)
Net income	11,179	8,807	2,372	27%
Preferred Share dividends	(5,067)	(2,494)	(2,573)	103%
Net income available to Common Shareholders	\$ 6,112	\$ 6,313	\$ (201)	(3%)
Basic earnings per Common Share				
Income before discontinued operations, extraordinary item and cumulative effect of accounting change	\$ 0.28	\$ 0.33	\$ (0.05)	(15%)
Net income	\$ 0.28	\$ 0.32	\$ (0.04)	(13%)
Diluted earnings per Common Share				
Income before discontinued operations, extraordinary item and cumulative effect of accounting change	\$ 0.27	\$ 0.32	\$ (0.05)	(16%)
Net Income	\$ 0.27	\$ 0.31	\$ (0.04)	(13%)

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RESULTS OF OPERATIONS

COMPARISON OF THE THREE MONTHS ENDED JUNE 30, 2002 AND 2001

Our revenue from real estate operations increased \$7.9 million or 27%, substantially all of which was attributable to rental revenue. Included in this change are the following:

- \$9.1 million increase attributable to 20 properties acquired and six newly-constructed properties placed in service since March 31, 2001;

- \$674,000 decrease attributable to 81 properties owned and operational throughout both reporting periods due primarily to decreased property occupancy and the write-off of additional deferred rents receivable upon early termination of leases; this represents a 2.5% decrease in total revenue for these properties;
- \$367,000 decrease attributable to properties sold; and
- \$208,000 decrease attributable to lower fees earned for other real estate services.

Our expenses from real estate operations increased \$4.9 million or 23% due to the effects of the increases in property operating expenses, interest expense and amortization of deferred financing costs and depreciation and other amortization described below.

Our property operating expenses increased \$1.8 million or 21%. Included in this change are the following:

- \$2.3 million increase attributable to 20 properties acquired and six newly-constructed properties placed in service since March 31, 2001;
- \$442,000 decrease attributable to 81 properties owned and operational throughout both reporting periods, a 5.4% decrease for these properties; this decrease includes the following:
 - \$190,000 decrease in expense associated with doubtful or uncollectible receivables;
 - \$103,000 decrease in exterior repair projects;
 - \$102,000 decrease in cleaning due mostly to service no longer needed on vacated space; and
 - \$101,000 increase in real estate taxes due to increased property assessments.
- \$86,000 decrease attributable to properties sold.

Our interest expense and amortization of deferred financing costs increased \$1.3 million or 16% due primarily to a 28% increase in our average outstanding debt balance resulting from our 2001 and 2002 acquisitions and construction activity, offset by a decrease in our weighted-average interest rates from 7.2% to 6.5%. Our depreciation and other amortization expense increased \$1.8 million or 36%, \$1.3 million of which is attributable to 20 properties acquired and six newly-constructed properties placed in service since March 31, 2001.

Our general and administrative expense increased \$611,000 or 46% due primarily to (i) additional employee bonus expense, (ii) increased expense associated with vesting of officer Common Share awards due to shares vesting at higher Common Share prices and (iii) increased corporate marketing costs.

Income before minority interests, income taxes, discontinued operations, extraordinary item and cumulative effect of accounting change increased \$360,000 or 5% primarily as a result of the above factors, offset by a \$1.6 million decrease in gain from sales of real estate. The amounts reported for minority interests on our Consolidated Statements of Operations represent primarily the portion of the Operating Partnership's net income not allocated to us. Our income allocation to minority interests before giving effect to income tax benefit, discontinued operations, extraordinary item and cumulative effect of accounting change decreased \$364,000 or 15%; this decrease is primarily attributable to the increase in our ownership of the Operating Partnership.

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Our net income available to Common Shareholders decreased \$118,000 or 3% reflecting the factors discussed above and a \$921,000 increase in Preferred Share dividends resulting from our issuance of two new series of preferred shares since March 31, 2001.

COMPARISON OF THE SIX MONTHS ENDED JUNE 30, 2002 AND 2001

Our revenue from real estate operations increased \$12.7 million or 22%, which was substantially all attributable to rental revenue. Included in this change are the following:

- \$15.5 million increase attributable to 20 properties acquired and eight newly-constructed properties placed in service during 2001 and 2002;
- \$1.2 million decrease attributable to lower fees earned for other real estate services;
- \$1.0 million decrease attributable to 79 properties owned and operational throughout both reporting periods due primarily to a decrease in tenant recoveries, decreased property occupancy and the write-off of additional deferred rents receivable upon early termination of leases; this represents a 1.8% decrease in total revenue for these properties; and
- \$775,000 decrease attributable to properties sold during 2001.

Our expenses from real estate operations increased \$9.0 million or 21% due to the effects of the increases in property operating expenses, interest expense and amortization of deferred financing costs and depreciation and other amortization described below.

Our property operating expenses increased \$3.5 million or 21%. Included in this change are the following:

- \$4.5 million increase attributable to 20 properties acquired and eight newly-constructed properties placed in service during 2001 and 2002;
- \$792,000 decrease attributable to 79 properties owned and operational throughout both reporting periods, a 4.9% decrease for these properties; this decrease includes the following:
 - \$447,000 decrease in utilities due in part to changes in lease structure, a result of which lead certain tenants to bear costs directly;
 - \$440,000 decrease in snow removal due to less snow in 2002;
 - \$203,000 decrease in cleaning due mostly to service no longer needed on vacated space;
 - \$140,000 increase in real estate taxes due to increased property assessments; and
 - \$129,000 increase in property administrative costs, which correlates with the increase in general and administrative expenses.
- \$204,000 decrease attributable to properties sold during 2001.

Our interest expense and amortization of deferred financing costs increased \$1.9 million or 11% due primarily to a 25% increase in our average outstanding debt balance resulting from our 2001 and 2002 acquisition and construction activity, offset by a decrease in our weighted-average interest rates from 7.5% to 6.5%. Our depreciation and other amortization expense increased \$3.6 million or 37%, \$2.7 million of which is attributable to 20 properties acquired and eight newly-constructed properties placed in service during 2001 and 2002.

Our general and administrative expense increased \$1.3 million or 48% due primarily to (i) additional employee bonus expense, including additional discretionary bonuses awarded to officers in the current period that were associated with performance in the prior year, (ii) increased expense associated with vesting of officer Common Share awards due to shares vesting at higher Common Share prices and (iii) increased expense associated with Common Share options that were re-priced in prior years and therefore subject to variable option accounting due to Common Share price appreciation.

Income before minority interests, income taxes, discontinued operations, extraordinary item and cumulative effect of accounting change increased \$1.6 million or 12% primarily as a result of the above factors, offset by a \$650,000 decrease in gain from sales of real estate. Our income allocation to minority interests before giving

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effect to income tax benefit, discontinued operations, extraordinary item and cumulative effect of accounting change decreased \$551,000 or 12%; this decrease is primarily attributable to the increase in our ownership of the Operating Partnership.

Our net income available to Common Shareholders decreased \$201,000 or 3% reflecting the factors discussed above, combined with the net effect of the following:

- \$2.6 million increase in Preferred Share dividends resulting from our issuance of three new series of preferred shares in 2001;
- \$174,000 decrease in expense due to the cumulative effect of an accounting change from our adoption of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" in the prior year; and
- \$82,000 increase in income associated with discontinued operations.

LIQUIDITY AND CAPITAL RESOURCES

Cash provided from operations is our primary source of liquidity to fund dividends and distributions, pay debt service and fund working capital requirements. We expect to continue to use cash provided by operations to meet our short-term capital needs, including all property expenses, general and administrative expenses, debt service, dividend and distribution requirements and recurring capital improvements and leasing commissions. We do not anticipate borrowing to meet these requirements. Factors that could negatively affect our ability to generate cash from operations in the future are discussed in our 2001 Annual Report on Form 10-K.

We historically have financed our long-term capital needs, including property acquisitions and construction activity, through a combination of the following:

- cash from operations;
- borrowings from our secured revolving credit facility with Bankers Trust Company (the "Revolving Credit Facility");
- borrowings from new loans;
- additional equity issuances of Common Shares, Preferred Shares,

- Common Units and/or Preferred Units;
- contributions from outside investors into real estate joint ventures; and
- proceeds from sales of properties.

We often use our Revolving Credit Facility initially to finance much of our investing and financing activities. We then pay down our Revolving Credit Facility using proceeds from long-term borrowings collateralized by our properties as attractive financing conditions arise and equity issuances as attractive equity market conditions arise. Amounts available under the Revolving Credit Facility are generally computed based on 65% of the appraised value of properties pledged as collateral. As of August 8, 2002, the maximum amount available under our Revolving Credit Facility is \$150.0 million, of which \$33.0 million is unused.

We own real estate through joint ventures when suitable equity partners are available at attractive terms. We use joint ventures primarily for properties undergoing construction or development and, upon completion of construction and development activities, the properties are acquired by us or sold to third parties. The primary business purpose behind the use of such joint ventures is to leverage our equity funding of such projects and reduce the risk of construction and development activities; another purpose in a number of these joint ventures is to make use of the expertise of our joint venture partner in managing the entity's activities. In some of these joint ventures, the joint venture partner acts as project manager during construction and development activities and property manager once the building goes operational; in other cases, we serve the role of project manager and property manager. All of our joint ventures have a two-member management committee responsible for making all major decisions and we control one of the two positions in all of these joint ventures. The joint venture partners in four of our five real estate joint ventures in place at June 30, 2002 are controlled by an entity that owns, manages, leases and develops properties primarily in the Baltimore/Washington Corridor and acts as

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project manager for these joint ventures. The joint venture partner in our other real estate joint venture is controlled by an individual that invests nationally in a number of real estate entities; we act as project manager for this joint venture. See Note 5 to our consolidated financial statements for additional information pertaining to our real estate joint venture investments.

Factors that could negatively affect our ability to finance our long-term capital needs in the future are discussed in our 2001 Annual Report on Form 10-K.

Mortgage and other loans payable at June 30, 2002 consist of the following (dollars in thousands):

<Table>	<C>
<S>	
Bankers Trust Company, Revolving Credit Facility, LIBOR + 1.75%, maturing March 2004(1)	\$125,800
Teachers Insurance and Annuity Association of America, 6.89%, maturing November 2008	79,830
Teachers Insurance and Annuity Association of America, 7.72%, maturing October 2006	57,663
KeyBank National Association, LIBOR + 1.75%, maturing November 2003(1)	36,000
Metropolitan Life Insurance Company, 6.91%, maturing June 2007	34,000
Teachers Insurance and Annuity Association of America, 7.0%, maturing March 2009	33,945
Mutual of New York Life Insurance Company, 7.79%, maturing August 2004(1)	26,754
Transamerica Life Insurance and Annuity Company, 7.18%, maturing August 2009	26,204
State Farm Life Insurance Company, 7.9%, maturing April 2008	25,563
KeyBank National Association, LIBOR + 1.75%, maturing September 2002	25,000
Transamerica Occidental Life Insurance Company, 7.3%, maturing May 2008	20,837
Allstate Life Insurance Company, 6.93%, maturing July 2008	20,675
Transamerica Life Insurance and Annuity Company, 8.3%, maturing October 2005	17,252
Allstate Life Insurance Company, 7.14%, maturing September 2007	15,802
Mercantile-Safe Deposit and Trust Company, Prime rate, maturing February 2003	15,750
IDS Life Insurance Company, 7.9%, maturing March 2008	13,372
Allfirst Bank, LIBOR + 1.75%, maturing April 2003(1)(2)	11,000
Bank of America, LIBOR + 1.75%, maturing December 2002(1)(3)	10,586
Provident Bank of Maryland, LIBOR + 1.75%, maturing July 2003(4)	7,967
Teachers Insurance and Annuity Association of America, 8.35%, maturing October 2006	7,803
Allfirst Bank, LIBOR + 1.75%, maturing July 2003	6,489
Aegon USA Realty Advisors, Inc., 8.29%, maturing May 2007	5,767
Citibank Federal Savings Bank, 6.93%, maturing July 2008	4,923
Constellation Real Estate, Inc., Prime rate, maturing January 2003	3,000
Seller loan, 8.0%, maturing May 2007	1,516

	\$633,498
	=====

</Table>

- (1) May be extended for a one-year period, subject to certain conditions.
- (2) Loan with a total commitment of \$12,000.
- (3) Construction loan with a total commitment of \$15,750.

(4) Construction loan with a total commitment of \$10,400.

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The following table summarizes our material contractual cash obligations and other commitments at June 30, 2002 (in thousands):

<Table>
<Caption>

	For the Periods Ended December 31,				
	2002	2003 to 2004	2005 to 2006	Thereafter	Total
Contractual cash obligations					
Mortgage loans payable(1)	\$ 39,044	\$ 246,058	\$ 91,380	\$ 257,016	\$ 633,498
Construction costs on construction projects underway(2)	5,192	--	--	--	5,192
Capital lease obligations(3)	18	67	18	--	103
Operating leases(3)	144	342	67	--	553
Total contractual cash obligations	\$ 44,398	\$ 246,467	\$ 91,465	\$ 257,016	\$ 639,346
Other commitments					
Guarantees of joint venture loans(4)	\$ 5,293	\$ 2,516	\$ --	\$ --	\$ 7,809

</Table>

- (1) Our 2002 loan maturities include a \$10.6 million construction loan maturity in December that may be extended for a one-year period, subject to certain conditions; as of June 30, 2002, we were in compliance with the necessary conditions for us to extend this loan. Our 2002 loan maturities also include a \$25.0 million loan maturity in September; we expect to complete an agreement with the lender to extend this loan for a one-year period. We expect to make payments on our other 2002 loan maturities using cash generated from operations.
- (2) We expect to pay costs on construction projects underway primarily using existing construction loan facilities in place (see discussion below).
- (3) We expect to pay these items using cash generated from operations.
- (4) We do not expect to have to fulfill our obligations as guarantor of joint venture loans.

In addition to the contractual obligations set forth above, we also had the following commitments at June 30, 2002:

- We may need to make our share of additional investments in our real estate joint ventures (generally based on our percentage ownership) in the event that additional funds are needed. In the event that the other members of these joint ventures do not pay their share of investments when additional funds are needed, we may then need to make even larger investments in these joint ventures.
- In four of our joint ventures, we would be obligated to acquire the membership interests of those joint ventures not owned by us (20% in the case of three and 50% in the case of one) in the event that all of the following were to occur:
 - (1) an 18-month period passes from the date that 85% of the square feet in the joint ventures' respective buildings become occupied (the "18-month period");
 - (2) at the end of the 18-month period, the joint ventures' respective buildings are 90% leased and occupied by tenants who are not in default under their leases; and
 - (3) six months passes from the end of the 18-month period and either the buildings are not sold or we have not acquired the other members' interests.

The amount we would need to pay for those membership interests is computed based on the amount that the owners of those interests would receive under the joint venture agreements in the event that the buildings were sold for a capitalized fair value (as defined in the agreements) on a defined date. At June 30, 2002, none of the buildings in these joint ventures have occupancy equal to or exceeding 85%.

- At June 30, 2002, we are under contract to sell our property located at 8815 Centre Park Drive in Columbia, Maryland for \$7.2 million. We completed the sale of this property on July 18, 2002.

We had no other material contractual obligations as of June 30, 2002 besides the items discussed above and tenant improvements and leasing costs in the ordinary course of business.

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INVESTING AND FINANCING ACTIVITIES FOR THE SIX MONTHS ENDED JUNE 30, 2002

During the six months ended June 30, 2002, we acquired six office buildings totaling 312,431 square feet for \$32.7 million and a parcel of land for \$3.8 million. These acquisitions were financed by:

- - using \$31.0 million in borrowings on our Revolving Credit Facility;
- - using \$3.0 million from a new mortgage loan payable; and
- - using cash reserves for the balance.

During the six months ended June 30, 2002, we completed the construction of three office buildings totaling 279,167 square feet. Costs incurred on these buildings through June 30, 2002 total \$45.7 million. These costs were funded in part using \$27.1 million in proceeds from two construction loan facilities that were repaid in 2002 using proceeds from a new loan. We also used \$9.6 million in contributions from joint venture partners prior to our acquisition of the joint venture partners' interests in 2002; the acquisitions of the joint venture partners' interests were funded using proceeds from a new loan and borrowings on our Revolving Credit Facility. The balance of the costs was funded primarily using proceeds from our Revolving Credit Facility and cash from operations.

As of June 30, 2002 (excluding the construction activities of two joint ventures), we had construction activities underway on three buildings totaling 255,019 square feet that were 59.6% operational and 60.2% pre-leased. Estimated costs upon completion for these projects total approximately \$43.8 million. Costs incurred on these buildings through June 30, 2002 total \$38.6 million. We have construction loan facilities in place totaling \$26.2 million to finance the construction of two of these projects; borrowings under these facilities total \$18.6 million at June 30, 2002. We also used borrowings from our Revolving Credit Facility and proceeds from debt refinancings to fund these activities.

During the six months ended June 30, 2002, we acquired the remaining 20% interest not previously owned by us in one of our unconsolidated real estate joint ventures, MOR Montpelier LLC, and simultaneously sold the 43,785 square foot building owned by that entity for net proceeds of \$1.1 million. We also acquired a 50% interest in MOR Montpelier 3 LLC, an entity developing a parcel of land located in Columbia, Maryland. Our investments in unconsolidated real estate joint ventures increased by \$461,000 during the six months ended June 30, 2002 due primarily to the net effect of these transactions and our funding of initial development activities in our NBP 140, LLC joint venture; we do not expect the need to fund more than \$2.0 million in additional development costs of NBP 140, LLC.

During the six months ended June 30, 2002, we sold a land parcel for \$1.3 million, providing a \$1.0 million mortgage loan to the purchaser. The net proceeds from this sale after transaction costs and the loan provided by us to the purchaser totaled \$250,000, all of which was applied to our cash reserves.

During the six months ended June 30, 2002, we borrowed \$72.2 million under mortgages and other loans payable other than our Revolving Credit Facility, the proceeds of which were used as follows:

- - \$52.1 million to repay other loans;
- - \$11.0 million to pay down our Revolving Credit Facility;
- - \$7.7 million to finance acquisitions;
- - \$1.3 million to finance construction activities; and
- - the balance to fund cash reserves.

On March 5, 2002, we participated in an offering of 10,961,000 Common Shares to the public at a price of \$12.04 per share; Constellation was the owner of 8,876,172 of these shares and 2,084,828 of these shares were newly issued by us. With the completion of this transaction, Constellation, which had been our largest shareholder, is no longer a shareholder. We contributed the net proceeds from the sale of the newly-issued shares to our Operating Partnership in exchange for 2,084,828 Common Units. The Operating Partnership used most of the proceeds to pay down our Revolving Credit Facility.

INVESTING AND FINANCING ACTIVITY SUBSEQUENT TO THE SIX MONTHS ENDED JUNE 30, 2002

On July 18, 2002, we sold our property located at 8815 Centre Park Drive in Columbia, Maryland for a sales price of \$7.2 million, of which \$3.6 million was applied to the purchase of the buildings described below and the balance used to pay down the Revolving Credit Facility.

Between July 18 and August 1, 2002, we acquired for a purchase price of \$30.9 million an office building totaling 236,441 square feet and a parcel of land. These acquisitions were financed using \$22.0 million from a new mortgage loan, \$3.6 million in proceeds from the sale of our property on July 18, 2002 and the balance from our Revolving Credit Facility.

In July 2002, we became committed to acquire for a purchase price of \$47.0 million two office buildings totaling 290,245 square feet and a parcel of land. We expect to complete this acquisition in August 2002 using \$16.0 million from a new mortgage loan, \$16.0 million from an assumed mortgage loan and proceeds from our Revolving Credit Facility for the balance.

In July 2002, we obtained a \$12.0 million mortgage loan payable with SunTrust Bank. The loan has a one-year term with two options to renew for an additional six months and carries interest at LIBOR plus 1.5%. The proceeds from this loan were used to pay down our Revolving Credit Facility. We also obtained a \$27.8 million mortgage loan payable with State Farm Life Insurance Company. The loan has a ten-year term and carries interest at 6.51%. The proceeds from this loan were used to pay off a \$15.8 million mortgage loan payable and to pay down our Revolving Credit Facility.

STATEMENT OF CASH FLOWS

We generated net cash flow from operating activities of \$29.2 million for the six months ended June 30, 2002, an increase of \$6.2 million from the six months ended June 30, 2001. Our increase in cash flow from operating activities is due primarily to income generated from our newly-acquired and newly-constructed properties. Our net cash flow used in investing activities for the six months ended June 30, 2002 increased \$8.3 million from the six months ended June 30, 2001 due primarily to additional cash outlays of \$23.8 million in connection with purchases of and additions to commercial real estate properties, offset by a \$7.0 million decrease in investments and advances to unconsolidated real estate joint ventures and an \$8.8 million decrease in advances to certain real estate joint ventures. Our increase in net cash flow provided by financing activities for the six months ended June 30, 2002 of \$1.8 million from the six months ended June 30, 2001 includes an \$85.5 million decrease in repayments of mortgage and other loans payable, offset by a \$54.0 million decrease in proceeds from mortgage and other loans payable, a \$14.3 million decrease in proceeds from the issuance of equity instruments and a \$12.3 million decrease in cash flow associated with other liabilities.

FUNDS FROM OPERATIONS

We consider Funds from Operations ("FFO") to be meaningful to investors as a measure of the financial performance of an equity REIT when considered with the financial data presented under generally accepted accounting principles ("GAAP"). Under the National Association of Real Estate Investment Trusts' ("NAREIT") definition, FFO means net income (loss) computed using GAAP, excluding gains (or losses) from debt restructuring and sales of property, plus real estate-related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures, although we have included gains from the sales of properties to the extent such gains related to development services provided. FFO assuming conversion of share options, Preferred Units and Preferred Shares adjusts FFO assuming conversion of securities that are convertible into our Common Shares when such conversion does not increase our diluted FFO per share in a given period. The FFO we present may not be comparable to the FFO of other REITs since they may interpret the current NAREIT definition of FFO differently or they may not use the current NAREIT definition of FFO. FFO is not the same as cash generated from operating activities or net income determined in accordance with GAAP. 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 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. Our FFO for the three and six months ended June 30, 2002 and 2001 are summarized in the following table:

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<Page>

<Table>

<Caption>

(Dollar and shares for this table are in thousands)

	For the three months ended June 30,		For the six months ended June 30,	
	2002	2001	2002	2001
<S>	<C>	<C>	<C>	<C>
Income before minority interests, income taxes, discontinued operations, extraordinary item and cumulative effect of accounting change.....	\$ 7,919	\$ 7,559	\$ 15,062	\$ 13,496
Add: Real estate related depreciation and amortization.....	6,616	4,933	13,218	9,738
Add: Discontinued operations, gross.....	159	63	254	139
Less: Preferred Share dividends.....	(2,534)	(1,613)	(5,067)	(2,494)
Less: Preferred Unit distributions.....	(572)	(572)	(1,144)	(1,144)
Less: Minority interests in other consolidated entities.....	(14)	(58)	(45)	(54)

Less: Gain on sales of real estate, excluding development portion(1).....	--	(416)	(93)	(416)
Income tax benefit (expense), gross	37	(44)	77	78
Funds from operations.....	11,611	9,852	22,262	19,343
Add: Preferred Unit distributions.....	572	572	1,144	1,144
Add: Convertible Preferred Share dividends.....	136	136	272	236
Add: Expense on dilutive share options.....	12	--	26	--
Funds from operations assuming conversion of share options, Preferred Units and Preferred Shares.....	12,331	10,560	23,704	20,723
Less: Straight line rent adjustments.....	(991)	(816)	(1,205)	(1,506)
Less: Recurring capital improvements.....	(1,382)	(1,153)	(3,000)	(2,269)
Adjusted funds from operations assuming conversion of share options, Preferred Units and Preferred Shares.....	\$ 9,958	\$ 8,591	\$ 19,499	\$ 16,948
Weighted average Common Shares.....	22,704	20,077	21,801	20,034
Weighted average Common Units.....	9,391	9,335	9,499	9,361
Weighted average Common Shares/Units.....	32,095	29,412	31,300	29,395
Conversion of share options.....	1,040	334	915	287
Conversion of weighted average Preferred Shares...	1,197	1,197	1,197	1,038
Conversion of weighted average Preferred Units....	2,421	2,421	2,421	2,421
Weighted average Common Shares/Units assuming conversion of share options, Preferred Units and Preferred Shares.....	36,753	33,364	35,833	33,141

</Table>

(1) A portion of the gain from the sales of real estate that is attributable to development services performed on the properties is included in FF0.

INFLATION

We have not been significantly impacted by inflation during the periods presented in this report due mostly to the relatively low inflation rates in our markets. Most of our tenants are obligated to pay their share of a building's operating expenses to the extent such expenses exceed amounts established in their leases, based on historical expense levels. In addition, some of our tenants are obligated to pay their share of all of a building's operating expenses. These arrangements reduce our exposure to increases in such costs resulting from inflation.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to certain market risks, the most predominant of which is change in interest rates. Increases in interest rates can result in increased interest expense under our Revolving Credit Facility and our other mortgage loans payable carrying variable interest rate terms. Increases in interest rates can also result in increased interest expense when our loans payable carrying fixed interest rate terms mature and need to be refinanced. Our debt strategy favors long-term, fixed-rate, secured debt over variable-rate debt to minimize the risk of short-term increases in interest rates. As of June 30, 2002, 61.9% of our mortgage and other loans payable balance carried fixed interest rates. We also use interest rate swap and interest rate cap agreements to reduce the impact of interest rate changes.

The following table sets forth our long-term debt obligations, principal cash flows by scheduled maturity and weighted average interest rates at June 30, 2002 (dollars in thousands):

<Table>
<Caption>

	For the Periods Ended December 31,						Total
	2002(1)	2003(2)	2004(3)	2005	2006	Thereafter	
Long term debt:							
Fixed rate	\$ 3,266	\$ 7,081	\$ 33,163	\$ 23,905	\$ 67,475	\$ 257,016	\$ 391,906
Average interest rate	7.04%	6.86%	6.89%	6.88%	6.75%	6.90%	6.88%
Variable rate	\$ 35,778	\$ 80,014	\$ 125,800	\$ --	\$ --	\$ --	\$ 241,592
Average interest rate	3.59%	3.88%	3.62%	--	--	--	3.75%

</Table>

(1) Includes a \$10.6 million maturity in December that may each be extended for a one-year period, subject to certain conditions.

- (2) Includes a \$10.9 million maturity in April and a \$36.0 million maturity in November, each of which may be extended for a one-year period, subject to certain conditions.
- (3) Includes a \$125.8 million maturity in March and a \$25.8 million maturity in August, each of which may be extended for a one-year period, subject to certain conditions.

The fair market value of our mortgage and other loans payable was \$647.1 million at June 30, 2002.

The following table sets forth information pertaining to our one derivative contract in place as of June 30, 2002:

<Table>
<Caption>

Nature of Derivative	Notional Amount (in millions)	One-Month LIBOR base	Effective Date	Expiration Date	Fair Value on June 30, 2002 (in thousands)
Interest rate swap	\$ 100.0	5.76%	1/2/01	1/2/03	\$ (1,970)

Based on our variable-rate debt balances, our interest expense would have increased by \$684,000 during the six months ended June 30, 2002 if interest rates were 1% higher.

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PART II

ITEM 1. LEGAL PROCEEDINGS

Not applicable

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

a. Not applicable

b. Not applicable

c. During the three months ended June 30, 2002, 329,142 of the Operating Partnership's Common Units were converted to 329,142 Common Shares. The issuance of these Common Shares was exempt from registration under Section 4 (2) of the Securities Act of 1933, as amended.

d. Not applicable

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable

ITEM 5. OTHER INFORMATION

Not applicable

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

<TABLE>
<CAPTION>

EXHIBIT NO.	DESCRIPTION
3.1.1	Amended and Restated Declaration of Trust of Registrant (filed with the Registrant's Registration Statement on Form S-4 (Commission File No. 333-45649) and incorporated herein by reference).
3.1.2	Articles of Amendment of Amended and Restated Declaration of Trust (filed with the Registrant's Annual Report on Form 10-K on March 22, 2002 and incorporated herein by reference).
3.2	Bylaws of Registrant (filed with the Registrant's Registration Statement on Form S-4 (Commission File

No. 333-45649) and incorporated herein by reference).

- 3.3 Articles Supplementary of Corporate Office Properties Trust Series A Convertible Preferred Shares, dated September 28, 1998 (filed with the Registrant's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).
- 3.4 Articles Supplementary of Corporate Office Properties Trust Series B Convertible Preferred Shares, dated July 2, 1999 (filed with the Registrant's Current Report on Form

</TABLE>

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<TABLE>
<CAPTION>

EXHIBIT NO.	DESCRIPTION
	<C> 8-K on July 7, 1999 and incorporated herein by reference).
3.5	Articles Supplementary of Corporate Office Properties Trust Series D Cumulative Convertible Redeemable Preferred Shares, dated January 25, 2001 (filed with the Registrant's Annual Report on Form 10-K on March 22, 2001 and incorporated herein by reference).
3.6	Articles Supplementary of Corporate Office Properties Trust Series E Cumulative Redeemable Preferred Shares, dated April 3, 2001 (filed with the Registrant's Current Report on Form 8-K on April 4, 2001 and incorporated herein by reference).
3.7	Articles Supplementary of Corporate Office Properties Trust Series F Cumulative Redeemable Preferred Shares, dated September 13, 2001 (filed with the Registrant's Current Report on Form 8-K on September 14, 2001 and incorporated herein by reference).
10.1	Corporate Office Properties Trust Supplemental Nonqualified Deferred Compensation Plan (filed with the Registrant's Registration Statement on Form S-8 (Commission File No. 333-87384) and incorporated herein by reference).
99.1	Certification of the Chief Executive Officer under Title 18, Section 1350 of the United States Code, as adopted under Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
99.2	Certification of the Chief Financial Officer under Title 18, Section 1350 of the United States Code, as adopted under Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).

</TABLE>

b. We filed the following Current Reports on Form 8-K in the first quarter of the year ended December 31, 2002:

Report dated April 4, 2002 containing Item 5 disclosure that was filed in connection with Constellation no longer being a shareholder.

Report dated April 24, 2002 containing Item 7 and Item 9 disclosures that were filed in connection with our release of earnings on April 24, 2002. We also through this filing made available certain additional information pertaining to our properties and operations as of and for the period ended March 31, 2002.

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SIGNATURES

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

CORPORATE OFFICE PROPERTIES TRUST

Date: August 13, 2002

By: /s/ Randall M. Griffin

Randall M. Griffin
President and Chief Operating Officer

Date: August 13, 2002

By: /s/ Roger A. Waesche, Jr.

Roger A. Waesche, Jr.
Senior Vice President and Chief
Financial Officer

CORPORATE OFFICE PROPERTIES TRUST

CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER
RELATING TO A PERIODIC REPORT CONTAINING FINANCIAL STATEMENTS

I, Clay W. Hamlin, III, Chief Executive Officer of Corporate Office Properties Trust, a Maryland real estate investment trust (the "Company"), hereby certify that:

(1) The Company's periodic report on Form 10-Q for the period ended June 30, 2002 (the "Form 10-Q") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

* * *

/s/ Clay W. Hamlin, III

Clay W. Hamlin, III
Chief Executive Officer
Date: August 13, 2002

CORPORATE OFFICE PROPERTIES TRUST

CERTIFICATION BY THE CHIEF FINANCIAL OFFICER
RELATING TO A PERIODIC REPORT CONTAINING FINANCIAL STATEMENTS

I, Roger A. Waesche, Jr., Chief Financial Officer of Corporate Office Properties Trust, a Maryland real estate investment trust (the "Company"), hereby certify that:

(1) The Company's periodic report on Form 10-Q for the period ended June 30, 2002 (the "Form 10-Q") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

* * *

/s/ Roger A Waesche, Jr

Roger A. Waesche, Jr.
Chief Financial Officer
Date: August 13, 2002
