

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

**FORM 8-K**

**CURRENT REPORT**

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

Date of report (Date of earliest event reported) February 14, 2007

**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)

**6711 Columbia Gateway Drive, Suite 300**  
**Columbia, Maryland 21046**  
(Address of principal executive offices)

**(443) 285-5400**  
(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))

**Item 2.02. Results of Operations and Financial Condition**

In connection with its release of earnings on February 14, 2007, the Registrant is making available certain additional information pertaining to its properties and operations as of and for the period ended December 31, 2006. 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.

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 have considered presentations of 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

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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.

#### Funds from operations-Basic (“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 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.

#### FFO per diluted 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);

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management compensates for these limitations in essentially the same manner as described below for Diluted FFO.

#### Funds from operations-diluted (“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 investors because it is the numerator used to compute Diluted FFO per share. 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.

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

This measure is defined as 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.

#### FFO per diluted share, as adjusted for issuance costs associated with redeemed preferred shares

This measure is defined as (1) Diluted FFO adjusted to eliminate an accounting charge for original issuance costs associated with the redemption of preferred shares of beneficial interest 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 the denominator for this measure does not assume conversion of securities that are convertible into common shares if the conversion of those securities would increase the measure in a given period. 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 directly comparable GAAP measure. This measure has most of the same limitations as

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Diluted FFO (described above), 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.

#### Adjusted funds from operations-diluted ("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, which includes the amortization of recurring tenant incentives, and amortization of deferred market rental revenue, both of which are described under "Cash NOI" below) and (b) accounting charges for original issuance costs associated with redeemed preferred shares; and (2) recurring capital expenditures (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 that 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 expenditures, 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 expenditures

Recurring capital expenditures are defined as capital expenditures, tenant improvements and incentives 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 expenditures is an important measure of performance for a REIT because it provides a measure of the capital expenditures that the Registrant can expect to incur on an ongoing basis, which is significant to how the Registrant manages its business since these expenditures are funded using cash flow from operations. As a result, the measure provides a further indication of the cash flow from operations that is available to fund other uses. The Registrant believes that tenant improvements and incentives, capital improvements and leasing costs associated with operating properties are the most directly comparable GAAP measures. Recurring capital expenditures do 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 expenditures presented by the Registrant may not be comparable to the recurring capital expenditures presented by other REITs.

#### Combined real estate revenue

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

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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, which includes the amortization of recurring tenant incentives, and amortization of deferred market rental 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. Also under GAAP, 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

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measure to Cash 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. 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 Ratio-Combined NOI and Interest Coverage Ratio-EBITDA

These measures 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.

#### Debt Service Coverage Ratio-Combined NOI and Debt Service Coverage Ratio-EBITDA

These measures divide either combined NOI or EBITDA by the sum of interest expense on continuing and discontinued operations and scheduled principal amortization on mortgage loans for 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 of loans associated with operating properties and, as such, are important tools in the Registrant's finance policy management.

#### Fixed Charge Coverage Ratio-Combined NOI and Fixed Charge Coverage Ratio-EBITDA

These measures divide either combined NOI or EBITDA by the sum of (1) interest expense on continuing and discontinued operations, (2) dividends on preferred shares and (3) distributions on preferred units in the Operating Partnership not owned by the Registrant. The Registrant believes that these ratios are useful measures in evaluating the relationship of earnings to the cash flow requirements of (1) interest expense on loans associated with operating properties and (2) dividends to preferred equity holders and, as such, are important tools in the Registrant's finance policy management.

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#### Combined NOI as a Percentage of Combined Real Estate Revenues and EBITDA as a Percentage of Combined Real Estate Revenues

These measures divide either Combined NOI or EBITDA by total real estate revenues from continuing and discontinued operations. The Registrant believes that net income divided by combined real estate revenue is the most directly comparable GAAP measure to these two measures.

#### General and Administrative Expenses as a Percentage of Combined Real Estate Revenue or EBITDA

These measures divide general and administrative expenses by either Combined Real Estate Revenue or EBITDA. The Registrant believes that general and administrative expenses divided by net income is the most directly comparable GAAP measure.

#### Recurring Capital Expenditures as a Percentage of Combined NOI

This measure divides recurring capital expenditures by NOI.

#### FFO Diluted Payout Ratio and AFFO Diluted Payout Ratio

These measures are defined as (1) the sum of (A) dividends on common shares and (B) dividends on common and convertible preferred shares and distributions to holders of interests in the Operating Partnership when such dividends and distributions are included in Diluted FFO and Diluted AFFO divided by (2) either Diluted FFO or Diluted AFFO. The Registrant believes that these ratios are useful to investors as supplemental measures of its ability to make distributions to investors. In addition, since most equity REITs provide these ratios, the Registrant believes they are useful supplemental measures for comparing the Registrant to other equity REITs. The Registrant believes that Earnings Payout Ratio is the most comparable GAAP measure. Earnings Payout Ratio is defined as dividends on common shares divided by net income available to common shareholders. Since FFO Diluted Payout Ratio and AFFO Diluted Payout Ratio are derived from Diluted FFO and Diluted AFFO, they share the limitations previously discussed for those measures; management compensates for these limitations by using the measures simply as supplemental measures that are weighed in the balance with other GAAP and non-GAAP measures.

#### Dividend Coverage-FFO Diluted and Dividend Coverage-AFFO Diluted

These measures divide either Diluted FFO or Diluted AFFO by the sum of (1) dividends on common shares and (2) dividends on common and convertible preferred shares and distributions to holders of interests in the Operating Partnership when such dividends and distributions are included in Diluted FFO and Diluted AFFO.

#### Debt to Undepreciated Book Value of Real Estate Assets

This measure is defined as mortgage loans payable divided by net investment in real estate presented on the Registrant's consolidated balance sheet excluding the effect of

accumulated depreciation incurred to date on such real estate. The Registrant believes that the measure of Debt to Undepreciated Real Estate Assets is useful to management and investors as a supplemental measure of its borrowing levels. In addition, since most equity REITs provide Debt to Undepreciated Real Estate Asset information, the Registrant believes Debt to Undepreciated Real Estate Assets is a useful supplemental measure for comparing the Registrant to other equity REITs. The Registrant believes that the measure of Debt to Total Assets, defined as mortgage loans payable divided by total assets, is the most comparable GAAP measure. Debt to Undepreciated Real Estate Assets excludes the effect of accumulated depreciation, other assets and other liabilities; management compensates for these limitations by using the measure simply as a supplemental measure that is weighed with the comparable GAAP measure and other GAAP and non-GAAP measures.

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**Item 9.01. Financial Statements and Exhibits**

- (a) Financial Statements of Businesses Acquired  
None
- (b) Pro Forma Financial Information  
None
- (c) Shell Company Transactions  
None
- (d) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
99.1	Supplemental information dated December 31, 2006 for Corporate Office Properties Trust.

**SIGNATURES**

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

Dated: February 14, 2007

CORPORATE OFFICE PROPERTIES TRUST

By: /s/ Randall M. Griffin  
Name: Randall M. Griffin  
Title: President and Chief Executive Officer

By: /s/ Stephen E. Riffie  
Name: Stephen E. Riffie  
Title: Executive Vice President and  
Chief Financial Officer

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Exhibit Title</u>
99.1	Supplemental information dated December 31, 2006 for Corporate Office Properties Trust.

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**Supplemental Information  
(Unaudited)**

December 31, 2006



**Corporate Office Properties Trust  
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December 31, 2006**

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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 and Treasurer at (443) 285-5450 or maryellen.fowler@copt.com. Reconciliations between GAAP and non GAAP measurements have been provided on page 46. Refer to our Form 8-K for definitions of certain terms used herein.

### Shareholder Return

- Our shareholders earned a total return of 45.8% for the year 2006 and 426.0% for the past five years on the basis of numbers compiled by the National Association of Real Estate Investment Trusts as of December 31, 2006. These return computations include the re-investment of dividends on the ex-dividend date and share price appreciation.

### Reporting Period Highlights – Year Ended December 31, 2006

#### Financial Results

- Reported Net Income Available to Common Shareholders of \$29,927,000 or \$.69 per diluted share for the year ended December 31, 2006 as compared to \$24,416,000 or \$.63 per diluted share for the comparable 2005 period, representing an increase of 9.5% per share. Included in 2006 net income is a gain on sale of real estate of approximately \$14.8 million, net of minority interests, as compared to a gain on sale of real estate of approximately \$3.8 million, net of minority interests, in 2005 net income. Also included in 2006 net income is an accounting charge of \$3.9 million, or \$.09 per share, for the write-off of initial issuance costs related to the Series E and Series F preferred share redemptions.
- Reported FFO – diluted of \$98,937,000 or \$1.91 per share/unit for the year ended December 31, 2006 as compared to \$88,801,000 or \$1.86 per share/unit for the comparable 2005 period, representing an increase of 2.7% per share/unit. Included in our 2006 FFO – diluted is a \$3.9 million accounting charge associated with the Series E and Series F preferred share redemptions. Without this accounting charge, our 2006 FFO – diluted, as adjusted, would have been \$1.99 per share, representing an increase of 7.0% per share/unit.
- Reported AFFO – diluted of \$74,679,000 for the year ended December 31, 2006 as compared to \$63,414,000 for the comparable 2005 period, representing an increase of 17.8%.
- Our FFO payout ratio was 60.3% for the year ended December 31, 2006 as compared to 56.3% for the comparable 2005 period. Our AFFO payout ratio was 79.9% for the year ended December 31, 2006 as compared to 78.8% for the comparable 2005 period.

#### Financing Activity and Capital Transactions

- During the year, we issued 2.0 million common shares and generated proceeds of \$82.6 million, or \$41.31 per share.
- We redeemed our 10.25% Series E Cumulative Redeemable Preferred Shares and our 9.875% Series F Cumulative Redeemable Preferred Shares for an aggregate of \$64.4 million. We recognized a total of \$3.9 million for the write-off of original issuance costs related to these two preferred share redemptions.

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- We issued 7.625% Series J Cumulative Redeemable Preferred Shares and generated net proceeds of \$82.1 million after payment of the underwriters' discount but before offering expenses.
  - We issued \$200 million of 3.5% Exchangeable Senior Notes with an initial exchange rate of 18.4162 COPT common shares per \$1,000 principal amount of notes.
  - We increased our quarterly dividend 10.7% from \$.28 to \$.31 per share.
  - We raised our borrowing capacity in our unsecured line of credit from \$400 to \$500 million. The revolver can be further increased to \$600 million and matures March 9, 2008, with the right to extend for an additional one year period, subject to certain conditions.
  - We closed a \$146.5 million, ten year non-recourse secured loan, requiring interest only payments at a fixed rate of 5.43%. As a result, we reduced our variable rate debt exposure to 11.7% of total debt as of December 31, 2006 compared to 31.6% as of December 31, 2005.

#### Acquisitions / Dispositions

During 2006, we executed our strategy of reducing our position in non-core markets and redeploying funds into our core and expansion markets. We disposed of seven wholly owned properties aggregating 531,345 square feet for \$79.5 million. We acquired over one million square feet for \$128.9 million coupled with a \$47.3 million investment in over 750 acres of land, developable into approximately 4.0 million rentable square feet. Through joint ventures, we obtained control of over 150 acres of land, developable into 720,000 rentable square feet, for \$3.9 million.

Some highlights follow:

- Core markets — We strengthened our dominant position in the Baltimore/Washington Corridor with our purchase of 611,379 operational square feet and 222 acres of land, developable into 1.4 million square feet, for \$106.7 million.
- Expansion markets — We acquired 400,334 operational square feet and 44 acres of land, developable into approximately 525,000 square feet, in Colorado Springs market for \$58.0 million. In our San Antonio, Texas market, we purchased 31 acres of land, developable into approximately 375,000 square feet, for \$7.2 million.
- Strategic new market — We created a long-term development opportunity with the \$5.0 million acquisition, reduced proportionally for the 91 acre holdback of the former Fort Ritchie United States Army base which includes 500 acres of land, with an approved development plan of 1.7 million square feet of office space and 673 residential units.
- Dispositions — We sold four buildings totaling 335,405 square feet in our Northern / Central New Jersey market, including one property held through a 20% joint venture interest, for \$33.9 million. We now own 417,314 operational square feet in Northern / Central New Jersey.

#### Development

- We placed into service 792,762 square feet in seven buildings, two of which were partially placed into service during 2005. This space was 94.6% leased as of December 31, 2006.
- During 2006, we increased our land control by over 850 acres which can support development of approximately 5.0 million square feet for an investment of \$51.2 million.

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#### Operations

- During 2006, we leased 2.9 million square feet including 1.8 million square feet of renewed and retented space, 250,000 square feet of previously unoccupied space and 922,000 square feet of new development space.

- We renewed 1,080,005 square feet, or 55.36%, of our expiring office leases (based upon square footage) with an average capital cost of \$3.27 per square foot during the year ended December 31, 2006. For our renewed and retenanting space of 1.8 million square feet, we realized an increase in total rent of 7.60%, as measured from the GAAP straight-line rent in effect preceding the renewal date, and an increase of 0.51% in total cash rent. We incurred an average committed cost of \$11.04 per square foot for our renewed and retenanting space for the year.

## **Reporting Period Highlights – Fourth Quarter 2006**

### **Financial Results**

- Reported Net Income Available to Common Shareholders of \$3,730,000, or \$.08 per diluted share, for the fourth quarter of 2006 as compared to \$6,628,000, or \$.16 per diluted share, for the comparable 2005 period. Included in fourth quarter 2006 net income is an accounting charge of \$2.1 million, or \$.05 per share, for the write-off of initial issuance costs related to the Series F preferred share redemption.
- Reported FFO – diluted of \$25,077,000, or \$.48 per share/unit, for the fourth quarter of 2006 as compared to \$23,804,000, or \$.48 per share/unit, for the comparable 2005 period, representing no change per share/unit. Included in our FFO – diluted is a \$2.1 million accounting charge associated with the Series F preferred share redemption. Without this accounting charge, our FFO – diluted, as adjusted, would have been \$.52 per share, representing an increase of 8.3% per share/unit, for the comparable 2005 period.
- Reported AFFO – diluted of \$17,695,000 for the fourth quarter of 2006 as compared to \$15,892,000 for the comparable 2005 period, representing an increase of 11.3%.
- Our FFO payout ratio was 63.5% for the fourth quarter of 2006 as compared to 57.0% for the comparable 2005 period. Our AFFO payout ratio was 89.9% for the fourth quarter of 2006 as compared to 85.3% for the comparable 2005 period.

### **Financing Activity and Capital Transactions**

- On October 15, 2006, we redeemed all of our 1,425,000 outstanding 9.875% Series F Cumulative Redeemable Preferred Shares at a price of \$25.00 per share, or \$35,625,000, and recognized a \$2.1 million accounting charge to net income available to common shareholders related to original issuance costs.
- On December 28, 2006, we obtained a \$146.5 million, ten year loan, requiring interest only payments at a fixed rate of 5.43% and maturing in January 2017. We used the loan proceeds to repay \$146.0 million of borrowings outstanding under our unsecured revolving credit facility.
- As of December 31, 2006, our ratio of debt to market capitalization was 34.9%, and our ratio of debt to undepreciated book value of real estate assets was 62.0%. We achieved an EBITDA interest coverage ratio of 2.71x and an EBITDA fixed charge coverage ratio of 2.24x for this quarter.

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### **Acquisitions**

- On October 5, 2006, we acquired approximately 500 acres of the 591-acre former Fort Ritchie United States Army base located in Cascade, Washington County, Maryland, for \$5.0 million. This price was reduced proportionately for deferral of 91 acres. This site has 306,038 square feet of existing space and an approved plan for 1.7 million square feet of office space and 673 residential units.

### **Development**

- During the fourth quarter, we placed into service 447,447 square feet within our development properties including two entire buildings, 322 Sentinel Drive (known as 322 NBP) and 15010 Conference Center Drive (known as WTP II).
- In the fourth quarter, we executed several long term leases for 416,976 square feet of development space including: 59,763 square feet at 1055 North Newport Road, located within the Aerotech Commerce Park in Colorado Springs, Colorado; 102,842 square feet at 201 Technology Park Drive in Lebanon, Virginia; 125,681 square feet at 320 Sentinel Drive (known as 320 NBP) in Annapolis Junction, Maryland; 53,941 square feet at 940 Elkridge Landing Road (known as Airport Square VII) in Linthicum, Maryland; and 74,749 square feet at 9965 Federal Drive in Colorado Springs, Colorado. All of these properties are now 100% leased.

### **Operations**

- Our wholly owned portfolio was 92.78% occupied and 95.46% leased, as of December 31, 2006. Our entire portfolio was 92.58% occupied and 95.14% leased, as of December 31, 2006.
- Our same office property cash NOI for the quarter ended December 31, 2006 increased by 4.6%, or \$2.0 million, as compared to the quarter ended December 31, 2005. Our same office property cash NOI was positively impacted by an increase of \$2.5 million in termination fees and negatively impacted by the major retenanting of 161,305 square feet in our Northern Virginia portfolio. Our same office portfolio consists of 133 properties and represents 78.8% of our wholly owned portfolio, as of December 31, 2006.
- Weighted average lease term of our wholly owned portfolio is 5.0 years, as of December 31, 2006, with an average contractual rental rate (including tenant reimbursements of operating costs) of \$20.90 per square foot.
- We renewed 180,658 square feet, or 34.34%, of our expiring office leases (based upon square footage) with an average committed cost of \$5.49 per square foot during the fourth quarter. For our renewed space only, we realized a decrease in total rent of (6.49%), as measured from the GAAP straight-line rent in effect preceding the renewal date, and a decrease of (13.19%) in total cash rent. For our renewed and retenanting space of 291,295 square feet, we realized an increase in total rent of 1.03%, as measured from the GAAP straight-line rent in effect preceding the renewal date. We incurred an average committed cost of \$4.78 per square foot for our renewed and retenanting space in the fourth quarter.
- We recognized \$3.4 million in lease termination fees, net of write-offs of related straight-line rents and accretion of intangible assets and liabilities (i.e., SFAS 141 revenues) in the quarter ended December 31, 2006, as compared to \$1.1 million in the quarter ended December 31, 2005.

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### **Subsequent Events**

- On January 9 and 10, 2007, we acquired 56 operating properties containing approximately 2.4 million square feet and 187 acres of land in the submarkets of White Marsh, Columbia, BWI, Towson and Hunt Valley, Maryland, for \$362.5 million, plus approximately \$1.4 million in transaction costs. The 187 acres are developable into a minimum of two million square feet. The total acquisition price was funded through \$182.4 million in debt and cash, with the seller receiving \$154.9 million in the form of common shares issued at a deemed value of \$49.00 per share and \$26.6 million in Series K convertible preferred shares with a fixed coupon of 5.6%.

### **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;
- our ability to satisfy and operate effectively under federal income tax rules relating to real estate investment trusts and partnerships;
- 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

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the section entitled “Risk Factors” in Item 1 of our Annual Report on Form 10-K for the year ended December 31, 2005.

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

	2006				2005
	December 31	September 30	June 30	March 31	December 31
Revenues from Real Estate Operations	\$ 81,467	\$ 78,136	\$ 71,549	\$ 70,167	\$ 64,948
Total Revenues	96,311	92,927	85,689	86,476	78,837
Combined Net Operating Income	55,636	53,331	50,680	50,112	46,938
EBITDA	51,095	65,379	47,614	49,301	43,386
Net Income	9,587	20,587	9,116	9,937	10,282
Preferred Share dividends	(3,790)	(4,307)	(3,653)	(3,654)	(3,654)
Issuance costs associated with redeemed preferred shares	(2,067)	(1,829)	—	—	—
<b>Net Income Available to Common Shareholders</b>	<b>\$ 3,730</b>	<b>\$ 14,451</b>	<b>\$ 5,463</b>	<b>\$ 6,283</b>	<b>\$ 6,628</b>
<b>Earnings per diluted share</b>	<b>\$ 0.08</b>	<b>\$ 0.33</b>	<b>\$ 0.13</b>	<b>\$ 0.15</b>	<b>\$ 0.16</b>
<b>Earnings per diluted share, as adjusted for issuance costs associated with redeemed preferred shares</b>	<b>\$ 0.13</b>	<b>\$ 0.37</b>	<b>\$ 0.13</b>	<b>\$ 0.15</b>	<b>\$ 0.16</b>
Funds From Operations (FFO) - Diluted	\$ 25,077	\$ 24,329	\$ 25,181	\$ 24,350	\$ 23,804
<b>FFO per diluted share</b>	<b>\$ 0.48</b>	<b>\$ 0.46</b>	<b>\$ 0.49</b>	<b>\$ 0.49</b>	<b>\$ 0.48</b>
<b>FFO per diluted share, as adjusted for issuance costs associated with redeemed preferred shares</b>	<b>\$ 0.52</b>	<b>\$ 0.50</b>	<b>\$ 0.49</b>	<b>\$ 0.49</b>	<b>\$ 0.48</b>
Adjusted FFO - Diluted	\$ 17,695	\$ 19,173	\$ 18,946	\$ 18,865	\$ 15,892
<b>Payout Ratios:</b>					
<b>Earnings Payout</b>	<b>356.4%</b>	<b>91.8%</b>	<b>217.0%</b>	<b>179.2%</b>	<b>167.0%</b>
<b>FFO - Diluted</b>	<b>63.5%</b>	<b>65.4%</b>	<b>56.4%</b>	<b>56.0%</b>	<b>57.0%</b>
<b>AFFO - Diluted</b>	<b>89.9%</b>	<b>83.0%</b>	<b>75.0%</b>	<b>72.3%</b>	<b>85.3%</b>
<b>Total Dividends/Distributions</b>	<b>\$ 19,869</b>	<b>\$ 20,380</b>	<b>\$ 18,028</b>	<b>\$ 17,453</b>	<b>\$ 17,274</b>

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

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

	2006				2005
	December 31	September 30	June 30	March 31	December 31
<b>Assets</b>					
Investment in real estate:					
Land - operational	\$ 343,098	\$ 334,430	\$ 337,866	\$ 314,550	\$ 314,720
Land - development	153,436	155,232	158,096	126,738	117,434
Construction in progress	144,991	160,128	152,099	140,607	138,183
Buildings and improvements	1,689,359	1,611,425	1,613,341	1,501,426	1,491,253
Investment in and advances to unconsolidated real estate joint ventures	—	—	1,509	1,439	1,451
Less: accumulated depreciation	(219,574)	(205,529)	(197,395)	(183,920)	(174,935)
<b>Net investment in real estate</b>	<b>2,111,310</b>	<b>2,055,686</b>	<b>2,065,516</b>	<b>1,900,840</b>	<b>1,888,106</b>
Cash and cash equivalents	7,923	10,810	5,748	20,169	10,784
Restricted cash	52,856	51,784	21,073	23,793	21,476
Accounts receivable, net	32,649	26,778	15,446	16,729	15,606
Deferred rent receivable	41,643	39,033	36,638	34,247	32,579
Deferred charges, net	43,710	40,091	34,802	33,731	35,046
Intangible assets on real estate acquisitions, net	87,325	92,061	100,132	85,699	90,984
Prepaid and other assets	48,467	39,679	28,930	27,557	35,178
Fair value of derivatives	—	—	833	110	—
<b>Total assets</b>	<b>\$ 2,425,883</b>	<b>\$ 2,355,922</b>	<b>\$ 2,309,118</b>	<b>\$ 2,142,875</b>	<b>\$ 2,129,759</b>
<b>Liabilities and shareholders' equity</b>					
Liabilities:					
Mortgage and other loans payable	\$ 1,298,537	\$ 1,206,682	\$ 1,433,718	\$ 1,360,638	\$ 1,348,351
3.5% Exchangeable senior notes	200,000	200,000	—	—	—
Accounts payable and accrued expenses	67,403	55,487	46,040	42,792	41,693
Rents received in advance and security deposits	27,306	20,842	18,124	16,394	14,774
Deferred revenue associated with acquired operating leases	11,120	12,074	13,906	11,721	12,707
Distributions in excess of investment in unconsolidated real estate joint ventures	3,614	3,103	3,067	3,010	3,081
Dividends and distributions payable	19,164	19,810	17,450	16,878	16,703
Fair value of derivatives	308	473	—	—	—
Other liabilities	7,941	5,526	5,135	5,314	4,727
<b>Total liabilities</b>	<b>1,635,393</b>	<b>1,523,997</b>	<b>1,537,440</b>	<b>1,456,747</b>	<b>1,442,036</b>
Minority interests:					
Preferred units in the Operating Partnership	8,800	8,800	8,800	8,800	8,800
Common units in the Operating Partnership	104,934	107,212	105,452	92,903	95,014
Other consolidated real estate joint ventures	2,453	1,760	1,778	1,190	1,396
<b>Total minority interests</b>	<b>116,187</b>	<b>117,772</b>	<b>116,030</b>	<b>102,893</b>	<b>105,210</b>
<b>Commitments and contingencies</b>					
	—	—	—	—	—
Shareholders' equity:					
Preferred Shares (\$0.01 par value; 15,000,000 authorized)	76	90	67	67	67
Common Shares of beneficial interest (\$0.01 par value; 75,000,000 authorized, 42,897,639 shares issued as of December 31, 2006)	429	425	421	400	399
Additional paid-in capital	758,032	790,525	733,996	655,818	657,339
Cumulative distributions in excess of net income	(83,541)	(76,046)	(79,062)	(72,670)	(67,697)
Value of unearned restricted common share grants	—	—	—	—	(7,113)
Accumulated other comprehensive (loss) gain	(693)	(841)	226	(380)	(482)
<b>Total shareholders' equity</b>	<b>674,303</b>	<b>714,153</b>	<b>655,648</b>	<b>583,235</b>	<b>582,513</b>
<b>Total shareholders' equity and minority interests</b>	<b>790,490</b>	<b>831,925</b>	<b>771,678</b>	<b>686,128</b>	<b>687,723</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 2,425,883</b>	<b>\$ 2,355,922</b>	<b>\$ 2,309,118</b>	<b>\$ 2,142,875</b>	<b>\$ 2,129,759</b>

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

	2006				2005
	December 31	September 30	June 30	March 31	December 31
<b>Revenues</b>					
Rental revenue	\$ 70,327	\$ 66,550	\$ 62,344	\$ 61,272	\$ 56,203
Tenant recoveries and other real estate operations revenue	11,140	11,586	9,205	8,895	8,745
Construction contract revenues	12,263	13,219	12,156	14,544	12,708
Other service operations revenues	2,581	1,572	1,984	1,765	1,181
<b>Total Revenues</b>	<b>96,311</b>	<b>92,927</b>	<b>85,689</b>	<b>86,476</b>	<b>78,837</b>
<b>Expenses</b>					
Property operating	25,806	25,430	21,914	21,354	19,313
Depreciation and amortization associated with real estate operations	20,081	21,680	18,189	18,762	15,106

Construction contract expenses	11,827	12,465	11,643	14,026	12,341
Other service operations expenses	2,393	1,495	1,818	1,678	1,254
General and administrative expenses	5,041	4,226	3,706	3,963	3,774
<b>Total Operating Expenses</b>	<b>65,148</b>	<b>65,296</b>	<b>57,270</b>	<b>59,783</b>	<b>51,788</b>
Operating Income	31,163	27,631	28,419	26,693	27,049
Interest expense	(18,885)	(17,974)	(17,298)	(17,221)	(14,912)
Amortization of deferred financing costs	(948)	(736)	(606)	(557)	(729)
<b>Income from continuing operations before equity in income (loss) of unconsolidated entities, income taxes and minority interests</b>	<b>11,330</b>	<b>8,921</b>	<b>10,515</b>	<b>8,915</b>	<b>11,408</b>
Equity in income (loss) of unconsolidated entities	(52)	15	(32)	(23)	(88)
Income tax (expense) benefit	(264)	(202)	(206)	(215)	265
Income from continuing operations before minority interests	11,014	8,734	10,277	8,677	11,585
Minority interest in income from continuing operations					
Common units in the Operating Partnership	(1,221)	(808)	(1,138)	(893)	(1,454)
Preferred units in the Operating Partnership	(165)	(165)	(165)	(165)	(165)
Other consolidated entities	40	38	25	33	27
Income from continuing operations	9,668	7,799	8,999	7,652	9,993
(Loss) income from discontinued operations, net of minority interests	(81)	12,191	92	2,175	268
Income before gain on sales of real estate	9,587	19,990	9,091	9,827	10,261
Gain on sales of real estate, net of minority interests	—	597	25	110	21
<b>Net Income</b>	<b>9,587</b>	<b>20,587</b>	<b>9,116</b>	<b>9,937</b>	<b>10,282</b>
Preferred share dividends	(3,790)	(4,307)	(3,653)	(3,654)	(3,654)
Issuance costs associated with redeemed preferred shares	(2,067)	(1,829)	—	—	—
<b>Net Income Available to Common Shareholders</b>	<b>\$ 3,730</b>	<b>\$ 14,451</b>	<b>\$ 5,463</b>	<b>\$ 6,283</b>	<b>\$ 6,628</b>

For EPS Computations:

Numerator for Dilutive EPS	\$ 3,730	\$ 14,451	\$ 5,463	\$ 6,283	\$ 6,628
<b>Denominator:</b>					
Weighted Average Common Shares - Basic	42,439	42,197	41,510	39,668	39,297
Dilutive effect of share-based compensation awards	1,641	1,649	1,721	1,842	1,678
Weighted Average Common Shares - Diluted	44,080	43,846	43,231	41,510	40,975
<b>Earnings per diluted share</b>	<b>\$ 0.08</b>	<b>\$ 0.33</b>	<b>\$ 0.13</b>	<b>\$ 0.15</b>	<b>\$ 0.16</b>

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

	2006				2005
	December 31	September 30	June 30	March 31	December 31
<b>Net Income</b>	<b>\$ 9,587</b>	<b>\$ 20,587</b>	<b>\$ 9,116</b>	<b>\$ 9,937</b>	<b>\$ 10,282</b>
Issuance costs associated with redeemed preferred shares (1)	(2,067)	(1,829)	—	—	—
Combined real estate related depreciation and other amortization	19,768	21,305	18,490	19,068	15,410
Depreciation and amortization of unconsolidated real estate entities	345	362	109	94	182
Depreciation and amortization allocable to minority interests in other consol. entities	(41)	(36)	(44)	(42)	(29)
(Gain)/loss on sales of real estate properties, excluding development	71	(15,262)	6	(2,459)	(14)
<b>Funds From Operations (FFO)</b>	<b>27,663</b>	<b>25,127</b>	<b>27,677</b>	<b>26,598</b>	<b>25,831</b>
Minority interest - common units, gross	1,204	3,509	1,157	1,406	1,520
Preferred share dividends	(3,790)	(4,307)	(3,653)	(3,654)	(3,654)
<b>Funds From Operations (FFO) - Basic</b>	<b>25,077</b>	<b>24,329</b>	<b>25,181</b>	<b>24,350</b>	<b>23,697</b>
Restricted share dividends	—	—	—	—	107
<b>Funds From Operations (FFO) - Diluted</b>	<b>\$ 25,077</b>	<b>\$ 24,329</b>	<b>\$ 25,181</b>	<b>\$ 24,350</b>	<b>\$ 23,804</b>
Straight line rent adjustments	(2,484)	(2,819)	(2,315)	(2,122)	(2,292)
Amortization of deferred market rental revenue	(578)	(276)	(495)	(555)	(394)
Issuance costs associated with redeemed preferred shares (1)	2,067	1,829	—	—	—
Recurring capital expenditures	(6,387)	(3,890)	(3,425)	(2,808)	(5,226)
<b>Adjusted Funds From Operations (AFFO) - Diluted</b>	<b>\$ 17,695</b>	<b>\$ 19,173</b>	<b>\$ 18,946</b>	<b>\$ 18,865</b>	<b>\$ 15,892</b>
Preferred dividends - redeemable non-convertible	3,790	4,307	3,653	3,654	3,654
Preferred distributions	165	165	165	165	165
Common distributions	2,622	2,643	2,357	2,374	2,386
Common dividends	13,292	13,265	11,853	11,260	11,069
<b>Total Dividends/Distributions</b>	<b>\$ 19,869</b>	<b>\$ 20,380</b>	<b>\$ 18,028</b>	<b>\$ 17,453</b>	<b>\$ 17,274</b>
<b>Denominator for earnings per share - Diluted</b>	<b>44,080</b>	<b>43,846</b>	<b>43,231</b>	<b>41,510</b>	<b>40,975</b>
Additional share-based compensation awards	—	—	—	—	224
Common units	8,495	8,562	8,465	8,520	8,688

<b>Denominator for funds from operations per share - Diluted</b>	<u>52,575</u>	<u>52,408</u>	<u>51,696</u>	<u>50,030</u>	<u>49,887</u>
<b>Funds From Operations (FFO) - Diluted</b>	\$ 25,077	\$ 24,329	\$ 25,181	\$ 24,350	\$ 23,804
Issuance costs associated with redeemed preferred shares (1)	2,067	1,829	n/a	n/a	n/a
<b>FFO - Diluted, as adjusted for issuance costs associated with redeemed preferred shares</b>	<u>\$ 27,144</u>	<u>\$ 26,158</u>	<u>\$ 25,181</u>	<u>\$ 24,350</u>	<u>\$ 23,804</u>
<b>Numerator for Dilutive EPS Computation</b>	\$ 3,730	\$ 14,451	\$ 5,463	\$ 6,283	\$ 6,628
Issuance costs associated with redeemed preferred shares (1)	2,067	1,829	n/a	n/a	n/a
<b>Numerator for Dilutive EPS Computation, as adjusted</b>	<u>\$ 5,797</u>	<u>\$ 16,280</u>	<u>\$ 5,463</u>	<u>\$ 6,283</u>	<u>\$ 6,628</u>
<b>Earnings per diluted share, as adjusted for issuance costs associated with redeemed preferred shares</b>	\$ 0.13	\$ 0.37	\$ 0.13	\$ 0.15	\$ 0.16

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

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**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  
(Dollars in thousands)**

	2006				2005
	December 31	September 30	June 30	March 31	December 31
<b>Net Income</b>	\$ 9,587	\$ 20,587	\$ 9,116	\$ 9,937	\$ 10,282
Combined interest expense	18,885	18,184	17,636	17,715	15,374
Combined amortization of deferred financing costs	949	864	609	559	732
Income tax expense (benefit), gross	264	202	206	215	(264)
Depreciation of furniture, fixtures and equipment	313	601	260	269	194
Combined real estate related depreciation and other amortization	19,768	21,305	18,490	19,068	15,410
Minority interest - preferred units	165	165	165	165	165
Minority interest - other consolidated entities	(40)	(38)	(25)	(33)	(27)
Minority interest - common units, gross	1,204	3,509	1,157	1,406	1,520
<b>Earnings Before Interest, Income Taxes, Depreciation and Amortization (EBITDA)</b>	<u>\$ 51,095</u>	<u>\$ 65,379</u>	<u>\$ 47,614</u>	<u>\$ 49,301</u>	<u>\$ 43,386</u>
<b>Addback:</b>					
General and administrative	5,042	4,226	3,706	3,963	3,774
(Income) from service operations	(624)	(831)	(679)	(605)	(294)
(Gain) loss on sales of depreciated real estate properties	71	(15,262)	6	(2,459)	(14)
Merchant sales and real estate services	—	(166)	1	(111)	(2)
Equity in (income) loss of unconsolidated entities	52	(15)	32	23	88
<b>Combined Net Operating Income (NOI)</b>	<u>\$ 55,636</u>	<u>\$ 53,331</u>	<u>\$ 50,680</u>	<u>\$ 50,112</u>	<u>\$ 46,938</u>
<b>Discontinued Operations</b>					
Revenues from real estate operations	\$ 10	\$ 922	\$ 1,529	\$ 2,012	\$ 2,076
Property operating expenses	(35)	(297)	(484)	(713)	(773)
Depreciation and amortization	—	(226)	(561)	(575)	(498)
Amortization of deferred financing costs	(1)	(128)	(3)	(2)	(3)
General and administrative	(1)	—	—	—	—
Interest	—	(210)	(338)	(494)	(462)
Gain (loss) on sales of real estate	(71)	14,699	(32)	2,435	(11)
Income from discontinued operations	(98)	14,760	111	2,663	329
Minority interests in discontinued operations	17	(2,569)	(19)	(488)	(61)
<b>Income from discontinued operations, net of minority interests</b>	<u>\$ (81)</u>	<u>\$ 12,191</u>	<u>\$ 92</u>	<u>\$ 2,175</u>	<u>\$ 268</u>
<b>Gain on sales of real estate, net, per statements of operations</b>	\$ —	\$ 597	\$ 25	\$ 110	\$ 21
Add income taxes and minority interest	—	132	—	25	6
Gain (loss) on sales of real estate from discontinued operations	(71)	14,699	(32)	2,435	(11)
<b>Combined gain (loss) on sales of real estate</b>	<u>(71)</u>	<u>15,428</u>	<u>(7)</u>	<u>2,570</u>	<u>16</u>
Merchant sales and real estate services	—	(166)	1	(111)	(2)
<b>Gain (loss) on sales of depreciated real estate properties</b>	<u>\$ (71)</u>	<u>\$ 15,262</u>	<u>\$ (6)</u>	<u>\$ 2,459</u>	<u>\$ 14</u>

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

	December 31		
	2006	2005	2004
Revenues from Real Estate Operations	\$ 301,319	\$ 242,073	\$ 203,944
EBITDA	213,389	169,134	142,251

Net Income	49,227	39,031	37,032
Preferred Share dividends	(15,404)	(14,615)	(16,329)
Issuance costs associated with redeemed preferred shares	(3,896)	—	(1,813)
<b>Net Income Available to Common Shareholders</b>	<b>\$ 29,927</b>	<b>\$ 24,416</b>	<b>\$ 18,890</b>
<b>Earnings per diluted share</b>	<b>\$ 0.69</b>	<b>\$ 0.63</b>	<b>\$ 0.54</b>
<b>Earnings per diluted share, as adjusted for issuance costs associated with redeemed preferred shares</b>	<b>\$ 0.78</b>	<b>\$ 0.63</b>	<b>\$ 0.59</b>
Funds From Operations (FFO) - Diluted	\$ 98,937	\$ 88,801	\$ 76,248
<b>FFO per diluted share</b>	<b>\$ 1.91</b>	<b>\$ 1.86</b>	<b>\$ 1.74</b>
<b>FFO per diluted share, as adjusted for issuance costs associated with redeemed preferred shares</b>	<b>\$ 1.99</b>	<b>\$ 1.86</b>	<b>\$ 1.78</b>
Adjusted FFO - Diluted	\$ 74,679	\$ 63,414	\$ 51,372
Payout Ratios:			
<b>Earnings Payout</b>	<b>166.0%</b>	<b>166.9%</b>	<b>177.8%</b>
<b>FFO - Diluted</b>	<b>60.3%</b>	<b>56.3%</b>	<b>55.7%</b>
<b>AFFO - Diluted</b>	<b>79.9%</b>	<b>78.8%</b>	<b>82.7%</b>
<b>Total Dividends/Distributions</b>	<b>\$ 75,730</b>	<b>\$ 65,252</b>	<b>\$ 58,599</b>

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

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

	December 31		
	2006	2005	2004
<b>Assets</b>			
Investment in real estate:			
Land - operational	\$ 343,098	\$ 314,720	\$ 268,327
Land - development	153,436	117,434	74,190
Construction in progress	144,991	138,183	61,962
Buildings and improvements	1,689,359	1,491,253	1,280,537
Investment in and advances to unconsolidated real estate joint ventures	—	1,451	1,201
Less: accumulated depreciation	(219,574)	(174,935)	(141,716)
<b>Net investment in real estate</b>	<b>2,111,310</b>	<b>1,888,106</b>	<b>1,544,501</b>
Cash and cash equivalents	7,923	10,784	13,821
Restricted cash	52,856	21,476	12,617
Accounts receivable, net	32,649	15,606	16,771
Deferred rent receivable	41,643	32,579	26,282
Deferred charges, net	43,710	35,046	27,642
Intangible assets on real estate acquisitions, net	87,325	90,984	67,560
Prepaid and other assets	48,467	35,178	22,832
<b>Total assets</b>	<b>\$ 2,425,883</b>	<b>\$ 2,129,759</b>	<b>\$ 1,732,026</b>
<b>Liabilities and shareholders' equity</b>			
Liabilities:			
Mortgage and other loans payable	\$ 1,298,537	\$ 1,348,351	\$ 1,022,688
3.5% Exchangeable senior notes	200,000	—	—
Accounts payable and accrued expenses	67,403	41,693	46,307
Rents received in advance and security deposits	27,306	14,774	12,781
Deferred revenue associated with acquired operating leases	11,120	12,707	7,247
Distributions in excess of investment in unconsolidated real estate joint venture	3,614	3,081	—
Dividends/distributions payable	19,164	16,703	14,713
Fair value of derivatives	308	—	—
Other liabilities	7,941	4,727	7,488
<b>Total liabilities</b>	<b>1,635,393</b>	<b>1,442,036</b>	<b>1,111,224</b>
Minority interests:			
Preferred Units in the Operating Partnership	8,800	8,800	8,800
Common Units in the Operating Partnership	104,934	95,014	88,355
Other consolidated real estate joint ventures	2,453	1,396	1,723
<b>Total minority interests</b>	<b>116,187</b>	<b>105,210</b>	<b>98,878</b>
<b>Commitments and contingencies</b>	<b>—</b>	<b>—</b>	<b>—</b>
Shareholders' equity:			

Preferred Shares (\$0.01 par value; 15,000,000 authorized);	76	67	67
Common Shares of beneficial interest (\$0.01 par value; 75,000,000 authorized, 42,897,639 shares issued as of December 31, 2006)	429	399	369
Additional paid-in capital	758,032	657,339	578,227
Cumulative distributions in excess of net income	(83,541)	(67,697)	(51,358)
Value of unearned restricted common share grants	—	(7,113)	(5,381)
Accumulated other comprehensive loss	(693)	(482)	—
<b>Total shareholders' equity</b>	<b>674,303</b>	<b>582,513</b>	<b>521,924</b>
<b>Total shareholders' equity and minority interests</b>	<b>\$ 790,490</b>	<b>\$ 687,723</b>	<b>\$ 620,802</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 2,425,883</b>	<b>\$ 2,129,759</b>	<b>\$ 1,732,026</b>

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

	December 31		
	2006	2005	2004
<b>Revenues</b>			
Rental revenue	\$ 260,493	\$ 212,010	\$ 182,860
Tenant recoveries and other real estate operations revenue	40,826	30,063	21,084
Construction contract revenues	52,182	74,357	25,018
Other service operations revenues	7,902	4,877	3,885
<b>Total Revenues</b>	<b>361,403</b>	<b>321,307</b>	<b>232,847</b>
<b>Expenses</b>			
Property operating	94,504	72,253	58,982
Depreciation and amortization associated with real estate operations	78,712	61,049	49,289
Construction contract expenses	49,961	72,534	23,733
Other service operations expenses	7,384	4,753	3,263
General and administrative expenses	16,936	13,534	10,938
<b>Total Operating Expenses</b>	<b>247,497</b>	<b>224,123</b>	<b>146,205</b>
Operating Income	113,906	97,184	86,642
Interest expense	(71,378)	(54,872)	(42,148)
Amortization of deferred financing costs	(2,847)	(2,229)	(2,420)
<b>Income from continuing operations before equity in loss of unconsolidated entities, income taxes and minority interests</b>	<b>39,681</b>	<b>40,083</b>	<b>42,074</b>
Equity in loss of unconsolidated entities	(92)	(88)	(88)
Income tax expense	(887)	(668)	(795)
Income from continuing operations before minority interests	38,702	39,327	41,191
Minority interest in income from continuing operations			
Common units in the Operating Partnership	(4,060)	(4,670)	(5,306)
Preferred units in the Operating Partnership	(660)	(660)	(179)
Other consolidated entities	136	85	12
Income from continuing operations	34,118	34,082	35,718
Income from discontinued operations, net of minority interests	14,377	4,681	1,427
Income before gain (loss) on sales of real estate	48,495	38,763	37,145
Gain (loss) on sales of real estate, net of minority interests	732	268	(113)
<b>Net Income</b>	<b>49,227</b>	<b>39,031</b>	<b>37,032</b>
Preferred share dividends	(15,404)	(14,615)	(16,329)
Issuance costs associated with redeemed preferred shares	(3,896)	—	(1,813)
<b>Net Income Available to Common Shareholders</b>	<b>\$ 29,927</b>	<b>\$ 24,416</b>	<b>\$ 18,890</b>
<b>For EPS Computations:</b>			
<b>Numerator:</b>			
Net Income Available to Common Shareholders	\$ 29,927	\$ 24,416	\$ 18,890
Dividends on convertible preferred shares	—	—	21
Numerator for Dilutive EPS Computation	\$ 29,927	\$ 24,416	\$ 18,911
<b>Denominator:</b>			
Weighted Average Common Shares - Basic	41,463	37,371	33,173
Dilutive options	1,799	1,626	1,675
Preferred shares outstanding assuming conversion	—	—	134
Weighted Average Common Shares - Diluted	43,262	38,997	34,982
<b>Earnings per diluted share</b>	<b>\$ 0.69</b>	<b>\$ 0.63</b>	<b>\$ 0.54</b>

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

	December 31		
	2006	2005	2004
<b>Net Income</b>	<b>\$ 49,227</b>	<b>\$ 39,031</b>	<b>\$ 37,032</b>
Issuance costs associated with redeemed preferred shares (1)	(3,896)	—	(1,813)
Combined real estate related depreciation and other amortization	78,631	62,850	51,371
Depreciation and amortization of unconsolidated real estate entities	910	182	106
Depreciation and amortization allocable to minority interests in other consol. entities	(163)	(114)	(86)
Gain on sale of real estate properties, excluding redevelopment	(17,644)	(4,422)	(95)
<b>Funds From Operations (FFO)</b>	<b>\$ 107,065</b>	<b>\$ 97,527</b>	<b>\$ 86,515</b>
Minority interest - common units, gross	7,276	5,889	5,659
Preferred share dividends	(15,404)	(14,615)	(16,329)
<b>Funds From Operations (FFO) - Basic</b>	<b>\$ 98,937</b>	<b>\$ 88,801</b>	<b>\$ 75,845</b>
Convertible preferred share dividends	—	—	21
Restricted common share dividends	—	—	382
<b>Funds From Operations (FFO) - Diluted</b>	<b>\$ 98,937</b>	<b>\$ 88,801</b>	<b>\$ 76,248</b>
Straight line rent adjustments	(9,740)	(6,763)	(8,364)
Amortization of deferred market rental revenue	(1,904)	(426)	(931)
Issuance costs associated with redeemed preferred shares (1)	3,896	—	1,813
Recurring capital expenditures	(16,510)	(18,198)	(17,394)
<b>Adjusted Funds from Operations (AFFO) - Diluted</b>	<b>\$ 74,679</b>	<b>\$ 63,414</b>	<b>\$ 51,372</b>
Preferred dividends - redeemable non-convertible	15,404	14,615	16,308
Preferred dividends - redeemable convertible	—	—	21
Preferred distributions	660	660	179
Common distributions	9,996	9,222	8,512
Common dividends	49,670	40,755	33,579
<b>Total Dividends/Distributions</b>	<b>\$ 75,730</b>	<b>\$ 65,252</b>	<b>\$ 58,599</b>
<b>Denominator for earnings per share - Diluted</b>	<b>43,262</b>	<b>38,997</b>	<b>34,982</b>
Common units	8,511	8,702	8,726
Additional share - based compensation awards	—	—	221
<b>Denominator for funds from operations per share - Diluted</b>	<b>51,773</b>	<b>47,699</b>	<b>43,929</b>
<b>Funds From Operations (FFO) - Diluted</b>	<b>\$ 98,937</b>	<b>\$ 88,801</b>	<b>\$ 76,248</b>
Issuance costs associated with redeemed preferred shares (1)	3,896	—	1,813
<b>FFO - Diluted, as adjusted for issuance costs associated with redeemed preferred shares</b>	<b>\$ 102,833</b>	<b>\$ 88,801</b>	<b>\$ 78,061</b>
<b>Numerator for Diluted EPS Computation</b>	<b>\$ 29,927</b>	<b>\$ 24,416</b>	<b>\$ 18,911</b>
Issuance costs associated with redeemed preferred shares (1)	3,896	—	1,813
<b>Numerator for Diluted EPS Computation, as adjusted</b>	<b>\$ 33,823</b>	<b>\$ 24,416</b>	<b>\$ 20,724</b>
<b>Earnings per diluted share, as adjusted for issuance costs associated with redeemed preferred shares</b>	<b>\$ 0.78</b>	<b>\$ 0.63</b>	<b>\$ 0.59</b>

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

**Annual Consolidated Reconciliation of Earnings Before Interest,  
Income Taxes, Depreciation and Amortization (EBITDA)**  
(Dollars and shares in thousands)

	December 31		
	2006	2005	2004
<b>Net Income</b>	<b>\$ 49,227</b>	<b>\$ 39,031</b>	<b>\$ 37,032</b>
Combined interest expense	72,420	57,145	44,263
Combined amortization of deferred financing costs	2,981	2,240	2,431
Income tax expense, gross	887	699	795
Depreciation of furniture, fixtures and equipment	1,443	706	533
Combined real estate related depreciation and other amortization	78,631	62,849	51,371
Minority interest - preferred units	660	660	179
Minority interest - other consolidated entities	(136)	(85)	(12)
Minority interest - common units, gross	7,276	5,889	5,659
<b>Earnings Before Interest, Income Taxes, Depreciation and Amortization (EBITDA)</b>	<b>\$ 213,389</b>	<b>\$ 169,134</b>	<b>\$ 142,251</b>
<b>Common dividends for Earnings Payout Ratio</b>	<b>\$ 49,670</b>	<b>\$ 40,755</b>	<b>\$ 33,579</b>
Common distributions	9,996	9,222	8,512
Common share dividends on restricted shares	—	—	382
Convertible preferred dividends	—	—	21
<b>Dividends and distributions for FFO and AFFO Payout Ratio</b>	<b>\$ 59,666</b>	<b>\$ 49,977</b>	<b>\$ 42,494</b>
<b>Total tenant improvements and incentives on operating properties</b>	<b>\$ 20,649</b>	<b>\$ 30,452</b>	<b>\$ 14,067</b>
Total capital improvements on operating properties	11,779	9,782	10,349
Total leasing costs for operating properties	8,610	9,843	12,549

Less: Nonrecurring tenant improvements and incentives on operating properties	(13,862)	(21,505)	(3,993)
Less: Nonrecurring capital improvements on operating properties	(5,418)	(4,522)	(7,100)
Less: Nonrecurring leasing costs for operating properties	(6,388)	(6,040)	(8,478)
Add: Recurring improvements on operating properties held through joint ventures	1,140	188	—
<b>Recurring capital expenditures</b>	<b>\$ 16,510</b>	<b>\$ 18,198</b>	<b>\$ 17,394</b>
<b>Discontinued Operations</b>			
Revenues from real estate operations	\$ 4,473	\$ 10,286	\$ 10,629
Property operating expenses	(1,529)	(3,887)	(4,071)
Depreciation and amortization	(1,362)	(2,506)	(2,615)
Amortization of deferred financing costs	(134)	(11)	(10)
General and administrative	(1)	(1)	(1)
Interest	(1,042)	(2,272)	(2,115)
Gain (loss) on sales of real estate	17,031	4,325	—
Income from discontinued operations	17,436	5,834	1,817
Minority interests in discontinued operations	(3,059)	(1,153)	(390)
<b>Income from discontinued operations, net of minority interests</b>	<b>\$ 14,377</b>	<b>\$ 4,681</b>	<b>\$ 1,427</b>
<b>Interest expense from continuing operations</b>	<b>\$ 71,378</b>	<b>\$ 54,872</b>	<b>\$ 42,148</b>
Interest expense from discontinued operations	1,042	2,272	2,115
<b>Combined interest expense</b>	<b>\$ 72,420</b>	<b>\$ 57,144</b>	<b>\$ 44,263</b>
<b>Depreciation and amortization</b>	<b>\$ 78,712</b>	<b>\$ 61,049</b>	<b>\$ 49,289</b>
Depreciation of furniture, fixtures and equipment	(1,443)	(706)	(533)
Depreciation and amortization from discontinued operations	1,362	2,506	2,615
<b>Combined real estate related depreciation and other amortization</b>	<b>\$ 78,631</b>	<b>\$ 62,849</b>	<b>\$ 51,371</b>

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

	2006				2005
	December 31	September 30	June 30	March 31	December 31
<b>Common Equity - End of Quarter</b>					
Common Shares	42,898	42,811	42,374	40,244	39,927
Common Units	8,459	8,525	8,595	8,480	8,523
<b>Total</b>	<b>51,357</b>	<b>51,336</b>	<b>50,969</b>	<b>48,724</b>	<b>48,450</b>
End of Quarter Common Share Price	\$ 50.47	\$ 44.76	\$ 42.08	\$ 45.74	\$ 35.54
<b>Market Value of Common Shares/Units</b>	<b>\$ 2,591,988</b>	<b>\$ 2,297,799</b>	<b>\$ 2,144,776</b>	<b>\$ 2,228,636</b>	<b>\$ 1,721,913</b>
<b>Common Shares Trading Volume</b>					
Average Daily Volume (Shares)	353	338	284	189	172
Average Daily Volume (Dollars in thousands)	\$ 17,018.81	\$ 15,199.34	\$ 11,606.66	\$ 7,838.86	\$ 6,026.90
As a Percentage of Weighted Average Common Shares	0.8%	0.8%	0.7%	0.5%	0.4%
<b>Common Share Price Range</b>					
Quarterly High	\$ 51.45	\$ 47.54	\$ 45.74	\$ 46.12	\$ 37.15
Quarterly Low	\$ 44.21	\$ 40.65	\$ 37.32	\$ 34.91	\$ 32.50
Quarterly Average	\$ 48.23	\$ 44.92	\$ 40.83	\$ 41.41	\$ 35.13
<b>Convertible Preferred Equity - End of Quarter</b>					
Convertible Series I Preferred Units Outstanding	352	352	352	352	352
Conversion Ratio	0.5000	0.5000	0.5000	0.5000	0.5000
Common Shares Issued Assuming Conversion	176	176	176	176	176
<b>Nonconvertible Preferred Equity - End of Quarter</b>					
Redeemable Series E Shares Outstanding (1)	—	—	1,150	1,150	1,150
Redeemable Series F Shares Outstanding (2)	—	1,425	1,425	1,425	1,425
Redeemable Series G Shares Outstanding	2,200	2,200	2,200	2,200	2,200
Redeemable Series H Shares Outstanding	2,000	2,000	2,000	2,000	2,000
Redeemable Series J Shares Outstanding (3)	3,390	3,390	—	—	—
<b>Total Nonconvertible Preferred Equity</b>	<b>7,590</b>	<b>9,015</b>	<b>6,775</b>	<b>6,775</b>	<b>6,775</b>
<b>Total Convertible Preferred Equity</b>	<b>352</b>	<b>352</b>	<b>352</b>	<b>352</b>	<b>352</b>
<b>Total Preferred Equity</b>	<b>7,942</b>	<b>9,367</b>	<b>7,127</b>	<b>7,127</b>	<b>7,127</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>\$ 198,550</b>	<b>\$ 234,175</b>	<b>\$ 178,175</b>	<b>\$ 178,175</b>	<b>\$ 178,175</b>
<b>Weighted Average Shares:</b>					
Common Shares Outstanding	42,439	42,197	41,510	39,668	39,297
Dilutive effect of share-based compensation awards	1,641	1,649	1,721	1,842	1,902
Common Units	8,495	8,562	8,465	8,520	8,688
<b>Denominator for funds from operations per share - diluted</b>	<b>52,575</b>	<b>52,408</b>	<b>51,696</b>	<b>50,030</b>	<b>49,887</b>
<b>Capitalization</b>					
Recorded Book Value of Preferred Shares	\$ 198,550	\$ 234,175	\$ 178,175	\$ 178,175	\$ 178,175
Market Value of Common Shares/Units	2,591,988	2,297,799	2,144,776	2,228,636	1,721,913
<b>Total Equity Market Capitalization</b>	<b>\$ 2,790,538</b>	<b>\$ 2,531,974</b>	<b>\$ 2,322,951</b>	<b>\$ 2,406,811</b>	<b>\$ 1,900,088</b>



<b>Total Debt</b>	<b>\$ 1,498,537</b>	<b>\$ 1,406,682</b>	<b>\$ 1,433,718</b>	<b>\$ 1,360,638</b>	<b>\$ 1,348,351</b>
<b>Total Market Capitalization</b>	<b>\$ 4,289,075</b>	<b>\$ 3,938,656</b>	<b>\$ 3,756,669</b>	<b>\$ 3,767,449</b>	<b>\$ 3,248,439</b>
<b>Debt to Total Market Capitalization</b>	<b>34.9%</b>	<b>35.7%</b>	<b>38.2%</b>	<b>36.1%</b>	<b>41.5%</b>
<b>Debt to Total Assets</b>	<b>61.8%</b>	<b>59.7%</b>	<b>62.1%</b>	<b>63.5%</b>	<b>63.3%</b>
<b>Debt to Undepreciated Book Value of Real Estate Assets</b>	<b>62.0%</b>	<b>59.8%</b>	<b>60.7%</b>	<b>62.7%</b>	<b>62.6%</b>

- (1) We redeemed all of the outstanding Series E Preferred Shares on July 15, 2006 for \$28,750,000 or \$25.00 per share par value.
- (2) We redeemed all of the outstanding Series F Preferred Shares on October 15, 2006 for 35,625,000 or \$25.00 per share par value.
- (3) We issued 3,390,000 Series J Cumulative Redeemable Preferred Shares with a \$25.00 per share par value on July 20, 2006.

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**Quarterly Debt Analysis  
(Dollars in thousands)**

	2006				2005
	December 31	September 30	June 30	March 31	December 31
<b>Debt Outstanding</b>					
Mortgage Loans	\$ 1,057,458	\$ 913,354	\$ 1,030,648	\$ 997,410	\$ 1,005,113
Construction Loans	56,079	93,328	100,070	84,228	70,238
Unsecured Revolving Credit Facility	185,000	200,000	303,000	279,000	273,000
Exchangeable Senior Notes (1)	200,000	200,000	—	—	—
	<u>\$ 1,498,537</u>	<u>\$ 1,406,682</u>	<u>\$ 1,433,718</u>	<u>\$ 1,360,638</u>	<u>\$ 1,348,351</u>
<b>Average Outstanding Balance</b>					
Mortgage Loans	\$ 918,938	\$ 951,798	\$ 994,927	\$ 998,726	\$ 862,700
Construction Loans	51,412	103,538	86,257	76,799	96,793
Unsecured Revolving Credit Facility	306,556	324,236	247,678	284,171	239,537
Exchangeable Senior Notes (1)	200,000	28,261	—	—	—
	<u>\$ 1,476,906</u>	<u>\$ 1,407,833</u>	<u>\$ 1,328,862</u>	<u>\$ 1,359,696</u>	<u>\$ 1,199,030</u>
<b>Interest Rate Structure</b>					
Fixed-Mortgage Loans	\$ 1,022,958	\$ 878,854	\$ 947,848	\$ 914,610	\$ 922,313
Fixed-Exchangeable Senior Notes (1)	200,000	200,000	—	—	—
Variable	175,579	227,828	385,870	396,028	426,038
Variable Subject to Interest Rate Protection(2) (3)	100,000	100,000	100,000	50,000	—
	<u>\$ 1,498,537</u>	<u>\$ 1,406,682</u>	<u>\$ 1,433,718</u>	<u>\$ 1,360,638</u>	<u>\$ 1,348,351</u>
% of Fixed Rate Loans (4)	88.28%	83.80%	73.09%	70.89%	68.40%
% of Variable Rate Loans (2) (3)	11.72%	16.20%	26.91%	29.11%	31.60%
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
<b>Average Contract Interest Rates</b>					
Mortgage & Construction Loans	6.18%	6.24%	6.30%	6.24%	6.25%
Unsecured Revolving Credit Facility	6.77%	6.83%	6.23%	5.85%	5.09%
Exchangeable Senior Notes (1)	3.50%	3.50%	n/a	n/a	n/a
Total Weighted Average	5.99%	6.35%	6.28%	6.13%	5.97%
<b>Coverage Ratios (excluding capitalized interest) – All coverage computations include the effect of discontinued operations</b>					
Interest Coverage - Combined NOI	2.95x	2.93x	2.87x	2.83x	3.05x
Interest Coverage - EBITDA	2.71x	3.60x	2.70x	2.78x	2.82x
Debt Service Coverage - Combined NOI	2.45x	2.42x	2.33x	1.98x	2.45x
Debt Service Coverage - EBITDA	2.25x	2.97x	2.19x	1.95x	2.26x
Fixed Charge Coverage - Combined NOI	2.44x	2.35x	2.36x	2.33x	2.45x
Fixed Charge Coverage - EBITDA	2.24x	2.89x	2.22x	2.29x	2.26x

- (1) On September 18, 2006, we issued \$200.0 million in exchangeable senior notes. The notes bear interest at a fixed interest rate of 3.5%, with interest payable semi-annually beginning March 15, 2007, and mature in September 2026.
- (2) On March 28, 2006, we entered into a \$50.0 million notional amount swap at a fixed one-month LIBOR rate of 5.036%, which commenced on the same day and expires March 30, 2009.
- (3) On April 27, 2006, we entered into two notional amount swaps aggregating \$50.0 million at a fixed one-month LIBOR rate of 5.232%, which commenced May 1, 2006 and expire May 1, 2009.
- (4) Includes interest rate protection agreements.

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

	2006				2005
	December 31	September 30	June 30	March 31	December 31

**OPERATING RATIOS – All computations include the effect of discontinued operations**

Net Income as a % of Combined Real Estate Revenues (Net Income / Combined Real Estate Revenues)	11.77%	26.04%	12.47%	13.77%	15.34%
Combined NOI as a % of Combined Real Estate Revenues (Combined NOI / Combined Real Estate Revenues)	68.28%	67.46%	69.35%	69.43%	70.03%
EBITDA as a % of Combined Real Estate Revenues (EBITDA / Combined Real Estate Revenues)	62.71%	82.70%	65.16%	68.30%	64.73%
G&A as a % of Net Income (G&A / Net Income)	52.58%	20.53%	40.65%	39.88%	36.70%
G&A as a % of Combined Real Estate Revenues (G&A / Combined Real Estate Revenues)	6.19%	5.35%	5.07%	5.49%	5.63%
G&A as a % of EBITDA (G&A / EBITDA)	9.87%	6.46%	7.78%	8.04%	8.70%
Recurring Capital Expenditures	\$ 6,387	\$ 3,890	\$ 3,425	\$ 2,808	\$ 5,226
Recurring Capital Expenditures per average square foot of wholly owned properties	\$ 0.43	\$ 0.26	\$ 0.24	\$ 0.21	\$ 0.41
Recurring Capital Expenditures as a % of NOI (Combined NOI)	11.48%	7.29%	6.76%	5.60%	11.13%

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**Quarterly Dividend Analysis**

	2006					2005
	December 31	September 30	June 30	March 31	December 31	
<b>Common Share Dividends</b>						
Dividends per share/unit	\$ 0.310	\$ 0.310	\$ 0.280	\$ 0.280	\$ 0.280	
Increase over prior quarter	0.0%	10.7%	0.0%	0.0%	0.0%	
<b>Common Dividend Payout Ratios</b>						
Payout - Earnings	356.4%	91.8%	217.0%	179.2%	167.0%	
Payout - FFO - Diluted	63.5%	65.4%	56.4%	56.0%	57.0%	
Payout - AFFO - Diluted	89.9%	83.0%	75.0%	72.3%	85.3%	
Dividend Coverage - FFO - Diluted	1.58x	1.53x	1.77x	1.79x	1.76x	
Dividend Coverage - AFFO - Diluted	1.11x	1.21x	1.33x	1.38x	1.17x	
<b>Common Dividend Yields</b>						
Dividend Yield	2.46%	2.77%	2.66%	2.45%	3.15%	
<b>Series I Preferred Unit Distributions</b>						
Preferred Unit Distributions Per Unit	\$ 0.46875	\$ 0.46875	\$ 0.46875	\$ 0.46875	\$ 0.46875	
Preferred Unit Distributions Yield	7.500%	7.500%	7.500%	7.500%	7.500%	
Quarter End Recorded Book Value	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	
<b>Series E Preferred Share Dividends (1)</b>						
Preferred Share Dividends Per Share	n/a	n/a	\$ 0.64063	\$ 0.64063	\$ 0.64063	
Preferred Share Dividend Yield	n/a	n/a	10.250%	10.250%	10.250%	
Quarter End Recorded Book Value	n/a	n/a	\$ 25.00	\$ 25.00	\$ 25.00	
<b>Series F Preferred Share Dividends (2)</b>						
Preferred Share Dividends Per Share	n/a	\$ 0.61719	\$ 0.61719	\$ 0.61719	\$ 0.61719	
Preferred Share Dividend Yield	n/a	9.875%	9.875%	9.875%	9.875%	
Quarter End Recorded Book Value	n/a	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	
<b>Series G Preferred Share Dividends</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</b>						
Preferred Share Dividends Per Share	\$ 0.46875	\$ 0.46875	\$ 0.46875	\$ 0.46875	\$ 0.46875	
Preferred Share Dividend Yield	7.500%	7.500%	7.500%	7.500%	7.500%	
Quarter End Recorded Book Value	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	\$ 25.00	
<b>Series J Preferred Share Dividends (3)</b>						
Preferred Share Dividends Per Share	\$ 0.47656	\$ 0.47656	n/a	n/a	n/a	
Preferred Share Dividend Yield	7.625%	7.625%	n/a	n/a	n/a	
Quarter End Recorded Book Value	\$ 25.00	\$ 25.00	n/a	n/a	n/a	

- (1) We redeemed all of the outstanding Series E Preferred Shares on July 15, 2006 for \$28,750,000, or \$25.00 per share par value, and paid a prorated dividend of \$0.09965 for the third quarter of 2006.
- (2) We redeemed all of the outstanding Series F Preferred Shares on October 15, 2006 for \$35,625,000, or \$25.00 per share par value, and paid a prorated dividend of \$0.09601 for the fourth quarter of 2006.
- (3) We issued 3,390,000 Series J Cumulative Redeemable Preferred Shares with a \$25.00 per share par value on July 20, 2006 and paid a prorated dividend of \$0.4501 on October 15, 2006.

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**Investor Composition and Analyst Coverage**  
(as of December 31, 2006)

SHAREHOLDER CLASSIFICATION	Common Shares	Common Units	As if Converted Preferred Shares / Units	Total	Fully Diluted Ownership % of Total
Insiders	779,145	7,290,753	—	8,069,898	15.66%
Non-insiders	42,118,494	1,167,839	176,000	43,462,333	84.34%
	<u>42,897,639</u>	<u>8,458,592</u>	<u>176,000</u>	<u>51,532,231</u>	<u>100.00%</u>

  

RESEARCH COVERAGE	December 31, 2006	September 30, 2006	June 30, 2006	March 31, 2006	December 31, 2005
A. G. Edwards	x	x	x	x	x
BMO Capital Markets	x	x	x	x	x
Citigroup Global Markets	x	n/a	n/a	n/a	n/a
Credit Suisse First Boston	n/a	n/a	n/a	x	x
Ferris, Baker Watts, Incorporated	x	x	x	x	x
Friedman Billings Ramsey & Co.	x	x	x	n/a	n/a
KeyBanc Capital Markets	n/a	n/a	n/a	n/a	x
RBC Capital Markets	x	x	x	n/a	n/a
Raymond James	x	x	x	x	x
Robert W. Baird & Co. Incorporated	x	x	x	x	x
Stifel, Nicolaus & Company, Incorporated	x	x	x	x	x
Wachovia Securities	x	x	x	x	x

Source: Institutional ownership was obtained from filed Forms 13(f) as of September 30, 2006 per Vickers Stock Research Corporation.

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**Debt Maturity Schedule - December 31, 2006**  
(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)	
2007	\$ 14,035	\$ 61,083	\$ 5,220	\$ 60,612	\$ —	\$ 140,950
2008	12,274	142,903	739	34,292	185,000	375,208
2009	8,768	52,228	795	—	—	61,791
2010 (3)	8,198	52,177	272	12,481	—	73,128
2011	6,349	102,264	241	—	—	108,854
2012	4,799	36,123	260	—	—	41,182
2013	1,689	129,886	282	—	—	131,857
2014 (4)	160	4,262	305	—	—	4,727
2015	153	103,000	329	—	—	103,482
2016	165	108,543	356	—	—	109,064
2017	177	146,500	385	—	—	147,062
2018	—	193	417	—	—	610
2019	—	—	373	39	—	412
	<u>\$ 56,767</u>	<u>\$ 939,162</u>	<u>\$ 9,974</u>	<u>\$ 107,424</u>	<u>\$ 185,000</u>	<u>\$ 1,298,327</u>
						Net premium to adjust to fair value of debt 210
						<u>\$ 1,298,537</u>
						<b>Exchangeable Senior Notes (5)</b> <u>\$ 200,000</u>
						<b>Total Debt</b> <u>\$ 1,498,537</u>

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 not 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 2008.
- (3) We assumed that our \$9.4 million non-recourse loan that matures in September 2025 will be called in October 2010. The above table includes the \$8.5 million amount due on maturity in 2010.
- (4) We assumed that our \$4.9 million non-recourse loan that matures in March 2034 may be prepaid in the three-month period ending March 2014 without penalty. The above table includes the \$4.3 million amount due on maturity in 2014.
- (5) Exchangeable Senior Notes expire in September 2026 but are subject to a put by the holders in September 2011 and every five years thereafter.

**Property Summary by Region - December 31, 2006**  
**Wholly Owned Properties**

Operating Property Count		Submarket	Business Park	Year Built or Renovated	S or M	Total Operational Square Feet	Total Square Feet Under Construction / Redevelopment
<b>Office Properties</b>							
<u>Baltimore /Washington Corridor</u>							
1	2730 Hercules Road	BWI Airport	NBP	1990	M	240,336	
2	304 Sentinel Drive (304 NBP)	BWI Airport	NBP	2005	M	162,498	
3	306 Sentinel Drive (306 NBP)	BWI Airport	NBP	2006	M	157,896	
4	302 Sentinel Drive (302 NBP)	BWI Airport	NBP		M		157,146
5	2720 Technology Drive (220 NBP)	BWI Airport	NBP	2004	M	156,730	
	2711 Technology Drive (211 NBP)	BWI Airport	NBP	2002	M	152,000	
	320 Sentinel Drive (320 NBP)	BWI Airport	NBP		M		125,681
6	318 Sentinel Drive (318 NBP)	BWI Airport	NBP	2005	M	125,681	
7	322 Sentinel Drive (322 NBP)	BWI Airport	NBP	2006	M	125,568	
8	140 National Business Parkway	BWI Airport	NBP	2003	M	119,904	
9	132 National Business Parkway	BWI Airport	NBP	2000	M	118,456	
10	2721 Technology Drive (221 NBP)	BWI Airport	NBP	2000	M	118,093	
11	2701 Technology Drive (201 NBP)	BWI Airport	NBP	2001	M	117,450	
12	2691 Technology Drive (191 NBP)	BWI Airport	NBP	2005	M	103,683	
13	134 National Business Parkway	BWI Airport	NBP	1999	M	93,482	
14	135 National Business Parkway	BWI Airport	NBP	1998	M	87,655	
15	133 National Business Parkway	BWI Airport	NBP	1997	M	87,401	
16	141 National Business Parkway	BWI Airport	NBP	1990	M	87,247	
17	131 National Business Parkway	BWI Airport	NBP	1990	M	69,039	
18	114 National Business Parkway	BWI Airport	NBP	2002	S	9,908	
						<b>2,133,027</b>	<b>282,827</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	101,710	
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	1302 Concourse Drive	BWI Airport	APS	1996	M	84,406	
8	881 Elkridge Landing Road	BWI Airport	APS	1986	M	73,572	
9	1190 Winterson Road	BWI Airport	APS	1987	M	72,518	
10	1099 Winterson Road	BWI Airport	APS	1988	M	70,569	
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	67,455	
15	891 Elkridge Landing Road	BWI Airport	APS	1984	M	58,454	
16	901 Elkridge Landing Road	BWI Airport	APS	1984	M	57,593	
17	930 International Drive	BWI Airport	APS	1986	S	57,409	
18	800 International Drive	BWI Airport	APS	1988	S	57,379	
19	900 International Drive	BWI Airport	APS	1986	S	57,140	
20	921 Elkridge Landing Road	BWI Airport	APS	1983	M	54,175	
	940 Elkridge Landing Road	BWI Airport	APS	1984	M		53,941
21	939 Elkridge Landing Road	BWI Airport	APS	1983	M	53,031	
22	938 Elkridge Landing Road	BWI Airport	APS	1984	M	52,988	
						<b>1,633,016</b>	<b>53,941</b>
1	7467 Ridge Road	BWI Airport	Comm./Pkwy.	1990	M	74,326	
2	7240 Parkway Drive	BWI Airport	Comm./Pkwy.	1985	M	73,972	
3	7318 Parkway Drive	BWI Airport	Comm./Pkwy.	1984	S	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	1344 Ashton Road	BWI Airport	Comm./Pkwy.	1989	M	17,061	
11	1341 Ashton Road	BWI Airport	Comm./Pkwy.	1989	S	15,841	
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>485,642</b>	<b>—</b>
<b>53</b>	<b>Subtotal (continued on next page)</b>					<b>4,251,685</b>	<b>336,768</b>

The S or M notation indicates single story or multi-story building, respectively.

Operating Property Count		Submarket	Business Park	Year Built or Renovated	S or M	Total Operational Square Feet	Total Square Feet Under Construction / Redevelopment
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53	Subtotal (continued from prior page)					4,251,685	336,768
	5522 Research Park Drive (UMBC) (1)	BWI Airport	bwtech@UMBC		S		23,500
1	2500 Riva Road	Annapolis		2000	M	155,000	
1	Old Annapolis Road	Howard Co. Perimeter	Oakland Ridge	1985	M	150,000	
1	7125 Columbia Gateway Drive	Howard Co. Perimeter	Columbia Gateway	1973/1999	M	611,379	
2	7000 Columbia Gateway Drive	Howard Co. Perimeter	Columbia Gateway	1999	M	145,806	
3	6711 Columbia Gateway Drive	Howard Co. Perimeter	Columbia Gateway	2006	M	68,196	56,804
4	6731 Columbia Gateway Drive	Howard Co. Perimeter	Columbia Gateway	2002	M	123,911	
5	6940 Columbia Gateway Drive	Howard Co. Perimeter	Columbia Gateway	1999	M	109,003	
6	6950 Columbia Gateway Drive	Howard Co. Perimeter	Columbia Gateway	1998	M	107,778	
7	8621 Robert Fulton Drive	Howard Co. Perimeter	Columbia Gateway	2005-2006	M	86,032	
8	7067 Columbia Gateway Drive	Howard Co. Perimeter	Columbia Gateway	2001	M	82,953	
9	6750 Alexander Bell Drive	Howard Co. Perimeter	Columbia Gateway	2001	M	78,460	
10	6700 Alexander Bell Drive	Howard Co. Perimeter	Columbia Gateway	1988	M	74,859	
11	6740 Alexander Bell Drive	Howard Co. Perimeter	Columbia Gateway	1992	M	61,957	
12	7015 Albert Einstein Drive	Howard Co. Perimeter	Columbia Gateway	1999	S	61,203	
13	8671 Robert Fulton Drive	Howard Co. Perimeter	Columbia Gateway	2002	S	56,350	
14	6716 Alexander Bell Drive	Howard Co. Perimeter	Columbia Gateway	1990	M	52,005	
15	8661 Robert Fulton Drive	Howard Co. Perimeter	Columbia Gateway	2002	S	49,307	
16	7130 Columbia Gateway Drive	Howard Co. Perimeter	Columbia Gateway	1989	S	46,840	
17	7142 Columbia Gateway Drive	Howard Co. Perimeter	Columbia Gateway	1994	S	45,951	
18	6708 Alexander Bell Drive	Howard Co. Perimeter	Columbia Gateway	1988	M	39,203	
19	7065 Columbia Gateway Drive	Howard Co. Perimeter	Columbia Gateway	2000	S	38,560	
20	7138 Columbia Gateway Drive	Howard Co. Perimeter	Columbia Gateway	1990	S	38,225	
21	7063 Columbia Gateway Drive	Howard Co. Perimeter	Columbia Gateway	2000	S	36,936	
22	6760 Alexander Bell Drive	Howard Co. Perimeter	Columbia Gateway	1991	M	36,440	
23	7150 Columbia Gateway Drive	Howard Co. Perimeter	Columbia Gateway	1991	S	35,812	
24	7061 Columbia Gateway Drive	Howard Co. Perimeter	Columbia Gateway	2000	M	29,604	
25	6724 Alexander Bell Drive	Howard Co. Perimeter	Columbia Gateway	2001	M	28,420	
26	7134 Columbia Gateway Drive	Howard Co. Perimeter	Columbia Gateway	1990	S	21,991	
						2,167,181	56,804
1	7200 Riverwood Drive	Howard Co. Perimeter	Rivers 95	1986	S	160,000	
2	9140 Guilford Road	Howard Co. Perimeter	Rivers 95	1983	S	41,704	
3	9160 Guilford Road	Howard Co. Perimeter	Rivers 95	1984	M	37,034	
4	7175 Riverwood Drive	Howard Co. Perimeter	Rivers 95	1996	S	26,500	
5	9150 Guilford Road	Howard Co. Perimeter	Rivers 95	1984	S	18,592	
6	9130 Guilford Road	Howard Co. Perimeter	Rivers 95	1984	S	13,700	
						297,530	—
87	Total Baltimore/Washington Corridor					7,021,396	417,072
	Suburban Maryland						
1	11800 Tech Road	North Silver Spring	Montgomery Industrial	1989	M	235,954	
2	400 Professional Drive	Gaithersburg	Crown Point	2000	M	129,311	
3	110 Thomas Johnson Drive	Frederick		1987/1999	M	117,803	
4	45 West Gude Drive	Rockville		1987	M	108,588	
5	15 West Gude Drive	Rockville		1986	M	106,928	
	Total Suburban Maryland					698,584	—

The S or M notation indicates single story or multi-story building, respectively.

(1) This property is a land-lease property.

Operating Property Count	Submarket	Business Park	Year Built or Renovated	S or M	Total Operational Square Feet	Total Square Feet Under Construction / Redevelopment	
St. Mary's & King George Counties							
1	22309 Exploration Drive	St. Mary's County	Exploration Park	1984/1997	M	98,860	
2	22289 Exploration Drive	St. Mary's County	Exploration Park	2000	M	61,059	
3	22299 Exploration Drive	St. Mary's County	Exploration Park	1998	M	58,231	
4	22300 Exploration Drive	St. Mary's County	Exploration Park	1997	M	44,830	
						262,980	
1	46579 Expedition Drive	St. Mary's County	Expedition Park	2002	M	61,156	
2	46591 Expedition Drive	St. Mary's County	Expedition Park	2005-2006	M	60,029	
						121,185	
1	44425 Pecan Court	St. Mary's County	Wildewood Tech Park	1997	M	59,055	
2	44408 Pecan Court	St. Mary's County	Wildewood Tech Park	1986	S	50,532	
3	23535 Cottonwood Parkway	St. Mary's County	Wildewood Tech Park	1984	M	46,656	
4	44417 Pecan Court	St. Mary's County	Wildewood Tech Park	1989	S	29,053	
5	44414 Pecan Court	St. Mary's County	Wildewood Tech Park	1986	S	25,444	
6	44420 Pecan Court	St. Mary's County	Wildewood Tech Park	1989	S	25,200	
						235,940	
1	16480 Commerce Drive	King George County	Dahlgren Technology Center	2000	M	70,728	
2	16541 Commerce Drive	King George County	Dahlgren Technology Center	1996	S	36,053	
3	16539 Commerce Drive	King George County	Dahlgren Technology Center	1990	S	32,076	
4	16442 Commerce Drive	King George County	Dahlgren Technology Center	2002	S	25,518	
5	16501 Commerce Drive	King George County	Dahlgren Technology Center	2002	S	22,860	
6	16543 Commerce Drive	King George County	Dahlgren Technology Center	2002	S	17,370	
						204,605	
18	Total St. Mary's & King George Counties					824,710	—
Northern Virginia							
1	15000 Conference Center Drive	Dulles South	Westfields	1989	M	470,406	
2	15010 Conference Center Drive	Dulles South	Westfields	2006	M	223,610	
3	15059 Conference Center Drive	Dulles South	Westfields	2000	M	145,192	
4	15049 Conference Center Drive	Dulles South	Westfields	1997	M	145,053	
5	14900 Conference Center Drive	Dulles South	Westfields	1999	M	127,115	
6	14280 Park Meadow Drive	Dulles South	Westfields	1999	M	114,126	

7	4851 Stonecroft Boulevard	Dulles South	Westfields	2004	M	88,094	
8	14850 Conference Center Drive	Dulles South	Westfields	2000	M	69,711	
9	14840 Conference Center Drive	Dulles South	Westfields	2000	M	69,710	
						<b>1,453,017</b>	<b>—</b>
1	13200 Woodland Park Road	Herndon	Woodland	2002	M	404,665	
						<b>404,665</b>	<b>—</b>
1	13454 Sunrise Valley Road	Herndon	Dulles Tech	1998	M	112,597	
2	13450 Sunrise Valley Road	Herndon	Dulles Tech	1998	M	53,728	
						<b>166,325</b>	<b>—</b>
1	1751 Pinnacle Drive	Tysons Corner		1989/1995	M	260,469	
2	1753 Pinnacle Drive	Tysons Corner		1976/2004	M	181,637	
						<b>442,106</b>	<b>—</b>
14	<b>Total Northern Virginia</b>					<b>2,466,113</b>	<b>—</b>

The S or M notation indicates single story or multi-story building, respectively.

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Operating Property Count	Submarket	Business Park	Year Built or Renovated	S or M	Total Operational Square Feet	Total Square Feet Under Construction / Redevelopment
<b>Southwest Virginia</b>						
	Meadowville Road	Richmond Southwest	Meadowville Technology Park	M		193,000
						<b>193,000</b>
	201 Technology Park Drive (1)	Southwest Virginia	Russell Regional Business Tech Park	S		102,842
						<b>102,842</b>
	<b>Total Southwest Virginia</b>				<b>—</b>	<b>295,842</b>
<b>Northern/Central New Jersey</b>						
1	431 Ridge Road	Exit 8A — Cranbury	Princeton Tech Cntr.	1998	S	171,200
2	429 Ridge Road	Exit 8A — Cranbury	Princeton Tech Cntr.	1996	M	142,385
3	437 Ridge Road	Exit 8A — Cranbury	Princeton Tech Cntr.	1996	S	30,000
						<b>343,585</b>
1	47 Commerce	Exit 8A — Cranbury	Centrepoint North	1998	S	41,398
						<b>41,398</b>
1	8 Centre Drive	Exit 8A — Cranbury	Monroe Center	1989	S	16,199
2	2 Centre Drive	Exit 8A — Cranbury	Monroe Center	1989	S	16,132
						<b>32,331</b>
6	<b>Total Northern/Central New Jersey</b>				<b>417,314</b>	<b>—</b>
<b>San Antonio, Texas</b>						
2	8611 Military Drive	San Antonio		1982/1985	M	468,994
	<b>Total San Antonio, Texas</b>				<b>468,994</b>	<b>—</b>
<b>Colorado Springs</b>						
1	985 Space Center Drive	Colorado Springs East	Patriot Park	1989	M	102,717
2	745 Space Center Drive	Colorado Springs East	Patriot Park	2006	M	50,000
3	980 Technology Court	Colorado Springs East	Patriot Park	1995	S	33,190
						<b>185,907</b>
	1055 North Newport Road	Colorado Springs East	Aerotech Commerce Park		M	59,763
						<b>59,763</b>
1	1670 North Newport Road	Colorado Springs East		1986-1987	M	67,500
2	1915 Aerotech Drive	Colorado Springs East		1985	S	37,946
3	1925 Aerotech Drive	Colorado Springs East		1985	S	37,946
						<b>143,392</b>
1	9950 Federal Drive	I-25 North Corridor	InterQuest Office	2001	S	66,222
2	9960 Federal Drive	I-25 North Corridor	InterQuest Office	2001	S	46,948
	9965 Federal Drive	I-25 North Corridor	InterQuest Office	1983	M	74,749
						<b>113,170</b>
1	5775 Mark Dabling Boulevard	Colorado Springs Northwest		1984	M	109,678
2	5725 Mark Dabling Boulevard	Colorado Springs Northwest		1984	M	108,976
3	5755 Mark Dabling Boulevard	Colorado Springs Northwest		1989	M	105,788
						<b>324,442</b>
11	<b>Total Colorado Springs</b>				<b>766,911</b>	<b>134,512</b>

The S or M notation indicates single story or multi-story building, respectively.

—

(1) The lease provides for conveyance of the land parcel.

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Operating Property Count	Submarket	Business Park	Year Built or Renovated	S or M	Total Operational Square Feet	Total Square Feet Under Construction / Redevelopment
<b>Suburban Baltimore</b>						

1	11311 McCormick Road	Hunt Valley/Rte 83 Corridor	Hunt Valley Business Comm.	1984/1994	M	211,931	
2	200 International Circle	Hunt Valley/Rte 83 Corridor	Hunt Valley Business Comm.	1987	M	128,658	
3	226 Schilling Circle	Hunt Valley/Rte 83 Corridor	Hunt Valley Business Comm.	1980	M	98,640	
4	201 International Circle	Hunt Valley/Rte 83 Corridor	Hunt Valley Business Comm.	1982	M	78,634	
5	11011 McCormick Road	Hunt Valley/Rte 83 Corridor	Hunt Valley Business Comm.	1974	M	56,512	
6	11101 McCormick Road	Hunt Valley/Rte 83 Corridor	Hunt Valley Business Comm.	1976	S	24,232	
						<b>598,607</b>	<b>—</b>
1	10150 York Road	Hunt Valley/Rte 83 Corridor		1985	M	180,374	
2	9690 Deereco Road	Hunt Valley/Rte 83 Corridor		1988	M	134,175	
3	375 West Padonia Road	Hunt Valley/Rte 83 Corridor		1986	M	110,328	
						<b>424,877</b>	<b>—</b>
1	7210 Ambassador Road	Baltimore County Westside	Rutherford Business Center	1972	S	83,435	
2	7152 Windsor Boulevard	Baltimore County Westside	Rutherford Business Center	1986	S	57,855	
3	21 Governor's Court	Baltimore County Westside	Rutherford Business Center	1981/1995	M	56,063	
4	7125 Ambassador Road	Baltimore County Westside	Rutherford Business Center	1985	M	50,906	
5	7253 Ambassador Road	Baltimore County Westside	Rutherford Business Center	1988	S	38,930	
6	7104 Ambassador Road	Baltimore County Westside	Rutherford Business Center	1988	M	29,457	
7	17 Governor's Court	Baltimore County Westside	Rutherford Business Center	1981	S	14,701	
8	15 Governor's Court	Baltimore County Westside	Rutherford Business Center	1981	S	14,568	
9	7127 Ambassador Road	Baltimore County Westside	Rutherford Business Center	1985	S	11,144	
10	7129 Ambassador Road	Baltimore County Westside	Rutherford Business Center	1985	S	11,075	
11	7108 Ambassador Road	Baltimore County Westside	Rutherford Business Center	1988	S	9,018	
12	7102 Ambassador Road	Baltimore County Westside	Rutherford Business Center	1988	S	8,879	
13	7106 Ambassador Road	Baltimore County Westside	Rutherford Business Center	1988	S	8,820	
14	7131 Ambassador Road	Baltimore County Westside	Rutherford Business Center	1985	S	7,453	
						<b>402,304</b>	<b>—</b>
<b>23</b>	<b>Total Suburban Baltimore</b>					<b>1,425,788</b>	<b>—</b>
	<u>Greater Philadelphia</u>						
1	753 Jolly Road	Blue Bell	Unisys campus	1992	S	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>					<b>960,349</b>	<b>—</b>
<b>170</b>	<b>TOTAL PORTFOLIO</b>					<b>15,050,159</b>	<b>847,426</b>

The S or M notation indicates single story or multi-story building, respectively.

### Property Summary by Region - December 31, 2006 Joint Venture Properties

Operating Property Count	Submarket	Business Park	Year Built or Renovated	S or M	Total Operational Square Feet	Total Square Feet Under Construction / Redevelopment	
<b>Unconsolidated Joint Venture Properties</b>							
<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	65,411	
						<b>144,867</b>	<b>—</b>
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	45,952	
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	
						<b>409,132</b>	<b>—</b>
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	
						<b>117,212</b>	<b>—</b>
<b>16</b>	<b>Total Greater Harrisburg</b>					<b>671,211</b>	<b>—</b>
<b>16</b>	<b>Total Unconsolidated Joint Venture Properties</b>					<b>671,211</b>	<b>—</b>
<b>Consolidated Joint Venture Properties</b>							
<u>Suburban Maryland</u>							
1	4230 Forbes Boulevard	Lanham	Forbes 50	2003	S	55,866	
	<b>Total Suburban Maryland</b>					<b>55,866</b>	<b>—</b>
<u>Baltimore/Washington Corridor</u>							
	1362 Mellon Road (Lot 6B)	BWI Airport	Baltimore Commons	2006	M		44,134
	7468 Candlewood Road	BWI Airport	Baltimore Commons	1979/1982	M		471,587
	<b>Total Baltimore/Washington Corridor</b>					<b>—</b>	<b>515,721</b>
<u>Northern Virginia</u>							
1	2900 Towerview Road	Route 28 South	Renaissance Park	1982	M	78,171	61,706
	<b>Total Northern Virginia</b>					<b>78,171</b>	<b>61,706</b>
<b>2</b>	<b>Total Consolidated Joint Venture Properties</b>					<b>134,037</b>	<b>577,427</b>
<b>18</b>	<b>TOTAL PORTFOLIO</b>					<b>805,248</b>	<b>577,427</b>

**Property Occupancy Rates by Region by Quarter  
Wholly Owned Properties**

	<u>Baltimore / Washington Corridor</u>	<u>Northern Virginia</u>	<u>Northern / Central New Jersey</u>	<u>Greater Philadelphia</u>	<u>Suburban Maryland</u>	<u>Suburban Baltimore</u>	<u>St. Mary's &amp; King George Counties</u>	<u>Colorado Springs</u>	<u>San Antonio</u>	<u>Total Portfolio</u>
<b>December 31, 2006</b>										
Number of Buildings	87	14	6	4	5	23	18	11	2	170
Rentable Square Feet	7,021,396	2,466,113	417,314	960,349	698,584	1,425,788	824,710	766,911	468,994	15,050,159
Occupied %	95.10%	90.93%	97.18%	100.00%	83.20%	81.06%	92.15%	92.75%	100.00%	92.78%
Leased %	95.81%	99.46%	97.18%	100.00%	94.79%	85.36%	92.15%	93.04%	100.00%	95.46%
<b>September 30, 2006</b>										
Number of Buildings	86	13	6	4	5	23	18	11	2	168
Rentable Square Feet	6,825,128	2,242,503	417,314	960,349	704,770	1,425,023	779,059	766,911	468,994	14,590,051
Occupied %	95.03%	95.89%	97.18%	100.00%	82.18%	84.73%	96.80%	91.20%	100.00%	93.98%
Leased %	95.65%	99.30%	97.18%	100.00%	82.18%	88.59%	96.80%	92.96%	100.00%	95.26%
<b>June 30, 2006</b>										
Number of Buildings	85	13	8	4	5	25	18	10	2	170
Rentable Square Feet	6,740,423	2,242,503	538,045	960,349	704,489	1,636,354	779,059	717,018	468,994	14,787,234
Occupied %	95.52%	94.14%	94.88%	100.00%	82.01%	85.21%	96.74%	87.35%	100.00%	93.61%
Leased %	96.22%	94.59%	95.12%	100.00%	91.11%	88.34%	97.20%	90.85%	100.00%	94.97%
<b>March 31, 2006</b>										
Number of Buildings	83	13	8	4	5	25	18	5	2	163
Rentable Square Feet	6,035,901	2,242,503	538,045	960,349	704,489	1,632,261	771,852	316,577	468,994	13,670,971
Occupied %	95.15%	92.87%	95.75%	100.00%	80.01%	86.51%	96.80%	83.12%	100.00%	93.31%
Leased %	95.69%	94.14%	95.98%	100.00%	89.03%	87.61%	97.53%	83.12%	100.00%	94.40%
<b>December 31, 2005</b>										
Number of Buildings	82	13	9	4	7	25	18	5	2	165
Rentable Square Feet	5,873,489	2,242,999	595,325	960,349	846,272	1,632,261	771,852	316,577	468,994	13,708,118
Occupied %	96.21%	96.36%	96.40%	100.00%	79.83%	84.74%	95.41%	85.81%	100.00%	93.97%
Leased %	96.35%	98.49%	96.40%	100.00%	85.67%	89.04%	97.53%	85.81%	100.00%	95.37%

**Property Occupancy Rates by Region by Quarter  
Joint Venture Properties**

	<u>Unconsolidated</u>		<u>Consolidated</u>		<u>Total Portfolio</u>
	<u>Northern / Central New Jersey</u>	<u>Greater Harrisburg</u>	<u>Suburban Maryland</u>	<u>Northern Virginia</u>	
<b>December 31, 2006</b>					
Number of Buildings	—	16	1	1	18
Rentable Square Feet	—	671,211	55,866	78,171	805,248
Occupied %	0.00%	91.16%	47.95%	100.00%	89.02%
Leased %	0.00%	91.16%	47.95%	100.00%	89.02%
<b>September 30, 2006</b>					
Number of Buildings	—	16	1	1	18
Rentable Square Feet	—	671,759	55,866	78,171	805,796
Occupied %	0.00%	91.46%	47.95%	100.00%	89.27%
Leased %	0.00%	91.46%	47.95%	100.00%	89.27%
<b>June 30, 2006</b>					
Number of Buildings	1	16	1	1	19
Rentable Square Feet	157,394	671,759	55,866	78,171	963,190
Occupied %	86.85%	89.90%	47.95%	100.00%	87.79%
Leased %	86.85%	90.07%	47.95%	100.00%	87.91%
<b>March 31, 2006</b>					
Number of Buildings	1	16	1	1	19
Rentable Square Feet	157,394	671,759	55,866	78,171	963,190
Occupied %	81.57%	89.35%	47.95%	100.00%	86.54%
Leased %	88.91%	89.35%	47.95%	100.00%	87.74%
<b>December 31, 2005</b>					
Number of Buildings	1	16	1	—	18



Rentable Square Feet	157,394	671,759	55,866	—	885,019
Occupied %	80.89%	89.35%	47.95%	0.00%	85.23%
Leased %	86.85%	89.35%	47.95%	0.00%	86.29%

**Reconciliation of Wholly Owned Properties to Entire  
Portfolio as of December 31, 2006**

	<u>Count</u>	<u>Square Feet</u>	<u>Occupied %</u>	<u>Leased %</u>
Wholly Owned Properties	170	15,050,159	92.78%	95.46%
Add: Consolidated Joint Venture Properties	2	134,037	78.30%	78.30%
Subtotal	172	15,184,196	92.65%	95.31%
Add: Unconsolidated Joint Venture Properties	16	671,211	91.16%	91.16%
Entire Portfolio	<u>188</u>	<u>15,855,407</u>	<u>92.58%</u>	<u>95.14%</u>

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**Top Twenty Office Tenants of Wholly Owned Properties as of December 31, 2006 (1)  
(Dollars in thousands)**

<u>Tenant</u>	<u>Number of Leases</u>	<u>Total Occupied Square Feet</u>	<u>Percentage of Total Occupied Square Feet</u>	<u>Total Annualized Rental Revenue (2) (3)</u>	<u>Percentage of Total Annualized Rental Revenue</u>	<u>Weighted Average Remaining Lease Term (4)</u>
United States of America (5)	45	2,182,610	15.6%	\$ 47,584	16.3%	6.6
Booz Allen Hamilton, Inc.	10	779,936	5.6%	20,145	6.9%	7.2
Northrop Grumman Corporation	15	538,967	3.9%	12,375	4.2%	2.6
Computer Sciences Corporation (6)	4	454,645	3.3%	11,076	3.8%	4.4
Unisys Corporation (7)	4	760,145	5.4%	8,665	3.0%	2.7
L-3 Communications Holdings, Inc. (6)	4	221,635	1.6%	8,621	3.0%	7.0
General Dynamics Corporation	9	278,239	2.0%	7,037	2.4%	3.0
AT&T Corporation (6)	9	324,373	2.3%	6,758	2.3%	1.4
The Aerospace Corporation	2	221,785	1.6%	6,240	2.1%	7.9
Wachovia Corporation	5	188,994	1.4%	6,131	2.1%	11.4
The Boeing Company (6)	4	143,480	1.0%	3,975	1.4%	3.0
Ciena Corporation	3	221,609	1.6%	3,558	1.2%	3.7
Science Applications International Corp.	12	170,839	1.2%	3,193	1.1%	0.3
Lockheed Martin Corporation	6	163,685	1.2%	2,953	1.0%	2.5
Magellan Health Services, Inc.	3	142,199	1.0%	2,910	1.0%	3.9
BAE Systems PLC (6)	7	212,339	1.5%	2,795	1.0%	3.8
Merck & Co., Inc. (Unisys) (7)	1	219,065	1.6%	2,466	0.8%	2.5
Wyle Laboratories, Inc.	4	174,792	1.3%	2,399	0.8%	5.6
Harris Corporation	4	84,040	0.6%	2,295	0.8%	3.6
EDO Corporation	6	98,812	0.7%	2,209	0.8%	6.6
<b>Subtotal Top 20 Office Tenants</b>	<b>157</b>	<b>7,582,189</b>	<b>54.3%</b>	<b>163,384</b>	<b>56.0%</b>	<b>5.3</b>
All remaining tenants	492	6,380,653	45.7%	128,380	44.0%	4.5
Total/Weighted Average	<u>649</u>	<u>13,962,842</u>	<u>100.0%</u>	<u>\$ 291,763</u>	<u>100.0%</u>	<u>5.0</u>

- (1) Table excludes owner occupied leasing activity which represents 142,958 square feet with a weighted average remaining lease term of 6.1 as of December 31, 2006.
- (2) Total Annualized Rental Revenue is the monthly contractual base rent as of December 31, 2006, multiplied by 12, plus the estimated annualized expense reimbursements under existing office leases.
- (3) Order of tenants is based on Annualized Rent.
- (4) The weighting of the lease term was computed using Total Rental Revenue.
- (5) 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.
- (6) Includes affiliated organizations or agencies.
- (7) Merck & Co., Inc. subleases 219,065 rentable square feet from Unisys' 960,349 leased rentable square feet in our Greater Philadelphia region.

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

	<u>2006</u>				<u>2005</u>
	<u>December 31</u>	<u>September 30</u>	<u>June 30</u>	<u>March 31</u>	<u>December 31</u>
<b>Office Properties:</b>					
Baltimore/Washington Corridor	\$ 40,112	\$ 38,347	\$ 34,797	\$ 34,393	\$ 34,282
Northern Virginia	15,400	16,746	15,796	15,573	15,979
Northern/Central New Jersey	4,698	2,317	2,386	2,893	2,868
Greater Philadelphia	2,506	2,506	2,506	2,506	2,506
Greater Harrisburg	—	—	—	(6)	(3)
St. Mary's and King George Counties	3,083	2,979	3,037	2,988	3,141
Suburban Maryland	3,864	4,114	3,785	3,553	3,614

Suburban Baltimore	6,415	7,569	7,230	7,357	3,025
San Antonio	2,046	1,787	1,797	1,810	1,814
Colorado Springs	3,366	3,158	1,963	1,289	983
Subtotal	81,490	79,523	73,297	72,356	68,209
Eliminations / other	(13)	(465)	(219)	(177)	(1,185)
<b>Combined Real Estate Revenue</b>	<b>\$ 81,477</b>	<b>\$ 79,058</b>	<b>\$ 73,078</b>	<b>\$ 72,179</b>	<b>\$ 67,024</b>

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

	2006				2005
	December 31	September 30	June 30	March 31	December 31
<b>Office Properties:</b>					
Baltimore/Washington Corridor	\$ 27,551	\$ 25,745	\$ 24,662	\$ 24,024	\$ 24,108
Northern Virginia	9,535	11,179	9,992	10,083	10,634
Northern/Central New Jersey	4,064	1,449	1,563	1,908	1,780
Greater Philadelphia	2,461	2,464	2,465	2,466	2,466
Greater Harrisburg	—	—	(1)	44	(32)
St. Mary's and King George Counties	2,218	2,123	2,333	2,297	2,422
Suburban Maryland	2,333	2,516	2,520	2,236	2,220
Suburban Baltimore	3,387	4,480	4,298	4,517	1,878
San Antonio	1,476	1,477	1,478	1,477	1,479
Colorado Springs	2,022	1,949	1,347	798	613
Subtotal	55,047	53,382	50,657	49,850	47,568
Eliminations / other	589	(51)	23	262	(630)
<b>Combined NOI</b>	<b>\$ 55,636</b>	<b>\$ 53,331</b>	<b>\$ 50,680</b>	<b>\$ 50,112</b>	<b>\$ 46,938</b>

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

	2006				2005
	December 31	September 30	June 30	March 31	December 31
<b>Office Properties: (1)</b>					
Baltimore/Washington Corridor	\$ 22,605	\$ 21,251	\$ 22,220	\$ 21,945	\$ 22,916
Northern Virginia	8,443	10,385	8,954	9,079	9,635
Northern/Central New Jersey	4,215	1,246	1,135	1,322	1,114
Greater Philadelphia	2,628	2,633	2,580	2,581	2,580
Suburban Maryland	2,016	2,010	2,001	1,785	1,612
St. Mary's and King George Counties	2,180	2,113	2,337	2,298	2,389
Suburban Baltimore	1,229	1,204	1,233	1,159	1,086
San Antonio	1,133	1,101	1,104	1,100	1,097
Colorado Springs	570	690	525	566	605
<b>Total Office Properties</b>	<b>\$ 45,018</b>	<b>\$ 42,634</b>	<b>\$ 42,089</b>	<b>\$ 41,833</b>	<b>\$ 43,035</b>

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

	2006				2005
	December 31	September 30	June 30	March 31	December 31
<b>Office Properties: (1)</b>					
Baltimore/Washington Corridor	\$ 22,986	\$ 21,949	\$ 22,699	\$ 22,478	\$ 23,751
Northern Virginia	9,046	10,896	9,619	9,837	10,552
Northern/Central New Jersey	4,090	1,348	1,236	1,423	1,229
Greater Philadelphia	2,463	2,468	2,467	2,468	2,467
Suburban Maryland	2,161	2,197	2,329	1,925	1,748
St. Mary's and King George Counties	2,163	2,099	2,324	2,288	2,411
Suburban Baltimore	1,274	1,278	1,286	1,216	1,138
San Antonio	1,482	1,484	1,487	1,482	1,479
Colorado Springs	582	696	544	586	622
<b>Total Office Properties</b>	<b>\$ 46,246</b>	<b>\$ 44,414</b>	<b>\$ 43,991</b>	<b>\$ 43,703</b>	<b>\$ 45,398</b>

(1) Same office properties include buildings owned for a minimum of five reporting quarters. Amounts reported do not include the effects of eliminations.

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

	Baltimore / Washington Corridor	Northern Virginia	Northern / Central New Jersey	Greater Philadelphia	Suburban Maryland	Suburban Baltimore	St.Mary's and King George Counties	Colorado Springs	San Antonio	Total Office
<b>4th Quarter 2006 Average</b>										
Number of Buildings	80	13	6	4	5	3	17	3	2	133
Rentable Square Feet	5,746,662	2,242,503	417,314	960,349	636,574	424,877	764,681	203,407	468,994	11,865,361
Percent Occupied	94.47%	93.43%	97.18%	100.00%	84.66%	93.42%	96.52%	96.44%	100.00%	94.64%
<b>3rd Quarter 2006 Average</b>										
Number of Buildings	80	13	6	4	5	3	17	3	2	133
Rentable Square Feet	5,746,576	2,242,503	417,314	960,349	642,833	424,877	764,681	203,407	468,994	11,871,534
Percent Occupied	94.35%	95.28%	97.18%	100.00%	82.91%	93.36%	96.43%	94.47%	100.00%	94.79%
<b>2nd Quarter 2006 Average</b>										
Number of Buildings	80	13	6	4	5	3	17	3	2	133
Rentable Square Feet	5,746,492	2,242,503	417,314	960,349	642,552	424,877	764,681	203,407	468,994	11,871,169
Percent Occupied	95.39%	94.14%	98.82%	100.00%	81.98%	90.04%	96.93%	94.19%	100.00%	94.99%
<b>1st Quarter 2006 Average</b>										
Number of Buildings	80	13	6	4	5	3	17	3	2	133
Rentable Square Feet	5,746,500	2,242,668	417,314	960,349	642,552	421,192	764,681	203,407	468,994	11,867,657
Percent Occupied	95.19%	95.55%	100.00%	100.00%	81.25%	89.25%	97.01%	92.67%	100.00%	95.11%
<b>4th Quarter 2005 Average</b>										
Number of Buildings	80	13	6	4	5	3	17	3	2	133
Rentable Square Feet	5,746,607	2,242,999	417,314	960,349	642,552	421,192	764,681	203,407	468,994	11,868,095
Percent Occupied	96.21%	95.86%	100.00%	100.00%	79.78%	84.80%	95.37%	95.46%	100.00%	95.37%

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

**Office Lease Expiration Analysis by Year for Wholly Owned Properties**

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) (000's)	Percentage of Total Annualized Rental Revenue Expiring	Total Annual. Rental Revenue of Expiring Leases per Occupied Square Foot
January - March	29	479,033	3.4 %	\$ 10,441	3.6 %	\$ 21.79
April - June	29	508,459	3.6 %	\$ 9,730	3.3 %	\$ 19.14
July - September	34	305,280	2.2 %	\$ 7,163	2.5 %	\$ 23.46
October - December	23	425,523	3.0 %	\$ 8,827	3.0 %	\$ 20.74
<b>Total 2007</b>	<b>115</b>	<b>1,718,295</b>	<b>12.3 %</b>	<b>\$ 36,160</b>	<b>12.4 %</b>	<b>\$ 21.04</b>
<b>2008</b>	<b>108</b>	<b>1,383,469</b>	<b>9.9 %</b>	<b>28,958</b>	<b>9.9 %</b>	<b>20.93</b>
<b>2009</b>	<b>127</b>	<b>2,858,836</b>	<b>20.5 %</b>	<b>46,734</b>	<b>16.0 %</b>	<b>16.35</b>
<b>2010</b>	<b>96</b>	<b>1,813,686</b>	<b>13.0 %</b>	<b>40,935</b>	<b>14.0 %</b>	<b>22.57</b>
<b>2011</b>	<b>76</b>	<b>1,241,303</b>	<b>8.9 %</b>	<b>24,129</b>	<b>8.3 %</b>	<b>19.44</b>
<b>2012</b>	<b>28</b>	<b>1,041,043</b>	<b>7.5 %</b>	<b>22,892</b>	<b>7.8 %</b>	<b>21.99</b>
<b>2013</b>	<b>17</b>	<b>634,414</b>	<b>4.5 %</b>	<b>15,837</b>	<b>5.4 %</b>	<b>24.96</b>
<b>2014</b>	<b>14</b>	<b>588,443</b>	<b>4.2 %</b>	<b>17,552</b>	<b>6.0 %</b>	<b>29.83</b>
<b>2015</b>	<b>23</b>	<b>1,186,237</b>	<b>8.5 %</b>	<b>27,136</b>	<b>9.3 %</b>	<b>22.88</b>
<b>2016</b>	<b>14</b>	<b>476,509</b>	<b>3.4 %</b>	<b>12,009</b>	<b>4.1 %</b>	<b>25.20</b>
<b>2017</b>	<b>5</b>	<b>119,488</b>	<b>0.9 %</b>	<b>2,666</b>	<b>0.9 %</b>	<b>22.31</b>
<b>2018</b>	<b>3</b>	<b>328,944</b>	<b>2.4 %</b>	<b>7,680</b>	<b>2.6 %</b>	<b>23.35</b>
<b>2019</b>	<b>—</b>	<b>—</b>	<b>0.0 %</b>	<b>—</b>	<b>0.0 %</b>	<b>0.00</b>
<b>2020</b>	<b>—</b>	<b>—</b>	<b>0.0 %</b>	<b>—</b>	<b>0.0 %</b>	<b>0.00</b>
<b>2021</b>	<b>1</b>	<b>46,748</b>	<b>0.3 %</b>	<b>987</b>	<b>0.3 %</b>	<b>21.10</b>
<b>2022</b>	<b>—</b>	<b>—</b>	<b>0.0 %</b>	<b>—</b>	<b>0.0 %</b>	<b>0.00</b>
<b>2023</b>	<b>—</b>	<b>—</b>	<b>0.0 %</b>	<b>—</b>	<b>0.0 %</b>	<b>0.00</b>
<b>2024</b>	<b>—</b>	<b>—</b>	<b>0.0 %</b>	<b>—</b>	<b>0.0 %</b>	<b>0.00</b>
<b>2025</b>	<b>2</b>	<b>468,994</b>	<b>3.4 %</b>	<b>7,094</b>	<b>2.4 %</b>	<b>15.13</b>
Other (3)	20	56,433	0.4 %	993	0.3 %	17.60
<b>Total / Average</b>	<b>649</b>	<b>13,962,842</b>	<b>100.0 %</b>	<b>\$ 291,763</b>	<b>100.0 %</b>	<b>\$ 20.90</b>

NOTE: As of December 31, 2006, the weighted average lease term for the wholly owned properties is 5.0 years.

- 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.
- Total Annualized Rental Revenue is the monthly contractual base rent as of December 31, 2006 multiplied by 12 plus the estimated annualized expense reimbursements under existing office leases.
- 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 as the exact expiration date is unknown.

### Annual Office Renewal Analysis (1)

	Baltimore/ Washington Corridor	Northern Virginia (2)	Northern/ Central New Jersey	Greater Harrisburg (3)	Suburban Maryland	St. Mary's & King George Counties (4)	Suburban Baltimore (5)	Colorado Springs	Total Office
<b>For Year Ended December 31, 2006:</b>									
Expiring Square Feet	872,387	349,322	60,004	n/a	91,307	195,834	311,800	70,196	1,950,850
Vacated Square Feet	287,859	217,166	54,755	n/a	17,730	43,985	237,928	11,422	870,845
Renewed Square Feet	584,528	132,156	5,249	n/a	73,577	151,849	73,872	58,774	1,080,005
Retention Rate (% based upon square feet)	67.00%	37.83%	8.75%	n/a	80.58%	77.54%	23.69%	83.73%	55.36%
<b>Renewed Space Only:</b>									
Change in Base Rent - Straight-line (6)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Change in Total Rent - Straight-line	16.11%	6.02%	1.95%	n/a	-1.35%	2.57%	4.46%	-7.13%	9.71%
Change in Base Rent - Cash (6)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Change in Total Rent - Cash	5.87%	-0.95%	1.18%	n/a	-9.64%	-1.58%	-1.14%	-5.21%	1.79%
Average Capital Cost per Square Foot	\$ 2.76	\$ 5.11	\$ 0.77	n/a	\$ 2.18	\$ 1.07	\$ 8.96	\$ 4.27	\$ 3.27
<b>Renewed &amp; Retenanted Space:</b>									
Change in Base Rent - Straight-line (6)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Change in Total Rent - Straight-line	18.67%	-2.15%	3.67%	n/a	-5.54%	0.99%	2.66%	-7.13%	7.60%
Change in Base Rent - Cash (6)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Change in Total Rent - Cash	9.20%	-7.98%	2.60%	n/a	-11.67%	-3.06%	-4.40%	-5.21%	0.51%
Average Capital Cost per Square Foot	\$ 7.53	\$ 23.34	\$ 5.02	n/a	\$ 5.97	\$ 1.81	\$ 17.47	\$ 4.27	\$ 11.04
<b>For Year Ended December 31, 2005:</b>									
Expiring Square Feet	946,260	107,739	45,603	50,644	47,955	40,657	94,555	—	1,333,413
Vacated Square Feet	316,391	14,420	11,538	17,149	30,881	4,479	50,439	—	445,297
Renewed Square Feet	629,869	93,319	34,065	33,495	17,074	36,178	44,116	—	888,116
Retention Rate (% based upon square feet)	66.56%	86.62%	74.70%	66.14%	35.60%	88.98%	46.66%	0.00%	66.60%
<b>Renewed Space Only:</b>									
Change in Base Rent - Straight-line (6)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Change in Total Rent - Straight-line	9.84%	-2.57%	4.32%	-8.39%	8.16%	-1.99%	-0.93%	0.00%	5.64%
Change in Base Rent - Cash (6)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Change in Total Rent - Cash	2.78%	-13.04%	-0.35%	-12.48%	2.34%	-5.54%	-7.80%	0.00%	-1.67%
Average Capital Cost per Square Foot	\$ 2.24	\$ 14.67	\$ 5.15	\$ 0.56	\$ 5.91	\$ 4.44	\$ 6.72	\$ —	\$ 3.98
<b>Renewed &amp; Retenanted Space:</b>									
Change in Base Rent - Straight-line (6)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Change in Total Rent - Straight-line	7.09%	-6.14%	-27.19%	-8.72%	31.71%	3.57%	0.46%	0.00%	-1.49%
Change in Base Rent - Cash (6)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Change in Total Rent - Cash	0.64%	-15.07%	-35.67%	-12.00%	19.20%	-0.19%	-6.78%	0.00%	-8.59%
Average Capital Cost per Square Foot	\$ 5.06	\$ 20.41	\$ 6.46	\$ 5.10	\$ 34.50	\$ 4.73	\$ 11.56	\$ —	\$ 8.23

- (1) No renewal or retreating activity transpired in our Greater Philadelphia, Southwest Virginia or San Antonio, Texas regions.
- (2) Our vacated space in our Northern Virginia portfolio includes a lease for 99,121 square feet in our 13200 Woodland Park Road building (known as One Dulles Tower) due to its early termination. This entire space was retreating for nine years and was included in our retreating statistics in the third quarter 2006. Excluding the effect of this early termination, our retention rate would have been 58.32% for the year ended December 31, 2006.
- (3) We ceased reporting renewal and retreating activity for any of our joint venture properties effective fourth quarter of 2005.
- (4) The St. Mary's and King George Counties region was nonexistent until 2004.
- (5) The Other region has been renamed the Suburban Baltimore region.
- (6) We no longer report on changes to base rent; we now report only on changes to total rent.

	Baltimore/ Washington Corridor	Northern Virginia	Northern/ Central New Jersey	Greater Harrisburg (2)	Suburban Maryland	St. Mary's & King George Counties (3)	Suburban Baltimore	Colorado Springs	Total Office
<b>For Year Ended December 31, 2004:</b>									
Expiring Square Feet	597,595	81,754	200,097	198,827	28,466	87,187	132,381	n/a	1,326,307
Vacated Square Feet	188,475	10,349	12,781	34,715	14,572	25,444	92,426	n/a	378,762
Renewed Square Feet	409,120	71,405	187,316	164,112	13,894	61,743	39,955	n/a	947,545
Retention Rate (% based upon square feet)	68.46%	87.34%	93.61%	82.54%	48.81%	70.82%	30.18%	n/a	71.44%
<b>Renewed Space Only:</b>									
Change in Base Rent - Straight-line	5.48%	15.07%	9.58%	-11.79%	1.73%	6.88%	7.30%	n/a	5.28%
Change in Total Rent - Straight-line	9.17%	-0.67%	7.57%	-9.20%	1.32%	6.73%	5.04%	n/a	4.85%
Change in Base Rent - Cash	1.21%	7.75%	4.65%	-17.92%	-6.49%	3.73%	1.84%	n/a	0.27%
Change in Total Rent - Cash	4.88%	-0.90%	3.11%	-14.24%	-6.66%	3.64%	-0.08%	n/a	0.89%
Average Capital Cost per Square Foot	\$ 7.36	\$ 13.93	\$ 1.34	\$ 3.10	\$ 7.24	\$ 1.90	\$ 3.72	n/a	\$ 5.42
<b>Renewed &amp; Retenanted Space:</b>									
Change in Base Rent - Straight-line	9.18%	6.30%	8.01%	-8.66%	-6.62%	5.43%	17.59%	n/a	7.20%
Change in Total Rent - Straight-line	10.38%	-8.05%	5.55%	-7.86%	-7.70%	5.10%	9.77%	n/a	5.10%
Change in Base Rent - Cash	4.70%	4.13%	2.83%	-15.25%	-12.96%	2.47%	5.87%	n/a	2.16%
Change in Total Rent - Cash	6.10%	-10.30%	0.87%	-13.28%	-13.70%	2.19%	-0.68%	n/a	0.52%
Average Capital Cost per Square Foot	\$ 10.97	\$ 25.32	\$ 6.10	\$ 4.75	\$ 11.90	\$ 1.72	\$ 20.80	n/a	\$ 10.86

- (1) No renewal or retreating activity transpired in our Greater Philadelphia, Southwest Virginia or San Antonio, Texas regions.
- (2) We ceased reporting renewal and retreating activity for any of our joint venture properties effective fourth quarter of 2005.
- (3) The St. Mary's and King George Counties region was nonexistent until 2004.

### Quarterly Office Renewal Analysis for Wholly Owned Properties as of December 31, 2006

	Baltimore/ Washington Corridor	Northern Virginia (1)	Northern/ Central New Jersey	Suburban Maryland	Suburban Baltimore	St. Mary's and King George Counties	Colorado Springs	Total Office
<b>Quarter Ended December 31, 2006:</b>								
Expiring Square Feet	187,202	105,311	30,000	12,645	117,103	45,206	28,618	526,085
Vacated Square Feet	79,632	105,311	30,000	—	107,226	23,258	—	345,427
Renewed Square Feet	107,570	—	—	12,645	9,877	21,948	28,618	180,658
Retention Rate (% based upon square feet)	57.46%	0.00%	0.00%	100.00%	8.43%	48.55%	100.00%	34.34%
<b>Renewed Space Only:</b>								
Average Committed Cost per Square Foot	\$ 4.61	\$ —	\$ —	\$ 4.24	\$ 4.19	\$ 6.81	\$ 8.77	\$ 5.49
Weighted Average Lease Term in years	3.9	—	—	5.0	2.2	3.7	5.0	4.0
Change in Total Rent - GAAP	-4.28%	0.00%	0.00%	-8.40%	0.79%	-5.30%	-18.11%	-6.49%
Change in Total Rent - Cash	-13.41%	0.00%	0.00%	-18.82%	-2.75%	-11.30%	-13.52%	-13.19%
<b>Renewed &amp; Retenanted Space:</b>								
Average Committed Cost per Square Foot	\$ 4.68	\$ 1.41	\$ —	\$ 4.24	\$ 4.57	\$ 3.30	\$ 8.77	\$ 4.78
Weighted Average Lease Term in years	4.6	3.7	—	5.0	2.8	3.8	5.0	4.4
Change in Total Rent - GAAP	7.17%	-25.91%	0.00%	-8.40%	1.37%	-4.23%	-18.11%	1.03%
Change in Total Rent - Cash	-0.19%	-27.02%	0.00%	-18.82%	-2.51%	-8.34%	-13.52%	-4.55%

Notes: No renewal or retenanting activity transpired in our Greater Philadelphia, Southwest Virginia or San Antonio, Texas regions.  
Activity is exclusive of owner occupied space and leases with less than a one year term.  
Expiring square feet includes early renewals and early terminations.

(1) Our vacated space in our Northern Virginia portfolio includes a lease for 99,121 square feet in our 13200 Woodland Park Road building (known as One Dulles Tower) due to its early termination. This entire space was retenanted for nine years and was included in our retenanting statistics in the third quarter 2006. Excluding the effect of this early termination, our retention rate would have been 42.31% in the fourth quarter.

### Year to Date Wholly Owned Acquisition Summary as of December 31, 2006 (1) (Dollars in thousands)

	Submarket	Acquisition Date	Square Feet	Occupancy Percentage at Acquisition	Contractual Purchase Price	Investment (2)
<b>Individual Property:</b>						
9965 Federal Drive (3) (4)	I-25 North Corridor	1/19/2006	74,749	0.0%	\$ 2,134	\$ 2,136
5725 Mark Dabling Boulevard	Colorado Springs Northwest	5/18/2006	108,976	100.0%	15,360	14,618
5755 Mark Dabling Boulevard	Colorado Springs Northwest	5/18/2006	105,788	67.0%	12,756	12,143
5775 Mark Dabling Boulevard	Colorado Springs Northwest	5/18/2006	109,678	100.0%	15,496	14,747
1915 Aerotech Drive	Colorado Springs East	6/8/2006	37,946	26.4%	4,021	4,181
1925 Aerotech Drive	Colorado Springs East	6/8/2006	37,946	100.0%	4,529	4,197
7125 Columbia Gateway Drive (3)	Howard Co. Perimeter	6/29/2006	611,379	94.2%	74,639	74,168
<b>Total</b>			<b>1,086,462</b>		<b>\$ 128,935</b>	<b>\$ 126,190</b>

- (1) Excludes land only acquisitions.  
(2) Initial accounting investment recorded by property.  
(3) Contractual purchase price and investment balances exclude value assigned to development land.  
(4) This property is under redevelopment as of purchase date.

### Year to Date Wholly Owned Disposition Summary as of December 31, 2006 (1) (Dollars in thousands)

	Submarket	Disposition Date	Square Feet	Contractual Sales Price
14502 Greenview Drive	Laurel	2/6/2006	72,449	\$ 8,687
14504 Greenview Drive	Laurel	2/6/2006	69,334	8,313
68 Culver Road	Exit 8A - Cranbury	3/8/2006	57,280	9,700
710 Route 46	Wayne	7/26/2006	101,263	15,750
230 Schilling Circle	Hunt Valley/Rte 83 Corridor	8/9/2006	107,348	13,795

7 Centre Drive	Exit 8A - Cranbury	8/30/2006	19,468	3,000
1615 and 1629 Thames Street	Baltimore City	9/28/2006	104,203	20,300
<b>Total</b>			<b>531,345</b>	<b>\$ 79,545</b>

(1) Includes operational buildings only.

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**Development Summary as of December 31, 2006  
(Dollars in thousands)**

<u>Property and Location</u>	<u>Submarket</u>	<u>Wholly Owned or Joint Venture (JV)</u>	<u>Total Rentable Square Feet</u>	<u>Percentage Leased</u>	<u>Anticipated Total Cost</u>	<u>Cost to date</u>	<u>Outstanding Loan as of 12/31/2006</u>	<u>Anticipated Date of Operations</u>
<b>Under Construction</b>								
Meadowville Road Richmond, Virginia	Richmond Southwest	Owned	193,000	100.00%	\$ 55,579	28,080	—	3Q 07
5522 Research Park Drive (UMBC) Baltimore, Maryland	BWI Airport	Land Lease	23,500	100.00%	4,915	1,781	—	3Q 07
6711 Columbia Gateway Drive Columbia, Maryland (1) (2)	Howard Co. Perimeter	Owned	125,000	69.70%	26,359	24,163	14,293	3Q 07
1362 Mellon Road (Lot 6B) Hanover, Maryland (3)	BWI Airport	JV	44,134	0.00%	8,590	7,287	4,654	3Q 07
201 Technology Park Drive Lebanon, Virginia	Southwest Virginia	Owned	102,842	100.00%	30,649	2,195	—	4Q 07
1055 North Newport Road Colorado Springs, Colorado	Colorado Springs East	Owned	59,763	100.00%	11,674	1,618	—	1Q 08
320 Sentinel Drive (320 NBP) Annapolis Junction, Maryland (4)	BWI Airport	Owned	125,681	100.00%	23,766	20,061	16,517	1Q 08
302 Sentinel Drive (302 NBP) Annapolis Junction, Maryland (5)	BWI Airport	Owned	157,146	43.64%	32,453	23,195	16,930	2Q 08
<b>Total Under Construction</b>			<b>831,066</b>	<b>79.48 %</b>	<b>\$ 193,985</b>	<b>\$ 108,380</b>	<b>\$ 52,394</b>	

(1) Total loan commitment is \$19.5 million.

(2) Although classified as "Under Construction", 68,196 square feet are operational.

(3) Total loan commitment is \$6.2 million.

(4) Total loan commitment is \$21.0 million.

(5) Total loan commitment is \$27.0 million.

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**Development Summary as of December 31, 2006 (continued)  
(Dollars in thousands)**

<u>Property and Location</u>	<u>Submarket</u>	<u>Wholly Owned or Joint Venture (JV)</u>	<u>Total Rentable Square Feet</u>	<u>Percentage Leased</u>	<u>Anticipated Total Cost</u>	<u>Cost to date</u>	<u>Outstanding Loan as of 12/31/2006</u>	<u>Anticipated Date of Operations</u>
<b>Redevelopment</b>								
9965 Federal Drive Colorado Springs, Colorado	I-25 North Corridor	Owned	74,749	100.00%	\$ 7,525	\$ 3,150	\$ —	2007
940 Elkridge Landing Road (AS 7) Linthicum, Maryland (1)	BWI Airport	Owned	53,941	100.00%	4,550	626	—	2007
2900 Towerview Road Herndon, Virginia (2)	Route 28 South	JV	139,877	55.89%	24,211	15,445	—	2007
7468 Candlewood Road Hanover, Maryland	BWI Airport	JV	471,587	0.00%	52,521	21,251	—	2008
<b>Total Redevelopment</b>			<b>740,154</b>	<b>27.95 %</b>	<b>\$ 88,807</b>	<b>\$ 40,472</b>	<b>\$ —</b>	

**Under Development**

5520 Research Park Drive (UMBC) Baltimore, Maryland	BWI Airport	Land Lease	110,000	0.00%	\$ 23,321	\$ 1,231	\$ —	2008
Rockville Corporate Center Rockville, Maryland	Rockville	Owned	110,000	0.00%	23,599	789	—	2008

7740 Milestone Parkway Hanover, Maryland	BWI Airport	Under Contract/JV	151,800	0.00%	35,639	3,646	—	2008
Patriot Park View II Colorado Springs, Colorado	Colorado Springs East	Owned	104,210	0.00%	18,721	1,361	—	2008
6721 Columbia Gateway Drive Columbia, Maryland	Howard Co. Perimeter	Owned	131,550	0.00%	24,283	6,870	—	2008
Riverwood I & II Columbia, Maryland	Howard Co. Perimeter	Owned	70,000	0.00%	14,703	1,510	—	2008
Interquest South Bldg I & II Colorado Springs, Colorado	I-25 North Corridor	JV	128,000	0.00%	23,808	133	—	2008
300 Sentinel Drive (300 NBP) Annapolis Junction, Maryland	BWI Airport	Owned	190,000	0.00%	42,238	5,438	—	2008
316 Sentinel Drive (316 NBP) Annapolis Junction, Maryland	BWI Airport	Owned	125,000	0.00%	25,333	2,781	—	2008
16444 Commerce Drive Dahlgren, Virginia	King George County	Owned	50,000	0.00%	10,349	563	—	2008
110 Thomas Johnson Drive Bldg #2 Frederick, Maryland	Frederick	Owned	85,000	0.00%	16,162	1,387	—	2009
<b>Total Under Development</b>			<b>1,255,560</b>	<b>0.00%</b>	<b>\$ 258,156</b>	<b>\$ 25,709</b>	<b>\$ —</b>	

- (1) 940 Elkridge Landing Road's anticipated total cost excludes \$4.8 million of incurred costs for land and building as this property was previously operational.  
(2) Although classified as "Redevelopment", 78,171 square feet are operational.

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### Development Placed into Service for the Year Ended December 31, 2006 (Dollars in thousands)

Property and Location	Submarket	Wholly Owned or Joint Venture (JV)	Total Rentable Square Feet	Year 2006	Percentage Leased or Committed at 12/31/06	Percentage Leased or Committed at 12/31/05
				Development Square Feet Placed into Service		
304 Sentinel Drive (304 NBP) Annapolis Junction, Maryland	BWI Airport	Owned	162,498	162,498	100.00%	100.00%
306 Sentinel Drive (306 NBP) Annapolis Junction, Maryland	BWI Airport	Owned	157,896	157,896	100.00%	59.10%
745 Space Center Drive (Patriot Park View) Colorado Springs, Colorado	Colorado Springs East	Owned	50,000	50,000	100.00%	100.00%
322 Sentinel Drive (322 NBP) Annapolis Junction, Maryland	BWI Airport	Owned	125,568	125,568	100.00%	100.00%
15010 Conference Center Drive (WTP II) Chantilly, Virginia	Dulles South	Owned	223,610	223,610	100.00%	0.00%
8621 Robert Fulton Driven (1) Columbia, Maryland	Howard Co. Perimeter	Owned	86,032	20,332	90.28%	76.37%
46591 Expedition Drive (Expedition 6) (1) Lexington Park, Maryland	St. Mary's County	Owned	60,029	52,858	36.43%	23.95%
<b>Total</b>			<b>865,633</b>	<b>792,762</b>	<b>94.63%</b>	<b>59.09%</b>

- (1) Property partially placed into service during 2005.

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### Joint Venture Summary as of December 31, 2006 (Dollars in thousands)

#### Consolidated Properties

Property and Location	Joint Venture Interest Held By COPT	Status	Square Feet	Acreage	Total Assets	Consolidated Debt as of 12/31/06	Recourse to COPT	Option to Acquire Partner's Interest
4230 Forbes Boulevard Lanham, Maryland	50%	Operating	55,866	5 acres	\$ 4,155	\$ 3,685	Yes, up to \$4.5 million	Yes
7468 Candlewood Road (1) Hanover, Maryland	92.5%	Redevelopment	471,587	19 acres	24,000	—	N/A	Yes
2900 Towerview Road Herndon, Virginia	92.5%	Operating/ Redevelopment	139,877	12 acres	17,721	—	N/A	Yes
1362 Mellon Road (Lot 6B) Hanover, Maryland	50%	Construction	44,134	3 acres	7,287	4,654	Yes, up to \$6.2 million	Yes
<b>TOTAL</b>					<b>\$ 53,163</b>	<b>\$ 8,339</b>		

**Unconsolidated Properties**

<u>Property and Location</u>	<u>Joint Venture Interest Held By COPT</u>	<u>Status</u>	<u>Square Feet</u>	<u>COPT Investment</u>	<u>Off-Balance Sheet Debt as of 12/31/06</u>	<u>Recourse to COPT</u>	<u>Option to Acquire Partner's Interest</u>
Harrisburg Portfolio							
Harrisburg, Pennsylvania	20%	Operating	671,211	\$ (3,614)	\$ 66,600	No	No

(1) The 7468 Candlewood Road project consists of 471,587 square feet of warehouse space and will be redeveloped into approximately 325,000 rentable square feet of office space.

**Land Inventory as of December 31, 2006**

<u>Location</u>	<u>Submarket</u>	<u>Status</u>	<u>Non-Wholly Owned</u>		<u>Wholly Owned</u>	
			<u>Acres</u>	<u>Developable Square Feet</u>	<u>Acres</u>	<u>Developable Square Feet</u>
Westfields Corporate Center	Dulles South	owned	—	—	19	246,800
Westfields Corporate Center	Dulles South	owned	—	—	17	377,300
Westfields Corporate Center	Dulles South	owned	—	—	32	674,200
2900 Towerview Road	Route 28 South	JV	4	55,000	—	—
Woodland Park	Hemdon	owned	—	—	5	225,000
<b>Total Northern Virginia</b>			<b>4</b>	<b>55,000</b>	<b>73</b>	<b>1,523,300</b>
National Business Park (Phase II)	BWI Airport	owned	—	—	19	627,500
National Business Park (Phase III)	BWI Airport	owned	—	—	178	1,250,000
National Business Park (Phase III)	BWI Airport	option	5	—	—	—
1243 Winterson Road (AS 22)	BWI Airport	owned	—	—	2	30,000
Arundel Preserve	BWI Airport	under contract/ JV	56 up to	1,648,000	—	—
1460 Dorsey Road	BWI Airport	owned	—	—	6	60,000
Columbia Gateway Parcel T-11	Howard Co. Perimeter	owned	—	—	14	220,000
7125 Columbia Gateway Drive	Howard Co. Perimeter	owned	—	—	5	120,000
<b>Total Baltimore / Washington Corridor</b>			<b>61</b>	<b>1,648,000</b>	<b>224</b>	<b>2,307,500</b>
110 Thomas Johnson Drive	Frederick	owned	—	—	3	85,000
Rockville Corporate Center	Rockville	owned	—	—	5	110,000
<b>Total Suburban Maryland</b>			<b>—</b>	<b>—</b>	<b>8</b>	<b>195,000</b>
Unisys Campus	Blue Bell	owned	—	—	45	600,000
<b>Total Greater Philadelphia</b>			<b>—</b>	<b>—</b>	<b>45</b>	<b>600,000</b>
Princeton Technology Center	Exit 8A - Cranbury	owned	—	—	19	250,000
<b>Total Northern / Central New Jersey</b>			<b>—</b>	<b>—</b>	<b>19</b>	<b>250,000</b>
Dahlgren Technology Center	King George County	owned	—	—	32	65,000
Expedition Park	St. Mary's County	owned	—	—	6	60,000
<b>Total St. Mary's &amp; King George Counties</b>			<b>—</b>	<b>—</b>	<b>38</b>	<b>125,000</b>
Interquest	I-25 North Corridor	50% interest	122	1,622,000	—	—
9965 Federal Drive	I-25 North Corridor	owned	—	—	4	30,000
Patriot Park	Colorado Springs East	owned	—	—	72	860,000
Aerotech Commerce	Colorado Springs East	owned	—	—	7	90,000
<b>Total Colorado Springs</b>			<b>122</b>	<b>1,622,000</b>	<b>83</b>	<b>980,000</b>
San Antonio	San Antonio	owned	—	—	27	350,000
San Antonio	San Antonio	owned	—	—	31	375,000
<b>Total San Antonio</b>			<b>—</b>	<b>—</b>	<b>58</b>	<b>725,000</b>
Indian Head	Charles County, MD	JV- 75% ownership	153	677,250	—	—
Fort Ritchie (1)	Cascade, MD	owned	—	—	500	1,700,000
<b>Total Other</b>			<b>153</b>	<b>677,250</b>	<b>500</b>	<b>1,700,000</b>
<b>TOTAL</b>			<b>340</b>	<b>4,002,250</b>	<b>1,048</b>	<b>8,405,800</b>

This land inventory schedule excludes all properties listed as under construction, redevelopment or under development as detailed on pages 41 and 42.

(1) The Fort Ritchie acquisition includes 306,038 square feet of existing office space, targeted for future redevelopment, and 110 existing usable residential units.

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

	<u>2006</u>				<u>2005</u>
	<u>December 31</u>	<u>September 30</u>	<u>June 30</u>	<u>March 31</u>	<u>December 31</u>
<b>Total Assets or Denominator for Debt to Total Assets</b>	<b>\$ 2,425,883</b>	<b>\$ 2,355,922</b>	<b>\$ 2,309,118</b>	<b>\$ 2,142,875</b>	<b>\$ 2,129,759</b>
Accumulated depreciation	219,574	205,529	197,395	183,920	174,935
Intangible assets on real estate acquisitions, net	87,325	92,061	100,132	85,699	90,984



Assets other than assets included in investment in real estate	(314,573)	(300,236)	(243,602)	(242,035)	(241,653)
<b>Denominator for Debt to Undepreciated Book Value of Real Estate Assets</b>	<b>\$ 2,418,209</b>	<b>\$ 2,353,276</b>	<b>\$ 2,363,043</b>	<b>\$ 2,170,459</b>	<b>\$ 2,154,025</b>
<b>GAAP Revenues from Real Estate Operations</b>	<b>\$ 81,467</b>	<b>\$ 78,136</b>	<b>\$ 71,549</b>	<b>\$ 70,167</b>	<b>\$ 64,948</b>
Revenues from discontinued operations	10	922	1,529	2,012	2,076
<b>Combined Real Estate Revenues</b>	<b>\$ 81,477</b>	<b>\$ 79,058</b>	<b>\$ 73,078</b>	<b>\$ 72,179</b>	<b>\$ 67,024</b>
<b>GAAP Revenues from Real Estate Operations</b>	<b>\$ 81,467</b>	<b>\$ 78,136</b>	<b>\$ 71,549</b>	<b>\$ 70,167</b>	<b>\$ 64,948</b>
Property operating	(25,806)	(25,430)	(21,914)	(21,354)	(19,313)
Revenues from discontinued operations	10	922	1,529	2,012	2,076
Property operating from discontinued operations	(35)	(297)	(484)	(713)	(773)
<b>Combined Net Operating Income</b>	<b>\$ 55,636</b>	<b>\$ 53,331</b>	<b>\$ 50,680</b>	<b>\$ 50,112</b>	<b>\$ 46,938</b>
<b>GAAP Net Operating Income for Same Office Properties</b>	<b>\$ 46,246</b>	<b>\$ 44,414</b>	<b>\$ 43,991</b>	<b>\$ 43,703</b>	<b>\$ 45,398</b>
Less: Straight line rent adjustments	(1,021)	(1,892)	(1,693)	(1,596)	(1,969)
Less: Amortization of deferred market rental revenue	(207)	111	(210)	(273)	(394)
<b>Cash Net Operating Income for Same Office Properties</b>	<b>\$ 45,018</b>	<b>\$ 42,634</b>	<b>\$ 42,089</b>	<b>\$ 41,833</b>	<b>\$ 43,035</b>
<b>Depreciation and amortization</b>	<b>\$ 20,081</b>	<b>\$ 21,680</b>	<b>\$ 18,189</b>	<b>\$ 18,762</b>	<b>\$ 15,106</b>
Depreciation of furniture, fixtures and equipment	(313)	(601)	(260)	(269)	(194)
Depreciation and amortization from discontinued operations	—	226	561	575	498
<b>Combined real estate related depreciation and other amortization</b>	<b>\$ 19,768</b>	<b>\$ 21,305</b>	<b>\$ 18,490</b>	<b>\$ 19,068</b>	<b>\$ 15,410</b>
<b>Total tenant improvements and incentives on operating properties</b>	<b>\$ 9,907</b>	<b>\$ 4,552</b>	<b>\$ 3,317</b>	<b>\$ 2,873</b>	<b>\$ 6,146</b>
Total capital improvements on operating properties	3,844	2,276	2,536	3,123	2,944
Total leasing costs for operating properties	2,827	3,416	1,421	946	3,743
Less: Nonrecurring tenant improvements and incentives on operating properties	(7,489)	(3,340)	(1,752)	(1,281)	(4,872)
Less: Nonrecurring capital improvements on operating properties	(1,364)	(467)	(1,068)	(2,519)	(954)
Less: Nonrecurring leasing costs for operating properties	(2,171)	(2,783)	(1,076)	(358)	(1,969)
Add: Recurring improvements on operating properties held through joint ventures	833	236	47	24	188
<b>Recurring capital expenditures</b>	<b>\$ 6,387</b>	<b>\$ 3,890</b>	<b>\$ 3,425</b>	<b>\$ 2,808</b>	<b>\$ 5,226</b>
<b>Interest expense from continuing operations</b>	<b>\$ 18,885</b>	<b>\$ 17,974</b>	<b>\$ 17,298</b>	<b>\$ 17,221</b>	<b>\$ 14,912</b>
Interest expense from discontinued operations	—	210	338	494	462
<b>Combined interest expense or denominator for interest coverage</b>	<b>\$ 18,885</b>	<b>\$ 18,184</b>	<b>\$ 17,636</b>	<b>\$ 17,715</b>	<b>\$ 15,374</b>
Scheduled principal amortization	3,834	3,822	4,101	7,559	3,819
<b>Denominator for Debt Service Coverage</b>	<b>\$ 22,719</b>	<b>\$ 22,006</b>	<b>\$ 21,737</b>	<b>\$ 25,274</b>	<b>\$ 19,193</b>
Scheduled principal amortization	(3,834)	(3,822)	(4,101)	(7,559)	(3,819)
Preferred dividends - redeemable non-convertible	3,790	4,307	3,653	3,654	3,654
Preferred distributions	165	165	165	165	165
<b>Denominator for Fixed Charge Coverage</b>	<b>\$ 22,840</b>	<b>\$ 22,656</b>	<b>\$ 21,454</b>	<b>\$ 21,534</b>	<b>\$ 19,193</b>
<b>Common dividends for Earnings Payout Ratio</b>	<b>\$ 13,292</b>	<b>\$ 13,265</b>	<b>\$ 11,853</b>	<b>\$ 11,260</b>	<b>\$ 11,069</b>
Common distributions	2,622	2,643	2,357	2,374	2,386
Restricted shares	—	—	—	—	107
<b>Dividends and distributions for FFO and AFFO Payout Ratio</b>	<b>\$ 15,914</b>	<b>\$ 15,908</b>	<b>\$ 14,210</b>	<b>\$ 13,634</b>	<b>\$ 13,562</b>
Amortization of deferred financing costs from continuing operations	948	736	606	557	729
Amortization of deferred financing costs from discontinued operations	1	128	3	2	3
<b>Combined amortization of deferred financing costs</b>	<b>\$ 949</b>	<b>\$ 864</b>	<b>\$ 609</b>	<b>\$ 559</b>	<b>\$ 732</b>