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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

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**FORM 8-K**

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**CURRENT REPORT**

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

Date of report (Date of earliest event reported) **October 27, 2004**

**CORPORATE OFFICE PROPERTIES TRUST**

(Exact name of registrant as specified in its charter)

**Maryland**  
(State or other jurisdiction of  
incorporation)

**1-14023**  
(Commission  
File Number)

**23-2947217**  
(IRS Employer  
Identification Number)

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

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2 below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 2.02. Results of Operations and Financial Condition**

In connection with its release of earnings on October 27, 2004, the Registrant is making available certain additional information pertaining to its properties and operations as of and for the period ended September 30, 2004. This information is furnished herewith as Exhibit 99.1 and is incorporated herein by reference.

The information included herein, including the exhibits, shall not be deemed "filed" for any purpose, including the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or subject to liabilities of that Section. The information included herein, including the exhibits, shall also not be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act regardless of any general incorporation language in such filing.

The Registrant uses non-GAAP financial measures in earnings press releases and information furnished to the Securities and Exchange Commission. The Registrant believes that these measures are helpful to investors in measuring its performance and comparing such performance to other real estate investment trusts ("REITs"). Descriptions of these measures are set forth below.

Earnings per diluted share ("diluted EPS"), as adjusted for issuance costs associated with redeemed preferred shares

This measure is defined as diluted EPS adjusted to eliminate an accounting charge for original issuance costs associated with the redemption of preferred shares of beneficial interest ("preferred shares"). The accounting charge pertains to a restructuring of the Company's equity and is not indicative of normal operations. As such, the Registrant believes that a measure that excludes the accounting charge is a useful supplemental measure in evaluating its operating performance. The Registrant believes that diluted EPS is the most comparable GAAP measure to this measure. A material limitation to this measure is that it does not reflect the effect of preferred share redemptions in accordance with GAAP; the Registrant compensates for this limitation by using diluted EPS and then supplementing its evaluation of that measure with the use of the non-GAAP measure.

Funds from operations ("FFO")

Funds from operations ("FFO") is defined as net income computed using GAAP, excluding gains (or losses) from sales of real estate, plus real estate-related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. Gains from sales of newly-developed properties less accumulated depreciation, if any, required under GAAP are included in FFO on the basis that development services are the primary revenue generating activity; the Registrant believes that inclusion of these development gains is in accordance with the National Association of Real Estate Investment Trusts' ("NAREIT") definition of FFO, although others may interpret the definition differently. Additionally, the repurchase of the Series C Preferred Units in the Operating Partnership for an amount in excess of their recorded book value was a transaction not contemplated in the NAREIT definition of FFO; the Registrant believes that the exclusion of such an amount from FFO is appropriate.

Accounting for real estate assets using historical cost accounting under GAAP assumes that the value of real estate assets diminishes predictably over time. NAREIT stated in its April 2002 White Paper on Funds from Operations that "since real estate asset values have historically risen or fallen with market conditions, many industry investors

operating results for real estate companies that use historical cost accounting to be insufficient by themselves.” As a result, the concept of FFO was created by NAREIT for the REIT industry to “address this problem.” The Registrant agrees with the concept of FFO and believes that FFO is useful to management and investors as a supplemental measure of operating performance because, by excluding gains and losses related to sales of previously depreciated operating real estate properties and excluding real estate-related depreciation and amortization, FFO can help one compare the Registrant’s operating performance between periods. In addition, since most equity REITs provide FFO information to the investment community, the Registrant believes that FFO is useful to investors as a supplemental measure for comparing its results to those of other equity REITs. The Registrant believes that net income is the most directly comparable GAAP measure to FFO.

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

#### Basic funds from operations (“Basic FFO”)

Basic FFO is FFO adjusted to (1) subtract preferred share dividends and (2) add back GAAP net income allocated to common units in Corporate Office Properties, L.P. (the “Operating Partnership”) not owned by the Registrant. With these adjustments, Basic FFO represents FFO available to common shareholders and common unitholders. Common units in the Operating Partnership are substantially similar to common shares of beneficial interest in the Registrant (“common shares”); common units in the Operating Partnership are also exchangeable into common shares, subject to certain conditions. The Registrant believes that Basic FFO is useful to management and investors due to the close correlation of common units to common shares. The Registrant believes that net income is the most directly comparable GAAP measure to Basic FFO. Basic FFO has essentially the same limitations as FFO; management compensates for these limitations in essentially the same manner as described above for FFO.

#### Diluted funds from operations per share (“Diluted FFO per share”)

Diluted FFO per share is (1) Basic FFO adjusted to add back any convertible preferred share dividends and any other changes in Basic FFO that would result from the assumed conversion of securities that are convertible or exchangeable into common shares divided by (2) the sum of the (a) weighted average common shares outstanding during a period, (b) weighted average common units outstanding during a period and (c) weighted average number of potential additional common shares that would have been outstanding during a period if other securities that are convertible or exchangeable into common shares were converted or exchanged. However, the computation of Diluted FFO per share does not assume conversion of securities that are convertible into common shares if the conversion of those securities would increase Diluted FFO per share in a given period. The Registrant believes that Diluted FFO per share is useful to investors because it provides investors with a further context for evaluating its FFO results in the same manner that investors use earnings per share in evaluating net income available to common shareholders. In addition, since most equity REITs provide Diluted FFO per share information to the investment community, the Registrant believes Diluted FFO per share is a

useful supplemental measure for comparing the Registrant to other equity REITs. The Registrant believes that diluted EPS is the most directly comparable GAAP measure to Diluted FFO per share. Diluted FFO per share has most of the same limitations as Diluted FFO (described below); management compensates for these limitations in essentially the same manner as described below for Diluted FFO.

#### Diluted funds from operations (“Diluted FFO”)

Diluted FFO is Basic FFO adjusted to add back any convertible preferred share dividends and any other changes in Basic FFO that would result from the assumed conversion of securities that are convertible or exchangeable into common shares. However, the computation of Diluted FFO does not assume conversion of securities that are convertible into common shares if the conversion of those securities would increase Diluted FFO per share in a given period. The Registrant believes that Diluted FFO is useful to management and investors because it is the numerator used to compute Diluted FFO per share, a supplementary measure used by most equity REITs. In addition, since most equity REITs provide Diluted FFO information to the investment community, the Registrant believes Diluted FFO is a useful supplemental measure for comparing the Registrant to other equity REITs. The Registrant believes that the numerator to diluted EPS is the most directly comparable GAAP measure to Diluted FFO. Since Diluted FFO excludes certain items includable in the numerator to diluted EPS, reliance on the measure has limitations; management compensates for these limitations by using the measure simply as a supplemental measure that is weighed in the balance with other GAAP and non-GAAP measures. Diluted FFO is not necessarily an indication of the Registrant’s cash flow available to fund cash needs. Additionally, it should not be used as an alternative to net income when evaluating the Registrant’s financial performance or to cash flow from operating, investing and financing activities when evaluating the Registrant’s liquidity or ability to make cash distributions or pay debt service. The Diluted FFO presented by the Registrant may not be comparable to the Diluted FFO presented by other REITs.

#### Diluted FFO excluding SFAS 141

Diluted FFO excluding SFAS 141 is Diluted FFO adjusted to eliminate the amortization of the value assigned to in-place operating leases of acquired properties in connection with Statement of Financial Accounting Standards No. 141, “Business Combinations” (the “SFAS 141 revenue”). The Registrant believes that Diluted FFO excluding SFAS 141 is useful to management and investors in further evaluating its Diluted FFO since the amortization to revenue recorded in connection with SFAS 141 does not have a cash component. The Registrant believes that the numerator to diluted EPS is the most directly comparable GAAP measure to this non-GAAP measure. Diluted FFO excluding SFAS 141 has essentially the same limitations as Diluted FFO as well as the further limitation of not including the SFAS 141 revenue in accordance with GAAP. Management compensates for these limitations in essentially the same manner as described above for Diluted FFO.

#### Diluted FFO, as adjusted for issuance costs associated with redeemed preferred shares

Diluted FFO, as adjusted for issuance costs associated with redeemed preferred shares is Diluted FFO adjusted to eliminate an accounting charge for original issuance costs associated with the redemption of preferred shares of beneficial interest. The accounting charge pertains to a restructuring of the Company’s equity and is not indicative of normal operations. As such, the Registrant believes that a measure that excludes the accounting charge is a useful supplemental measure in evaluating its operating performance. The Registrant believes that the numerator to diluted EPS is the most directly comparable GAAP measure to this non-GAAP measure. Diluted FFO, as adjusted for issuance costs associated with redeemed preferred shares has essentially the same limitations as Diluted FFO as well as the further limitation of not reflecting the effect of the preferred share redemption in accordance with GAAP; management compensates for these limitations in essentially the same manner as described above for Diluted FFO.

#### Diluted adjusted funds from operations (“Diluted AFFO”)

Diluted AFFO is Diluted FFO adjusted for the following: (1) the elimination of the effect of (a) noncash rental revenues (comprised of straight-line rental adjustments and SFAS 141 revenue and (b) accounting charges for original issuance costs associated with redeemed preferred shares; and (2) recurring capital improvements (defined below). The Registrant believes that Diluted AFFO is an important supplemental measure of liquidity for an equity REIT because it provides management and investors with an

indication of its ability to incur and service debt and to fund dividends and other cash needs. In addition, since most equity REITs provide Diluted AFFO information to the investment community, the Registrant believes Diluted AFFO is a useful supplemental measure for comparing the Registrant to other equity REITs. The Registrant believes that the numerator to diluted EPS is the most directly comparable GAAP measure to Diluted AFFO. Since Diluted AFFO excludes certain items includable in the numerator to diluted EPS, reliance on the measure has limitations; management compensates for these limitations by using the measure simply as a supplemental measure that is weighed in the balance with other GAAP and non-GAAP measures. In addition, see the discussion below regarding the limitations of recurring capital improvements, which is used to derive Diluted AFFO. Diluted AFFO is not necessarily an indication of the Registrant's cash flow available to fund cash needs. Additionally, it should not be used as an alternative to net income when evaluating the Registrant's financial performance or to cash flow from operating, investing and financing activities when evaluating the Registrant's liquidity or ability to make cash distributions or pay debt service. The Diluted AFFO presented by the Registrant may not be comparable to similar measures presented by other equity REITs.

#### Recurring capital improvements

Recurring capital improvements are defined as capital improvements, tenant improvements and leasing costs associated with operating properties that are not (1) items contemplated prior to the acquisition of a property, (2) improvements associated with the expansion of a building or its improvements, (3) renovations to a building which change the underlying classification of the building (for example, from industrial to office or Class C office to Class B office) or (4) capital improvements that represent the addition of something new to the property rather than the replacement of something (for example, the addition of a new heating and air conditioning unit that is not replacing one that was previously there). The Registrant believes that recurring capital improvements is an important measure of performance for a REIT because it provides a measure of the capital improvements that the Registrant can expect to incur on an ongoing basis, which is significant to how the Registrant manages its business since these improvements are funded using cash flow from operations. As a result, the measure provides a further indication of the cash flow from operations that was available to fund other uses. The Registrant believes that tenant improvements, capital improvements and leasing costs associated with operating properties are the most directly comparable GAAP measures. Recurring capital improvements does not reflect all capital expenditures incurred by the Registrant for the periods reported; the Registrant compensates for this limitation by also using the comparable GAAP measure. The recurring capital improvements presented by the Registrant may not be comparable to the recurring capital improvements presented by other REITs.

#### Combined real estate revenue

Combined real estate revenue is total revenue from real estate operations, including rental

5

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revenue and tenant recoveries and other revenue, including discontinued operations. The Registrant uses this measure to evaluate the revenue produced by its real estate properties, including those reported in discontinued operations. The Registrant believes that total revenue is the most directly comparable GAAP measure to combined real estate revenue. Combined real estate revenue excludes other types of revenue earned by the Registrant, including construction contract and other service operations revenues. The measure also includes discontinued operations and, by doing so, does not reflect the overall operating performance of the Registrant's continuing operations. Management compensates for these limitations by evaluating this measure in conjunction with the most directly comparable GAAP measure and other operating statistics involving revenue.

#### Combined net operating income ("Combined NOI")

Combined NOI is combined real estate revenue reduced by total property expenses associated with real estate operations, including discontinued operations; total property expenses, as used in this definition, do not include depreciation, amortization or interest expense associated with real estate operations. The Registrant believes that Combined NOI is an important supplemental measure of operating performance for a REIT's operating real estate because it provides a measure of the core real estate operations, rather than factoring in depreciation and amortization or corporate financing and general and administrative expenses; this measure is particularly useful in the opinion of the Registrant in evaluating the performance of geographic segments, same-office property groupings and individual properties. The Registrant believes that net income is the most directly comparable GAAP measure to Combined NOI. The measure excludes many items that are includable in net income; management compensates for this limitation by using the measure simply as a supplemental measure that is weighed in the balance with other GAAP and non-GAAP measures. It should not be used as an alternative to net income when evaluating the Registrant's financial performance or to cash flow from operating, investing and financing activities when evaluating the Registrant's liquidity or ability to make cash distributions or pay debt service. Combined NOI presented by the Registrant may not be comparable to Combined NOI presented by other equity REITs that define the measure differently.

#### Cash net operating income ("Cash NOI")

Cash NOI is Combined NOI (defined above) adjusted to eliminate the effects of noncash rental revenues (comprised of straight-line rental adjustments and SFAS 141 revenue). Under GAAP, rental revenue is recognized evenly over the term of tenant leases. Many leases provide for contractual rent increases and the effect of accounting under GAAP for such leases is to accelerate the recognition of lease revenue. Since some leases provide for periods under the lease in which rental concessions are provided to tenants, the effect of accounting under GAAP is to allocate rental revenue to such periods. Under SFAS 141, when a property is acquired, in-place operating leases carrying rents above or below market are valued as of the date of the acquisition; such value is then amortized into rental revenue over the lives of the related leases. The Registrant believes that Cash NOI is an important supplemental measure of operating performance for a REIT's operating real estate because it makes adjustments to Combined NOI for revenue that is not associated with cash to the Registrant. As is the case with Combined NOI, the measure is useful in the opinion of the Registrant in evaluating and comparing the performance of geographic segments, same-office property groupings and individual properties, although, since it adjusts for noncash items, it provides management and investors with a further indication of the Registrant's ability to incur and service debt and to fund dividends and other cash needs. The Registrant believes that net income is the most directly comparable GAAP measure to Cash NOI. The measure excludes many items that are includable in net income;

6

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management compensates for this limitation by using the measure simply as a supplemental measure that is weighed in the balance with other GAAP and non-GAAP measures. It should not be used as an alternative to net income when evaluating the Registrant's financial performance or to cash flow from operating, investing and financing activities when evaluating the Registrant's liquidity or ability to make cash distributions or pay debt service. The Cash NOI that the Registrant presents may not be comparable to similar measures presented by other equity REITs.

#### Earnings Before Interest, Income Taxes, Depreciation and Amortization ("EBITDA")

EBITDA is net income adjusted for the effects of interest expense, depreciation and amortization, income taxes and minority interests. The Registrant believes that EBITDA is an important measure of performance for a REIT because it provides a further tool to evaluate the Registrant's ability to incur and service debt and to fund dividends and other cash needs that supplements the previously described non-GAAP measures and to compare the Registrant's operating performance with that of other companies. The Registrant believes that net income is the most directly comparable GAAP measure to EBITDA. EBITDA excludes items that are included in net income, including some that require cash outlays; management compensates for this limitation by using the measure simply as a supplemental measure that is weighed in the balance with other GAAP and non-GAAP measures. It should not be used as an alternative to net income when evaluating the Registrant's financial performance or to cash flow from operating, investing and financing activities when evaluating the Registrant's liquidity or ability to make cash distributions or pay debt service. Additionally, EBITDA as reported by the Registrant may not be comparable to EBITDA reported by other equity REITs.

#### Interest Coverage-Combined NOI and Interest Coverage-EBITDA

Interest Coverage-Combined NOI and Interest Coverage-EBITDA divide either combined NOI or EBITDA by interest expense on continuing and discontinued operations. The Registrant believes that these ratios are useful measures in evaluating the relationship of earnings to the total cash flow requirements for interest on loans associated with operating properties and, as such, are important tools in the Registrant's finance policy management.



Title: President and Chief Operating Officer

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

Name: Roger A. Waesche, Jr.

Title: Executive Vice President and  
Chief Financial Officer

Supplemental Information  
(Unaudited)

September 30, 2004



**CORPORATE  
OFFICE  
PROPERTIES**

Corporate Office Properties Trust  
Index to Supplemental Information (Unaudited)  
September 30, 2004

**Highlights and Discussion**

<a href="#">Reporting Period Highlights – Third Quarter 2004</a>	<a href="#">1</a>
<a href="#">Forward-Looking Statements</a>	<a href="#">3</a>

**Financial Statements**

<a href="#">Quarterly Selected Financial Summary Data</a>	<a href="#">4</a>
<a href="#">Quarterly Consolidated Balance Sheets</a>	<a href="#">5</a>
<a href="#">Quarterly Consolidated Statements of Operations</a>	<a href="#">6</a>
<a href="#">Quarterly Consolidated Reconciliations of Funds From Operations (FFO), Adjusted Funds From Operations (AFFO) and Earnings per diluted share, as adjusted</a>	<a href="#">7</a>
<a href="#">Quarterly Consolidated Reconciliations of Earnings Before Interest, Income Taxes, Depreciation and Amortization (EBITDA), Combined Net Operating Income (NOI), Discontinued Operations and Gains on Sales of Real Estate</a>	<a href="#">8</a>

**Selected Financial Analyses**

<a href="#">Quarterly Equity Analysis</a>	<a href="#">9</a>
<a href="#">Quarterly Debt Analysis</a>	<a href="#">10</a>
<a href="#">Quarterly Operating Ratios</a>	<a href="#">11</a>
<a href="#">Quarterly Dividend Analysis</a>	<a href="#">12</a>
<a href="#">Investor Composition and Analyst Coverage</a>	<a href="#">13</a>
<a href="#">Debt Maturity Schedule – September 30, 2004</a>	<a href="#">14</a>

**Portfolio Summary**

<a href="#">Property Summary by Region – September 30, 2004</a>	<a href="#">15</a>
<a href="#">Property Occupancy Rates by Region by Quarter</a>	<a href="#">19</a>
<a href="#">Top Twenty Office Tenants as of September 30, 2004</a>	<a href="#">20</a>
<a href="#">Combined Real Estate Revenue and Combined Net Operating Income by Geographic Region by Quarter</a>	<a href="#">21</a>
<a href="#">Same Office Property Cash and GAAP Net Operating Income by Quarter</a>	<a href="#">22</a>
<a href="#">Average Occupancy Rates by Region for Same Office Properties</a>	<a href="#">23</a>
<a href="#">Office Lease Expiration Analysis by Year</a>	<a href="#">24</a>
<a href="#">Quarterly Office Renewal Analysis</a>	<a href="#">25</a>
<a href="#">Year-to-date Acquisition Summary as of September 30, 2004</a>	<a href="#">27</a>
<a href="#">Development Summary as of September 30, 2004</a>	<a href="#">28</a>
<a href="#">Year to Date Development Placed Into Service as of September 30, 2004</a>	<a href="#">29</a>
<a href="#">Land Inventory as of September 30, 2004</a>	<a href="#">30</a>
<a href="#">Joint Venture Summary as of September 30, 2004</a>	<a href="#">31</a>
<a href="#">Reconciliations of Non GAAP Measurements</a>	<a href="#">32</a>

**To Members of the Investment Community:**

We prepared this supplemental information package to provide you with additional detail on our properties and operations. The information in this package is unaudited, furnished to the Securities and Exchange Commission (“SEC”) and should be read in conjunction with our quarterly and annual reports. If you have any questions or comments, please contact Ms. Mary Ellen Fowler, Vice President, Finance and Investor Relations at (410) 992-7324 or maryellen.fowler@copt.com. Reconciliations between GAAP and non-GAAP measurements have been provided on pages 32 through 33. Refer to our Form 8k for definitions of certain terms used herein.

**Reporting Period Highlights – Third Quarter 2004**

**Financial Results**

- Reported Net Income Available to Common Shareholders of \$4,153,000 or \$.12 per diluted share for the third quarter of 2004 as compared to \$5,425,000 or \$.18 per diluted share for the comparable 2003 period. Included in our net income available to common shareholders is recognition of an accounting charge of \$1.8 million associated with the write-off of initial offering costs associated with the redemption of the Series B preferred shares. Without this accounting charge, our net income available to common shareholders – diluted, as adjusted, would have been \$.17 per share, representing a decrease of (5.6)% over the comparable 2003 period.
- Reported FFO – diluted of \$17,368,000 or \$.39 per share/unit for the third quarter of 2004 as compared to \$16,725,000 or \$.41 per share/unit for the comparable 2003 period, representing a decrease of (4.9)% per share/unit. Included in our FFO – diluted is recognition of the same \$1.8 million accounting charge associated with the Series B preferred share redemption. Without this accounting charge, our FFO – diluted, as adjusted, would have been \$.43 per share, representing an increase of 4.9%.

- Recorded SFAS 141 accretion of intangible assets and liabilities classified as revenues of \$224,000 and \$347,000 in the third quarter of 2004 and 2003, respectively, which increased FFO.
- Reported AFFO – diluted of \$11,759,000 for the third quarter of 2004 as compared to \$11,963,000 for the comparable 2003 period, representing a decrease of (1.7)%.
- Our FFO payout ratio was 65.9% for the third quarter of 2004 as compared to 53.9% for the comparable 2003 period. Our AFFO payout ratio was 97.3% for the third quarter of 2004 as compared to 75.4% for the comparable 2003 period.

#### Financing Activity and Capital Transactions

- On July 15, 2004, we redeemed all of our 10.0% Series B Cumulative Redeemable Preferred Shares at a price of \$25.00 per share.
- On August 27, 2004, we closed a \$115.0 million, 5.47% fixed rate mortgage, collateralized by three Northern Virginia properties and utilized the proceeds to retire a \$43.6 million mortgage secured by one of the properties, bearing interest at LIBOR rate plus 1.85%. The remaining loan proceeds were used to repay borrowings under our unsecured revolving credit facility and for general corporate purposes.
- Increased our quarterly dividend 8.5% from \$.235 to \$.255 per share.

1

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- On September 23, 2004, we issued 2,283,600 common shares, generating proceeds of \$57.3 million, or \$25.10 per share. The proceeds were used to pay down our unsecured revolving credit facility.
- On September 28, 2004, we closed a \$63.0 million construction facility and initially borrowed \$8.3 million. This facility matures in September 2007, unless a one-year extension option is exercised. This facility will be used to fund construction costs associated with 318 Carina Road, 2691 Technology Drive and 304 Carina Road (known as 318 NBP, 191 NBP and 304 NBP, respectively).
- As of September 30, 2004, our debt to market capitalization was 41.5% and our debt to undepreciated book value of real estate assets was 56.2%. We achieved an EBITDA interest coverage ratio of 3.2x and an EBITDA fixed charge coverage ratio of 2.4x for this quarter.

#### Acquisitions / Dispositions

- On September 23, 2004, we acquired two office buildings containing 440,102 rentable square feet for \$112.5 million in McLean, Virginia. We funded this purchase by assuming a \$64.4 million, 5.2% fixed rate mortgage scheduled to mature in October 2013. Additionally, we issued 352,000 Series I convertible preferred units at \$25.00 per unit for a total of \$8.8 million in consideration. Finally, we closed a \$34.5 million secured term loan facility and used cash reserves to fund the remaining purchase price. This purchase marks our entrance into the Tysons Corner submarket.
- On September 29, 2004, we acquired an office building containing 114,126 square feet for \$21.7 million in Chantilly, Virginia. We assumed a \$9.9 million, 7.94% fixed rate mortgage scheduled to mature in September 2025 and funded the remaining purchase price from cash reserves. Accordingly, we have expanded our Northern Virginia presence to 12 properties containing 2.2 million rentable square feet.

#### Joint Venture / Development

- In September 2004, we acquired for \$4.9 million, the remaining joint venture interest in the property located at 2720 Technology Drive (known as 220 NBP). This former development property was placed into service upon rent commencement in September 2004. The entire building is leased to The Titan Corporation for a ten-year term.
- Executed a lease with Northrop Grumman Systems Corporation for all 103,683 rentable square feet of 2691 Technology Drive (known as 191 NBP). This building is under construction with an anticipated occupancy in the third quarter of 2005.
- Executed a lease with Booz Allen Hamilton Inc. for all 162,498 rentable square feet of 304 Carina Road (known as 304 NBP). This building is under construction with an anticipated occupancy in the first quarter of 2006.
- Acquired 14.0 acres of land located in Columbia Gateway Business Park for \$6.3 million. The purchase was funded with \$1.1 million in cash and a \$5.0 million loan from the seller. This non-interest bearing loan is repayable in \$2.5 million installments due in December 2004 and in March 2005.

#### Operations

- Overall occupancy was 93.0% and our portfolio was 94.9% leased as of September 30, 2004.
- Our same property cash NOI decreased slightly by (1.0)% or \$(267,000) as compared to the quarter ended September 30, 2003. This drop in cash NOI in our same office portfolio primarily relates to \$1.1 million increase in repairs and maintenance costs offset by higher rental income of \$1.0 million. Our same property portfolio consists of 111 properties and represents 79.5% of our total square feet owned as of September 30, 2004.

2

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- Weighted average lease term of our office portfolio is 4.9 years as of September 30, 2004, with an average contractual rental rate (including tenant reimbursements of operating costs) of \$20.28 per square foot.
- We renewed 198,318 square feet or 77.3% of our expiring office leases (based upon square footage) with an average capital cost of \$2.52 per square foot during the third quarter. For our renewed and retented space of 403,810 square feet, we realized changes in base rent and total rent, on a straight-line basis, of 9.5% and 6.4%, respectively, as measured from the GAAP straight-line rent, in effect preceding the renewal date. We incurred an average capital cost of \$10.15 per square foot for our renewed and retented space in the third quarter.

#### Forward-Looking Statements

This supplemental information contains “forward-looking” statements, as defined in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, that are based on our current expectations, estimates and projections about future events and financial trends affecting us. Forward-looking statements can be identified by the use of words such as “may”, “will”, “should”, “expect”, “estimate” or other comparable terminology. Forward-looking statements are inherently subject to risks and uncertainties, many of which we cannot predict with accuracy and some of which we might not even anticipate. Accordingly, we can give no assurance that these expectations, estimates and projections will be achieved. Future events and actual results may differ materially from those discussed in the forward-looking statements.

Important factors that may affect these expectations, estimates, and 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;
- risk of real estate acquisition and development, including, among other things, risks that development projects may not be completed on schedule, that tenants may not take occupancy or pay rent or that development or operating costs may be greater than anticipated;
- risks of investing through joint venture structures, including risks that our joint venture partners may not fulfill their financial obligations as investors or may take actions that are inconsistent with our objectives;
- governmental actions and initiatives; and
- environmental requirements.

We undertake no obligation to update or supplement any forward-looking statements. For further information, please refer to our filings with the Securities and Exchange Commission, particularly the section entitled "Risk Factors" in Item 1 of our Annual Report on Form 10-K for the year ended December 31, 2003.

3

**Quarterly Selected Financial Summary Data**  
(Dollars in thousands)

	2004			2003	
	September 30	June 30	March 31	December 31	September 30
Revenues from Real Estate Operations	\$ 53,097	\$ 53,892	\$ 48,971	\$ 46,579	\$ 45,448
Total Revenues	60,822	60,251	56,829	51,856	65,252
Combined Net Operating Income	36,899	39,245	33,932	32,710	32,384
EBITDA	34,713	37,020	32,078	30,711	31,312
Net Income	9,750	8,843	8,993	8,070	8,582
Preferred Share dividends	(3,784)	(4,435)	(4,456)	(3,779)	(3,157)
Issuance costs associated with redeemed preferred shares	(1,813)	—	—	—	—
<b>Net Income (Loss) Available to Common Shareholders</b>	<b>\$ 4,153</b>	<b>\$ 4,408</b>	<b>\$ 4,537</b>	<b>\$ 4,291</b>	<b>\$ 5,425</b>
<b>Earnings per diluted share</b>	<b>\$ 0.12</b>	<b>\$ 0.13</b>	<b>\$ 0.14</b>	<b>\$ 0.14</b>	<b>\$ 0.18</b>
<b>Earnings per diluted share, as adjusted for issuance costs associated with redeemed preferred shares</b>	<b>\$ 0.17</b>	<b>\$ 0.13</b>	<b>\$ 0.14</b>	<b>\$ 0.14</b>	<b>\$ 0.18</b>
Funds From Operations (FFO) - Diluted	\$ 17,368	\$ 21,410	\$ 16,307	\$ 16,187	\$ 16,725
<b>FFO per diluted share</b>	<b>\$ 0.39</b>	<b>\$ 0.50</b>	<b>\$ 0.40</b>	<b>\$ 0.40</b>	<b>\$ 0.41</b>
<b>FFO per diluted share, as adjusted for issuance costs associated with redeemed preferred shares</b>	<b>\$ 0.43</b>	<b>\$ 0.50</b>	<b>\$ 0.40</b>	<b>\$ 0.40</b>	<b>\$ 0.41</b>
FFO - Diluted, excluding SFAS 141	\$ 17,144	\$ 21,137	\$ 15,998	\$ 15,835	\$ 16,378
<b>FFO per diluted share, excluding SFAS 141</b>	<b>\$ 0.39</b>	<b>\$ 0.49</b>	<b>\$ 0.39</b>	<b>\$ 0.39</b>	<b>\$ 0.41</b>
Adjusted FFO - Diluted	\$ 11,759	\$ 13,956	\$ 12,209	\$ 11,060	\$ 11,963
Payout Ratios:					
<b>Earnings Payout</b>	<b>222.37%</b>	<b>178.71%</b>	<b>158.21%</b>	<b>158.63%</b>	<b>125.31%</b>
<b>FFO - Diluted (A)</b>	<b>65.85%</b>	<b>46.40%</b>	<b>56.87%</b>	<b>55.77%</b>	<b>53.93%</b>
<b>AFFO - Diluted (B)</b>	<b>97.26%</b>	<b>71.19%</b>	<b>75.95%</b>	<b>81.62%</b>	<b>75.39%</b>
<b>Total Dividends/Distributions</b>	<b>\$ 15,235</b>	<b>\$ 14,370</b>	<b>\$ 13,708</b>	<b>\$ 12,670</b>	<b>\$ 12,040</b>

(A) Computed by dividing total dividends/distributions (except for dividends on Series B, E, F, G and H Cumulative Redeemable Preferred Shares which are deducted to calculate FFO) by FFO diluted.

(B) Computed by dividing total dividends/distributions (except for dividends on Series B, E, F, G and H Cumulative Redeemable Preferred Shares which are deducted to calculate AFFO) by AFFO diluted.

Note: The above presentation does not separately report discontinued operations.

4

**Quarterly Consolidated Balance Sheets**  
(Dollars in thousands except per share data)

	2004			2003	
	September 30	June 30	March 31	December 31	September 30
<b>Assets</b>					
Investment in real estate:					
Land - operational	\$ 260,197	\$ 236,026	\$ 229,558	\$ 216,703	\$ 208,380



Land - development	75,925	70,407	59,231	53,356	43,482
Construction in progress	49,371	51,365	35,387	13,793	9,474
Buildings and improvements	1,231,518	1,091,865	1,071,701	1,003,214	981,347
Investment in and advances to unconsolidated real estate joint ventures	1,094	1,055	1,059	5,262	9,576
Less: accumulated depreciation	(131,018)	(121,630)	(110,155)	(103,070)	(96,538)
<b>Net investment in real estate</b>	<b>1,487,087</b>	<b>1,329,088</b>	<b>1,286,781</b>	<b>1,189,258</b>	<b>1,155,721</b>
Cash and cash equivalents	6,812	12,202	9,536	9,481	13,372
Restricted cash	10,760	12,137	13,528	11,030	7,878
Accounts receivable, net	10,278	16,012	9,708	13,047	7,049
Investment in and advances to other unconsolidated entities	1,621	1,621	1,621	1,621	1,621
Deferred rent receivable	23,383	20,857	18,673	17,903	16,728
Deferred charges, net	26,407	24,006	19,551	17,723	17,487
Intangible assets on real estate acquisitions, net	67,083	53,874	55,577	55,692	57,371
Prepaid and other assets	14,703	18,380	14,719	14,311	21,237
Furniture, fixtures and equipment, net of accumulated depreciation	2,579	2,512	2,316	2,010	2,006
<b>Total assets</b>	<b>\$ 1,650,713</b>	<b>\$ 1,490,689</b>	<b>\$ 1,432,010</b>	<b>\$ 1,332,076</b>	<b>\$ 1,300,470</b>

#### Liabilities and shareholders' equity

<b>Liabilities:</b>					
Mortgage and other loans payable	\$ 947,332	\$ 820,344	\$ 829,755	\$ 738,698	\$ 759,298
Accounts payable and accrued expenses	41,155	37,523	29,217	23,126	15,450
Rents received in advance and security deposits	11,519	11,950	11,842	10,112	11,503
Deferred revenue associated with acquired operating leases	7,670	8,335	8,734	9,630	10,291
Dividends/distributions payable	14,533	13,668	12,991	12,098	11,637
Fair value of derivatives	45	106	429	467	726
Other liabilities	7,115	7,105	3,184	7,768	7,114
<b>Total liabilities</b>	<b>1,029,369</b>	<b>899,031</b>	<b>896,152</b>	<b>801,899</b>	<b>816,019</b>

#### Minority interests:

Preferred Units in the Operating Partnership	8,800	—	—	—	—
Common Units in the Operating Partnership	90,029	84,844	79,245	79,796	80,411
Other consolidated real estate joint ventures	1,594	5,602	5,498	—	—
<b>Total minority interests</b>	<b>100,423</b>	<b>90,446</b>	<b>84,743</b>	<b>79,796</b>	<b>80,411</b>

#### Commitments and contingencies

	—	—	—	—	—
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#### Shareholders' equity:

Preferred Shares (\$0.01 par value; 15,000,000 authorized);					
1,725,000 designated as Series B Cumulative Redeemable Preferred Shares of beneficial interest (no shares issued as of September 30, 2004)	—	13	13	13	13
544,000 designated as Series D Cumulative Convertible Redeemable Preferred Shares of beneficial interest (no shares issued as of September 30, 2004)	—	—	—	5	5
1,265,000 designated as Series E Cumulative Redeemable Preferred Shares of beneficial interest (1,150,000 shares issued as of September 30, 2004)	11	11	11	11	11
1,425,000 designated as Series F Cumulative Redeemable Preferred Shares of beneficial interest (1,425,000 shares issued as of September 30, 2004)	14	14	14	14	14
2,200,000 designated as Series G Cumulative Redeemable Preferred Shares of beneficial interest (2,200,000 shares issued as of September 30, 2004)	22	22	22	22	22
2,000,000 designated as Series H Cumulative Redeemable Preferred Shares of beneficial interest (2,000,000 shares issued as of September 30, 2004)	20	20	20	20	—
Common Shares of beneficial interest (\$0.01 par value; 45,000,000 authorized, 36,801,533 shares issued as of September 30, 2004)	368	341	312	296	296
Treasury Shares, at cost (166,600 shares as of September 30, 2004)	(1,415)	(1,415)	(1,415)	(1,415)	(1,415)
Additional paid-in capital	575,180	552,341	499,132	494,299	445,717
Cumulative distributions in excess of net income	(47,862)	(44,593)	(41,123)	(38,483)	(35,968)
Value of unearned restricted common share grants	(5,381)	(5,459)	(5,543)	(4,107)	(4,107)
Accumulated other comprehensive loss	(36)	(83)	(328)	(294)	(548)
<b>Total shareholders' equity</b>	<b>520,921</b>	<b>501,212</b>	<b>451,115</b>	<b>450,381</b>	<b>404,040</b>
<b>Total shareholders' equity and minority interests</b>	<b>621,344</b>	<b>591,658</b>	<b>535,858</b>	<b>530,177</b>	<b>484,451</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 1,650,713</b>	<b>\$ 1,490,689</b>	<b>\$ 1,432,010</b>	<b>\$ 1,332,076</b>	<b>\$ 1,300,470</b>

**Quarterly Consolidated Statements of Operations**  
(Dollars and units in thousands)

	2004			2003	
	September 30	June 30	March 31	December 31	September 30
<b>Revenues</b>					
Rental revenue	\$ 47,491	\$ 49,038	\$ 43,194	\$ 40,127	\$ 40,210
Tenant recoveries and other revenue	5,606	4,854	5,777	6,452	5,238
Construction contract revenues	6,766	5,233	6,137	4,643	19,008
Other service operations revenues	959	1,126	1,721	634	795
<b>Total Revenues</b>	<b>60,822</b>	<b>60,251</b>	<b>56,829</b>	<b>51,856</b>	<b>65,251</b>
<b>Expenses</b>					
Property operating	16,197	14,647	15,039	13,869	13,075
Depreciation and amortization	11,802	15,884	10,359	10,387	9,462
Construction contract expenses	6,483	4,979	5,818	4,384	18,034
Other service operations expenses	754	1,142	1,298	666	1,027
General and administrative expenses	2,698	2,487	2,286	2,242	1,937
<b>Total operating expenses</b>	<b>37,934</b>	<b>39,139</b>	<b>34,800</b>	<b>31,548</b>	<b>43,535</b>
Operating Income	22,888	21,112	22,029	20,308	21,716
Interest expense	(10,839)	(10,514)	(10,262)	(10,471)	(10,436)
Amortization of deferred financing costs	(577)	(500)	(859)	(811)	(773)
<b>Income from continuing operations before gain on sales of real estate, equity in (loss)/income of unconsolidated entities, income taxes and minority interests</b>	<b>11,472</b>	<b>10,098</b>	<b>10,908</b>	<b>9,026</b>	<b>10,507</b>
Gain/(loss) on sales of real estate, excluding discontinued operations	24	24	(222)	24	23
Equity in (loss)/income of unconsolidated entities	—	—	(88)	(7)	95
Income tax (expense)/benefit	(145)	(30)	(200)	406	(297)
Income from continuing operations before minority interests	11,351	10,092	10,398	9,449	10,328
Minority interest in income from continuing operations of consolidated subsidiaries					
Common units in the Operating Partnership	(1,595)	(1,241)	(1,405)	(1,378)	(1,757)
Preferred units in the Operating Partnership	(14)	—	—	—	—
Other consolidated entities	8	(8)	—	—	—
Income from continuing operations	9,750	8,843	8,993	8,071	8,571
Income from discontinued operations, net of minority interests	—	—	—	(1)	11
<b>Net Income</b>	<b>9,750</b>	<b>8,843</b>	<b>8,993</b>	<b>8,070</b>	<b>8,582</b>
Preferred share dividends	(3,784)	(4,435)	(4,456)	(3,779)	(3,157)
Issuance costs associated with redeemed preferred shares	(1,813)	—	—	—	—
<b>Net Income Available to Common Shareholders</b>	<b>\$ 4,153</b>	<b>\$ 4,408</b>	<b>\$ 4,537</b>	<b>\$ 4,291</b>	<b>\$ 5,425</b>
<b>For EPS Computations:</b>					
<b>Numerator:</b>					
Net Income Available to Common Shareholders	\$ 4,153	\$ 4,408	\$ 4,537	\$ 4,291	\$ 5,425
Dividends on convertible preferred shares	—	—	21	136	136
Numerator for Dilutive EPS Computation	\$ 4,153	\$ 4,408	\$ 4,558	\$ 4,427	\$ 5,561
<b>Denominator:</b>					
Weighted Average Common Shares - Basic	33,797	32,743	29,814	28,951	28,832
Dilutive options	1,655	1,639	1,749	1,658	1,480
Preferred shares outstanding assuming conversion	—	—	539	1,197	1,197
Weighted Average Common Shares - Diluted	35,452	34,382	32,102	31,806	31,509
<b>Earnings per diluted share</b>	<b>\$ 0.12</b>	<b>\$ 0.13</b>	<b>\$ 0.14</b>	<b>\$ 0.14</b>	<b>\$ 0.18</b>

6

**Quarterly Consolidated Reconciliations of Funds From Operations (FFO), Adjusted Funds From Operations (AFFO) and Earnings per diluted share, as adjusted**  
(Dollars and shares in thousands)

	2004			2003	
	September 30	June 30	March 31	December 31	September 30
<b>Net Income</b>	<b>\$ 9,750</b>	<b>\$ 8,843</b>	<b>\$ 8,993</b>	<b>\$ 8,070</b>	<b>\$ 8,582</b>
Preferred share dividends	(3,784)	(4,435)	(4,456)	(3,779)	(3,157)
Issuance costs associated with redeemed preferred shares	(1,813)	—	—	—	—
Combined real estate related depreciation and other amortization	11,700	15,785	10,261	10,292	9,337
Depreciation and amortization of unconsolidated real estate entities	—	—	106	112	86
Depreciation and amortization allocable to minority interests in other consol. entities	(56)	—	—	—	—

Minority interest - common units, gross	1,595	1,241	1,405	1,378	1,763
Gain on sale of real estate properties, excluding redevelopment	(24)	(24)	(23)	(23)	(23)
<b>Funds From Operations (FFO) - Basic</b>	<b>17,368</b>	<b>21,410</b>	<b>16,286</b>	<b>16,050</b>	<b>16,588</b>
Convertible preferred share dividends	—	—	21	136	136
Expense on dilutive options	—	—	—	1	1
<b>Funds From Operations (FFO) - Diluted</b>	<b>\$ 17,368</b>	<b>\$ 21,410</b>	<b>\$ 16,307</b>	<b>\$ 16,187</b>	<b>\$ 16,725</b>
Straight line rents	(2,519)	(2,184)	(766)	(1,061)	(1,293)
Accretion of intangible assets and liabilities classified as revenues	(224)	(273)	(309)	(352)	(347)
Issuance costs associated with redeemed preferred shares	1,813	—	—	—	—
Recurring capital improvements	(4,679)	(4,997)	(3,023)	(3,714)	(3,122)
<b>Adjusted Funds from Operations - Diluted</b>	<b>\$ 11,759</b>	<b>\$ 13,956</b>	<b>\$ 12,209</b>	<b>\$ 11,060</b>	<b>\$ 11,963</b>
Preferred dividends - redeemable non-convertible (1)	3,784	4,435	4,435	3,643	3,021
Preferred dividends - redeemable convertible	—	—	21	136	136
Preferred distributions	14	—	—	—	—
Common distributions	2,202	2,057	2,074	2,084	2,085
Common dividends	9,235	7,878	7,178	6,807	6,798
<b>Total Dividends/Distributions</b>	<b>\$ 15,235</b>	<b>\$ 14,370</b>	<b>\$ 13,708</b>	<b>\$ 12,670</b>	<b>\$ 12,040</b>
<b>Denominator for earnings per share - Diluted</b>	<b>35,452</b>	<b>34,382</b>	<b>32,102</b>	<b>31,806</b>	<b>31,509</b>
Common units	8,690	8,765	8,863	8,870	8,909
Dilutive options	—	—	—	5	—
<b>Denominator for funds from operations per share - Diluted</b>	<b>44,142</b>	<b>43,147</b>	<b>40,965</b>	<b>40,681</b>	<b>40,418</b>
<b>Funds From Operations (FFO) - Diluted</b>	<b>\$ 17,368</b>	<b>\$ 21,410</b>	<b>\$ 16,307</b>	<b>\$ 16,187</b>	<b>\$ 16,725</b>
Reclassification of accretion of intangible assets and liabilities classified as revenues	(224)	(273)	(309)	(352)	(347)
<b>Funds From Operations (FFO) - Diluted, excluding SFAS 141</b>	<b>\$ 17,144</b>	<b>\$ 21,137</b>	<b>\$ 15,998</b>	<b>\$ 15,835</b>	<b>\$ 16,378</b>
<b>Funds From Operations (FFO) - Diluted</b>	<b>\$ 17,368</b>	<b>\$ 21,410</b>	<b>\$ 16,307</b>	<b>\$ 16,187</b>	<b>\$ 16,725</b>
Issuance costs associated with redeemed preferred shares (2)	1,813	n/a	n/a	n/a	n/a
<b>Earnings per diluted share, as adjusted for issuance costs associated with redeemed preferred shares</b>	<b>\$ 19,181</b>	<b>\$ 21,410</b>	<b>\$ 16,307</b>	<b>\$ 16,187</b>	<b>\$ 16,725</b>
<b>Numerator for Dilutive EPS Computation</b>	<b>\$ 4,153</b>	<b>\$ 4,408</b>	<b>\$ 4,558</b>	<b>\$ 4,427</b>	<b>\$ 5,561</b>
Issuance costs associated with redeemed preferred shares (2)	1,813	n/a	n/a	n/a	n/a
<b>Numerator for Dilutive EPS Computation, as adjusted</b>	<b>\$ 5,966</b>	<b>\$ 4,408</b>	<b>\$ 4,558</b>	<b>\$ 4,427</b>	<b>\$ 5,561</b>
<b>Earnings per diluted share, as adjusted for issuance costs associated with redeemed preferred shares</b>	<b>\$ 0.17</b>	<b>\$ 0.13</b>	<b>\$ 0.14</b>	<b>\$ 0.14</b>	<b>\$ 0.18</b>

(1) Includes Series B, E, F, G and H Cumulative Redeemable Preferred Share dividends deducted for FFO/AFFO computations.

(2) Earnings per diluted share and FFO per diluted share have been adjusted to exclude the issuance costs associated with our Series B redeemed preferred shares.

**Quarterly Consolidated Reconciliations of Earnings Before Interest, Income Taxes, Depreciation and Amortization (EBITDA),  
Combined Net Operating Income (NOI), Discontinued Operations and Gain on Sales of Real Estate  
(Dollars and shares in thousands)**

	2004			2003	
	September 30	June 30	March 31	December 31	September 30
<b>Net Income</b>	<b>\$ 9,750</b>	<b>\$ 8,843</b>	<b>\$ 8,993</b>	<b>\$ 8,070</b>	<b>\$ 8,582</b>
Combined interest expense	10,839	10,514	10,262	10,471	10,436
Amortization of deferred financing costs	577	500	859	810	773
Income tax expense (benefit), gross	145	30	200	(406)	297
Depreciation of furniture, fixtures and equipment	101	99	98	96	124
Combined real estate related depreciation and other amortization	11,700	15,785	10,261	10,292	9,337
	14	—	—	—	—
Minority interest - preferred units	—	—	—	—	—
Minority interest - consolidated partnerships	(8)	8	—	—	—
Minority interest - common units, gross	1,595	1,241	1,405	1,378	1,763
<b>Earnings Before Interest, Income Taxes, Depreciation and Amortization (EBITDA)</b>	<b>\$ 34,713</b>	<b>\$ 37,020</b>	<b>\$ 32,078</b>	<b>\$ 30,711</b>	<b>\$ 31,312</b>
Addback:					
General and administrative	2,698	2,487	2,286	2,242	1,937
(Income) losses from service operations	(488)	(238)	(742)	(227)	(742)
Equity in loss (income) of unconsol. real estate joint ventures	—	—	88	7	(95)
Gain on sale of depreciated real estate properties	(24)	(24)	(23)	(23)	(23)
Merchant sales and real estate services	—	—	245	—	(5)
<b>Combined Net Operating Income (NOI)</b>	<b>\$ 36,899</b>	<b>\$ 39,245</b>	<b>\$ 33,932</b>	<b>\$ 32,710</b>	<b>\$ 32,384</b>
<b>Discontinued Operations:</b>					
Revenues from real estate operations	\$ —	\$ —	\$ —	\$ —	\$ 2
Property operating expenses	—	—	—	—	13
Depreciation and amortization	1	—	—	—	—

Interest	—	—	—	—	—
Gain on sale of real estate	—	—	—	(1)	—
Income from discontinued operations	1	—	—	(1)	15
Minority interests in discontinued operations	(1)	—	—	—	(4)
<b>Income from discontinued operations, net of minority interests</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (1)</b>	<b>\$ 11</b>
<b>Gain/(Loss) on sales of real estate per statement of operations</b>	<b>\$ 24</b>	<b>\$ 24</b>	<b>\$ (222)</b>	<b>\$ 24</b>	<b>\$ 23</b>
(Loss) Gain on sales of real estate from discontinued operations	—	—	—	(1)	—
<b>Combined gain/(loss) on sales of real estate</b>	<b>24</b>	<b>24</b>	<b>(222)</b>	<b>23</b>	<b>23</b>
Merchant sales and real estate services	—	—	245	—	(4)
<b>Gain on sales of depreciated real estate properties</b>	<b>\$ 24</b>	<b>\$ 24</b>	<b>\$ 23</b>	<b>\$ 23</b>	<b>\$ 19</b>

8

**Quarterly Equity Analysis**  
(Amounts in thousands except per share data, share prices and ratios)

	2004			2003	
	September 30	June 30	March 31	December 31	September 30
<b>Common Equity - End of Quarter</b>					
Common Shares (1)	36,635	33,952	30,976	29,397	29,361
Common Units	8,634	8,754	8,826	8,870	8,870
<b>Total</b>	<b>45,269</b>	<b>42,706</b>	<b>39,803</b>	<b>38,267</b>	<b>38,231</b>
End of Quarter Common Share Price	\$ 25.62	\$ 24.85	\$ 25.00	\$ 21.00	\$ 18.51
<b>Market Value of Common Shares/Units</b>	<b>\$ 1,159,792</b>	<b>\$ 1,061,244</b>	<b>\$ 995,064</b>	<b>\$ 803,607</b>	<b>\$ 707,656</b>
<b>Common Shares Trading Volume</b>					
Average Daily Volume (Shares)	135	187	126	89	99
Average Daily Volume (Dollars in thousands)	\$ 3,432.70	\$ 4,226.56	\$ 2,853.28	\$ 1,828.61	\$ 1,778.15
As a Percentage of Common Shares	0.4%	0.6%	0.4%	0.3%	0.3%
<b>Common Share Price Range</b>					
Quarterly High	\$ 26.91	\$ 25.10	\$ 25.05	\$ 22.40	\$ 19.35
Quarterly Low	\$ 24.09	\$ 19.00	\$ 20.28	\$ 18.51	\$ 16.79
Quarterly Average	\$ 25.38	\$ 22.55	\$ 22.62	\$ 20.45	\$ 18.01
<b>Convertible Preferred Equity - End of Quarter</b>					
Convertible Series D Preferred Shares Outstanding (2)	n/a	n/a	n/a	544	544
Conversion Ratio	n/a	n/a	n/a	2.200	2.200
Common Shares Issued Assuming Conversion	n/a	n/a	n/a	1,197	1,197
Convertible Series I Preferred Units Outstanding (3)	352	n/a	n/a	n/a	n/a
Conversion Ratio	0.5000	n/a	n/a	n/a	n/a
Common Shares Issued Assuming Conversion	176	n/a	n/a	n/a	n/a
<b>Nonconvertible Preferred Equity - End of Quarter</b>					
Redeemable Series B Shares Outstanding (4)	—	1,250	1,250	1,250	1,250
Redeemable Series E Shares Outstanding	1,150	1,150	1,150	1,150	1,150
Redeemable Series F Shares Outstanding	1,425	1,425	1,425	1,425	1,425
Redeemable Series G Shares Outstanding (5)	2,200	2,200	2,200	2,200	2,200
Redeemable Series H Shares Outstanding (6)	2,000	2,000	2,000	2,000	n/a
<b>Total Nonconvertible Preferred Equity</b>	<b>6,775</b>	<b>8,025</b>	<b>8,025</b>	<b>8,025</b>	<b>6,025</b>
<b>Total Convertible Preferred Equity</b>	<b>352</b>	<b>n/a</b>	<b>n/a</b>	<b>544</b>	<b>544</b>
<b>Total Preferred Equity</b>	<b>7,127</b>	<b>8,025</b>	<b>8,025</b>	<b>8,569</b>	<b>6,569</b>
Preferred Share Recorded Book Value	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00
<b>Recorded Book Value of Preferred Equity</b>	<b>\$ 178,175</b>	<b>\$ 200,625</b>	<b>\$ 200,625</b>	<b>\$ 214,225</b>	<b>\$ 164,225</b>
<b>Weighted Average Shares:</b>					
Common Shares Outstanding	33,797	32,743	29,814	28,951	28,832
Preferred Shares Outstanding Assuming Conversion	—	—	539	1,197	1,197
Dilutive options	1,655	1,639	1,749	1,663	1,480
Common Units	8,690	8,765	8,863	8,870	8,909
<b>Denominator for funds from operations per share - diluted</b>	<b>44,142</b>	<b>43,147</b>	<b>40,965</b>	<b>40,681</b>	<b>40,418</b>
<b>Capitalization</b>					
Recorded Book Value of Preferred Shares	\$ 178,175	\$ 200,625	\$ 200,625	\$ 214,225	\$ 164,225
Market Value of Common Shares/Units	1,159,792	1,061,244	995,064	803,607	707,656
<b>Total Equity Market Capitalization</b>	<b>\$ 1,337,967</b>	<b>\$ 1,261,869</b>	<b>\$ 1,195,689</b>	<b>\$ 1,017,832</b>	<b>\$ 871,881</b>
<b>Total Debt</b>	<b>\$ 947,332</b>	<b>\$ 820,344</b>	<b>\$ 829,755</b>	<b>\$ 738,698</b>	<b>\$ 759,298</b>
<b>Total Market Capitalization</b>	<b>\$ 2,285,299</b>	<b>\$ 2,082,213</b>	<b>\$ 2,025,444</b>	<b>\$ 1,756,530</b>	<b>\$ 1,631,179</b>
<b>Debt to Total Market Capitalization</b>	<b>41.5 %</b>	<b>39.4 %</b>	<b>41.0 %</b>	<b>42.1 %</b>	<b>46.5 %</b>
<b>Debt to Total Assets</b>	<b>57.4 %</b>	<b>55.0 %</b>	<b>57.9 %</b>	<b>55.5 %</b>	<b>58.4 %</b>
<b>Debt to Undepreciated Book Value of Real Estate Assets</b>	<b>56.2 %</b>	<b>54.5 %</b>	<b>57.1 %</b>	<b>54.8 %</b>	<b>58.0 %</b>

(1) Net of 166,600 treasury shares.

(2) On February 11, 2004, all of the Series D preferred shares were converted into 1,196,800 common shares.

(3) On September 23, 2004, we issued 352,000 Series I convertible preferred units at a value of \$25.00 per share.

(4) On July 15, 2004, we redeemed 100% of the outstanding 1,250,000 Series B preferred shares and paid a prorated dividend of \$.1042 per share for the third quarter 2004.

- (5) On August 11, 2003, we issued 2,200,000 Series G preferred shares and recorded a prorated dividend of \$.2832 per share for the third quarter.  
(6) On December 18, 2003, we issued 2,000,000 Series H preferred shares and recorded a prorated dividend of \$.0729 per share for the fourth quarter.

<b>Quarterly Debt Analysis</b> (Dollars in thousands)					
	2004			2003	
	September 30	June 30	March 31	December 31	September 30
<b>Debt Outstanding</b>					
Mortgage Loans	\$ 793,755	\$ 612,936	\$ 637,387	\$ 686,129	\$ 666,622
Construction Loans	31,977	23,408	18,368	20,894	12,776
Revolving Credit Facility	—	—	—	18,900	18,900
Secured Revolving Credit Facility	—	—	—	12,775	61,000
Unsecured Revolving Credit Facility	121,600	184,000	174,000	—	—
	<u>\$ 947,332</u>	<u>\$ 820,344</u>	<u>\$ 829,755</u>	<u>\$ 738,698</u>	<u>\$ 759,298</u>
<b>Average Outstanding Balance</b>					
Mortgage Loans	\$ 644,324	\$ 635,134	\$ 687,012	\$ 672,422	\$ 657,003
Construction Loans	23,843	20,873	8,271	12,865	12,776
Revolving Credit Facility	—	—	14,429	18,900	18,900
Secured Revolving Credit Facility	—	—	22,609	51,910	79,263
Unsecured Revolving Credit Facility	202,573	175,494	34,681	—	—
	<u>\$ 870,740</u>	<u>\$ 831,501</u>	<u>\$ 767,002</u>	<u>\$ 756,097</u>	<u>\$ 767,942</u>
<b>Interest Rate Structure</b>					
Fixed	\$ 725,696	\$ 537,088	\$ 563,624	\$ 548,540	\$ 492,088
Variable	171,636	233,256	216,131	90,158	167,210
Variable Subject to Interest Rate Protection (1 - 2)	50,000	50,000	50,000	100,000	100,000
	<u>\$ 947,332</u>	<u>\$ 820,344</u>	<u>\$ 829,755</u>	<u>\$ 738,698</u>	<u>\$ 759,298</u>
% of Fixed Rate Loans (3)	81.88%	71.57%	73.95%	87.80%	77.98%
% of Variable Rate Loans	18.12%	28.43%	26.05%	12.20%	22.02%
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
<b>Average Interest Rates</b>					
Mortgage & Construction Loans	6.24%	6.23%	5.97%	5.92%	5.92%
Revolving Credit Facility	n/a	n/a	3.01%	3.02%	3.01%
Secured Revolving Credit Facility	n/a	n/a	5.54%	4.48%	3.93%
Unsecured Revolving Credit Facility	3.04%	2.92%	3.19%	n/a	n/a
Total Weighted Average	5.63%	5.53%	5.78%	5.75%	5.73%
<b>Debt Ratios</b>					
Debt to Total Market Capitalization	41.5%	39.4%	41.0%	42.1%	46.5%
Debt to Undepreciated Book Value of Real Estate Assets	56.2%	54.5%	57.1%	54.8%	58.0%
<b>Coverage Ratios (excluding capitalized interest) – All coverage computations include the effect of discontinued operations</b>					
Interest Coverage - Combined NOI (Combined NOI / Combined Interest)	3.40x	3.73x	3.31x	3.12x	3.10x
Interest Coverage - EBITDA (EBITDA / Combined Interest)	3.20x	3.52x	3.13x	2.93x	3.00x
Debt Service Coverage - Combined NOI (Combined NOI / (Combined Interest + Principal Amortization))	2.22x	2.49x	2.01x	2.49x	2.52x
Debt Service Coverage - EBITDA (EBITDA / (Combined Interest + Principal Amortization))	2.09x	2.35x	1.90x	2.34x	2.44x
Fixed Charge Coverage - Combined NOI (Combined NOI / (Combined Interest + Preferred Distribution))	2.52x	2.63x	2.31x	2.30x	2.38x
Fixed Charge Coverage - EBITDA (EBITDA / (Combined Interest + Preferred Distribution))	2.37x	2.48x	2.18x	2.16x	2.30x

- (1) We executed a \$50 million notional amount swap exchanging 30-day floating LIBOR for LIBOR of 2.308% which expires January 3, 2005.  
(2) We executed a \$50 million notional amount swap exchanging 30-day floating LIBOR for LIBOR of 1.52% which expired January 7, 2004.  
(3) Includes interest rate protection agreements.

**Quarterly Operating Ratios**  
(Dollars in thousands except per share data and ratios)

	2004			2003	
	September 30	June 30	March 31	December 31	September 30
<b>OPERATING RATIOS — All computations include the effect of discontinued operations</b>					

<b>Net Income as a % of Combined Real Estate Revenues</b>					
(Net Income / Combined Real Estate Revenues)	18.36%	16.41%	18.36%	17.33%	18.88%
<b>Combined NOI as a % of Combined Real Estate Revenues</b>					
(Combined NOI / Combined Real Estate Revenues)	69.49%	72.82%	69.29%	70.22%	71.26%
<b>EBITDA as a % of Combined Real Estate Revenues</b>					
(EBITDA / Combined Real Estate Revenues)	65.38%	68.69%	65.50%	65.93%	68.90%
<b>G&amp;A as a % of Net Income</b>					
(G&A / Net Income)	27.67%	28.12%	25.42%	27.78%	22.57%
<b>G&amp;A as a % of Combined Real Estate Revenues</b>					
(G&A / Combined Real Estate Revenues)	5.08%	4.61%	4.67%	4.81%	4.26%
<b>G&amp;A as a % of EBITDA</b>					
(G&A / EBITDA)	7.77%	6.72%	7.13%	7.30%	6.19%
Quarter end occupancy for operating portfolio	93.04%	92.92%	91.85%	91.24%	91.74%
Quarter end % leased for operating portfolio	94.87%	94.38%	93.76%	92.78%	92.16%
Recurring Capital Improvements	\$4,679	\$4,997	\$3,023	\$3,714	\$3,122
Recurring Capital Improvements per average square foot	\$0.42	\$0.47	\$0.29	\$0.37	\$0.32
Recurring Capital Improvements as a % of NOI (Combined NOI)	12.68%	12.73%	8.91%	11.35%	9.64%

11

#### Quarterly Dividend Analysis

	2004			2003	
	September 30	June 30	March 31	December 31	September 30
<b>Common Share Dividends</b>					
Dividends per share/unit	\$ 0.255	\$ 0.235	\$ 0.235	\$ 0.235	\$ 0.235
Increase over prior quarter	8.5%	0.0%	0.0%	0.0%	6.8%
Increase over prior year	8.5%	6.8%	6.8%	6.8%	6.8%
<b>Common Dividend Payout Ratios</b>					
Payout - Earnings (Common Dividends/ Net Income (Loss) Available to Common Shareholders)	222.4%	178.7%	158.2%	158.6%	125.3%
Payout - FFO - Diluted (((Common Dividend + Total Distributions + Convertible Preferred Share Dividends)/FFO)	65.9%	46.4%	56.9%	55.8%	53.9%
Payout - AFFO - Diluted (((Common Dividend + Total Distributions + Convertible Preferred Share Dividends)/AFFO)	97.3%	71.2%	76.0%	81.6%	75.4%
Dividend Coverage - FFO - Diluted (FFO /((Common Dividend + Total Distributions + Convertible Preferred Share Dividends))	1.52 x	2.16x	1.76 x	1.79 x	1.85 x
Dividend Coverage - AFFO - Diluted (AFFO /((Common Dividend + Total Distributions + Convertible Preferred Share Dividends))	1.03 x	1.40x	1.32 x	1.23 x	1.33 x
<b>Common Dividend Yields</b>					
Dividend Yield	3.98%	3.78%	3.76%	4.48%	5.08%
<b>Series I Preferred Unit Distributions (1)</b>					
Preferred Unit Distributions Per Share	\$ 0.46875	n/a	n/a	n/a	n/a
Preferred Unit Distributions Yield	7.50%	n/a	n/a	n/a	n/a
Quarter End Recorded Book Value	\$ 25.00	n/a	n/a	n/a	n/a
<b>Series B Preferred Share Dividends (2)</b>					
Preferred Share Dividends Per Share	n/a	\$ 0.62500	\$ 0.62500	\$ 0.62500	\$ 0.62500
Preferred Share Dividend Yield	n/a	10.00%	10.00%	10.00%	10.00%
Quarter End Recorded Book Value	n/a	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00
<b>Series D Preferred Share Dividends (3)</b>					
Preferred Share Dividends Per Share	n/a	n/a	n/a	\$ 0.25000	\$ 0.25000
Preferred Share Dividend Yield	n/a	n/a	n/a	4.00%	4.00%
Quarter End Recorded Book Value	n/a	n/a	n/a	\$ 25.00	\$ 25.00
<b>Series E Preferred Share Dividends</b>					

Preferred Share Dividends Per Share	\$	0.64063	\$	0.64063	\$	0.64063	\$	0.64063	\$	0.64063
Preferred Share Dividend Yield		10.25%		10.25%		10.25%		10.25%		10.25%
Quarter End Recorded Book Value	\$	25.00	\$	25.00	\$	25.00	\$	25.00	\$	25.00
<b>Series F Preferred Share Dividends</b>										
Preferred Share Dividends Per Share	\$	0.61719	\$	0.61719	\$	0.61719	\$	0.61719	\$	0.61719
Preferred Share Dividend Yield		9.875%		9.875%		9.875%		9.875%		9.875%
Quarter End Recorded Book Value	\$	25.00	\$	25.00	\$	25.00	\$	25.00	\$	25.00
<b>Series G Preferred Share Dividends (4)</b>										
Preferred Share Dividends Per Share	\$	0.50000	\$	0.50000	\$	0.50000	\$	0.50000	\$	0.50000
Preferred Share Dividend Yield		8.000%		8.000%		8.000%		8.000%		8.000%
Quarter End Recorded Book Value	\$	25.00	\$	25.00	\$	25.00	\$	25.00	\$	25.00
<b>Series H Preferred Share Dividends (5)</b>										
Preferred Share Dividends Per Share	\$	0.46875	\$	0.46875	\$	0.46875	\$	0.46875		n/a
Preferred Share Dividend Yield		7.500%		7.500%		7.500%		7.500%		n/a
Quarter End Recorded Book Value	\$	25.00	\$	25.00	\$	25.00	\$	25.00		n/a

- (1) On September 23, 2004, we issued 352,000 Series I convertible preferred units for \$8.8 million or \$50.00 per common share, on an as-if converted basis.
- (2) On July 15, 2004, we redeemed 100% of the outstanding 1,250,000 Series B preferred shares and paid a prorated dividend of \$.1042 per share for the third quarter 2004.
- (3) On February 11, 2004, all of the Series D preferred shares were converted into 1,196,800 common shares.
- (4) On August 11, 2003, we issued 2,200,000 Series G preferred shares and recorded a prorated dividend of \$.2832 per share for the third quarter.
- (5) On December 18, 2003, we issued 2,000,000 Series H preferred shares and recorded a prorated dividend of \$.0729 per share for the fourth quarter.

12

**Investor Composition and Analyst Coverage  
(as of September 30, 2004)**

SHAREHOLDER CLASSIFICATION	Common Shares	Common Units	As if Converted Preferred Shares / Units	Total	Fully Diluted Ownership % of Total
	Insiders	997,121	7,592,558	—	8,589,679
Institutional Ownership	31,051,443	—	—	31,051,443	68.33%
Other / Retail	4,586,369	1,041,650	176,000	5,804,019	12.77%
	<u>36,634,933</u>	<u>8,634,208</u>	<u>176,000</u>	<u>45,445,141</u>	<u>100.00%</u>
RESEARCH COVERAGE	September 30, 2004	June 30, 2004	March 31, 2004	December 31, 2003	September 30, 2003
A. G. Edwards	x	x	x	x	x
Credit Suisse First Boston	x	n/a	n/a	x	x
Deutsche Banc Alex. Brown	n/a	n/a	n/a	n/a	x
Ferris, Baker Watts, Incorporated	n/a	n/a	x	x	x
Legg Mason Wood Walker, Inc.	x	x	x	x	x
Maxcor Financial Group, Inc.	x	x	x	x	x
McDonald Investments	x	x	x	x	x
Raymond James	x	x	x	x	x
Stifel, Nicolaus & Company, Incorporated	x	n/a	n/a	n/a	n/a
Wachovia Securities	x	x	x	x	x

Source: Institutional ownership was obtained from filed Forms 13(f) as of June 30, 2004 per Vickers Stock Research Corporation.

13

**Debt Maturity Schedule - September 30, 2004  
(Dollars in thousands)**

Year of Maturity	Non-Recourse Debt (1)		Recourse Debt (1)			Total Scheduled Payments
	Annual Amortization of Monthly Payments	Due on Maturity	Annual Amortization of Monthly Payments	Due on Maturity	Wachovia Revolver (2)	
2004	\$ 5,835	\$ —	\$ 210	\$ —	\$ —	\$ 6,045
2005	13,777	18,895	4,642	33,158	—	70,472
2006	14,093	59,975	4,452	25,600	—	104,120
2007	13,107	53,835	4,199	4,447	—	75,588
2008	11,474	142,903	549	42,790	121,600	319,316
2009	7,983	52,112	589	—	—	60,684
2010	7,240	52,177	50	12,481	—	71,948
2011	5,331	102,264	—	—	—	107,595
2012	3,725	35,972	—	—	—	39,697
2013	1,101	90,698	—	—	—	91,799
	<u>\$ 83,666</u>	<u>\$ 608,831</u>	<u>\$ 14,691</u>	<u>\$ 118,476</u>	<u>\$ 121,600</u>	<u>\$ 947,264</u>

## Debt per the Balance Sheet

\$ 947,332

## Notes:

- (1) Certain mortgages contain extension options, generally either for a period of six months or one year, subject to certain conditions. The maturity dates presented above in the table assume that the extension options have already been exercised.
- (2) We have the right to extend the Wachovia Revolver for a one-year period, subject to certain conditions, upon maturity in March 2007. The maturity date presented in the above table assumes that the extension option has already been exercised.
- (3) In addition to the recourse debt presented above, another \$20.0 million of our debt is recourse, relating to construction of 4851 Stonecraft Boulevard.
- (4) Our \$50 million notional amount swap of one-month LIBOR at 2.3075% will expire in January 2005.

14

## Property Summary by Region - September 30, 2004

Operating Property Count		Submarket	Business Park	Year Built or Renovated	Single Story (S) or Multi-story (M)	Total Operational Square Feet	Total Square Feet Under Construction
<b>Office Properties</b>							
<b>Baltimore /Washington Corridor</b>							
1	2730 Hercules Road	BWI Airport	NBP	1990	M	240,336	
2	304 Carina Road (304 NBP)	BWI Airport	NBP		M		162,498
2	2720 Technology Drive (220 NBP)	BWI Airport	NBP	2004	M	156,730	
3	2711 Technology Drive (211 NBP)	BWI Airport	NBP	2002	M	152,000	
	318 Carina Road (318 NBP)	BWI Airport	NBP		M		125,847
4	140 National Business Parkway	BWI Airport	NBP	2003	M	119,904	
5	132 National Business Parkway	BWI Airport	NBP	2000	M	118,456	
6	2721 Technology Drive (221 NBP)	BWI Airport	NBP	2000	M	118,093	
7	2701 Technology Drive (201 NBP)	BWI Airport	NBP	2001	M	117,450	
	2691 Technology Drive (191 NBP)	BWI Airport	NBP		M		103,683
8	134 National Business Parkway	BWI Airport	NBP	1999	M	93,482	
9	133 National Business Parkway	BWI Airport	NBP	1997	M	88,666	
10	141 National Business Parkway	BWI Airport	NBP	1990	M	87,318	
11	135 National Business Parkway	BWI Airport	NBP	1998	M	86,863	
12	131 National Business Parkway	BWI Airport	NBP	1990	M	69,039	
13	114 National Business Parkway	BWI Airport	NBP	2002	M	9,717	
						<b>1,458,054</b>	<b>392,028</b>
1	1306 Concourse Drive	BWI Airport	APS	1990	M	114,046	
2	870-880 Elkridge Landing Road	BWI Airport	APS	1981	M	105,151	
3	1304 Concourse Drive	BWI Airport	APS	2002	M	102,964	
4	900 Elkridge Landing Road	BWI Airport	APS	1982	M	97,261	
5	1199 Winterson Road	BWI Airport	APS	1988	M	96,636	
6	920 Elkridge Landing Road	BWI Airport	APS	1982	M	96,566	
7			APS	1996	M	84,505	
8	1302 Concourse Drive	BWI Airport					
8	881 Elkridge Landing Road	BWI Airport	APS	1986	M	73,572	
9	1099 Winterson Road	BWI Airport	APS	1988	M	71,076	
10	1190 Winterson Road	BWI Airport	APS	1987	M	69,024	
11	849 International Drive	BWI Airport	APS	1988	M	68,758	
12	911 Elkridge Landing Road	BWI Airport	APS	1985	M	68,296	
13	1201 Winterson Road	BWI Airport	APS	1985	M	67,903	
14	999 Corporate Boulevard	BWI Airport	APS	2000	M	67,456	
15	891 Elkridge Landing Road	BWI Airport	APS	1984	M	57,713	
16	800 International Drive	BWI Airport	APS	1988	S	57,379	
17	901 Elkridge Landing Road	BWI Airport	APS	1984	M	57,294	
18	900 International Drive	BWI Airport	APS	1986	S	57,140	
19	930 International Drive	BWI Airport	APS	1986	S	57,140	
20	921 Elkridge Landing Road	BWI Airport	APS	1983	M	54,175	
21	939 Elkridge Landing Road	BWI Airport	APS	1983	M	53,031	
22	938 Elkridge Landing Road	BWI Airport	APS	1984	M	52,988	
23	940 Elkridge Landing Road	BWI Airport	APS	1984	M	51,704	
						<b>1,681,778</b>	<b>—</b>
1	7467 Ridge Road	BWI Airport	Comm./Pkwy.	1990	M	74,326	
2	7240 Parkway Drive	BWI Airport	Comm./Pkwy.	1985	M	73,953	
3	7318 Parkway Drive	BWI Airport	Comm./Pkwy.	1984	M	59,204	
4	7320 Parkway Drive	BWI Airport	Comm./Pkwy.	1983	S	58,453	
5	1340 Ashton Road	BWI Airport	Comm./Pkwy.	1989	S	46,400	
6	7321 Parkway Drive	BWI Airport	Comm./Pkwy.	1984	S	39,822	
7	1334 Ashton Road	BWI Airport	Comm./Pkwy.	1989	S	37,565	
8	1331 Ashton Road	BWI Airport	Comm./Pkwy.	1989	S	29,936	
9	1350 Dorsey Road	BWI Airport	Comm./Pkwy.	1989	S	19,992	
10	1341 Ashton Road	BWI Airport	Comm./Pkwy.	1989	S	15,841	
11	1344 Ashton Road	BWI Airport	Comm./Pkwy.	1989	M	17,061	
12	1343 Ashton Road	BWI Airport	Comm./Pkwy.	1989	S	9,962	
13	1348 Ashton Road	BWI Airport	Comm./Pkwy.	1988	S	3,108	
						<b>485,623</b>	<b>—</b>
<b>49</b>	<b>Subtotal</b>					<b>3,625,455</b>	<b>392,028</b>

15

## Property Summary by Region - September 30, 2004 (continued)

Operating Property Count		Submarket	Business Park	Year Built or Renovated	Single Story (S) or Multi-story (M)	Total Operational Square Feet	Total Square Feet Under Construction
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1	1751 Pinnacle Drive	Tysons Corner		1989/1995	M	258,465	
2	1753 Pinnacle Drive	Tysons Corner		1976/2004	M	181,637	
						<u>440,102</u>	
12	<b>Total Northern Virginia</b>					<u>2,153,358</u>	<u>304,436</u>
<u>Greater Harrisburg</u>							
1	2605 Interstate Drive	East Shore	Commerce Park	1990	M	79,456	
2	2601 Market Place	East Shore	Commerce Park	1989	M	66,224	
						<u>145,680</u>	
2	<b>Subtotal (continued on next page)</b>					<u>145,680</u>	

17

**Property Summary by Region - September 30, 2004 (continued)**

Operating Property Count		Submarket	Business Park	Year Built or Renovated	Single Story (S) or Multi-story (M)	Total Operational Square Feet	Total Square Feet Under Construction
2	<u>Subtotal (continued from previous page)</u>					<u>145,680</u>	
1	6345 Flank Drive	East Shore	Gtwy Corp. Ctr.	1989	S	69,443	
2	6340 Flank Drive	East Shore	Gtwy Corp. Ctr.	1988	S	68,200	
3	6400 Flank Drive	East Shore	Gtwy Corp. Ctr.	1992	S	52,439	
4	6360 Flank Drive	East Shore	Gtwy Corp. Ctr.	1988	S	46,500	
5	6385 Flank Drive	East Shore	Gtwy Corp. Ctr.	1995	S	32,921	
6	6380 Flank Drive	East Shore	Gtwy Corp. Ctr.	1991	S	32,668	
7	6405 Flank Drive	East Shore	Gtwy Corp. Ctr.	1991	S	32,000	
8	95 Shannon Road	East Shore	Gtwy Corp. Ctr.	1999	S	21,976	
9	75 Shannon Road	East Shore	Gtwy Corp. Ctr.	1999	S	20,887	
10	6375 Flank Drive	East Shore	Gtwy Corp. Ctr.	2000	S	19,783	
11	85 Shannon Road	East Shore	Gtwy Corp. Ctr.	1999	S	12,863	
						<u>409,680</u>	
1	5035 Ritter Road	West Shore	Rossmoyne Bus. Ctr.	1988	S	56,556	
2	5070 Ritter Road - Building A	West Shore	Rossmoyne Bus. Ctr.	1989	S	32,309	
3	5070 Ritter Road - Building B	West Shore	Rossmoyne Bus. Ctr.	1989	S	28,347	
						<u>117,212</u>	
16	<b>Total Greater Harrisburg</b>					<u>672,572</u>	
<u>Greater Philadelphia</u>							
1	753 Jolly Road	Blue Bell	Unisys campus	1992	M	419,472	
2	785 Jolly Road	Blue Bell	Unisys campus	1996	M	219,065	
3	760 Jolly Road	Blue Bell	Unisys campus	1994	M	208,854	
4	751 Jolly Road	Blue Bell	Unisys campus	1991	M	112,958	
	<b>Total Greater Philadelphia</b>					<u>960,349</u>	
<u>Northern/Central New Jersey</u>							
1	431 Ridge Road	Exit 8A — Cranbury	Princeton Tech Cntr.	1998	S	170,000	
2	429 Ridge Road	Exit 8A — Cranbury	Princeton Tech Cntr.	1996	M	142,385	
3	68 Culver Road	Exit 8A — Cranbury	Princeton Tech Cntr.	2000	M	57,280	
4	437 Ridge Road	Exit 8A — Cranbury	Princeton Tech Cntr.	1996	S	30,000	
						<u>399,665</u>	
1	104 Interchange Plaza	Exit 8A — Cranbury	Interchange Plaza	1990	M	47,677	
2	101 Interchange Plaza	Exit 8A — Cranbury	Interchange Plaza	1985	M	43,621	
						<u>91,298</u>	
1	47 Commerce	Exit 8A — Cranbury	Centreport North	1998	S	41,398	
						<u>41,398</u>	
1	7 Centre Drive	Exit 8A — Cranbury	Monroe Center	1986	S	19,468	
2	8 Centre Drive	Exit 8A — Cranbury	Monroe Center	1989	S	16,199	
3	2 Centre Drive	Exit 8A — Cranbury	Monroe Center	1989	S	16,132	
						<u>51,799</u>	
1	4301 Route 1	Monmouth Junction	Princeton Exec. Campus	1986	M	61,433	
						<u>61,433</u>	
1	695 Route 46	Wayne	Fairfield Corp. Cntr.	1990	M	157,394	
2	710 Route 46	Wayne	Fairfield Corp. Cntr.	1985	M	101,263	
						<u>258,657</u>	
13	<b>Total Northern / Central New Jersey</b>					<u>904,250</u>	
136	<b>TOTAL PORTFOLIO</b>					<u>11,616,901</u>	<u>696,464</u>

18

**Property Occupancy Rates by Region by Quarter**

	Baltimore / Washington Corridor	Northern Virginia	Northern / Central New Jersey	Greater Philadelphia	Greater Harrisburg	Suburban Maryland	Other	Southern Maryland	Total Portfolio
<u>September 30, 2004</u>									
Number of Buildings	73	12	13	4	16	5	4	9	136
Rentable Square Feet	5,347,301	2,153,358	904,250	960,349	672,572	561,979	527,168	489,924	11,616,901
Percent Occupied	94.93%	94.21%	91.09%	100.00%	83.69%	81.03%	82.86%	94.76%	93.04%
<u>June 30, 2004</u>									

Number of Buildings	72	9	13	4	16	5	4	9	132
Rentable Square Feet	5,190,429	1,599,130	904,174	960,349	672,264	532,915	523,944	489,924	10,873,129
Percent Occupied	93.96%	94.93%	89.48%	100.00%	85.08%	83.77%	87.31%	94.50%	92.92%

#### March 31, 2004

Number of Buildings	72	9	13	4	16	4	3	8	129
Rentable Square Feet	5,190,826	1,599,137	904,174	960,349	672,264	506,104	335,985	430,869	10,599,708
Percent Occupied	91.68%	94.25%	88.50%	100.00%	86.10%	81.38%	91.91%	95.13%	91.85%

#### December 31, 2003

Number of Buildings	71	9	13	4	16	3	3	n/a	119
Rentable Square Feet	5,183,960	1,599,137	904,159	960,349	672,264	377,074	335,985	n/a	10,032,928
Percent Occupied	90.42%	94.78%	88.52%	100.00%	87.20%	79.23%	90.98%	n/a	91.24%

#### September 30, 2003

Number of Buildings	70	9	13	4	16	3	3	n/a	118
Rentable Square Feet	5,063,248	1,599,137	904,128	960,349	672,209	376,986	335,985	n/a	9,912,042
Percent Occupied	90.12%	95.39%	92.10%	100.00%	89.56%	81.17%	90.40%	n/a	91.74%

19

### Top Twenty Office Tenants as of September 30, 2004 (Dollars and square feet in thousands)

Tenant		Number of Leases	Total Occupied Square Feet	Percentage of Total Occupied Square Feet	Total Annualized Rental Revenue (1)	Percentage of Total Annualized Rental Revenue	Weighted Average Remaining Lease Term (2)
United States of America	(3)	29	1,305,374	12.1%	\$ 29,358	13.4%	5.1
Computer Sciences Corporation	(4)	6	513,866	4.8%	11,794	5.4%	6.0
Booz Allen Hamilton, Inc.		9	454,752	4.2%	10,893	5.0%	8.0
AT&T Corporation	(4)	8	459,220	4.2%	9,558	4.4%	2.7
The Titan Corporation	(4)	7	245,345	2.3%	8,767	4.0%	8.6
General Dynamics Corporation		10	396,083	3.7%	7,926	3.6%	4.7
Unisys	(5)	3	741,284	6.9%	7,901	3.6%	4.8
Northrop Grumman Corporation		7	261,696	2.4%	5,864	2.7%	3.3
The Boeing Company	(4)	8	162,699	1.5%	4,082	1.9%	4.4
Wachovia Bank		2	173,944	1.6%	4,042	1.8%	14.3
Ciena Corporation		4	278,749	2.6%	3,968	1.8%	1.6
VeriSign, Inc.		1	162,841	1.5%	3,893	1.8%	9.8
The Aerospace Corporation		2	134,272	1.2%	3,501	1.6%	11.1
Magellan Health Services, Inc.		3	150,622	1.4%	2,903	1.3%	6.2
PricewaterhouseCoopers		1	97,638	0.9%	2,873	1.3%	1.4
Commonwealth of Pennsylvania	(4)	5	185,940	1.7%	2,769	1.3%	4.9
Johns Hopkins University	(4)	7	106,473	1.0%	2,414	1.1%	2.9
Merck & Co., Inc. (Unisys)	(5)	1	219,065	2.0%	2,372	1.1%	4.8
Carefirst, Inc. and Subsidiaries	(4)	3	94,223	0.9%	2,200	1.0%	3.3
USInternetworking, Inc.		1	155,000	1.4%	1,935	0.9%	13.5
<b>Subtotal Top 20 Office Tenants</b>		<b>117</b>	<b>6,299,086</b>	<b>58.3%</b>	<b>129,014</b>	<b>58.8%</b>	<b>5.8</b>
All remaining tenants		485	4,509,368	41.7%	90,223	41.2%	3.6
<b>Total/Weighted Average</b>		<b>602</b>	<b>10,808,454</b>	<b>100.0%</b>	<b>\$ 219,238</b>	<b>100.0%</b>	<b>4.9</b>

- (1) Total Annualized Rental Revenue is the monthly contractual base rent as of September 30, 2004 multiplied by 12 plus the estimated annualized expense reimbursements under existing office leases excluding development properties.
- (2) The weighting of the lease term was computed using Total Rental Revenue.
- (3) Many of our government leases are subject to early termination provisions which are customary to government leases. The weighted average remaining lease term was computed assuming no exercise of such early termination rights.
- (4) Includes affiliated organizations or agencies.
- (5) Merck & Co., Inc. subleases 219,065 rentable square feet from Unisys' 960,349 leased rentable square feet.

20

### Combined Real Estate Revenue by Geographic Region by Quarter (Dollars in thousands)

	2004			2003	
	September 30	June 30	March 31	December 31	September 30
<b>Office Properties:</b>					
Baltimore/Washington Corridor	\$ 26,924	\$ 25,018	\$ 25,278	\$ 24,535	\$ 24,670
Northern Virginia	10,120	13,290	10,886	10,282	9,010
Northern/Central New Jersey	4,696	4,661	4,679	3,780	3,685
Greater Philadelphia	2,506	2,506	2,506	2,506	2,506
Greater Harrisburg	2,272	2,168	2,243	2,374	2,372
Southern Maryland	1,750	1,662	124	—	—
Suburban Maryland	2,622	2,358	1,555	1,463	1,480
Other	2,173	2,181	1,649	1,593	1,622
Subtotal	53,063	53,844	48,920	46,533	45,345
Other Income	33	48	51	46	101

Combined Regional Real Estate Revenue	\$ 53,096	\$ 53,892	\$ 48,971	\$ 46,579	\$ 45,446
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**Combined Net Operating Income by Geographic Region by Quarter**  
(Dollars in thousands)

	2004			2003	
	September 30	June 30	March 31	December 31	September 30
<b>Office Properties:</b>					
Baltimore/Washington Corridor	\$ 18,266	\$ 17,406	\$ 17,153	\$ 16,845	\$ 17,428
Northern Virginia	6,955	10,216	7,574	7,288	6,352
Northern/Central New Jersey	3,309	3,420	3,193	2,394	2,384
Greater Philadelphia	2,467	2,467	2,467	2,479	2,470
Greater Harrisburg	1,582	1,409	1,500	1,760	1,709
Southern Maryland	1,374	1,304	91	—	—
Suburban Maryland	1,695	1,573	957	940	945
Other	1,216	1,402	946	958	997
Subtotal	\$ 36,864	\$ 39,197	\$ 33,881	\$ 32,664	\$ 32,285
Other income / expenses, net	35	48	51	46	99
<b>Combined NOI</b>	<b>\$ 36,899</b>	<b>\$ 39,245</b>	<b>\$ 33,932</b>	<b>\$ 32,710</b>	<b>\$ 32,384</b>

21

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

	2004			2003	
	September 30	June 30	March 31	December 31	September 30
<b>Office Properties: (1)</b>					
Baltimore/Washington Corridor	\$ 16,024	\$ 15,947	\$ 15,554	\$ 15,848	\$ 16,727
Northern Virginia	3,652	7,669	4,519	4,438	4,053
Northern/Central New Jersey	3,247	3,437	3,217	2,400	2,372
Greater Philadelphia	2,530	2,479	2,478	2,490	2,482
Greater Harrisburg	1,568	1,384	1,707	1,754	1,697
Suburban Maryland	997	879	783	915	866
Other	894	1,029	931	952	982
<b>Total Office Properties</b>	<b>\$ 28,912</b>	<b>\$ 32,824</b>	<b>\$ 29,189</b>	<b>\$ 28,797</b>	<b>\$ 29,179</b>

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

	2004			2003	
	September 30	June 30	March 31	December 31	September 30
<b>Office Properties: (1)</b>					
Baltimore/Washington Corridor	\$ 16,832	\$ 16,699	\$ 16,396	\$ 16,848	\$ 17,442
Northern Virginia	5,368	8,988	5,014	4,810	4,860
Northern/Central New Jersey	3,309	3,423	3,193	2,396	2,366
Greater Philadelphia	2,468	2,467	2,467	2,479	2,470
Greater Harrisburg	1,582	1,409	1,500	1,760	1,708
Suburban Maryland	1,034	925	801	940	930
Other	895	1,024	946	958	997
<b>Total Office Properties</b>	<b>\$ 31,488</b>	<b>\$ 34,935</b>	<b>\$ 30,317</b>	<b>\$ 30,191</b>	<b>\$ 30,773</b>

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

22

**Average Occupancy Rates by Region for Same Office Properties (1)**

	Baltimore / Washington Corridor	Northern Virginia	Northern / Central New Jersey	Greater Philadelphia	Greater Harrisburg	Suburban Maryland	Other	Total Office
<b>3rd Quarter 2004 Average</b>								
Number of Buildings	69	4	12	4	16	3	3	111
Rentable Square Feet	4,964,770	1,165,316	746,856	960,349	672,367	377,082	348,656	9,235,396
Percent Occupied	95.12%	99.80%	93.13%	100.00%	83.40%	82.82%	85.60%	94.34%
<b>2nd Quarter 2004 Average</b>								
Number of Buildings	69	4	12	4	16	3	3	111
Rentable Square Feet	4,964,675	1,165,318	746,856	960,349	672,264	377,077	339,050	9,225,589
Percent Occupied	93.43%	99.80%	90.59%	100.00%	86.19%	79.11%	92.09%	93.52%

**1st Quarter 2004 Average**

Number of Buildings	69	4	12	4	16	3	3	111
Rentable Square Feet	4,962,167	1,165,323	746,815	960,349	672,264	377,074	335,985	9,219,977
Percent Occupied	91.83%	99.73%	90.43%	100.00%	86.64%	78.58%	91.29%	92.63%

**4th Quarter 2003 Average**

Number of Buildings	69	4	12	4	16	3	3	111
Rentable Square Feet	4,960,775	1,165,323	746,744	960,349	672,264	377,074	335,985	9,218,514
Percent Occupied	90.84%	95.90%	90.85%	100.00%	88.13%	79.80%	90.59%	91.78%

**3rd Quarter 2003 Average**

Number of Buildings	69	4	12	4	16	3	3	111
Rentable Square Feet	4,956,184	1,165,323	746,734	960,349	673,363	376,986	335,985	9,214,924
Percent Occupied	91.16%	95.22%	92.55%	100.00%	91.08%	81.17%	90.56%	92.27%

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

23

**Office Lease Expiration Analysis by Year**

Year of Lease Expiration (1)	Number of Leases Expiring	Square Footage of Leases Expiring	Percentage of Total Occupied Square Feet	Total Annualized Rental Revenue of Expiring Leases (2) (000s)	Percentage of Total Annualized Rental Revenue Expiring	Total Annual Rental Revenue of Expiring Leases per Occupied Square Foot
2004	41	457,540	4.2%	\$ 8,458	3.9%	\$ 18.49
2005	92	947,190	8.8%	19,222	8.8%	20.29
2006	85	1,181,104	10.9%	23,109	10.5%	19.57
2007	124	1,608,458	14.9%	32,258	14.7%	20.05
2008	79	1,090,194	10.1%	23,029	10.5%	21.12
2009	85	2,031,919	18.8%	31,875	14.5%	15.69
2010	38	1,102,709	10.2%	25,187	11.5%	22.84
2011	8	272,550	2.5%	5,754	2.6%	21.11
2012	13	558,163	5.2%	11,749	5.4%	21.05
2013	5	341,460	3.2%	10,311	4.7%	30.20
2014	10	453,813	4.2%	12,713	5.8%	28.01
2015	2	375,515	3.5%	9,523	4.3%	25.36
2016	—	—	0.0%	—	0.0%	0.00
2017	—	—	0.0%	—	0.0%	0.00
2018	3	328,944	3.0%	5,977	2.7%	18.17
Other (3)	17	58,895	0.5%	73	0.0%	1.24
<b>Total / Average</b>	<b>602</b>	<b>10,808,454</b>	<b>100.0%</b>	<b>\$ 219,238</b>	<b>100.0%</b>	<b>\$ 20.28</b>

NOTE: As of September 30, 2004, the weighted average lease term is 4.9 years.

- (1) Many of our government leases are subject to certain early termination provisions which are customary to government leases. The year of lease expiration was computed assuming no exercise of such early termination rights.
- (2) Total Annualized Rental Revenue is the monthly contractual base rent as of September 30, 2004 multiplied by 12 plus the estimated annualized expense reimbursements under existing office leases excluding development properties.
- (3) Other consists primarily of amenities, including cafeterias, concierge offices and property management space. In addition, month-to-month leases and leases which have expired but the tenant remains in holdover are included in this line item as the exact expiration date is unknown.

24

**Quarterly Office Renewal Analysis**

	Baltimore/ Washington Corridor	Northern Virginia	Northern/ Central New Jersey	Greater Harrisburg	Suburban Maryland	Southern Maryland	Other	Total Office
<b>Quarter Ended September 30, 2004:</b>								
Expiring Square Feet	108,610	26,441	24,881	42,553	7,536	40,044	6,673	256,738
Vacated Square Feet	23,126	—	2,950	6,900	—	25,444	—	58,420
Renewed Square Feet	85,484	26,441	21,931	35,653	7,536	14,600	6,673	198,318
Retention Rate (% based upon square feet)	78.71%	100.00%	88.14%	83.78%	100.00%	36.46%	100.00%	77.25%
<b>Renewed Space Only:</b>								
Change in Base Rent - Straight-line	9.37%	5.14%	0.08%	-12.80%	4.91%	16.41%	5.30%	4.01%
Change in Total Rent - Straight-line	12.64%	3.95%	-4.01%	-10.42%	4.08%	16.41%	3.29%	4.90%
Change in Base Rent - Cash	1.68%	-1.32%	-1.06%	-19.86%	-2.32%	9.63%	-1.65%	-2.39%
Change in Total Rent - Cash	6.75%	-1.02%	-5.05%	-16.32%	-2.82%	9.63%	-3.45%	-0.39%
Average Capital Cost per Square Foot	\$ 0.91	\$ 2.71	\$ 7.12	\$ 1.06	\$ 11.95	\$ 3.40	\$ 2.36	\$ 2.52

Renewed & Retenanted Space:

Change in Base Rent - Straight-line	19.69%	-0.09%	3.64%	-5.55%	-9.96%	16.41%	2.82%	9.50%
Change in Total Rent - Straight-line	15.37%	-0.41%	-1.90%	-7.52%	-10.53%	16.41%	1.39%	6.37%
Change in Base Rent - Cash	12.30%	-5.90%	2.39%	-13.89%	-14.81%	9.63%	-4.68%	2.98%
Change in Total Rent - Cash	9.17%	-5.18%	-3.02%	-14.34%	-15.05%	9.63%	-5.94%	0.83%
Average Capital Cost per Square Foot	\$ 11.39	\$ 8.60	\$ 8.96	\$ 7.16	\$ 13.03	\$ 3.40	\$ 4.49	\$ 10.15
<b>Quarter Ended June 30, 2004:</b>								
Expiring Square Feet	259,151	9,996	12,808	15,495	1,027	3,509	108,677	410,663
Vacated Square Feet	10,214	4,119	6,154	15,495	1,027	—	85,981	122,990
Renewed Square Feet	248,937	5,877	6,654	—	—	3,509	22,696	287,673
Retention Rate (% based upon square feet)	96.06%	58.79%	51.95%	0.00%	0.00%	100.00%	20.88%	70.05%
<i>Renewed Space Only:</i>								
Change in Base Rent - Straight-line	10.12%	7.97%	7.36%	0.00%	0.00%	4.57%	9.29%	9.88%
Change in Total Rent - Straight-line	6.91%	7.24%	5.70%	0.00%	0.00%	4.38%	6.00%	6.77%
Change in Base Rent - Cash	1.14%	1.02%	4.67%	0.00%	0.00%	3.01%	4.60%	1.54%
Change in Total Rent - Cash	-1.62%	0.49%	3.81%	0.00%	0.00%	2.89%	1.66%	-1.08%
Average Capital Cost per Square Foot	\$ 10.26	\$ 1.52	\$ 7.76	\$ —	\$ —	\$ 1.65	\$ 4.63	\$ 9.47
<i>Renewed &amp; Retenanted Space:</i>								
Change in Base Rent - Straight-line	9.09%	-11.13%	5.04%	-1.83%	0.93%	4.57%	38.89%	9.71%
Change in Total Rent - Straight-line	5.39%	-11.04%	2.48%	-2.50%	-2.07%	4.38%	23.40%	5.58%
Change in Base Rent - Cash	0.15%	-10.94%	-2.31%	-6.36%	-8.19%	3.01%	18.81%	0.77%
Change in Total Rent - Cash	-3.01%	-10.85%	-3.68%	-6.41%	-10.80%	2.89%	7.21%	-2.65%
Average Capital Cost per Square Foot	\$ 10.08	\$ 3.05	\$ 26.08	\$ 2.11	\$ 16.13	\$ 1.65	\$ 15.44	\$ 11.59

Note: No renewal or retenanting activity transpired in our Greater Philadelphia region.

25

### Quarterly Office Renewal Analysis (continued)

	Baltimore/ Washington Corridor	Northern Virginia	Northern/ Central New Jersey	Greater Harrisburg	Suburban Maryland	Southern Maryland	Other	Total Office
<b>Quarter Ended March 31, 2004:</b>								
Expiring Square Feet	28,647	6,230	162,408	107,761	16,878	—	7,142	329,066
Vacated Square Feet	16,618	6,230	3,677	12,320	11,810	—	1,400	52,055
Renewed Square Feet	12,029	—	158,731	95,441	5,068	—	5,742	277,011
Retention Rate (% based upon square feet)	41.99%	0.00%	97.74%	88.57%	30.03%	0.00%	80.40%	84.18%
<i>Renewed Space Only:</i>								
Change in Base Rent - Straight-line	10.32%	0.00%	11.14%	-15.10%	-3.34%	n/a	5.30%	3.52%
Change in Total Rent - Straight-line	16.08%	0.00%	9.40%	-12.44%	-3.34%	n/a	4.77%	2.84%
Change in Base Rent - Cash	3.09%	0.00%	5.53%	-21.90%	-14.73%	n/a	-3.34%	-2.70%
Change in Total Rent - Cash	9.41%	0.00%	4.28%	-18.12%	-14.73%	n/a	-3.01%	-2.68%
Average Capital Cost per Square Foot	\$ —	\$ —	\$ 0.27	\$ 4.21	\$ 1.77	\$ —	\$ 2.93	\$ 1.70
<i>Renewed &amp; Retenanted Space:</i>								
Change in Base Rent - Straight-line	2.95%	-35.90%	10.82%	-15.10%	-3.34%	n/a	13.01%	3.26%
Change in Total Rent - Straight-line	5.58%	-39.10%	8.90%	-12.44%	-3.34%	n/a	2.99%	3.06%
Change in Base Rent - Cash	3.87%	-35.90%	5.26%	-21.90%	-14.73%	n/a	4.37%	-0.13%
Change in Total Rent - Cash	6.56%	-39.10%	3.84%	-18.12%	-14.73%	n/a	-4.63%	-0.02%
Average Capital Cost per Square Foot	\$ 11.47	\$ 0.76	\$ 0.33	\$ 4.21	\$ 1.77	\$ —	\$ 33.77	\$ 7.75
<b>Quarter Ended December 31, 2003:</b>								
Expiring Square Feet	150,726	843	12,018	94,695	36,622	—	8,247	303,151
Vacated Square Feet	5,140	843	—	20,247	6,466	—	3,572	36,268
Renewed Square Feet	145,586	—	12,018	74,448	30,156	—	4,675	266,883
Retention Rate (% based upon square feet)	96.59%	0.00%	100.00%	78.62%	82.34%	0.00%	56.69%	88.04%
<i>Renewed Space Only:</i>								
Change in Base Rent - Straight-line	10.21%	0.00%	-4.60%	2.54%	16.95%	n/a	1.50%	8.34%
Change in Total Rent - Straight-line	6.88%	0.00%	-9.54%	2.26%	14.19%	n/a	0.46%	5.55%
Change in Base Rent - Cash	2.00%	0.00%	-4.86%	0.97%	2.68%	n/a	-1.55%	1.44%
Change in Total Rent - Cash	-0.58%	0.00%	-9.88%	0.99%	2.27%	n/a	-2.56%	-0.53%
Average Capital Cost per Square Foot	\$ 1.70	\$ —	\$ 6.91	\$ 2.37	\$ 5.64	\$ —	\$ 4.10	\$ 2.61
<i>Renewed &amp; Retenanted Space:</i>								
Change in Base Rent - Straight-line	9.80%	-14.39%	-4.60%	1.31%	1.46%	n/a	-2.62%	1.05%
Change in Total Rent - Straight-line	6.52%	-15.51%	-9.54%	2.44%	0.94%	n/a	-2.20%	-0.44%
Change in Base Rent - Cash	3.29%	-18.11%	-4.86%	-0.41%	-9.75%	n/a	-5.55%	-3.99%
Change in Total Rent - Cash	0.54%	-19.22%	-9.88%	1.03%	-8.85%	n/a	-4.90%	-5.07%
Average Capital Cost per Square Foot	\$ 5.37	\$ 2.56	\$ 6.91	\$ 2.86	\$ 9.75	\$ —	\$ 6.49	\$ 5.18
<b>Quarter Ended September 30, 2003:</b>								
Expiring Square Feet	214,371	133,691	29,103	23,779	20,985	—	2,249	424,178
Vacated Square Feet	28,184	—	17,085	—	8,841	—	—	54,110
Renewed Square Feet	186,187	133,691	12,018	23,779	12,144	—	2,249	370,068
Retention Rate (% based upon square feet)	86.85%	100.00%	41.29%	100.00%	57.87%	0.00%	100.00%	87.24%
<i>Renewed Space Only:</i>								
Change in Base Rent - Straight-line	9.67%	19.09%	5.30%	-0.10%	0.51%	n/a	5.62%	12.30%
Change in Total Rent - Straight-line	8.21%	12.77%	4.99%	-0.08%	-0.77%	n/a	5.52%	9.51%
Change in Base Rent - Cash	0.25%	0.00%	0.36%	-2.77%	-4.02%	n/a	4.00%	-0.08%
Change in Total Rent - Cash	0.19%	0.00%	0.34%	-2.26%	-5.12%	n/a	3.93%	-0.11%
Average Capital Cost per Square Foot	\$ 1.45	\$ 8.37	\$ 17.00	\$ 1.05	\$ 3.90	\$ —	\$ 0.80	\$ 4.51
<i>Renewed &amp; Retenanted Space:</i>								

Change in Base Rent - Straight-line	13.51%	19.09%	4.31%	3.18%	1.17%	n/a	5.62%	13.88%
Change in Total Rent - Straight-line	11.29%	12.77%	4.46%	0.36%	-1.49%	n/a	5.52%	10.81%
Change in Base Rent - Cash	5.79%	0.00%	-0.81%	-0.01%	-4.13%	n/a	4.00%	3.33%
Change in Total Rent - Cash	4.53%	0.00%	-0.33%	-2.18%	-6.52%	n/a	3.93%	2.29%
Average Capital Cost per Square Foot	\$ 8.78	\$ 8.37	\$ 18.74	\$ 1.37	\$ 5.67	\$ —	\$ 0.80	\$ 8.48

Note: No renewal or retenting activity transpired in our Greater Philadelphia region.

26

**Year to Date Acquisition Summary as of September 30, 2004**  
(Dollars in thousands)

Submarket	Acquisition Date	Square Feet	Occupancy Percentage at Acquisition	Contractual Purchase Price	Investment (1)
<b>Individual Property:</b>					
400 Professional Drive	Gaithersburg	3/5/2004	129,030	90.0%	\$ 22,400 \$ 23,196
22309 Exploration Drive	St. Mary's County	3/24/2004	98,860	100.0%	13,100 13,500
22299 Exploration Drive	St. Mary's County	3/24/2004	58,509	80.4%	7,825 7,847
22289 Exploration Drive	St. Mary's County	3/24/2004	60,659	96.2%	7,875 7,897
46579 Expedition Drive	St. Mary's County	3/24/2004	61,156	82.5%	7,825 7,847
23535 Cottonwood Parkway	St. Mary's County	3/24/2004	46,656	100.0%	4,000 4,011
44408 Pecan Court	St. Mary's County	3/24/2004	50,532	100.0%	4,350 4,362
44414 Pecan Court	St. Mary's County	3/24/2004	25,444	100.0%	2,125 2,131
44417 Pecan Court	St. Mary's County	3/24/2004	29,053	100.0%	2,500 2,507
10150 York Road	No. Baltimore County	4/15/2004	178,764	77.4%	16,450 15,372
44425 Pecan Court	St. Mary's County	5/5/2004	59,055	88.4%	7,400 7,743
1751 Pinnacle Drive	Tysons Corner	9/23/2004	258,465	92.8%	61,274 59,524
1753 Pinnacle Drive	Tysons Corner	9/23/2004	181,637	83.3%	51,226 46,920
14280 Park Meadow Drive	Dulles South	9/29/2004	114,126	100.0%	21,650 22,903
<b>Total</b>		<b>1,351,946</b>	<b>90.1%</b>	<b>\$ 230,000</b>	<b>\$ 225,760</b>

(1) Initial accounting investment recorded by property as of September 30, 2004 for asset purchase. These amounts may differ from the contractual purchase prices due to SFAS 141 adjustments.

27

**Development Summary as of September 30, 2004**  
(Dollars in thousands)

Property and Location	Submarket	Wholly Owned or Joint Venture (JV)	Total Rentable Square Feet	Percentage Leased or Committed	Anticipated Total Cost	Cost to date	Outstanding Loan as of 9/30/2004	Anticipated Date of Operations
<b>Under Construction</b>								
4851 Stonecroft Boulevard (Greens III) Chantilly, Virginia	(1) Dulles South	Owned	88,094	100.00%	\$ 15,064	\$ 12,900	\$ 15,000	Lease-up 4Q 04
318 Carina Road (318 NBP) Annapolis Junction, Maryland	(2) BWI Airport	Owned	125,847	0.00%	21,989	11,300	3,680	Construction 3Q 05
2691 Technology Drive (191 NBP) Annapolis Junction, Maryland	(3) BWI Airport	Owned	103,683	100.00%	20,501	11,816	4,519	Construction 3Q 05
15010 Conference Center Drive (WTP II) Chantilly, Virginia	Dulles South	Owned	216,342	0.00%	37,849	3,384	—	Construction 1Q 06
304 Carina Road (304 NBP) Annapolis Junction, Maryland	(4) BWI Airport	Owned	162,498	100.00%	29,093	7,519	—	Construction 1Q 06
<b>Total Under Construction</b>			<b>696,464</b>	<b>50.87%</b>	<b>\$ 124,496</b>	<b>\$ 46,919</b>	<b>\$ 23,199</b>	

(1) Amount represents allocated loan amount of the \$115.0 million loan closed on August 27, 2004.

(2) Total loan commitment is \$19.3 million.

(3) Total loan commitment is \$16.6 million.

(4) Total loan commitment is \$27.1 million.

**Under Development**

322 Carina Road (322 NBP) Annapolis Junction, Maryland	BWI Airport	Owned	125,651	0.00%	\$ 21,620	\$ 3,660	\$ —	Development 2Q 06
306 Carina Road (306 NBP) Annapolis Junction, Maryland	BWI Airport	Owned	160,000	0.00%	28,386	4,633	—	Development 3Q 06
<b>Total Under Development</b>			<b>285,651</b>	<b>0.00%</b>	<b>\$ 50,006</b>	<b>\$ 8,293</b>	<b>\$ —</b>	

28

**Year to Date Development Placed into Service for the Period Ended September 30, 2004**

<u>Property and Location</u>	<u>Wholly Owned or Joint Venture (JV)</u>	<u>Total Square Feet</u>	<u>Year 2004 Development Square Feet Placed into Service</u>	<u>Percentage Leased of Total Square Feet as of 9/30/04</u>
4230 Forbes Boulevard, Lanham, MD	JV	55,867	55,867	47.98 %
2720 Technology Drive, Annapolis Junction, MD	(1) Owned	156,730	156,730	100.00 %
<b>TOTAL/AVERAGE</b>		<b>212,597</b>	<b>212,597</b>	<b>86.33 %</b>

(1) At the time that this development property was placed into service, it was still considered a joint venture property. However, on September 11, 2004, we purchased the remaining joint venture interest, thus as of September 30, 2004, it is a wholly-owned property.

29

**Land Inventory as of September 30, 2004**

<u>Location</u>	<u>Submarket</u>	<u>Owned or JV</u>	<u>Acres</u>	<u>Developable Square Feet</u>
Westfields Business Park	Dulles South	owned	17	387,000
Westfields Business Park	Dulles South	owned	32	674,000
Woodland Park	Herndon	owned	5	225,000
<b>Total Northern Virginia</b>			<b>54</b>	<b>1,286,000</b>
National Business Park	BWI Airport	owned	69	724,000
Columbia Gateway Parcel T-11	Howard Co. Perimeter	owned	14	215,000
Columbia Gateway Parcel N-10	Howard Co. Perimeter	JV	12	135,000
Columbia Gateway Parcel N-11	Howard Co. Perimeter	owned	3	28,500
MOR Montpelier 3	Howard Co. Perimeter	JV	2	19,000
<b>Total Baltimore / Washington Corridor</b>			<b>100</b>	<b>1,121,500</b>
Unisys Campus	Blue Bell	owned	45	600,000
Unisys Campus	Blue Bell	option	27	354,000
<b>Total Greater Philadelphia</b>			<b>72</b>	<b>954,000</b>
Princeton Technology Center	Exit 8A - Cranbury	owned	19	250,000
<b>Total Northern / Central New Jersey</b>			<b>19</b>	<b>250,000</b>
46591 Expedition Drive (#6)	St. Mary's	owned	8	60,000
Expedition Park	St. Mary's	owned	6	60,000
<b>Total St. Mary's County</b>			<b>14</b>	<b>120,000</b>
Commerce Court	Commerce Park	option	6	68,000
<b>Total Harrisburg</b>			<b>6</b>	<b>68,000</b>
<b>TOTAL</b>			<b>265</b>	<b>3,799,500</b>

30

**Joint Venture Summary as of September 30, 2004  
(Dollars in thousands)**

**Consolidated Properties**

<u>Property and Location</u>	<u>Joint Venture Interest Held By COPT</u>	<u>Status</u>	<u>Square Feet</u>	<u>Acreage</u>	<u>Total Assets</u>	<u>Consolidated Debt as of 9/30/04</u>	<u>Recourse to COPT</u>	<u>Option to Acquire Partner's Interest</u>
4230 Forbes Boulevard Lanham, Maryland	50%	Operating	55,867	5 acres	\$ 4,614	\$ 3,592	Yes, up to \$4.5 million	Yes
MOR Montpelier 3 LLC Laurel, Maryland	50%	Development		2 acres	946	—	N/A	Yes
Gateway 70 Columbia, Maryland	80%	Development		12 acres	3,782	—	N/A	Yes
<b>TOTAL</b>					<b>\$ 9,342</b>	<b>\$ 3,592</b>		

**Unconsolidated Properties**



Property and Location	Joint Venture Interest Held By COPT	Status	Square Feet	Acreage	COPT Investment	Off-Balance Sheet Debt as of 9/30/04	Recourse to COPT	Option to Acquire Partner's Interest
695 Route 46 Wayne, New Jersey (1)	20%	Operating	157,318	13 acres	\$ 1,094	\$ 14,128	No	No
<b>TOTAL</b>					<b>\$ 1,094</b>	<b>\$ 14,128</b>		

(1) Effective March 14, 2003, we contributed our wholly-owned property into a joint venture in exchange for a 20% joint venture interest and a cash payment of \$19,960. The joint venture borrowed a \$14,500, ten-year, 5.97% fixed interest rate loan from Allstate Life Insurance Company.

31

**Reconciliations of Non GAAP Measurements  
(Dollars in thousands)**

	2004					2003	
	September 30	June 30	March 31	December 31	September 30		
<b>Total Assets or Denominator for Debt to Total Assets</b>	<b>\$ 1,650,713</b>	<b>\$ 1,490,689</b>	<b>\$ 1,432,010</b>	<b>\$ 1,332,076</b>	<b>\$ 1,300,470</b>		
Accumulated depreciation	131,018	121,630	110,155	103,070	96,538		
Intangible assets on real estate acquisitions, net	67,083	53,874	55,577	55,692	57,371		
Assets other than assets included in investment in real estate	(163,626)	(161,601)	(145,229)	(142,818)	(144,749)		
<b>Denominator for Debt to Undepreciated Book Value of Real Estate Assets</b>	<b>\$ 1,685,188</b>	<b>\$ 1,504,592</b>	<b>\$ 1,452,513</b>	<b>\$ 1,348,020</b>	<b>\$ 1,309,630</b>		
<b>GAAP Revenues from Real Estate Operations</b>	<b>\$ 53,097</b>	<b>\$ 53,892</b>	<b>\$ 48,971</b>	<b>\$ 46,579</b>	<b>\$ 45,448</b>		
Revenues from discontinued operations	—	—	—	—	1		
Other income (expense)	—	—	—	—	(2)		
<b>Combined Real Estate Revenues</b>	<b>\$ 53,097</b>	<b>\$ 53,892</b>	<b>\$ 48,971</b>	<b>\$ 46,579</b>	<b>\$ 45,447</b>		
Interest income	(34)	(48)	(51)	(46)	(102)		
<b>Combined Regional Rental Revenues</b>	<b>\$ 53,063</b>	<b>\$ 53,844</b>	<b>\$ 48,920</b>	<b>\$ 46,533</b>	<b>\$ 45,345</b>		
<b>GAAP Property Operating</b>	<b>\$ 16,197</b>	<b>\$ 14,647</b>	<b>\$ 15,039</b>	<b>\$ 13,869</b>	<b>\$ 13,075</b>		
Property operating from discontinued operations	—	—	—	—	(13)		
<b>Combined Property Operating Expenses from Real Estate Operations</b>	<b>\$ 16,197</b>	<b>\$ 14,647</b>	<b>\$ 15,039</b>	<b>\$ 13,869</b>	<b>\$ 13,062</b>		
<b>GAAP Revenues from Real Estate Operations</b>	<b>\$ 53,097</b>	<b>\$ 53,892</b>	<b>\$ 48,971</b>	<b>\$ 46,579</b>	<b>\$ 45,448</b>		
Property operating	(16,197)	(14,647)	(15,039)	(13,869)	(13,075)		
Revenues from discontinued operations	—	—	—	—	1		
Property operating from discontinued operations	—	—	—	—	13		
Other revenue	—	—	—	—	(2)		
<b>Combined Net Operating Income</b>	<b>\$ 36,900</b>	<b>\$ 39,245</b>	<b>\$ 33,932</b>	<b>\$ 32,710</b>	<b>\$ 32,385</b>		
Interest income and other income (expense), net	(35)	(48)	(51)	(46)	(99)		
<b>Combined Regional Net Operating Income</b>	<b>\$ 36,865</b>	<b>\$ 39,197</b>	<b>\$ 33,881</b>	<b>\$ 32,664</b>	<b>\$ 32,286</b>		
<b>GAAP Net Operating Income for Same Office Properties</b>	<b>\$ 31,488</b>	<b>\$ 34,935</b>	<b>\$ 30,317</b>	<b>\$ 30,191</b>	<b>\$ 30,773</b>		
Less: Straight-line rent	(2,137)	(1,690)	(503)	(807)	(1,061)		
Less: Accretion of intangible assets and liabilities classified as revenues	(439)	(421)	(625)	(587)	(533)		
<b>Cash Net Operating Income for Same Office Properties</b>	<b>\$ 28,912</b>	<b>\$ 32,824</b>	<b>\$ 29,189</b>	<b>\$ 28,797</b>	<b>\$ 29,179</b>		
<b>Depreciation and amortization</b>	<b>\$ 11,802</b>	<b>\$ 15,884</b>	<b>\$ 10,359</b>	<b>\$ 10,387</b>	<b>\$ 9,462</b>		
Depreciation of furniture, fixtures and equipment	(101)	(99)	(98)	(96)	(124)		
Depreciation and amortization from discontinued operations	(1)	—	—	—	—		
<b>Combined real estate related depreciation and other amortization</b>	<b>\$ 11,700</b>	<b>\$ 15,785</b>	<b>\$ 10,261</b>	<b>\$ 10,291</b>	<b>\$ 9,338</b>		
<b>Total tenant improvements on operating properties</b>	<b>\$ 3,924</b>	<b>\$ 4,420</b>	<b>\$ 2,268</b>	<b>\$ 2,306</b>	<b>\$ 2,355</b>		
Total capital improvements on operating properties	3,669	1,723	836	1,677	843		
Total leasing costs incurred for operating properties	2,598	5,793	566	1,197	1,004		
Less: Nonrecurring tenant improvements on operating properties	(1,454)	(1,655)	(112)	(936)	(470)		
Less: Nonrecurring capital improvements on operating properties	(2,920)	(841)	(505)	(476)	(312)		
Less: Nonrecurring leasing costs incurred for operating properties	(1,138)	(4,443)	(30)	(51)	(346)		
Add: Recurring improvements on operating properties held through joint ventures	—	—	—	(3)	48		
<b>Recurring capital improvements</b>	<b>\$ 4,679</b>	<b>\$ 4,997</b>	<b>\$ 3,023</b>	<b>\$ 3,714</b>	<b>\$ 3,122</b>		

32

	2004			2003	
	September 30	June 30	March 31	December 31	September 30
<b>Interest expense from continuing operations</b>	\$ 10,839	\$ 10,514	\$ 10,262	\$ 10,471	\$ 10,436
Interest expense from discontinued operations	—	—	—	—	—
<b>Combined interest expense or denominator for interest coverage</b>	\$ 10,839	\$ 10,514	\$ 10,262	\$ 10,471	\$ 10,436
Scheduled principal amortization	5,775	5,271	6,618	2,667	2,390
<b>Denominator for Debt Service Coverage</b>	\$ 16,614	\$ 15,785	\$ 16,880	\$ 13,138	\$ 12,826
Less: Scheduled principal amortization	(5,775)	(5,271)	(6,618)	(2,667)	(2,390)
Preferred dividends - redeemable non-convertible	3,784	4,435	4,435	3,643	3,021
Preferred dividends - redeemable convertible	—	—	21	136	136
Preferred distributions	14	—	—	—	—
<b>Denominator for Fixed Charge Coverage</b>	\$ 14,637	\$ 14,949	\$ 14,718	\$ 14,250	\$ 13,593
<b>Common dividends for Earnings Payout Ratio</b>	\$ 9,235	\$ 7,878	\$ 7,178	\$ 6,807	\$ 6,798
Common distributions	2,202	2,057	2,074	2,084	2,085
Convertible preferred dividends	—	—	21	136	136
Convertible preferred unit distributions	—	—	—	—	—
<b>Dividends and distributions for FFO and AFFO Payout Ratio</b>	\$ 11,437	\$ 9,935	\$ 9,273	\$ 9,027	\$ 9,019