

CORPORATE OFFICE PROPERTIES TRUST

Form 424B5

March 01, 2002

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PROSPECTUS SUPPLEMENT TO PROSPECTUSES DATED
NOVEMBER 1, 2000 AND MAY 17, 2001

9,700,000 Shares

Corporate Office Properties Trust

Common Shares of Beneficial Interest

Of the total of 9,700,000 common shares offered by this prospectus supplement, 8,876,172 common shares are being sold by our largest shareholder, Constellation Real Estate, Inc., and 823,828 common shares are being sold by Corporate Office Properties Trust. We will not receive any of the proceeds from the sale of common shares by Constellation.

Corporate Office Properties Trust is a fully-integrated and self-managed real estate investment trust that owns and operates suburban office properties in select Mid-Atlantic regions. We are among the largest suburban office owners in most of our core regions and the largest in the Northern Baltimore/Washington Corridor. As of December 31, 2001, we owned a total of 98 suburban office properties aggregating approximately 7.8 million rentable square feet, including two properties owned through joint ventures.

Our common shares are traded on the New York Stock Exchange under the symbol "OFC." The last reported sale price on February 27, 2002 was \$12.04 per share.

The underwriters have an option to purchase up to 1,261,000 additional common shares to cover over-allotments of shares, all of which would be purchased from Corporate Office Properties Trust.

Investing in our common shares involves risks. See "Risk Factors" beginning on page S-7 of this prospectus supplement.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Constellation	Proceeds to the Company
Per Share	\$12.04	\$0.63	\$11.41	\$11.41
Total	\$ 116,788,000	\$ 6,111,000	\$ 101,277,123	\$ 9,399,877

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectuses to which it relates are truthful or complete. Any representation to the contrary is a criminal offense.

Sole Bookrunner and Joint Lead Manager

Credit Suisse First Boston

Joint Lead Managers

A.G. Edwards & Sons, Inc.

**Legg Mason Wood Walker
Incorporated**

McDonald Investments Inc.

BB&T Capital Markets

Ferris, Baker Watts

Incorporated

Janney Montgomery Scott LLC

The date of this prospectus supplement is February 28, 2002

TABLE OF CONTENTS

PROSPECTUS SUPPLEMENT

	Page
FORWARD-LOOKING STATEMENTS	ii
PROSPECTUS SUPPLEMENT SUMMARY	S-1
RISK FACTORS	S-7
CAPITALIZATION	S-14
USE OF PROCEEDS	S-16
PRICE RANGE OF COMMON SHARES AND DIVIDEND HISTORY	S-16
THE COMPANY	S-17
MANAGEMENT	S-28
DESCRIPTION OF SHARES	S-31
CERTAIN FEDERAL INCOME TAX MATTERS	S-46
UNDERWRITING	S-47
NOTICE TO CANADIAN RESIDENTS	S-50
EXPERTS	S-51
LEGAL MATTERS	S-51
WHERE YOU CAN FIND MORE INFORMATION	S-51

PROSPECTUS DATED NOVEMBER 1, 2000,
RELATING TO COMMON SHARES OFFERED BY THE COMPANY

	Page
SUMMARY	1
RISK FACTORS	3
USE OF PROCEEDS	9
RATIOS OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED SHARE	9
DIVIDENDS	9
DESCRIPTION OF SHARES	10
FEDERAL INCOME TAX MATTERS	23
PLAN OF DISTRIBUTION	35
EXPERTS	36
LEGAL MATTERS	36
WHERE YOU CAN FIND MORE INFORMATION	37

PROSPECTUS DATED MAY 17, 2001,
RELATING TO COMMON SHARES OFFERED BY THE SELLING SHAREHOLDER

	Page
SUMMARY	3
OUR COMPANY	3
FORWARD-LOOKING STATEMENTS	3
THE SELLING SHAREHOLDERS	4
DESCRIPTION OF SHARES	6
FEDERAL INCOME TAX MATTERS	26
PLAN OF DISTRIBUTION	37

EXPERTS	38
LEGAL MATTERS	38
WHERE YOU CAN FIND MORE INFORMATION	39

You should rely only on the information contained in this prospectus supplement and each of the accompanying prospectuses or incorporated by reference in these documents. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

We are providing information to you about our company and common shares in this prospectus supplement and the accompanying prospectuses. This prospectus supplement is more specific than the accompanying prospectuses. If the information in this prospectus supplement differs from that in the accompanying prospectuses, you should rely on the information in this prospectus supplement.

i

In connection with an underwritten offering, SEC rules permit underwriters to engage in transactions that stabilize the price of our common shares being offered. These transactions may include purchases for the purpose of fixing or maintaining the price of our common shares being offered at a level that is higher than the market would dictate in the absence of such transactions. See "Underwriting" in this prospectus supplement and "Plan of Distribution" in each of the accompanying prospectuses.

The terms "COPT," "Company," "we," "our" and "us" refer to Corporate Office Properties Trust and its subsidiaries, including Corporate Office Properties, L.P., Corporate Office Management, Inc. ("COMI"), Corporate Development Services, LLC ("CDS"), Corporate Office Services, LLC ("COS") and Corporate Realty Management, LLC ("CRM"), unless the context suggests otherwise. The term "you" refers to a prospective investor. The term "selling shareholder," or "Constellation" refers to Constellation Real Estate, Inc.

FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectuses and our documents incorporated by reference herein and therein contain "forward-looking" statements, within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act, that are based on our current expectations, estimates and projections about future events and financial trends affecting the financial condition of our business. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. These statements are not guarantees of future performance, events or results and involve potential risks and uncertainties. Accordingly, actual results may differ materially from those addressed in the forward-looking statements. We undertake no obligation to update forward-looking statements, whether as a result of new information, future events or otherwise.

Important factors that may affect these expectations, estimates or projections include, but are not limited to: our ability to borrow on favorable terms; general economic and business conditions, which will, among other things, affect office property demand and rents, tenant creditworthiness, interest rates and financing availability; adverse changes in the real estate markets, including, among other things, increased competition with other companies; risks of real estate acquisition and development; governmental actions and initiatives; environmental requirements; and the other factors described under the heading "Risk Factors" beginning on page S-7 of this prospectus supplement.

ii

PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement, and may not contain all of the information investors should consider before investing in our common shares. You should read the entire prospectus supplement and accompanying prospectuses carefully, especially the "Risk Factors" section beginning on page S-7 of this prospectus supplement. Unless otherwise indicated, information in this prospectus supplement is provided assuming that (i) all property information is presented as of December 31, 2001, (ii) financial information is presented as of, or for the period ended, September 30, 2001 or December 31, 2001, as specified, and (iii) the underwriters' over-allotment option to purchase up to 1,261,000 additional common shares is not exercised.

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We are a fully integrated and self-managed real estate investment trust, or "REIT," that focuses on the ownership, management, leasing, acquisition and development of suburban office properties. Important aspects of our company include:

Geographic Focus. Our strategy is to operate in select, demographically strong and growing submarkets primarily within the Mid-Atlantic region, where we believe we have achieved the critical mass necessary to maximize management efficiencies, operating synergies and competitive advantages through our acquisition, property management and development programs. We are among the largest suburban office owners in most of our core regions and the largest in the Northern Baltimore/Washington Corridor, also referred to as the "B/W Corridor." The following table sets forth certain information, as of December 31, 2001, regarding our operating portfolio:

Region	Number of Properties	Rentable Square Feet	Occupancy	Total Rental Revenue ⁽¹⁾	Percentage of Total Rental Revenue ⁽¹⁾
(In thousands)					
B/W Corridor ⁽²⁾⁽³⁾	64	4,791,139	95.7%	\$ 85,701	65.1%
Northern/Central New Jersey	13	903,972	95.8	17,838	13.5
Blue Bell/Philadelphia	4	960,349	100.0	9,680	7.3
Northern Virginia	1	470,406	99.6	9,427	7.2
Greater Harrisburg	16	674,686	91.2	9,087	6.9
Total/Weighted Average	98	7,800,552	96.1%	\$131,733	100%

(1) Total rental revenue is the monthly contractual base rent as of December 31, 2001 multiplied by 12, plus the estimated annualized expense reimbursements under existing leases.

(2) The B/W Corridor encompasses mostly Anne Arundel and Howard counties. Included in this region are six properties located outside of these counties, including three properties in suburban Washington, D.C., two properties in Timonium, Maryland and one property in Baltimore, Maryland.

(3) Two properties totaling 135,428 rentable square feet were held through joint ventures as of December 31, 2001. On February 25, 2002, we purchased the remaining 50% joint venture interest in one of these properties for \$5.4 million and now directly own one additional property totaling 91,643 rentable square feet.

Corporate Tenants. We focus on leasing our office properties to a diverse mix of companies in a wide range of industries, with an emphasis on large, high-quality companies that are financially sound market leaders in their respective fields with significant space requirements. To enhance the stability of our cash flow, we typically structure our leases with terms ranging from three to ten years. As of December 31, 2001, our average lease size was 16,999 rentable square feet with a weighted average remaining lease term of 4.5 years.

Mid-Atlantic Management Experience. The members of our senior management team, including the Chairman of our Board of Trustees and our six executive officers, have an average of over 20 years of property management, acquisition and development experience specifically within our core markets.

S-1

We believe our extensive experience, market knowledge and network of industry contacts within the Mid-Atlantic region provide us with an important competitive advantage in establishing, maintaining and enhancing our prominence within our selected regions. Additionally, as a seasoned and prominent owner and operator, we believe we can effectively attract and retain quality corporate tenants and efficiently accommodate tenant needs on a cost-effective basis. During 2001, our tenant retention rate was 72.5% (based on rentable square footage renewed) and our re-tenanting costs averaged \$6.92 per square foot.

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Management Ownership. As of December 31, 2001, our executive officers and trustees owned a total of 26.5% of our common equity interests on a fully diluted basis, which we believe is among the highest management ownership positions within the publicly-traded REIT industry.

Recent Events

During 2001, we continued to focus on increasing funds from operations per share and shareholder value through the following key activities:

furthered our market presence in the B/W Corridor by acquiring twelve suburban office properties for a total investment of approximately \$82.5 million. These properties, aggregating 709,562 rentable square feet, were 97.1% leased as of December 31, 2001. In addition, we strategically expanded into the Northern Virginia region with our acquisition of Washington Technology Park for approximately \$59.0 million. This suburban office property, totaling 470,406 rentable square feet, was 99.6% leased as of December 31, 2001 and includes a 17-acre adjacent development site that can support approximately 400,000 rentable square feet of additional office space;

completed development on three properties located in the B/W Corridor. These properties, aggregating 240,245 rentable square feet, were 91.7% leased as of December 31, 2001;

executed 125 leases covering an aggregate of approximately 1.0 million square feet;

raised approximately \$72.4 million in total net proceeds through the sale of preferred shares including (i) approximately \$11.9 million from the sale of 544,000 4.00% Series D Cumulative Convertible Redeemable Preferred Shares to a private investor in January 2001; (ii) approximately \$26.9 million from the sale of 1,150,000 10.25% Series E Cumulative Redeemable Preferred Shares through an underwritten public offering in April 2001; and (iii) approximately \$33.6 million from the sale of 1,425,000 9.875% Series F Cumulative Redeemable Preferred Shares through an underwritten public offering in September 2001;

obtained six fixed-rate, long-term mortgage loans totaling approximately \$129.4 million. These loans bear interest at a weighted average interest rate of 7.4% and have a weighted average term of 7.1 years. The proceeds were primarily used to retire existing debt; and

expanded our existing secured revolving credit facility (our "Credit Facility") to \$125.0 million and extended its maturity for three years through March 2004.

As a result of our activities, we achieved the following in 2001:

23.8% growth in total assets from approximately \$794.8 million as of December 31, 2000 to approximately \$984.2 million as of December 31, 2001;

15.2% growth in funds from operations diluted from approximately \$37.5 million for the year ended December 31, 2000 to approximately \$43.2 million for the year ended December 31, 2001;

5.0% increase in quarterly dividends from \$0.20 per common share paid during the three month period ended December 31, 2000 to \$0.21 per common share paid during the three month period ended December 31, 2001;

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72.5% weighted average tenant retention rate, based on square footage renewed between January 1, 2001 and December 31, 2001;

18.5% weighted average increase in total rental revenue for leases executed between January 1, 2001 and December 31, 2001 for renewed and re-tenanted square footage; and

111 basis point reduction in our quarterly weighted average interest rate from 7.96% for the three month period ended December 31, 2000 to 6.85% for the three month period ended December 31, 2001.

On February 25, 2002, we paid \$5.4 million to acquire the remaining 50% interest in the joint venture which owned 2701 Technology Drive. As a result, we now directly own this property, which consists of 91,643 rentable square feet leased and occupied and another 26,357 rentable square feet to be delivered upon completion of tenant improvements. We previously accounted for this joint venture investment as a financing transaction; thus, this \$5.4 million liability was reflected on our balance sheet. We simultaneously received \$14.7 million of a \$34.0 million loan which closed on February 25, 2002 and is partially collateralized by this property. The remaining \$19.3 million will not be funded until certain conditions are satisfied regarding the properties securing the loan. Of the \$14.7 million in loan proceeds, \$10.0 million repaid the outstanding construction loan held by the joint venture that owned this property and \$4.4 million partially funded the \$5.4 million payment referred to above, with the remaining \$1.0 million paid from cash reserves. This fixed-rate loan matures in March 2009 and bears interest at 7.0%.

S-3

The Offering

Securities offered	9,700,000 common shares, of which 8,876,172 common shares are being sold by our largest shareholder, Constellation, and 823,828 common shares are being sold by us. In addition, the underwriters have an option to purchase up to 1,261,000 additional common shares to cover over-allotments of shares, all of which would be purchased from us.
Diluted common shares to be outstanding after this offering	34,700,431 ⁽¹⁾
Use of proceeds	We will not receive any of the proceeds from the sale of common shares by Constellation. We intend to contribute the proceeds from the sale of common shares by us to our operating partnership to repay certain indebtedness under our Credit Facility, to meet our working capital needs and for general operating purposes.
Ownership Limit	To maintain our qualification as a REIT for Federal income tax purposes, no person or entity may acquire more than 9.8% of the aggregate value of all of our outstanding common and preferred shares.
New York Stock Exchange Symbol	"OFC"

(1) Based on the number of diluted common shares as of January 31, 2002, including 13,224,832 common shares issuable upon the exchange of the Series A Preferred Share and the Series D Preferred Shares, and common and preferred units, all of which are exchangeable, in accordance with their terms, into common shares. Excludes 3,378,764 common shares issuable upon the exercise of outstanding options under our stock incentive plan and option plan as of January 31, 2002.

The Selling Shareholder

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Constellation is currently the largest owner of our common shares, owning approximately 43% of our outstanding common shares as of January 31, 2002 and the sole outstanding Series A Preferred Share. Constellation will sell all of its common shares, including an additional common share to be received upon the conversion of the Series A Preferred Share, in this offering. This sale, if completed, would result in the ownership of our common shares becoming more widespread than prior to this offering.

Constellation was not involved in our day to day operations, and we do not anticipate that our operations will be adversely affected as a result of the sale of its securities in this offering. Two of the members of our Board of Trustees, Thomas F. Brady and Steven D. Kesler, were nominated by Constellation pursuant to its rights as the holder of the Series A Preferred Share. Upon conversion of the Series A Preferred Share, these nomination rights will terminate, although Messrs. Brady and Kesler are expected to continue to serve until the end of their respective terms, which both expire in 2003.

S-4

Summary Financial Data

The following table contains summary financial data as of, and for the nine months ended, September 30, 2001 and 2000 and as of, and for the years ended, December 31, 2000, 1999, 1998 and 1997, as derived from our unaudited financial statements for the nine months ended September 30, 2001 and 2000 and from our audited financial statements for the years ended December 31, 2000, 1999, 1998 and 1997. Since this information is only a summary, you should refer to our consolidated financial statements and the notes thereto and the "Management's Discussion and Analysis of Financial Condition and Results of Operations," each as appearing in our Quarterly Report on Form 10-Q for the nine months ended September 30, 2001 and in our Annual Report on Form 10-K for the year ended December 31, 2000, incorporated by reference in this prospectus supplement, for additional information.

	For the Nine Months Ended September 30,		For the Year Ended December 31,			
	2001	2000	2000	1999	1998	1997
(Dollar and share information in thousands, except ratios and per share data)						
Operating Data:						
Revenues						
Rental revenue	\$ 80,590	\$ 69,040	\$ 93,309	\$ 70,101	\$ 35,676	\$ 6,122
Tenant recoveries and other revenue	10,787	11,277	15,684	11,011	4,538	496
Total revenues	91,377	80,317	108,993	81,112	40,214	6,618
Expenses						
Property operating	26,680	23,095	31,235	22,325	9,632	728
General and administrative	4,122	3,827	4,867	3,204	1,890	533
Interest	24,298	22,188	30,454	21,808	12,207	2,855
Amortization of deferred financing costs	1,326	966	1,382	975	423	64
Depreciation and other amortization	15,109	12,475	16,977	12,075	6,285	1,267
Reformation costs ⁽¹⁾					637	
Termination of advisory agreement ⁽²⁾						1,353
Total expenses	71,535	62,551	84,915	60,387	31,074	6,800
Income (loss) before equity in income of unconsolidated real estate joint ventures, (losses) earnings from service operations, gain on sales of properties, minority interests, income taxes, extraordinary item and cumulative effect	19,842	17,766	24,078	20,725	9,140	(182)

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	For the Nine Months Ended September 30,		For the Year Ended December 31,			
of accounting change ⁽³⁾						
Equity in income of unconsolidated real estate joint ventures	181					
(Losses) earnings from service operations ⁽³⁾	(564)	(112)	(310)	198	139	
Gain on sales of properties	1,596	57	107	1,140		
Minority interests ⁽⁴⁾	(6,849)	(6,552)	(8,588)	(6,077)	(4,583)	(785)
Income tax benefit, net of minority interests	133					
Extraordinary item-loss on early retirement of debt, net of minority interests ⁽⁴⁾	(136)	(112)	(153)	(903)		
Cumulative effect of accounting change, net of minority interests	(174)					
Net income (loss)	14,029	11,047	15,134	15,083	4,696	(967)
Preferred share dividends	(4,324)	(3,020)	(3,802)	(2,854)	(327)	
Net income (loss) available to common shareholders	\$ 9,705	\$ 8,027	\$ 11,332	\$ 12,229	\$ 4,369	\$ (967)
Basic earnings (loss) per common share						
Income (loss) before extraordinary item and cumulative effect of accounting change	\$ 0.50	\$ 0.44	\$ 0.61	\$ 0.77	\$ 0.48	\$ (0.60)
Extraordinary item	(0.01)		(0.01)	(0.05)		
Cumulative effect of accounting change	(0.01)					
Net income (loss)	\$ 0.48	\$ 0.44	\$ 0.60	\$ 0.72	\$ 0.48	\$ (0.60)
Diluted earnings (loss) per common share						
Income (loss) before extraordinary item and cumulative effect of accounting change	\$ 0.48	\$ 0.43	\$ 0.60	\$ 0.70	\$ 0.47	\$ (0.60)
Extraordinary item		(0.01)	(0.01)	(0.04)		
Cumulative effect of accounting change	(0.01)					
Net income (loss)	\$ 0.47	\$ 0.42	\$ 0.59	\$ 0.66	\$ 0.47	\$ (0.60)
Weighted average shares outstanding basic	20,070	18,439	18,818	16,955	9,099	1,601
Weighted average shares outstanding diluted	21,504	18,901	19,213	22,574	19,237	1,601

S-5

As of and for the Nine Months Ended September 30,		As of and for the Year Ended December 31,			
2001	2000	2000	1999	1998	1997

(Dollar and share information in thousands,
except ratios and per share data)

Balance Sheet Data (as of period end):

Net investment in real estate ⁽⁴⁾	\$ 859,274	\$ 744,569	\$ 751,587	\$ 696,489	\$ 546,887	\$ 188,625
Total assets	914,846	784,865	794,837	721,034	563,677	193,534
Mortgage and other loans payable	508,715	465,696	474,349	399,627	306,824	114,375
Total liabilities	545,279	484,572	495,549	416,298	317,700	117,008
Minority interests	105,318	105,884	105,560	112,635	77,196	64,862

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	As of and for the Nine Months Ended September 30,		As of and for the Year Ended December 31,			
Shareholders' equity	264,249	194,409	193,728	192,101	168,781	11,664
Debt to market capitalization	52.3%	56.9%	57.3%	57.6%	58.7%	53.1%
Debt to undepreciated real estate assets	56.2%	60.2%	60.4%	55.9%	55.1%	59.6%

Other Financial Data:

Cash flows provided by (used in):

Operating activities	\$ 34,358	\$ 27,034	\$ 35,026	\$ 32,296	\$ 12,863	\$ 3,216
Investing activities	(81,886)	(66,050)	(73,256)	(125,836)	(183,650)	973
Financing activities	50,428	39,899	40,835	93,567	169,741	(1,052)
Funds from operations basic ⁽⁶⁾	29,664	25,355	34,587	27,428	11,778	365
Funds from operations diluted ⁽⁶⁾	31,752	27,700	37,504	31,401	15,517	1,085
Adjusted funds from operations diluted ⁽⁷⁾	26,049	20,658	30,554	26,056	13,194	790
Cash dividends declared per common share	0.61	0.58	0.78	0.74	0.66	0.50
Payout ratio ⁽⁶⁾⁽⁸⁾	63.2%	67.4%	67.0%	64.3%	77.7%	166.7%
Interest coverage ⁽⁹⁾	2.48x	2.40x	2.38x	2.56x	2.36x	1.88x
Ratio of earnings to combined fixed charges and preferred share dividends	1.35x	1.33x	1.33x	1.48x	1.33x	.75x ⁽¹⁰⁾

Property Data (as of period end):

Number of properties owned ⁽¹¹⁾	97	82	83	79	57	17
Total rentable square feet owned (in thousands) ⁽¹¹⁾	7,303	6,352	6,473	6,076	4,977	1,852

- (1) Reflects a non-recurring expense of \$637 associated with our reformation as a Maryland real estate investment trust during the first quarter of 1998.
- (2) Reflects a non-recurring expense of \$1,353 associated with the termination of an advisory agreement during the fourth quarter of 1997.
- (3) Effective January 1, 2001, the service operations became a consolidated subsidiary of our operating partnership. Prior to that date, we accounted for our service operations using the equity method of accounting.
- (4) Certain prior period amounts have been reclassified to conform with the current presentation.
- (5) We consider Funds from Operations ("FFO") to be meaningful to investors as a measure of the financial performance of an equity REIT when considered with the financial data presented under generally accepted accounting principles ("GAAP"). Under the National Association of Real Estate Investment Trusts' ("NAREIT") definition, FFO means net income (loss) computed using GAAP, excluding gains (or losses) from debt restructuring and sales of property, plus real estate-related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures, although we have included gains from the sales of properties to the extent such gains related to redevelopment services provided. FFO-diluted adjusts FFO assuming conversion of share options, common unit warrants, preferred units and preferred shares into common shares. However, our computation of FFO-diluted adjusts FFO assuming conversion of securities that are convertible into common shares when such conversion does not increase our diluted FFO per share in a given period. The FFO we present may not be comparable to the FFO of other REITs since they may interpret the current NAREIT definition of FFO differently or they may not use the current NAREIT definition of FFO. FFO is not the same as cash generated from operating activities or net income determined in accordance with GAAP. FFO is not necessarily an indication of our cash flow available to fund cash needs. Additionally, it should not be used as an alternative to net income when evaluating our financial performance or to cash flow from operating, investing and financing activities when evaluating our liquidity or ability to make cash distributions or pay debt service.
- (6) The amounts reported for 1998 and 1997 are restated from amounts previously reported due to a change in NAREIT's definition of FFO.
- (7) We compute adjusted funds from operations-diluted by subtracting straight-line rent adjustments and recurring capital improvements from FFO-diluted.
- (8) We compute payout ratio by dividing total common and convertible preferred share dividends and total distributions reported for the year by FFO-diluted.
- (9) We compute interest coverage by dividing earnings before interest, depreciation and amortization by interest expense. We compute earnings before interest, depreciation and amortization by subtracting property operating and general and administrative expenses from the sum of total revenues,

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equity in income of unconsolidated real estate joint ventures and earnings (losses) from service operations.

- (10) The amount by which our earnings were inadequate to cover fixed charges was approximately \$902 in the year ended December 31, 1997.
- (11) Amounts reported for September 30, 2001 include two properties totaling 135,428 rentable square feet held through joint ventures.

S-6

RISK FACTORS

You should carefully consider the risks and uncertainties described below before purchasing our common shares. Our most significant risks and uncertainties are described below; however, they are not the only ones that we face. If any of the following actually occurs, our business, financial condition or operating results could be materially harmed, the trading price of our common shares could decline and you may lose all or part of your investment. You should carefully consider each of the risks and uncertainties below and all of the information in this prospectus supplement, the accompanying prospectuses and the documents we refer you to in the section in this prospectus supplement called "Where You Can Find More Information."

We may suffer adverse consequences as a result of our reliance on rental revenues for our income. We earn income from renting our properties. Our operating costs do not necessarily fluctuate in relation to changes in our rental revenue. This means our costs will not necessarily decline even if our revenues do. Also, our operating costs may increase while our revenues do not.

For new tenants or upon lease expiration for existing tenants, we generally must make improvements and pay other tenant-related costs for which we may not receive increased rents. We also make building-related capital improvements for which tenants may not reimburse us.

If our properties do not generate income sufficient to meet our operating expenses and capital costs, we may have to borrow additional amounts to cover these costs. In such circumstances, we would likely have lower profits or possibly incur losses. We may also find in such circumstances that we are unable to borrow to cover such costs. Moreover, there may be less or no cash available for distributions to our shareholders.

Adverse developments concerning some of our key tenants could have a negative impact on our revenue. As of December 31, 2001, ten tenants accounted for 41.8% of our total annualized rental revenue. Three of these tenants accounted for approximately 24.2% of our total annualized rental revenue. Our largest tenant is the United States Federal government, two agencies of which lease space in 14 of our office properties. These leases represented approximately 12.1% of our total annualized rental revenue as of December 31, 2001. Generally, these government leases provide for one-year terms or provide for early termination rights. The government may terminate its leases if, among other reasons, the Congress of the United States fails to provide funding. The Congress of the United States has appropriated funds for these leases through September 2002. Our second largest tenant, AT&T Local Services, which combined with its affiliates represented 6.4% of our total annualized rental revenue as of December 31, 2001, occupies space in five of our properties. The third largest tenant, Unisys Corporation, represented 5.7% of our total annualized rental revenue as of December 31, 2001, occupying space in three of our properties. If any of our three largest tenants fail to make rental payments to us, or if the Federal government elects to terminate several of its leases and the space cannot be re-leased on satisfactory terms, our financial performance and ability to make expected distributions to shareholders would be materially adversely affected.

We rely on the ability of our tenants to pay rent, and would be harmed by their inability to do so. Our performance depends on the ability of our tenants to fulfill their lease obligations by paying their rental payments in a timely manner. As previously discussed, we also rely on a few major tenants for a large percentage of our total rental revenue. If one of our major tenants or a number of our smaller tenants were to experience financial difficulties, including bankruptcy, insolvency or general downturn of business, our financial performance and ability to make expected distributions to shareholders could be materially adversely affected.

Our properties are located in the Mid-Atlantic region, and we may therefore suffer economic harm as a result of adverse conditions in that region. All of our properties are located in the Mid-Atlantic region of the United States, and as of December 31, 2001, our properties located in the B/W Corridor accounted for 65.1% of our annualized rental revenue. Consequently, we do not have a broad

S-7

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geographic distribution of our properties. As a result, a decline in the real estate market or economic conditions generally in the Mid-Atlantic region, and particularly in the B/W Corridor, could have a materially adverse effect on our operations and financial position.

We would suffer economic harm if we are unable to renew our leases on favorable terms. When leases expire for our properties, our tenants may not renew or may renew on terms less favorable to us than the terms of the original lease. As of December 31, 2001, our percentage of total annualized rental revenue subject to scheduled lease expirations for the next five calendar years were:

2002	13.6%
2003	10.9%
2004	12.6%
2005	11.2%
2006	9.4%

Our government leases generally provide for early termination rights; the percentages reported above assume no exercise of such early termination rights.

If a tenant leaves, we can expect to incur a vacancy for some period of time as well as higher capital costs than if a tenant renews. In either case, our financial performance and ability to make expected distributions to our shareholders could be adversely affected.

We may not be able to compete successfully with other entities that operate in our industry. The commercial real estate market is highly competitive. Numerous commercial properties compete for tenants with our properties, and our competitors are building additional properties in the markets in which our properties are located. Some of these competing properties may be newer or have more desirable locations than our properties. If the market does not absorb newly constructed space, market vacancies will increase and market rents may decline. As a result, we may have difficulty leasing space at our properties and we may be forced to lower the rents we charge on new leases to compete effectively, which would adversely affect our financial performance.

Our business strategy includes the acquisition of properties, which may be hindered by various circumstances. We compete for the purchase of commercial property with many entities, including other publicly traded commercial REITs. Many of our competitors have substantially greater financial resources than ours. In addition, our competitors may be willing to accept lower returns on their investments. If our competitors prevent us from buying the properties that we have targeted for acquisition, we may not be able to meet our property acquisition and development goals. We may incur costs on unsuccessful acquisitions that we will not be able to recover. The operating performance of our property acquisitions may also fall short of our expectations, which could adversely affect our financial performance.

We may be unable to execute on our plans to develop and construct additional properties. Although the majority of our investments are in currently leased properties, we also develop and construct properties, including some which are not fully pre-leased. When we develop and construct properties, we run the risks that actual costs will exceed our budgets, that we will experience construction or development delays and that projected leasing will not occur, all of which could adversely affect our financial performance and ability to make expected distributions to our shareholders. In addition, we generally do not obtain construction financing commitments until the development stage of a project is complete and construction is about to commence. We may find that we are unable to obtain financing needed to continue with the construction activities for such projects.

We may suffer economic harm as a result of the actions of our joint venture partners. We invest in certain entities where we are not the exclusive investor or principal decision maker. Aside from our

S-8

inability to unilaterally control the operations of these joint ventures, our investments entail the additional risks that: (i) the other parties to these investments may not fulfill their financial obligations as investors; and (ii) the other parties to these investments may take actions that are inconsistent with our objectives.

We are subject to possible environmental liabilities. We are subject to various Federal, state and local environmental laws. These laws can impose liability on property owners or operators for the costs of removal or remediation of hazardous substances released on a property, even if the property owner was not responsible for the release of the hazardous substances. Costs resulting from environmental liability could be substantial. The presence of hazardous substances on our properties may also adversely affect occupancy and our ability to sell or borrow against those properties. In addition to the costs of government claims under environmental laws, private plaintiffs may bring claims for personal injury or similar reasons. Various laws also impose liability for the costs of removal or remediation of hazardous substances at the disposal or treatment facility. Anyone who arranges for the disposal or treatment of hazardous substances at such a facility is potentially liable under such laws. These laws often impose liability whether or not the facility is or ever was owned or operated by such person.

Real estate investments are illiquid, and we may not be able to sell our properties on a timely basis when we determine it is appropriate to do so. Equity real estate investments like our properties are relatively difficult to sell and convert to cash quickly, especially if market conditions are depressed. Such illiquidity will tend to limit our ability to vary our portfolio of properties promptly in response to changes in economic or other conditions. The Internal Revenue Code imposes certain penalties on a REIT that sells property held for less than four years. In addition, for certain of our properties that we acquired by issuing units in our operating partnership, we are restricted from entering into transactions (such as the sale or refinancing of the acquired property) that will result in a taxable gain to the sellers without the consent of the sellers. Due to all of these factors, we may be unable to sell a property at an advantageous time.

We are subject to other possible liabilities that would adversely affect our financial position and cash flows. Our properties may be subject to other risks related to current or future laws including laws benefiting disabled persons, and other state or local zoning, construction or other regulations. These laws may require significant property modifications in the future for which we may not have budgeted and could result in fines being levied against us. In addition, although we believe that we adequately insure our properties, we are subject to the risk that our insurance may not cover all of the costs to restore a property that is damaged by a fire or other catastrophic events, including acts of war. The occurrence of any of these events could adversely impact our financial position, cash flows and ability to make distributions to our shareholders.

As a result of the September 11, 2001 terrorist attacks, we may be subject to increased costs of insurance and limitations on coverage. Our portfolio of properties is insured for losses under our property, casualty and umbrella insurance policies through September 2002. Due largely to the terrorist attacks on September 11, 2001, the insurance industry is reportedly changing its risk assessment approach and cost structure. In addition, the fact that agencies of the United States government are tenants in a number of our buildings increases the risk profile of those buildings and other buildings that we own near those buildings. These changes in the insurance industry may increase the cost of insuring our properties, may decrease the scope of insurance coverage and may adversely affect our operating results.

S-9

We may suffer adverse effects as a result of the indebtedness that we carry and the terms and covenants that relate to this debt. Our strategy is to operate with higher debt levels than most other REITs. However, these high debt levels could make it difficult to obtain additional financing when required and could also make us more vulnerable to an economic downturn. Most of our properties have been mortgaged to collateralize indebtedness. In addition, we will rely on borrowings to fund some or all of the costs of new property acquisitions, construction and development activities and other items. Our organizational documents do not limit the amount of indebtedness that we may incur.

As of September 30, 2001, our total outstanding debt was \$508.7 million. Our debt to total market capitalization ratio was 52.3% based upon the closing per share market price for the common shares of \$10.90 on September 30, 2001. Total market capitalization is the sum of total debt plus the value of all outstanding common shares and common units at such market price and the total preferred shares and preferred units at their liquidation value.

Payments of principal and interest on our debt may leave us with insufficient cash to operate our properties or pay distributions to our shareholders required to maintain our qualification as a REIT. We are also subject to the risks that:

we may not be able to refinance our existing indebtedness, or refinance on terms as favorable as the terms of our existing indebtedness;

certain debt agreements of our operating partnership could restrict the ability of our operating partnership to make cash distributions to us, which could result in reduced distributions to our shareholders or the need to incur additional debt to fund these distributions; and

if we are unable to pay our debt service on time or are unable to comply with restrictive financial covenants appearing in certain of our mortgage loans, our lenders could foreclose on our properties securing such debt and in some cases other properties and assets which we own.

A number of our loans are cross-collateralized, which means that separate groups of properties from our portfolio secure each of these loans. More importantly, almost all of our loans are cross-defaulted, which means that failure to pay interest or principal on any of our loans will create a default on certain of our other loans. Any foreclosure of our properties would result in loss of income and asset value which would negatively affect our financial condition and results of operations. In addition, if we are in default and the value of the properties securing a loan is less than the loan balance, the lender may require payment from our other assets.

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As of September 30, 2001, approximately 35.5% of our total debt had adjustable interest rates. If short term interest rates were to rise, our debt service payments would increase, which would lower our net income and could decrease our distributions to our shareholders. As of September 30, 2001, we had three interest rate caps with Bear Stearns Capital Markets, Inc. and one interest rate swap agreement with Deutsche Banc Alex. Brown to reduce the impact of interest rate changes. Decreases in interest rates would result in increased interest payments due under the interest rate swap agreement and could result in the Company's management recognizing a loss and remitting a payment to unwind the agreement.

S-10

We must refinance our mortgage debt in the future. As of September 30, 2001, our scheduled debt payments over the next five calendar years, including maturities, are as follows:

Year	Amount (In thousands)
2001	\$ 92,351 ⁽¹⁾
2002	44,453 ⁽²⁾
2003	39,062 ⁽³⁾
2004	49,692
2005	22,649

- (1) Includes \$90.9 million that was repaid in October 2001.
- (2) Includes \$13.4 million in maturities in July 2002 that may be extended for one-year terms, subject to certain conditions. Also includes a \$9.0 million maturity in December 2002 that may be extended for a one-year period, subject to certain conditions.
- (3) Includes an \$11.0 million maturity in April 2003 that may be extended for a one-year term, subject to certain conditions.

Our operations likely will not generate enough cash flow to repay some or all of this debt without additional borrowings or new equity investment. If we cannot refinance our debt, extend the debt due dates, or raise additional equity prior to the date when our debt matures, we would default on our existing debt, which could have a material adverse effect on our business.

We may be unable to continue to make shareholder distributions at expected levels.

We intend to make regular quarterly cash distributions to our shareholders. However, distribution levels depend on a number of factors, some of which are beyond our control.

Our loan agreements contain provisions that could restrict future distributions. Our ability to sustain our current distribution level also will be dependent, in part, on other matters including:

continued property occupancy and profitability of tenants;

the amount of future capital expenditures and expenses relating to our properties;

the level of leasing activity and future rental rates;

the strength of the commercial real estate market;

competition;

the costs of compliance with environmental and other laws;

our corporate overhead levels;

the amount of uninsured losses; and

our decisions whether to reinvest rather than distribute available cash.

In addition, we can make distributions to the holders of our common shares only after we make preferential distributions relating to our 5.5% Series A Convertible Preferred Share, which Constellation owned as of the date of this prospectus and will convert into a common share upon closing of this offering, and to the holders of our 10% Series B Cumulative Redeemable Preferred Shares, 4% Series D Cumulative Convertible Redeemable Preferred Shares, 10.25% Series E Cumulative Redeemable Preferred Shares and 9.875% Series F Cumulative Redeemable Preferred Shares. We also would have to make prior distributions to third party holders of the Series C Preferred Units in our operating partnership.

Our ownership limits are important factors. Our Declaration of Trust limits ownership of our common shares by any single shareholder to 9.8% of the number of the outstanding common shares or 9.8% of the value of the outstanding common shares. We call these restrictions the "Ownership Limit." Our Declaration of Trust allows our board of trustees to exempt shareholders from the Ownership

S-11

Limit, and our board of trustees previously has exempted Constellation and the foreign trust owning all of our Series D Preferred Shares from the Ownership Limit.

Our Declaration of Trust provides other potential defenses. Subject to the requirements of the NYSE, our board of trustees has the authority without shareholder approval to issue additional of our securities on terms that could delay, defer or prevent our change in control. In addition, our board of trustees has the authority to reclassify any of our unissued common shares into preferred shares. Our board of trustees may issue preferred shares with such preferences, rights, powers and restrictions as our board of trustees may determine.

Our board of trustees is divided into three classes of trustees. The term of one class of the trustees will expire each year, at which time a successor class is elected for a three-year term. Such staggered three-year terms make it more difficult for a third party to acquire control of us.

The Maryland business statutes also impose potential restrictions on a change of control of our company. Various Maryland laws may have the effect of discouraging offers to acquire us, even if the acquisition would be advantageous to shareholders. Our Bylaws exempt us from such laws, but our board of trustees can change our Bylaws at any time to make these provisions applicable to us.

Our failure to qualify as a REIT would have adverse tax consequences. We believe that since 1992 we have qualified for taxation as a REIT for Federal income tax purposes. We plan to continue to meet the requirements for taxation as a REIT. Many of these requirements, however, are highly technical and complex. The determination that we are a REIT requires an analysis of various factual matters and circumstances that may not be totally within our control. For example, to qualify as a REIT, at least 95% of our gross income must come from certain sources that are itemized in the REIT tax laws. We are also required to distribute to shareholders at least 90% of our REIT taxable income, excluding capital gains. The fact that we hold most of our assets through our operating partnership and its subsidiaries further complicates the application of the REIT requirements. Even a technical or inadvertent mistake could jeopardize our REIT status. Furthermore, Congress and the IRS might make changes to the tax laws and regulations, and the courts might issue new rulings that make it more difficult, or impossible for us to remain qualified as a REIT.

If we fail to qualify as a REIT, we would be subject to Federal income tax at regular corporate rates. Also, unless the IRS granted us relief under certain statutory provisions, we would remain disqualified as a REIT for four years following the year we first fail to qualify. If we fail to qualify as a REIT, we would have to pay significant income taxes and would therefore have less money available for investments or for distributions to our shareholders. This would likely have a significant adverse effect on the value of our securities and would impair our ability to raise capital. In addition, we would no longer be required to make any distributions to our shareholders.

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We have certain distribution requirements. As a REIT, we must distribute 90% of our annual taxable income, which limits the amount of cash we have available for other business purposes, including amounts to fund our growth. Also, it is possible that because of the differences between the time we actually receive revenue or pay expenses and the period we report those items for distribution purposes, we may have to borrow funds on a short-term basis to meet the 90% distribution requirement.

A number of factors could cause our security prices to decline. As is the case with any publicly-traded securities, certain factors outside of our control could influence the value of our common and preferred shares. These conditions include, but are not limited to: market perception of REITs in general; market perception of office REITs; market perception of REITs relative to other investment opportunities; the level of institutional investor interest in our company; general economic and business

S-12

conditions; interest rates; and market perception of our financial condition, performance, dividends and growth potential.

The average daily trading volume of our common shares during 2001 was approximately 24,000 shares and the average trading volume of our publicly-traded preferred shares is generally insignificant. As a result, relatively small volumes of transactions could have a pronounced affect on the market price of such shares.

We are dependent on external sources of capital for future growth. As a REIT, we must distribute 90% of our annual taxable income. Due to these requirements, we will not be able to fund our acquisitions, construction and development activities using cash flow from operations. Our ability to fund these activities is dependent on our ability to access capital funded by third parties. Such capital could be in the form of new loans, equity issuances of common shares, preferred shares, common units, preferred units or joint venture funding. Such capital may not be available on favorable terms or at all. Moreover, additional debt financing may substantially increase our leverage and additional equity offerings may result in substantial dilution of our shareholders' interests. Our inability to obtain capital when needed could have a material adverse effect on our ability to expand our business.

Certain of our officers and trustees have potential conflicts of interest. Certain of our officers and members of our board of trustees own partnership units in Corporate Office Properties, L.P., our operating partnership. These individuals may have personal interests that conflict with the interests of our shareholders. For example, if our operating partnership sells or refinances certain of the properties that these officers or trustees contributed to the operating partnership, they could suffer adverse tax consequences. Their personal interest could conflict with our interests if such a sale or refinancing would be advantageous to us. We cannot assure you, however, that these policies will be successful in eliminating the influence of such conflicts, and if they are not successful, decisions could be made that might fail to reflect fully the interests of all of our shareholders.

We are dependent on our key personnel, and the loss of any key personnel could have an adverse effect on our operations. We are dependent on the efforts of our trustees and executive officers, including Jay Shidler, our Chairman of the Board of Trustees, Clay Hamlin, our Chief Executive Officer, and Rand Griffin, our President. The loss of any of their services could have an adverse effect on our operations. Although certain of our officers have entered into employment agreements with us, we cannot assure you that they will remain employed with us.

We may change our policies without shareholder approval, which could adversely affect our financial condition, results of operations, market price of our common shares or ability to pay distributions. Our board of trustees determines all of our policies, including our investment, financing and distribution policies. Although our board of trustees has no current plans to do so, it may amend or revise these policies at any time without a vote of our shareholders. Policy changes could adversely affect our financial condition, results of operations, the market price of the common shares or our ability to pay dividends or distributions.

S-13

CAPITALIZATION

The following table sets forth our capitalization as of September 30, 2001: (i) on a historical basis; (ii) as adjusted for our acquisition of Washington Technology Park on November 30, 2001 (the "Acquisition"); and (iii) as further adjusted assuming the sale of 823,828 common shares by us and the application of the net proceeds from such sale as described under "Use of Proceeds." The information set forth in the following table should be read in conjunction with the consolidated financial statements and notes thereto in our Annual Report on Form 10-K

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for the year ended December 31, 2000, and our Quarterly Reports on Form 10-Q for the periods ended September 30, 2001, June 30, 2001 and March 31, 2001, each of which are incorporated by reference herein:

	As of September 30, 2001 ⁽¹⁾		
	Historical	As Adjusted for the Acquisition ⁽²⁾	As Further Adjusted for this Offering ⁽³⁾
	(In thousands)		
Mortgage and other loans payable	\$ 508,715	\$ 565,793	\$ 556,668
Minority interests:			
Series C Preferred Units	24,367	24,367	24,367
Common Units	80,720	80,720	80,720
Other consolidated partnerships	231	231	231
	<u>105,318</u>	<u>105,318</u>	<u>105,318</u>
Shareholders' equity:			
5.5% Series A Convertible Preferred Shares (\$0.01 par value; 40,693 authorized, one share issued and outstanding on a historical and as adjusted basis and none outstanding on an as further adjusted basis) ⁽⁴⁾			
10.0% Series B Cumulative Redeemable Preferred Shares (\$0.01 par value; 1,725,000 shares authorized, 1,250,000 shares issued and outstanding on a historical, as adjusted and as further adjusted basis)	13	13	13
4.0% Series D Cumulative Convertible Redeemable Preferred Shares (\$0.01 par value; 544,000 shares authorized, issued and outstanding on a historical, as adjusted and as further adjusted basis)	5	5	5
10.25% Series E Cumulative Redeemable Preferred Shares (\$0.01 par value; 1,265,000 shares authorized, 1,150,000 issued and outstanding on a historical, as adjusted and as further adjusted basis)	11	11	11
9.875% Series F Cumulative Redeemable Preferred Shares (\$0.01 par value; 1,425,000 shares authorized, 1,425,000 issued and outstanding on a historical, as adjusted and as further adjusted basis)	14	14	14
Common Shares (\$0.01 par value; 45,000,000 authorized, 20,756,647 shares issued and outstanding on a historical and as adjusted basis and 21,580,476 outstanding on an as further adjusted basis) ⁽³⁾⁽⁵⁾	208	208	216
Additional paid-in capital	284,834	284,834	293,951
Cumulative dividends in excess of net income	(13,618)	(13,618)	(13,618)
Value of unearned restricted Common Share grants	(3,229)	(3,229)	(3,229)
Treasury Shares, at cost (166,600 shares on a historical, as adjusted and as further adjusted basis)	(1,415)	(1,415)	(1,415)
Accumulated other comprehensive loss	(2,574)	(2,574)	(2,574)
	<u>264,249</u>	<u>264,249</u>	<u>273,374</u>
Total capitalization	\$ 878,282	\$ 935,360	\$ 935,360

(Footnotes on following page)

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- (1) This table does not give effect to transactions subsequent to September 30, 2001. Subsequent to such date, we closed a \$36,000 mortgage which bears interest at LIBOR plus 1.75% and matures in November 2003, unless extended for a one-year period subject to certain conditions. In February 2002, we closed a \$34,000 mortgage which bears interest at a fixed rate of 7.0% and borrowed \$14,699 under this loan, which matures in March 2009. The remaining \$19,301 under this loan will not be funded until certain conditions are satisfied regarding the properties securing this mortgage. In addition, we repaid our existing term credit facility of \$90,954 upon its maturity in October 2001 with proceeds from our Credit Facility.
- (2) In connection with the Acquisition, we closed a \$25,000 mortgage, bearing interest at LIBOR plus 1.75% and maturing in November 2002. We also borrowed \$32,078 under our Credit Facility.
- (3) Excludes 1,261,000 common shares that may be issued by the Company upon exercise of the underwriters' over-allotment option.
- (4) As of the date of this prospectus, Constellation owned our outstanding Series A Preferred Share. Constellation will convert this Series A Preferred Share into one common share immediately upon the closing of this offering.
- (5) Excludes (i) 13,224,831 common shares that may be received under certain circumstances upon conversion or redemption of the outstanding Series D Preferred Shares and common and preferred units and (ii) 3,378,764 common shares underlying options issued under our option plan and incentive plan outstanding as of January 31, 2002.

S-15

USE OF PROCEEDS

We will not receive any of the proceeds from the sale of common shares by Constellation. We intend to contribute the proceeds from the sale of common shares by us, expected to be approximately \$9.1 million after payment of our pro rata expenses and underwriting discounts and commissions related to the sale of common shares by us, or approximately \$23.5 million if the underwriter's over-allotment option is exercised in full, to our operating partnership to repay certain indebtedness under our Credit Facility, to meet our working capital needs and for general operating purposes. An affiliate of McDonald Investments Inc., one of the underwriters in this offering, is a participating lender under our Credit Facility. At September 30, 2001, there was approximately \$17.7 million of outstanding indebtedness under our Credit Facility, bearing interest at a weighted average interest rate of 5.08% and maturing in March 2004.

PRICE RANGE OF COMMON SHARES AND DIVIDEND HISTORY

Our common shares are listed on the NYSE under the symbol "OFC." The following table sets forth the high and low sales prices per share of our common shares for the periods indicated as reported on the NYSE and the common dividends per share paid by us with respect to the periods noted.

Calendar Period	High	Low	Dividend
1999:			
First Quarter	\$ 8.31	\$ 6.38	\$ 0.18
Second Quarter	\$ 8.69	\$ 5.88	\$ 0.18
Third Quarter	\$ 9.00	\$ 7.00	\$ 0.19
Fourth Quarter	\$ 8.25	\$ 7.06	\$ 0.19
2000:			
First Quarter	\$ 8.38	\$ 7.50	\$ 0.19
Second Quarter	\$ 9.25	\$ 8.00	\$ 0.19
Third Quarter	\$ 10.13	\$ 8.75	\$ 0.20
Fourth Quarter	\$ 10.00	\$ 8.94	\$ 0.20
2001:			
First Quarter	\$ 9.98	\$ 9.03	\$ 0.20
Second Quarter	\$ 10.60	\$ 9.36	\$ 0.20
Third Quarter	\$ 11.50	\$ 9.86	\$ 0.21
Fourth Quarter	\$ 12.71	\$ 10.75	\$ 0.21

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Calendar Period	High	Low	Dividend
2002:			
First Quarter (through February 27, 2002)	\$ 13.00	\$ 11.62	N/A

On February 27, 2002, the last reported sale price of our common shares on the NYSE was \$12.04 per share. The number of record holders of our common shares as of February 12, 2002 was 240. We believe that a larger number of beneficial owners hold our common shares in depository or nominee form.

S-16

THE COMPANY

History

Our predecessor company, Royale Investments, Inc., was formed in 1988 to own and acquire retail properties, and subsequently became an externally advised REIT. In October 1997, Royale Investments, Inc., as part of a series of transactions, acquired the Mid-Atlantic suburban office operations of The Shidler Group, a nationally recognized private real estate investment company. As a result of these transactions, we relocated our headquarters from Minneapolis, Minnesota to Philadelphia, Pennsylvania and became internally administered. At that time, Jay Shidler became our Chairman of the Board and Clay Hamlin became our Chief Executive Officer. In January 1998, we changed our name to Corporate Office Properties Trust, Inc. and in March 1998, we reformed as a Maryland real estate investment trust and changed our name to Corporate Office Properties Trust.

Our reformation as a Maryland real estate investment trust completed the conversion of The Shidler Group's privately-owned Mid-Atlantic suburban office operations into a public REIT operating format. This transformation resulted from our vision and desire to create a growth-oriented real estate company focused on suburban office properties.

In April 1998, we completed a public offering which generated approximately \$72.7 million of net proceeds from the issuance of 7,500,000 common shares. In connection with this offering, we listed our common shares on the NYSE and began trading under the symbol "OFC."

In September 1998, we acquired the property portfolio and management operations of Constellation and other affiliates of Constellation Energy Group, Inc. Constellation's portfolio consisted principally of (i) 12 suburban office properties totaling approximately 1.2 million rentable square feet, predominantly located in the B/W Corridor and (ii) options to purchase an aggregate 91 acres of land that can support, if and when developed, approximately 1.7 million rentable square feet of new office development. The consideration paid in the acquisition of the Constellation portfolio was valued at approximately \$186.8 million, and involved the issuance to Constellation of 7,030,793 common shares, valued at \$10.50 per common share, and 984,308 5.5% Series A Convertible Preferred Shares, valued at \$25.00 per share. In addition, we added several key executive officers, including Randall Griffin as our President and Chief Operating Officer and Roger Waesche as a Senior Vice President, and two Constellation nominees to our Board of Trustees. In September 2000, Constellation converted 984,307 Series A Convertible Preferred Shares into 1,845,378 common shares. As of December 31, 2001, Constellation owned a total of 8,876,171 common shares and one Series A Preferred Share, representing 26.2% of our equity on a fully-diluted basis. Constellation will sell all of these shares in this offering.

From the time of our acquisition of the Constellation portfolio through December 31, 2001, we have continued to strategically expand our portfolio and enhance our market presence, predominately in the B/W Corridor market, through our acquisition and development program. During this period, we invested a total of approximately \$469.8 million in acquiring 56 wholly-owned properties and developing eight properties aggregating approximately 4.1 million rentable square feet. In addition, we invested approximately \$3.6 million in two joint ventures owning a total of two suburban office properties aggregating 135,428 rentable square feet. We also invested approximately \$11.7 million in five joint ventures that own 53 acres of land. We also have options to acquire an additional 61 acres, which can support approximately 480,000 rentable square feet of new office development. As of December 31, 2001, we owned 98 suburban office properties in select Mid-Atlantic regions, including the two operating properties owned through joint ventures, totaling approximately 7.8 million rentable square feet. On February 25, 2002, we purchased the remaining 50% joint venture interest in one of these properties for \$5.4 million and now own one additional property totaling 91,643 rentable square feet.

S-17

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We are a fully-integrated and self-managed real estate company with approximately 170 employees focused on the ownership, management, leasing, acquisition and development of suburban office properties. Our executive offices are located at 8815 Centre Park Drive, Suite 400, Columbia, Maryland 21045 and our telephone number is (410) 730-9092.

Corporate Objectives and Strategies

Our primary objectives are to achieve sustainable long-term growth in funds from operations per share and to maximize long-term shareholder value. We seek to achieve these objectives through focusing on the ownership, management, leasing, acquisition and development of suburban office properties. Important elements of our strategy include:

Geographic Focus. We focus on operating in select, demographically strong and growing submarkets, primarily within the Mid-Atlantic region. By concentrating our operations in this region and other selected regions, we believe that we have achieved the critical mass necessary to maximize management efficiencies, operating synergies and competitive advantages through our acquisition, property management and development programs. By focusing within selected regions where our management has extensive experience and market knowledge, we believe that we can achieve regional prominence that will lead to better operating results.

Office Park Focus. We focus on owning and operating properties located in established suburban corporate office parks. We believe the suburban office park environment generally attracts longer-term tenants, including high-quality corporations seeking to attract and retain quality work forces, because these parks are typically situated along major transportation routes with easy access to support services, amenities and residential communities.

Corporate Tenants. To enhance the stability of our cash flow, we typically structure our leases with terms ranging from three to ten years. We focus on leasing to large, high-quality corporations with significant space requirements. We believe this strategy enables us to establish long-term relationships with quality tenants and, coupled with our geographic and submarket focus, enhances our ability to become the low-cost provider and the landlord of choice in our targeted markets.

Acquisition Strategies. We actively pursue the acquisition of suburban office properties through a three-part acquisition strategy. This strategy includes targeting: (i) entity acquisitions of significant portfolios along with their management to establish prominent ownership positions in new neighboring regions and enhance our management infrastructure; (ii) portfolio purchases to enhance our existing submarket positions as well as enter selective new neighboring regions; and (iii) opportunistic acquisitions of individual properties in our existing regions. We seek to make acquisitions at attractive yields and below replacement costs. We also seek to increase cash flow and enhance the underlying value of each acquisition through repositioning the properties and capitalizing on existing below market leases and expansion opportunities.

Property Development Strategies. We balance our acquisition program through selective development and expansion of suburban office properties as market conditions and leasing opportunities support favorable risk-adjusted returns. We pursue development opportunities principally in response to the needs of existing and prospective new tenants. We develop sites that are in close proximity to our existing properties. We believe developing such sites enhances our ability to effectively meet tenant needs and efficiently provide critical tenant services.

Tenant Services. We seek to capitalize on our geographic focus and critical mass of properties in our core regions by providing high level, comprehensive services to our tenants. We conduct our tenant services activities through our subsidiary, COMI. We believe that providing such services is an integral part of our ability to achieve consistently high levels of tenant satisfaction and retention.

S-18

Internal Growth Strategies. We aggressively manage our portfolio to maximize the operating performance of each property through: (i) proactive property management and leasing, (ii) achieving operating efficiencies through increasing economies of scale, (iii) renewing tenant leases and re-tenanting at increased rents where market conditions permit, and (iv) expanding our tenant and real estate service capabilities. These strategies are designed to promote tenant satisfaction, resulting in higher tenant retention and the attraction of new tenants.

Financing Policy

We pursue a capitalization strategy aimed at maintaining a flexible capital structure in order to facilitate consistent growth and performance through all real estate and economic market conditions. Key components of our policy include:

Debt Strategy. We primarily utilize property-level mortgage debt as opposed to corporate unsecured debt. We believe the commercial mortgage debt market is a more mature and generally a more stable market for real estate companies, which provides us with greater access to capital on a more consistent basis and, generally, on more favorable terms. Additionally, we seek to utilize long-term, fixed-rate debt, which we

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believe enhances the stability of our cash flow. On a consolidated basis, we seek to maintain a minimum debt service coverage ratio of 1.6x, which we believe is generally consistent with the current minimum investment grade requirement for mortgages securing commercial real estate. We believe this ratio is appropriate for a seasoned portfolio of suburban office buildings. However, despite our current intention to maintain this policy, we are not obligated to do so and we may change this policy without shareholder consent.

Equity Strategy. We seek to maximize the benefits of our operating partnership organizational structure by emphasizing the issuance of our operating partnership units as an equity source to finance our property acquisition program. This strategy provides prospective property sellers the ability to defer taxable gains by receiving our units in lieu of cash and reduces the need for us to access the equity and debt markets.

S-19

Property Summary Data

The following table provides certain information regarding our portfolio as of December 31, 2001:

Property and Location	Submarket	Year Built/ Renovated	Rentable Square Feet	Occupancy ⁽¹⁾	Total Rental Revenue ⁽²⁾	Total Rental Revenue per Occupied Square Foot ⁽²⁾⁽³⁾	Major Tenants (10% or more of Rentable Square Feet)
B/W Corridor:⁽⁴⁾							
2730 Hercules Road <i>Annapolis Junction, MD</i>	BWI Airport	1990	240,336	100.0%	\$ 5,106,330	\$ 21.25	U.S. Department of Defense (100%)
132 National Business Parkway <i>Annapolis Junction, MD</i>	BWI Airport	2000	118,456	100.0	2,492,159	21.04	Ameritrade Holding Corp. (53%); Computer Sciences Corp. (47%)
2721 Technology Drive <i>Annapolis Junction, MD</i>	BWI Airport	2000	117,890	100.0	2,763,515	23.44	General Dynamics Govt. Corp. (78%); First Service Networks, Inc. (22%)
1306 Concourse Drive <i>Linthicum, MD</i>	BWI Airport	1990	114,046	97.5	2,372,718	21.34	PricewaterhouseCoopers (33%); Qwest Communications (21%); AT&T Local Services (13%)
870-880 Elkridge Landing Road <i>Linthicum, MD</i>	BWI Airport	1981	97,161	100.0	1,638,933	16.87	Arbros Communications, Inc. (94%)
900 Elkridge Landing Road <i>Linthicum, MD</i>	BWI Airport	1982	97,139	100.0	1,804,660	18.58	First Annapolis Consulting (51%); Booz Allen & Hamilton (38%)
1199 Winterson Road <i>Linthicum, MD</i>	BWI Airport	1988	96,636	0.0			
920 Elkridge Landing Road <i>Linthicum, MD</i>	BWI Airport	1982	96,566	100.0	1,346,798	13.95	Ciena Corporation (100%)
134 National Business Parkway <i>Annapolis Junction, MD</i>	BWI Airport	1999	93,482	100.0	1,963,139	21.00	Booz Allen & Hamilton (74%); Panacea, Inc. (26%)
2701 Technology Drive ⁽⁵⁾ <i>Annapolis Junction, MD</i>	BWI Airport	2001	91,643	100.0	2,275,644	24.83	Northrop Grumman Systems (67%); Titan Systems Corporation (33%)
133 National Business Parkway <i>Annapolis Junction, MD</i>	BWI Airport	1997	88,666	100.0	556,341	6.27	Mentor Technologies (67%) ⁽⁶⁾ ; Applied Signal Technology, Inc. (33%)
141 National Business Parkway ⁽⁷⁾ <i>Annapolis Junction, MD</i>	BWI Airport	1990	86,964	100.0	1,604,458	18.45	ITT Industries (46%); Getronics Govt. Solutions (20%); Harris Data Services Corp.

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Property and Location	Submarket	Year Built/ Renovated	Rentable Square Feet	Occupancy ⁽¹⁾	Total Rental Revenue ⁽²⁾	Total Rental Revenue per Occupied Square Foot ⁽²⁾⁽³⁾	Major Tenants (10% or more of Rentable Square Feet)
135 National Business Parkway <i>Annapolis Junction, MD</i>	BWI Airport	1998	86,863	100.0	1,782,097	20.52	(14%) First American Credit Management Solutions (82%)
1302 Concourse Drive <i>Linthicum, MD</i>	BWI Airport	1996	84,607	98.0	1,819,520	21.96	Lucent Technologies (31%); Aetna US Healthcare (23%); American Express Travel Related Services, Inc. (13%)
7467 Ridge Road <i>Hanover, MD</i>	BWI Airport	1990	73,756	100.0	1,489,957	20.20	Travelers Casualty & Surety (49%); Pro Object (32%)
881 Elkridge Landing Road <i>Linthicum, MD</i>	BWI Airport	1986	73,572	100.0	1,214,479	16.51	U.S. Department of Defense (100%)
7240 Parkway Drive <i>Hanover, MD</i>	BWI Airport	1985	73,500	73.8	1,037,063	19.11	Deloitte & Touche USA, LLP (21%); International Paper (12%)
1099 Winterson Road <i>Linthicum, MD</i>	BWI Airport	1988	70,938	90.9	1,159,543	17.99	Preferred Health Network (62%)
131 National Business Parkway <i>Annapolis Junction, MD</i>	BWI Airport	1990	68,906	100.0	1,405,760	20.40	e.spire Communications (48%); Conquest Info. Technologies, Inc. (23%); U.S. Department of Defense (15%); Intel Corporation (12%)
1190 Winterson Road <i>Linthicum, MD</i>	BWI Airport	1987	68,567	100.0	1,405,732	20.50	Commercial Credit Corp. (65%); U.S. Department of Defense (15%); Motorola, Inc. (14%)
849 International Drive <i>Linthicum, MD</i>	BWI Airport	1988	68,397	87.1	1,182,311	19.85	Raytheon E-Systems, Inc. (11%); U.S. Department of Defense (11%); Dames & Moore (10%)
911 Elkridge Landing Road <i>Linthicum, MD</i>	BWI Airport	1985	68,296	100.0	1,184,567	17.34	U.S. Department of Defense (100%)
1201 Winterson Road <i>Linthicum, MD</i>	BWI Airport	1985	67,903	100.0	750,307	11.05	Ciena Corporation (100%)
999 Corporate Boulevard <i>Linthicum, MD</i>	BWI Airport	2000	67,351	100.0	1,529,722	22.71	RAG American Coal Holding (71%); Ciena Corporation (29%)
7318 Parkway Drive <i>Hanover, MD</i>	BWI Airport	1984	59,204	100.0	806,103	13.62	U.S. Department of Defense (100%)
900 International Drive <i>Linthicum, MD</i>	BWI Airport	1986	57,140	100.0	657,928	11.51	Ciena Corporation (100%)
S-20							
930 International Drive <i>Linthicum, MD</i>	BWI Airport	1986	57,140	100.0	624,336	10.93	Ciena Corporation (100%)
901 Elkridge Landing Road <i>Linthicum, MD</i>	BWI Airport	1984	56,847	75.6	639,659	14.89	State of Maryland (59%); Institute for Operations Research and Management Sciences (13%)
891 Elkridge Landing Road <i>Linthicum, MD</i>	BWI Airport	1984	56,489	86.4	883,119	18.10	Medaphis Services Corp. (52%); Metropolitan Life Ins. Co. (26%)

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921 Elkridge Landing Road <i>Linthicum, MD</i>	BWI Airport	1983	54,057	100.0	878,591	16.25	Aerotek, Inc. (100%)
939 Elkridge Landing Road <i>Linthicum, MD</i>	BWI Airport	1983	53,031	100.0	889,376	16.77	First Service Networks, Inc. (36%); Agency Holding Company (34%); U.S. Department of Defense (23%)
938 Elkridge Landing Road <i>Linthicum, MD</i>	BWI Airport	1984	52,988	100.0	913,248	17.23	U.S. Department of Defense (100%)
940 Elkridge Landing Road <i>Linthicum, MD</i>	BWI Airport	1984	51,704	100.0	777,432	15.04	Cadmus Journal Services (100%)
800 International Drive <i>Linthicum, MD</i>	BWI Airport	1988	50,979	100.0	915,687	17.96	Raytheon E-Systems, Inc. (100%)
1340 Ashton Road <i>Hanover, MD</i>	BWI Airport	1989	46,400	100.0	651,514	14.04	Lockheed Martin Corp. (100%)
7321 Parkway Drive <i>Hanover, MD</i>	BWI Airport	1984	39,822	100.0	699,063	17.55	U.S. Department of Defense (100%)
1334 Ashton Road <i>Hanover, MD</i>	BWI Airport	1989	37,565	96.8	671,047	18.46	Science Applications Int'l. (60%); Parsons Transportation Group (37%)
1331 Ashton Road <i>Hanover, MD</i>	BWI Airport	1989	29,936	100.0	438,916	14.66	Booz Allen & Hamilton (71%); Aerosol Monitoring (29%)
1350 Dorsey Road <i>Hanover, MD</i>	BWI Airport	1989	19,992	95.1	307,776	16.19	Aerotek, Inc. (23%); Noodles, Inc. (14%); Hunan Pagoda (12%); Johnson Controls, Inc. (11%); Corestaff Support Services, Inc. (10%)
1344 Ashton Road <i>Hanover, MD</i>	BWI Airport	1989	16,865	100.0	401,245	23.79	Titan Systems (28%); Student Travel Services (23%); AMP Corporation (16%); Dialysis Corp. of America (14%); Citizens National Bank (12%)
1341 Ashton Road <i>Hanover, MD</i>	BWI Airport	1989	15,841	100.0	261,950	16.54	Supertots Childcare, Inc. (71%); The Devereux Foundation (29%)
1343 Ashton Road <i>Hanover, MD</i>	BWI Airport	1989	9,962	100.0	131,885	13.24	Nauticus Corporation (100%)
1615-1629 Thames Street <i>Baltimore, MD</i>	Downtown Baltimore City	1989	103,683	98.7	1,868,236	18.25	Johns Hopkins University (39%); Community of Science (18%); Listas (14%)
7200 Riverwood <i>Columbia, MD</i>	Howard County Perimeter	1986	160,000	100.0	2,950,549	18.44	U.S. Department of Defense (100%)
9140 Rt. 108 <i>Columbia, MD</i>	Howard County Perimeter	1974/1985	150,000	100.0	1,870,364	12.47	Bookham Technology, Inc. (100%)
6940 Columbia Gateway Drive <i>Columbia, MD</i>	Howard County Perimeter	1999	108,737	89.9	2,214,119	22.66	Magellan Behavioral Health, Inc. (39%); Response Services Center (26%); Peregrine Remedy, Inc. (14%)
6950 Columbia Gateway Drive	Howard County Perimeter	1998	107,778	100.0	2,328,130	21.60	Magellan Behavioral Health, Inc. (100%)

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<i>Columbia, MD</i>							
7067 Columbia Gateway Drive	Howard County Perimeter	2001	82,953	100.0	1,708,437	20.60	Community First Financial (50%); Corvis Corporation (50%)
<i>Columbia, MD</i>							
6750 Alexander Bell Drive	Howard County Perimeter	2001	78,460	87.0	1,694,637	24.83	Sun Microsystems, Inc. (45%); The Coca-Cola Company (35%)
<i>Columbia, MD</i>							
6700 Alexander Bell Drive	Howard County Perimeter	1988	75,635	100.0	1,516,188	20.05	General Physics Corp. (43%); Arbitron, Inc. (26%); HR Tech, LLC (16%)
<i>Columbia, MD</i>							
6740 Alexander Bell Drive	Howard County Perimeter	1992	61,957	88.0	1,349,047	24.74	Johns Hopkins University (68%); Advanced Career Technologies, Inc. (20%)
<i>Columbia, MD</i>							
8815 Centre Park Drive	Howard County Perimeter	1987	53,782	100.0	1,296,977	24.12	COMI (25%); Lipman, Frizzell and Mitchell (16%); Reap, Inc./REMAX (16%); CRM (13%); Citistreet Associates, LLC (10%)
S-21							
<hr/>							
6716 Alexander Bell Drive	Howard County Perimeter	1990	52,002	100.0	1,090,737	20.97	Sun Microsystems, Inc. (49%); Rational Software Corp. (15%); Tuchenhagen North America, LLC (11%); Lurgi Lentjes North America, Inc. (10%)
<i>Columbia, MD</i>							
7700 Montpelier Road ⁽⁸⁾	Howard County Perimeter	2001	43,785	100.0	723,766	16.53	Johns Hopkins University (100%)
<i>Laurel, MD</i>							
7065 Columbia Gateway Drive	Howard County Perimeter	2000	38,560	100.0	612,718	15.89	Corvis Operations, Inc. (100%)
<i>Columbia, MD</i>							
6760 Alexander Bell Drive	Howard County Perimeter	1991	37,248	100.0	744,065	19.98	Tality, LP (65%)
<i>Columbia, MD</i>							
7063 Columbia Gateway Drive	Howard County Perimeter	2000	36,936	100.0	575,832	15.59	Corvis Operations, Inc. (100%)
<i>Columbia, MD</i>							
6708 Alexander Bell Drive	Howard County Perimeter	1988	35,040	100.0	594,716	16.97	State Farm Mutual Auto Ins. Co. (100%)
<i>Columbia, MD</i>							
7061 Columbia Gateway Drive	Howard County Perimeter	2000	29,604	100.0	652,787	22.05	Manekin, LLC (83%); Visualtek Solutions, Inc. (17%)
<i>Columbia, MD</i>							
14502 Greenview Drive	Laurel	1988	71,873	100.0	1,396,093	19.42	iSky (20%); Greenman-Pedersen, Inc. (18%); LCC Telecom Management (11%)
<i>Laurel, MD</i>							
14504 Greenview Drive	Laurel	1985	69,194	90.3	1,189,499	19.03	Great West Life & Annuity (17%); Moore USA (11%); Light Wave Communications (10%)
<i>Laurel, MD</i>							
6009-6011 Oxon Hill Road	Southern Prince George's County	1990	181,768	100.0	3,564,092	19.61	U.S. Dept. of Treasury (69%); NRL Federal Credit Union (10%)
<i>Oxon Hill, MD</i>							
9690 Deereco Road	Suburban North Baltimore County	1988	133,737	92.1	2,696,730	21.89	Fireman's Fund Insurance (24%);
<i>Timonium, MD</i>							

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375 W. Padonia Road <i>Timonium, MD</i>	Suburban North Baltimore County	1986	100,804	100.0	1,628,281	16.15	GoPin, Inc. (10%) Deutsche Bank Alex. Brown (84%); Riparius Corporation (13%)
Subtotal/Average			4,791,139	95.7%	\$ 85,700,628	\$ 18.69	
Blue Bell/Philadelphia:							
753 Jolly Road <i>Blue Bell, PA</i>	Blue Bell	1960/92-94	419,472	100.0%	\$3,718,006	\$ 8.86	Unisys (100%)
785 Jolly Road <i>Blue Bell, PA</i>	Blue Bell	1970/1996	219,065	100.0	2,236,636	10.21	Unisys with 100% sublease to Merck
760 Jolly Road <i>Blue Bell, PA</i>	Blue Bell	1974/1994	208,854	100.0	2,724,401	13.04	Unisys (100%)
751 Jolly Road <i>Blue Bell, PA</i>	Blue Bell	1966/1991	112,958	100.0	1,001,207	8.86	Unisys (100%)
Subtotal/Average			960,349	100.0%	\$ 9,680,250	\$ 10.08	
Greater Harrisburg:							
2605 Interstate Drive <i>Harrisburg, PA</i>	East Shore	1990	81,187	93.5%	\$1,222,673	\$ 16.11	Commonwealth of Penna. (88%)
6345 Flank Drive <i>Harrisburg, PA</i>	East Shore	1989	69,443	100.0	1,081,704	15.58	Allstate Insurance (30%); First Health Services (24%); Coventry Health Care (18%); LWN Enterprises (15%)
6340 Flank Drive <i>Harrisburg, PA</i>	East Shore	1988	68,200	72.9	522,460	10.51	Lancaster Lebanon (73%)
2601 Market Place <i>Harrisburg, PA</i>	East Shore	1989	67,743	74.0	885,763	17.67	Duke Energy Operating Co. (26%); Ernst & Young, LLP (26%); Penn State Geisinger Systems (11%); Groundwater Sciences Corp. (11%)
6400 Flank Drive <i>Harrisburg, PA</i>	East Shore	1992	52,439	100.0	757,843	14.45	Pennsylvania Coalition Against Domestic Violence (51%); The REM Organization (27%); Liberty Business Information (16%)
6360 Flank Drive <i>Harrisburg, PA</i>	East Shore	1988	46,500	97.7	633,268	13.94	Ikon Office Solutions, Inc. (22%); Computer Applications (20%); Sentage/Muth & Mumma (15%); Health Spectrum Medical (15%)
6385 Flank Drive <i>Harrisburg, PA</i>	East Shore	1995	32,800	89.6	437,038	14.88	Cowles Enthusiast Media (34%); Coventry Mgmt. Services (26%); Pitney Bowes, Inc. (11%); Orion Consulting, Inc. (11%)
S-22							
6405 Flank Drive <i>Harrisburg, PA</i>	East Shore	1991	32,000	100.0	459,951	14.37	Cowles Enthusiast Media (100%)
6380 Flank Drive <i>Harrisburg, PA</i>	East Shore	1991	32,000	80.0	324,053	12.66	Myers & Stauffer (17%); Verizon Network

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								Integration Corp. (14%); Lorom America, Inc. (14%); Lancaster Lebanon, Int. (13%); Critical Care Systems, Inc. (13%); U-Conn Technology USA (10%)
95 Shannon Road <i>Harrisburg, PA</i>	East Shore	1999	21,976	100.0	349,176	15.89		New World Pasta (100%)
75 Shannon Road <i>Harrisburg, PA</i>	East Shore	1999	20,887	100.0	351,938	16.85		McCormick, Taylor & Assoc. (100%)
6375 Flank Drive <i>Harrisburg, PA</i>	East Shore	2000	19,783	100.0	325,875	16.47		Orion Capital Companies (71%); McCormick, Taylor & Assoc. (29%)
85 Shannon Road <i>Harrisburg, PA</i>	East Shore	1999	12,863	100.0	204,380	15.89		New World Pasta (100%)
5035 Ritter Road <i>Mechanicsburg, PA</i>	West Shore	1988	56,556	100.0	770,397	13.62		Commonwealth of Penna. (83%)
5070 Ritter Road Building A <i>Mechanicsburg, PA</i>	West Shore	1989	32,309	77.5	406,536	16.23		Maryland Casualty Co. (62%); Commonwealth of Penna. (15%)
5070 Ritter Road Building B <i>Mechanicsburg, PA</i>	West Shore	1989	28,000	100.0	353,890	12.64		Vale National Training Center (63%); Pennsylvania Trauma Systems Foundation (18%); Paytime, Inc. (13%)
Subtotal/Average			674,686	91.2%	\$ 9,086,945	\$	14.77	
Northern/Central New Jersey:								
431 Ridge Road <i>Dayton, NJ</i>	Exit 8A Cranbury	1958/1998	170,000	100.0%	\$3,601,040	\$	21.18	AT&T Local Services (100%)
429 Ridge Road <i>Dayton, NJ</i>	Exit 8A Cranbury	1966/1996	142,385	100.0	2,763,333		19.41	AT&T Local Services (100%)
68 Culver Road <i>Dayton, NJ</i>	Exit 8A Cranbury	2000	57,280	100.0	1,221,782		21.33	AT&T Local Services (100%)
437 Ridge Road <i>Dayton, NJ</i>	Exit 8A Cranbury	1962/1996	30,000	100.0	564,120		18.80	AT&T Local Services (100%)
104 Interchange Plaza <i>Cranbury, NJ</i>	Exit 8A Cranbury	1990	47,677	100.0	1,094,494		22.96	Turner Construction Co. (35%); Utica Mutual Insurance Co. (15%); Laborer's International Union (13%); Lanier Worldwide (12%)
101 Interchange Plaza <i>Cranbury, NJ</i>	Exit 8A Cranbury	1985	43,621	100.0	988,309		22.66	Ford Motor Credit Co. (21%); CSX Transportation, Inc. (18%); Arquest, Inc. (16%); Middlesex County Improve. Auth. (13%); Trans Union Corporation (11%)
47 Commerce <i>Cranbury, NJ</i>	Exit 8A Cranbury	1992/1998	41,398	100.0	526,593		12.72	Somfy Systems, Inc. (100%)
7 Centre Drive <i>Jamesburg, NJ</i>	Exit 8A Cranbury	1989	19,466	100.0	435,736		22.38	Compugen, Inc. (29%); Systems Freight (22%)
8 Centre Drive <i>Jamesburg, NJ</i>	Exit 8A Cranbury	1986	16,199	100.0	361,216		22.30	Sonova Networks Corp. (55%); Medical World

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Address	Location	Year	Sq. Ft.	Occupancy %	Value	Weighted Avg. Occupancy %	Tenants
2 Centre Drive Jamesburg, NJ	Exit 8A Cranbury	1989	16,132	100.0	402,411	24.94	Communications (45%) Fleet National Bank (100%)
4301 Route 1 Monmouth Junction, NJ	Monmouth Junction	1986	61,300	100.0	1,238,541	20.20	Guest Supply, Inc. (47%); eCOM Server (16%); Ikon Office Solutions (14%); Foster & Adoptive Family Svcs. (10%)
695 Rt. 46 Fairfield, NJ	Wayne	1990	157,394	95.7	3,187,121	21.16	ADT Security Services, Inc. (26%); The Museum Company (16%); Chase Manhattan (15%); Dean Witter Reynolds (13%)
710 Rt. 46 Fairfield, NJ	Wayne	1985	101,120	69.1	1,452,883	20.79	Ericsson, Inc. (13%)
Subtotal/Average			903,972	95.8%	\$ 17,837,579	\$ 20.60	

S-23

Northern Virginia:							
Address	Location	Year	Sq. Ft.	Occupancy %	Value	Weighted Avg. Occupancy %	Tenants
15000 Conference Center Drive Chantilly, VA	Dulles South	1989	470,406	99.6%	\$ 9,427,404	20.13	Dyncorp Information Systems, LLC (52%); General Dynamics Govt. Corp. (13%); Genuity, Inc. (13%)
Subtotal/Average			470,406	99.6%	\$ 9,427,404	\$ 20.13	
Total/Average			7,800,552	96.1%	\$131,732,806	17.58	

- (1) This percentage is based upon all signed leases and tenants occupancy as of December 31, 2001.
- (2) Total rental revenue is the monthly contractual base rent as of December 31, 2001 multiplied by 12, plus the estimated annualized expense reimbursements under existing leases.
- (3) This total rent per occupied square foot is the property's total rental revenue divided by that property's occupied square feet as of December 31, 2001.
- (4) The B/W Corridor encompasses mostly Anne Arundel and Howard Counties. Included in this region are six properties located outside of these counties, including three properties in suburban Washington, D.C., two properties in Timonium, Maryland, and one property in Baltimore, Maryland.
- (5) Prior to February 25, 2002, we held a 50% interest in the joint venture that owns this property. On that date, we purchased the remaining 50% joint venture interest for \$5,400 and now directly own this property. Another 26,357 rentable square feet will be delivered upon completion of tenant improvements.
- (6) This tenant declared bankruptcy in November 2001. We have not included any rental revenue for this tenant since we did not receive any payments from this tenant in December 2001, and we anticipate termination of the lease.
- (7) A tenant occupying 2,175 rentable square feet in this property remits only eleven months of rental revenue annually under the terms of its lease. Accordingly, the monthly contractual base rent as of December 31, 2001 for this tenant was multiplied by eleven.
- (8) We hold an 80% interest in the joint venture that owns this property.

S-24

Major Tenants

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The following table provides certain information regarding our 20 largest tenants, on a total rental revenue basis, as of December 31, 2001:

Tenant	Number of Leases	Total Occupied Square Feet	Percentage of Total Occupied Square Feet	Total Rental Revenue ⁽¹⁾	Percentage of Total Rental Revenue ⁽¹⁾	Wtd. Avg. Remaining Lease Term ⁽²⁾
				(In thousands)		(In years)
Agencies of the U.S. Government ⁽³⁾	20	869,758	11.6%	\$ 16,004	12.1%	4.6
AT&T Local Services ⁽⁴⁾	6	414,970	5.5	8,487	6.4	6.8
Unisys ⁽⁵⁾	3	741,284	9.9	7,444	5.7	7.5
Dyncorp Information Systems, LLC	1	244,522	3.3	5,033	3.8	9.0
Ciena Corporation ⁽⁶⁾	5	298,482	4.0	3,816	2.9	3.4
General Dynamics Government Corp.	3	161,657	2.2	3,609	2.7	7.3
Magellan Behavioral Health, Inc.	2	150,622	2.0	3,308	2.5	2.1
Booz Allen & Hamilton	3	127,919	1.7	2,525	1.9	3.5
Johns Hopkins University ⁽⁴⁾	5	125,720	1.7	2,496	1.9	4.5
Commonwealth of Pennsylvania ⁽⁴⁾	9	177,813	2.4	2,385	1.8	6.6
Merck & Co., Inc. ⁽⁵⁾	1	219,065	2.9	2,237	1.7	7.5
Corvis Operations, Inc.	3	116,775	1.6	1,980	1.5	5.2
Bookham Technology, Inc.	1	150,000	2.0	1,870	1.4	6.1
Northrop Grumman Systems	1	61,250	0.8	1,554	1.2	6.8
Genuity, Inc.	1	59,173	0.8	1,538	1.2	2.4
Arbros Communications, Inc.	1	91,534	1.2	1,533	1.2	9.3
First American Credit Management Solutions, Inc.	1	70,982	0.9	1,410	1.1	6.9
Sun Microsystems, Inc.	2	60,730	0.8	1,403	1.1	4.0
Deutsche Banc Alex. Brown	1	84,354	1.1	1,327	1.0	2.4
Ameritrade Holding Corporation	1	63,224	0.8	1,318	1.0	8.5
Subtotal/Weighted Average	70	4,289,834	57.2%	71,277	54.1%	5.8
All Remaining Tenants	376	3,204,300	42.8%	60,456	45.9%	3.1
Total/Weighted Average	446	7,494,134	100.0%	\$131,733	100.0%	4.5

- (1) Total rental revenue is the monthly contractual base rent as of December 31, 2001 multiplied by 12, plus the estimated annualized expense reimbursements under existing leases.
- (2) Based on total rental revenue.
- (3) Many of our government leases are subject to certain early termination provisions that are customary to government leases. The weighted average remaining lease term was computed assuming no exercise of such early termination rights.
- (4) Includes affiliated organizations or agencies.
- (5) Merck & Co., Inc. subleases 219,065 rentable square feet of the 960,349 rentable square feet leased by Unisys.
- (6) In addition to the 298,482 square feet directly leased, Ciena Corporation also subleases 107,064 rentable square feet from various tenants in our portfolio over different lease terms.

S-25

Lease Expirations

The following table provides certain information regarding the expiration of our leases as of December 31, 2001:

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<u>Year of Lease Expiration⁽¹⁾</u>	<u>Number of Leases Expiring</u>	<u>Square Footage of Leases Expiring</u>	<u>Percentage of Total Occupied Square Feet</u>	<u>Total Rental Revenue of Expiring Leases⁽²⁾</u>	<u>Percentage of Total Rental Revenue Expiring⁽²⁾</u>	<u>Total Rental Revenue of Expiring Leases Per Occupied Square Foot⁽²⁾</u>
(In thousands)						
2002	98	994,175	13.3%	\$17,978	13.6%	\$18.08
2003	95	833,099	11.1	14,319	10.9	17.19
2004	71	828,934	11.1	16,569	12.6	19.99
2005	63	744,854	9.9	14,779	11.2	19.84
2006	54	652,783	8.7	12,366	9.4	18.94
2007	16	454,641	6.1	7,530	5.7	16.56
2008	11	767,559	10.2	14,557	11.1	18.97
2009	13	1,222,057	16.3	14,736	11.2	12.06
2010	12	710,381	9.5	14,509	11.0	20.42
2011	4	165,443	2.2	3,211	2.4	19.41
2012	1	71,514	1.0	1,147	.9	16.05
Other ⁽³⁾	8	48,694	0.6	32	0.0	0.64
Total/Weighted Average	446	7,494,134	100.0%	\$131,733	100.0%	\$18.11

- (1) Many of our government leases are subject to certain early termination provisions that are customary to government leases. The year of lease expiration was computed assuming no such early termination rights.
- (2) Total rental revenue is the monthly contractual base rent as of December 31, 2001 multiplied by 12, plus the estimated annualized expense reimbursements under existing leases.
- (3) Other consists of amenities, including cafeterias, concierge offices and property management space.

Recurring Capital Expenditures

The following table summarizes our recurring capital expenditures, principally associated with re-tenanting and releasing, for our office properties for the year ended December 31, 2001:

Total recurring capital expenditures (in thousands)	\$5,429
Average rentable square feet	7,079,717
Recurring capital expenditures per rentable square foot	\$0.77

Historical Leasing Activity

The following table provides certain information regarding our office leasing activity for the year ended December 31, 2001:

End of period occupancy	96.1%
Retention ratio (% based on square feet renewed)	72.5%
Increase in base rent-straight-line ⁽¹⁾	18.5%

- (1) Base rent-straight-line is defined as the contractual rent to be received over the entire lease term divided by the number of periods in the lease term.

Mortgage and Other Indebtedness

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The following table provides certain information regarding our mortgage and other indebtedness as of September 30, 2001:

	<u>Outstanding Debt</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	
	(In thousands)			
Deutsche Bank Term Credit Facility	\$ 90,954	LIBOR + 1.75%	October 2001	(1)
Teachers Insurance and Annuity Association of America	81,025	6.89	November 2008	
Teachers Insurance and Annuity Association of America	58,369	7.72	October 2006	
Mutual of New York Life Insurance Company	27,073	7.79	August 2004	
Transamerica Life Insurance and Annuity Company	26,504	7.18	August 2009	
State Farm Life Insurance Company	25,831	7.90	April 2008	
Transamerica Occidental Life Insurance Company	21,074	7.30	May 2008	
Allstate Life Insurance Company	20,921	6.93	July 2008	
Deutsche Bank Revolving Credit Facility	17,700	LIBOR + 1.75	March 2004	(2)
Transamerica Life Insurance and Annuity Company	17,430	8.30	October 2005	
Keybank National Association	16,215	LIBOR + 1.75	March 2002	(3)
Allstate Life Insurance Company	15,980	7.14	September 2007	
Mercantile-Safe Deposit and Trust Company	15,750	Prime	February 2003	
IDS Life Insurance Company	13,511	7.90	March 2008	
Allfirst Bank	11,000	LIBOR + 1.75	April 2003	(4)
Bank of America	8,952	LIBOR + 1.75	December 2002	(5)