CORPORATE OFFICE PROPERTIES TRUST
Form 10-K
February 11, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark one)

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

For the fiscal year ended December 31, 2010

or

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

For the transition period from to

Commission file number 1-14023

Corporate Office Properties Trust

(Exact name of registrant as specified in its charter)

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

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

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

(Title of Each Class)	(Name of Exchange on Which Registered)
Common Shares of beneficial interest, $0.01 par value	**New York Stock Exchange**
Series G Cumulative Redeemable Preferred Shares of beneficial interest, $0.01 par value	**New York Stock Exchange**
Series H Cumulative Redeemable Preferred Shares of beneficial interest, $0.01 par value	**New York Stock Exchange**
Series J Cumulative Redeemable Preferred Shares of beneficial interest, $0.01 par value	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ý Yes o No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. o Yes ý No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ý Yes o No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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

Large accelerated filer ý	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The aggregate market value of the voting and nonvoting common equity held by non-affiliates of the registrant was approximately $1.9 billion, as calculated using the closing price of the common shares of beneficial interest on the New York Stock Exchange and our outstanding shares as of June 30, 2010. For purposes of calculating this amount only, affiliates are defined as Trustees, executive owners and beneficial owners of more than 10% of the registrant's outstanding common shares of beneficial interest, $0.01 par value. At January 28, 2011, 66,938,717 of the registrant's common shares of beneficial interest were outstanding.

Portions of the annual shareholders' report of the registrant for the year ended December 31, 2010 are incorporated by reference into Parts I and II of this Form 10-K and portions of the proxy statement of the registrant for its 2011 Annual Meeting of Shareholders to be filed within 120 days after the end of the fiscal year covered by this Form 10-K are incorporated by reference into Part III of this Form 10-K.

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FORWARD-LOOKING STATEMENTS

This Form 10-K contains "forward-looking" statements, as defined in the Private Securities Litigation Reform Act of 1995, that are based on our current expectations, estimates and projections about future events and financial trends affecting the financial condition and operations of our business. Forward-looking statements can be identified by the use of words such as "may," "will," "should," "could," "believe," "anticipate," "expect," "estimate," "plan" or other comparable terminology. Forward-looking statements are inherently subject to risks and uncertainties, many of which we cannot predict with accuracy and some of which we might not even anticipate. Although we believe that the expectations, estimates and projections reflected in such forward-looking statements are based on reasonable assumptions at the time made, we can give no assurance that these expectations, estimates and projections will be achieved. Future events and actual results may differ materially from

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those discussed in the forward-looking statements. Important factors that may affect these expectations, estimates and projections include, but are not limited to:

- 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;
- our ability to borrow on favorable terms;
- risks of real estate acquisition and development activities, including, among other things, risks that development projects may not be completed on schedule, that tenants may not take occupancy or pay rent or that development and operating costs may be greater than anticipated;
- risks of investing through joint venture structures, including risks that our joint venture partners may not fulfill their financial obligations as investors or may take actions that are inconsistent with our objectives;
- changes in our plans for properties or views of market economic conditions or failure to obtain development rights, either of which could result in recognition of impairment losses;
- our ability to satisfy and operate effectively under Federal income tax rules relating to real estate investment trusts and partnerships;
- governmental actions and initiatives; and
- environmental requirements.

For further information on factors that could affect the company and the statements contained herein, you should refer to the section below entitled "Item 1A. Risk Factors." We undertake no obligation to update or supplement forward-looking statements.

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PART I

Item 1. Business

OUR COMPANY

General. We are a specialty office real estate investment trust ("REIT") that focuses primarily on strategic customer relationships and specialized tenant requirements in the United States Government and defense information technology sectors and data centers serving such sectors. We acquire, develop, manage and lease office and data center properties that are typically concentrated in large office parks primarily located adjacent to government demand drivers and/or in strong markets that we believe possess growth opportunities. As of December 31, 2010, our investments in real estate included the following:

- 252 wholly owned operating office properties totaling 20.0 million square feet that were 88.2% occupied;
- 21 wholly owned office properties under construction, development or redevelopment that we estimate will total approximately 3.0 million square feet upon completion, including five partially operational properties included above;
- wholly owned land parcels totaling 1,497 acres that we believe are potentially developable into approximately 14.4 million square feet;
- a wholly owned, partially operational, wholesale data center which upon completion is expected to have an initial stabilization critical load of 18 megawatts; and
- partial ownership interests through real estate joint ventures in the following:
  - 20 operating office properties containing approximately 1.1 million square feet that were 69.2% occupied;
  - two office properties under development that we estimate will total approximately 235,000 square feet upon completion; and
  - land parcels totaling 755 acres (including 563 acres under contract) that we believe are potentially developable into approximately 7.5 million square feet.

We conduct almost all of our operations through our operating partnership, Corporate Office Properties, L.P. (the "Operating Partnership"), a Delaware limited partnership, of which we are the managing general partner. The Operating Partnership owns real estate both directly and through subsidiary partnerships and limited liability companies ("LLCs"). The Operating Partnership also owns 100% of a number of entities that provide real estate services such as property management, construction and development and heating and air conditioning services primarily for our properties, but also for third parties.

Interests in our Operating Partnership are in the form of common and preferred units. As of December 31, 2010, we owned 93.6% of the outstanding common units and 95.8% of the outstanding preferred units in our Operating Partnership. The remaining common and preferred units in our Operating Partnership were owned by third parties, which included certain of our Trustees.

We believe that we are organized and have operated in a manner that permits us to satisfy the requirements for taxation as a REIT under the Internal Revenue Code of 1986, as amended, and we intend to continue to operate in such a manner. If we qualify for taxation as a REIT, we generally will not be subject to Federal income tax on our taxable income that is distributed to our shareholders. A REIT is subject to a number of organizational and operational requirements, including a requirement that it distribute to its shareholders at least 90% of its annual taxable income (excluding net capital gains).

Our executive offices are located at 6711 Columbia Gateway Drive, Suite 300, Columbia, Maryland 21046 and our telephone number is (443) 285-5400.

Our Internet address is www.copt.com. We make available on our Internet website free of charge our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably possible after we file such material with the Securities and Exchange Commission (the "SEC"). In addition, we have made available on our Internet website under the heading "Corporate Governance" the charters for our Board of Trustees' Audit, Nominating and Corporate Governance and Compensation Committees, as well as our Corporate Governance Guidelines, Code of Business Conduct and Ethics and Code of Ethics for Financial Officers. We intend to make available on our website any future amendments or waivers to our Code of Business Conduct and Ethics and Code of Ethics for Financial Officers within four business days after any such amendments or waivers. The information on our Internet site is not part of this report.

The SEC maintains an Internet website that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. This Internet website can be accessed at www.sec.gov. The public may also read and copy paper filings that we have made with the SEC at the SEC's Public Reference Room, located at 100 F Street, NE, Washington, DC 20549. Information on the operation of the Public Reference Room may be obtained by calling (800) SEC-0330.

Significant 2010 Developments

During 2010, we:

- finished the period with our wholly owned portfolio of operating office properties 88.2% occupied;
- acquired three operating office properties totaling 514,000 square feet and a shell-complete office property totaling 183,000 square feet for $205.1 million;
- placed into service an aggregate of 816,000 square feet in newly constructed space in nine office properties;
- completed the formation of LW Redstone Company, LLC, a joint venture created to develop Redstone Gateway, a 468-acre master-planned office business park adjacent to Redstone Arsenal in Huntsville, Alabama;
- entered the Springfield, Virginia submarket by acquiring 15 acres on which we are entitled to develop up to 978,000 square feet adjacent to the new National Geospatial Intelligence Agency (NGA) headquarters at Fort Belvoir;
- acquired a partially operational 233,000 square foot wholesale data center for $115.5 million that was 17% leased on the date of acquisition to two tenants that have a combined initial critical load of three megawatts and further expansion rights of up to a combined five megawatts. We expect to complete the development of the property to an initial stabilization critical load of 18 megawatts for additional development costs initially estimated at $166 million;
- issued a $240.0 million aggregate principal amount of 4.25% Exchangeable Senior Notes due in 2030, and redeemable by us, or subject to required repurchase upon request of the note holders, in April 2015 or thereafter as defined under the terms of the notes;
- issued 7.5 million common shares at a public offering price of $34.25 per share for net proceeds of $245.8 million after underwriting discounts but before offering expenses; and

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increased the borrowing capacity under our unsecured revolving credit facility (the "Revolving Credit Facility") by $200.0 million, from $600.0 million to $800.0 million.

In addition, our Board of Trustees, as part of an ongoing personnel development and succession program, elected Roger A. Waesche, Jr. to serve as President, in addition to his current duties as Chief Operating Officer. Randall M. Griffin, who had served as President and Chief Executive Officer, continued in his role as Chief Executive Officer.

Business and Growth Strategies

Our primary objectives are to achieve sustainable long-term growth in results of operations and to maximize long-term shareholder value. This section sets forth key components of our business and growth strategies that we have in place to support these objectives.

Business Strategies

Customer Strategy: We believe that we differentiate ourselves by being a real estate company that does not view space in properties as its primary commodity. Rather, we focus our operations on serving the needs of our customers and enabling them to be successful. This strategy includes a focus on establishing and nurturing long-term relationships with quality tenants and accommodating their multi-locational needs. It also includes a focus on providing a level of service that exceeds customer expectations both in terms of the quality of the space we provide and our level of responsiveness to their needs. We believe that operating with such an emphasis on service enables us to be the landlord of choice with high quality customers and contributes to high levels of customer loyalty and retention.

Our focus on customers in the United States Government and defense information technology sectors and data centers serving such sectors is a key aspect of our customer strategy. A high percentage of our revenue is derived from these customers, and we believe that we are well positioned for future growth through such customers for reasons that include the following:

our strong relationships and reputation for high service levels that we have forged over the years and continue to emphasize;

the proximity of our properties to government demand drivers (such as military installations) in various regions of the country and our willingness to expand to other regions where demand exists; and

the depth of our collective team knowledge, experience and capabilities in developing and operating single user data centers and secure properties that meet the United States Government's Force Protection requirements.

Market Strategy: We focus on owning properties where our tenants want to be, which in the case of the United States Government and defense information technology customers is mostly near government demand drivers. We also concentrate our operations in markets and submarkets that are located where we believe we already possess, or can effectively achieve, the critical mass necessary to maximize management efficiencies, operating synergies and competitive advantages through our acquisition, property management, leasing and development activities. The attributes we look for in selecting markets and submarkets include, among others: (1) proximity to large demand drivers; (2) strong demographics; (3) attractiveness to high quality tenants; (4) potential for growth and stability in economic down cycles; (5) future acquisition and development opportunities; and (6) minimal competition from other property owners. We typically focus on owning and operating office properties in large business parks located outside of central business districts. We believe that such parks generally attract long-term, high-quality tenants seeking to attract and retain quality work forces because they are typically situated along major transportation routes with easy access to support services, amenities and residential communities.

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Capital Strategy: Our capital strategy is aimed at maintaining a flexible capital structure in order to facilitate growth and performance in the face of differing market conditions in the most cost-effective manner by:

- using debt comprised primarily of mortgage and other secured loans, our unsecured revolving credit facility and exchangeable senior notes;

- using equity raised through issuances of common and preferred shares of beneficial interest, issuances of common and preferred units in our Operating Partnership and, to a lesser extent, joint venture structures for certain investments;

- managing our debt by monitoring, among other things: (1) our debt levels relative to our overall capital structure; (2) the relationship of certain measures of earnings to certain financing cost requirements (commonly referred to as coverage ratios); (3) the relationship of our total variable-rate debt to our total debt; and (4) the timing of debt maturities to ensure that maturities in any year do not exceed levels that we believe we can refinance; and

- continuously evaluating the ability of our capital resources to accommodate our plans for future growth.

Sustainability Strategy: We are focused on developing and operating our properties in a manner that minimizes global impact for the environment and have been committed to this effort since 2003. Our strategy includes:

- constructing new buildings that are designed to use resources with a higher level of efficiency and lower impact on human health and the environment during their life cycles than conventional buildings. An example of our focus in this area is our participation in the U.S. Green Building Council's Leadership in Energy and Environmental Design ("LEED") program, which has a rigorous certification process for evaluating and rating buildings in order for such buildings to qualify for the program's Certified, Silver, Gold and Platinum ratings;

- retrofitting select existing office properties to also become certified LEED-Existing Building ("LEED-EB");

- registering our property portfolio in Energy Star, a joint program of the U.S. Environmental Protection Agency and the U.S. Department of Energy that focuses on protecting the environment through energy efficient products and practices; and

- implementing LEED-EB prerequisites as standard operating procedure for key aspects of our property operations and management.

We believe that our commitment to sustainability is evident in the fact that as of December 31, 2010, we had ten buildings certified LEED Gold, 13 buildings certified LEED Silver, one building certified LEED, two buildings certified LEED-EB and 31 other buildings registered in the LEED program, and we had 17 professionals on staff who hold the LEED Accredited Professional designation. We also have established an internal goal to have 50% of our portfolio be brought up to LEED certification standards by 2015. We believe that this strategy is important not just because our customers will demand it, but also because it is the right thing to do.

Growth Strategies

Acquisition and Property Development Strategy: We pursue acquisition and property development opportunities for properties that support our customer and market strategies discussed above. As a result, the focus of our acquisition and development activities includes properties that are either: (1) located near demand drivers that we believe are attractive to customers in the United States Government and defense information technology sectors and data centers serving such sectors or

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(2) located in markets or submarkets that we believe meet the criteria set forth above in our market strategy. We may also acquire or develop properties that do not align with our customer or market strategies but which we believe provide opportunity for favorable returns on investment given the associated risks.

We typically seek to make acquisitions at attractive yields and below replacement cost. We also seek to increase operating cash flow of certain acquisitions by repositioning the properties and capitalizing on existing below market leases and expansion opportunities. We pursue development activities as market conditions and leasing opportunities support favorable risk-adjusted returns on investment.

Internal Growth Strategy: We aggressively manage our portfolio to maximize the operating performance of each property through: (1) proactive property management and leasing; (2) achieving operating efficiencies through increasing economies of scale and, where possible, aggregating vendor contracts to achieve volume pricing discounts; and (3) renewing tenant leases and re-tenanting at increased rents where market conditions permit.

Industry Segments

We operate in two primary industries: commercial office real estate and wholesale data centers. We classify our properties containing data center space as commercial office real estate when tenants significantly funded the data center infrastructure costs. At December 31, 2010, our commercial office real estate operations had nine primary geographical segments, as set forth below:

- Baltimore/Washington Corridor (generally defined as the Maryland counties of Howard and Anne Arundel);
- Northern Virginia (defined as Fairfax County, Virginia);
- Suburban Maryland (defined as the Maryland counties of Montgomery, Prince George's and Frederick);
- Washington, DC Capitol Riverfront;
- St. Mary's & King George Counties (in Maryland and Virginia, respectively);
- Greater Baltimore, Maryland (generally defined as the Maryland counties of Baltimore and Harford and Baltimore City);
- Colorado Springs, Colorado;
- San Antonio, Texas; and
- Greater Philadelphia, Pennsylvania.

As of December 31, 2010, 153 of our wholly owned office properties were located in what is widely known as the Greater Washington, DC region, which includes the first five regions set forth above, and 66 were located in neighboring Greater Baltimore. At December 31, 2010, we also owned 21 wholly owned office properties in Colorado Springs and eight in San Antonio. In addition, we owned two office properties as of December 31, 2010 in Greater Philadelphia that are considered non-core to the Company. Our wholesale data center, which is comprised of one property in Manassas, Virginia, is reported as a separate segment.

For information relating to our segments, you should refer to Note 16 to our consolidated financial statements, which is included in a separate section at the end of this Annual Report on Form 10-K beginning on page F-1.

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Employees

As of December 31, 2010, we had 411 employees, none of whom were parties to collective bargaining agreements. We believe that our relations with our employees are good.

Competition

The commercial real estate market is highly competitive. Numerous commercial properties compete with our properties for tenants. Some of the properties competing with ours may be newer or have more desirable locations, or the competing properties' owners may be willing to accept lower rents than are acceptable to us. We also compete with our own tenants, many of whom have the right to sublease their space. The competitive environment for leasing is affected considerably by a number of factors including, among other things, changes in economic factors and supply of and demand for space. These factors may make it difficult for us to lease existing vacant space and space associated with future lease expirations at rental rates that are sufficient to meeting our short-term capital needs.

We also compete for the acquisition of commercial properties with many entities, including other publicly-traded commercial REITs. Many of our competitors for such acquisitions 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 properties that we have targeted for acquisition, we may not be able to meet our property acquisition goals.

Item 1A. Risk Factors

Set forth below are risks and uncertainties relating to our business and the ownership of our securities. You should carefully consider each of these risks and uncertainties and all of the information in this Annual Report on Form 10-K and its Exhibits, including our consolidated financial statements and notes thereto for the year ended December 31, 2010, which are included in a separate section at the end of this report beginning on page F-1.

Our performance and value are subject to risks associated with our properties and with the real estate industry. Real estate investments are subject to various risks and fluctuations in value and demand, many of which are beyond our control. Our economic performance and the value of our real estate assets may decline due to conditions in the general economy and the real estate business which, in turn, could have an adverse effect on our financial position, results of operations, cash flows and ability to make expected distributions to our shareholders. These conditions include, but are not limited to:

- downturns in national, regional and local economic environments, including increases in the unemployment rate and inflation or deflation;
- competition from other properties;
- deteriorating local real estate market conditions, such as oversupply, reduction in demand and decreasing rental rates;
- declining real estate valuations and impairment charges;
- increasing vacancies and the need to periodically repair, renovate and re-lease space;
- adverse developments concerning our tenants, which could affect our ability to collect rents and execute lease renewals;
- increasing operating costs, including insurance expense, utilities, real estate taxes and other expenses, much of which we may not be able to pass through to tenants;

increasing interest rates and unavailability of financing on acceptable terms or at all;

trends in office real estate that may adversely affect future demand, including telecommuting and flexible workplaces that increase the population density per square foot;

adverse changes in taxation or zoning laws;

potential inability to secure adequate insurance;

adverse consequences resulting from civil disturbances, natural disasters, terrorist acts or acts of war; and

potential liability under environmental or other laws or regulations.

We may suffer adverse consequences as a result of recent and future economic events. Since the latter part of 2007, the United States and world economies have struggled through difficult conditions, including a significant recession. This slowdown has had devastating effects on the capital markets, with tightening credit availability. The commercial real estate industry was affected by these events over the last four years and, we believe, will likely continue to be affected at least through 2011. These events could adversely affect us in numerous ways discussed throughout this Annual Report on Form 10-K. The real estate industry in general has encountered increased difficulty in obtaining capital to fund growth activities, such as acquisitions and development costs, debt repayments and other capital requirements. As a result, the level of risk that we may not be able to obtain new financing for acquisitions, development activities, refinancing of existing debt or other capital requirements at reasonable terms, if at all, has increased. We believe that there is an increased likelihood in the current economic climate of tenants encountering financial difficulties, including bankruptcy, insolvency or general downturn of business, and as a result there is an increased likelihood of such tenants defaulting in their lease obligations to us. We also expect that our leasing activities will be adversely affected, with an increased likelihood of our being unsuccessful in renewing tenants, renewing tenants on terms less favorable to us or being unable to lease newly constructed properties. As a result, the conditions brought about by these economic events could collectively have an adverse effect on our financial position, results of operations, cash flows and ability to make expected distributions to our shareholders.

We are dependent on external sources of capital for future growth. Because we are a REIT, we must distribute at least 90% of our annual taxable income to our shareholders. Due to this requirement, we are not able to significantly fund our acquisition, construction and development activities using cash flow from operations. Therefore, 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 debt, equity issuances of common shares, preferred shares, common and preferred units in our Operating Partnership or joint venture funding. These capital sources may not be available on favorable terms or at all. Since the United States financial markets have recently experienced extreme volatility and, as a result, credit markets have tightened considerably, the level of risk that we may not be able to obtain new financing for acquisitions, development activities or other capital requirements at reasonable terms, if at all, has increased. Moreover, additional debt financing may substantially increase our leverage and subject us to covenants that restrict management's flexibility in directing our operations, 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 and fund other cash requirements.

We use our Revolving Credit Facility to initially finance much of our investing and financing activities. We also use a construction loan agreement with an aggregate commitment by the lenders that is restorable (the "Revolving Construction Facility") and other credit facilities to fund a significant portion of our construction activities. Our lenders under these and other facilities could, for financial hardship or other reasons, fail to honor their commitments to fund our requests for borrowings under these facilities. In the event that one or more lenders under these facilities are not able or willing to fund a borrowing request, it would adversely affect our ability to access borrowing capacity under these facilities, which would in turn adversely affect our financial condition, cash flows and ability to make expected distributions to our shareholders.

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

For new tenants or upon lease expiration for existing tenants, we generally must make improvements and pay other leasing 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 revenue sufficient to meeting 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, in which case our operations could be adversely affected. Moreover, there may be less or no cash available for distributions to our shareholders.

In addition, the competitive environment for leasing is affected considerably by a number of factors including, among other things, changes due to economic factors such as supply and demand. These factors may make it difficult for us to lease existing vacant space and space associated with future lease expirations at rental rates that are sufficient to meeting our short-term capital needs.

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. If one or more of our major tenants, or a number of our smaller tenants, were to experience financial difficulties, including bankruptcy, insolvency or general downturn of business, there could be an adverse effect on financial position, results of operations, cash flows and ability to make expected distributions to our shareholders.

We may be adversely affected by developments concerning some of our major tenants and sector concentrations. As of December 31, 2010, our 20 largest tenants accounted for 58.1% of the total annualized rental revenue of our wholly owned office properties, and our four largest of these tenants accounted for 64.2% of that total. We compute the annualized rental revenue by multiplying by 12 the sum of monthly contractual base rents and estimated monthly expense reimbursements under active leases in our portfolio of wholly owned properties as of December 31, 2010. Information regarding our four largest tenants is set forth below:

Tenant	Annualized Rental Revenue at December 31, 2010 (in thousands)	Percentage of Total Annualized Rental Revenue of Wholly Owned Office Properties	Number of Leases
United States of America	$ 95,049	21.1%	74
Northrop Grumman Corporation(1)	32,857	7.3%	17
Booz Allen Hamilton, Inc.	21,311	4.7%	8
Computer Sciences Corporation(1)	18,788	4.2%	6

(1) Includes affiliated organizations and agencies and predecessor companies.

Most of our leases with the United States Government provide for a series of one-year terms or provide for early termination rights. The United States Government may terminate its leases if, among other reasons, the United States Congress fails to provide funding. If any of our four largest tenants fail to make rental payments to us or if the United States Government elects to terminate several of its leases and the space cannot be re-leased on satisfactory terms, there would be an adverse effect on our financial performance and ability to make distributions to our shareholders.

As of December 31, 2010, our properties that were occupied primarily by tenants in the United States Government and defense information technology sectors and data centers serving such sectors accounted for 58.7% of the total annualized rental revenue of our wholly owned office properties. We expect to increase our reliance on these sectors for revenue. A reduction in government spending targeting these sectors could affect the ability of these tenants to fulfill lease obligations or decrease the likelihood that these tenants will renew their leases. Moreover, a reduction in government spending targeting these sectors could limit our future growth. Such occurrences could have an adverse effect on our results of operations, financial condition, cash flows and ability to make distributions to our shareholders. We generally classify the revenue from our leases into this sector grouping based solely on management's knowledge of the tenants' operations in leased space. Occasionally, classifications require subjective and complex judgments. We do not use independent sources such as Standard Industrial Classification codes for classifying our revenue into sector groupings and if we did, the resulting groupings would be materially different.

Most of our properties are geographically concentrated in the Mid-Atlantic region, particularly in the Greater Washington, DC region and neighboring Greater Baltimore, or in particular office parks. We may suffer economic harm in the event of a decline in the real estate market or general economic conditions in those regions or parks. Most of our properties are located in the Mid-Atlantic region of the United States and, as of December 31, 2010, our properties located in the Greater Washington, DC region and neighboring Greater Baltimore accounted for a combined 85.4% of our total annualized rental revenue from wholly owned office properties. Our properties are also typically concentrated in office parks in which we own most of the properties. Consequently, we do not have a broad geographic distribution of our properties. As a result, a decline in the real estate market or general economic conditions in the Mid-Atlantic region, the Greater Washington, DC region or the office parks in which our properties are located could have an adverse effect on our financial position, results of operations, cash flows and ability to make expected distributions to our shareholders.

We would suffer economic harm if we were unable to renew our leases on favorable terms. When leases expire, our tenants may not renew or may renew on terms less favorable to us than the terms of their original leases. If a tenant vacates a property, we can expect to experience a vacancy for some period of time, as well as incur higher leasing costs than we would likely incur if a tenant renews. As a result, our financial performance and ability to make expected distributions to our shareholders could be adversely affected if we experience a high volume of tenant departures at the end of their lease terms. We expect that the effects of the global downturn on our real estate operations will make our leasing activities particularly challenging at least through 2011 and, as a result, there could be an increased likelihood of our being unsuccessful in renewing tenants or renewing on terms less favorable to us than the terms of the original leases. Set forth below are the percentages of total annualized rental revenue from wholly owned office properties as of December 31, 2010 that are subject to scheduled lease expirations in each of the next five years:

2011	10.4%
2012	12.7%
2013	13.3%
2014	10.9%
2015	14.5%

As noted above, most of the leases with our largest tenant, the United States Government, provide for consecutive one-year terms or provide for early termination rights. All of the leasing statistics set forth above assume that the United States Government will remain in the space that it leases through

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the end of the respective arrangements, without ending consecutive one-year leases prematurely or exercising early termination rights.

We may be adversely affected by trends in the office real estate industry. Some businesses are rapidly evolving to make employee telecommuting, flexible work schedules, open workplaces and teleconferencing increasingly common. These practices enable businesses to reduce their space requirements. A continuation of the movement towards these practices could over time erode the overall demand for office space and, in turn, place downward pressure on occupancy, rental rates and property valuations, each of which could have an adverse effect on our financial position, results of operations, cash flows and ability to make expected distributions to our shareholders.

We may encounter a decline in the value of our real estate. The value of our real estate could be adversely affected by general economic and market conditions connected to a specific property, a market or submarket, a broader economic region or the office real estate industry. Examples of such conditions include a broader economic recession, declining demand and decreases in market rental rates and/or market values of real estate assets. If our real estate assets decline in value, it could result in our recognition of impairment losses. Moreover, a decline in the value of our real estate could adversely affect the amount of borrowings available to us under credit facilities and other loans, which could, in turn, adversely affect our cash flows and financial condition.

We may not be able to compete successfully with other entities that operate in our industry. The commercial real estate market is highly competitive. 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 we do. If our competitors prevent us from buying properties that we target for acquisition, we may not be able to meet our property acquisition goals. Moreover, numerous commercial properties compete for tenants with our properties. Some of the properties competing with ours may be newer or in more desirable locations, or the competing properties' owners may be willing to accept lower rates than are acceptable to us. Competition for property acquisitions, or for tenants of properties that we own, could have an adverse effect on our financial position, results of operations, cash flows and ability to make expected distributions to our shareholders.

We may be unable to successfully execute our plans to acquire existing commercial real estate properties. We intend to acquire existing commercial real estate properties to the extent that suitable acquisitions can be made on advantageous terms. Acquisitions of commercial properties entail risks, such as the risks that we may not be in a position, or have the opportunity in the future, to make suitable property acquisitions on advantageous terms and/or that such acquisitions will fail to perform as expected. The failure of our acquisitions to perform as expected could adversely affect our financial position, results of operations, cash flows and ability to make expected distributions to our shareholders.

We may be exposed to unknown liabilities from acquired properties. We may acquire properties that are subject to liabilities in situations where we have no recourse, or only limited recourse, against the prior owners or other third parties with respect to unknown liabilities. As a result, if a liability were asserted against us based upon ownership of those properties, we might have to pay substantial sums to settle or contest it, which could adversely affect our results of operations and cash flow. Examples of unknown liabilities with respect to acquired properties include, but are not limited to:

- liabilities for clean-up of disclosed or undisclosed environmental contamination;
- claims by tenants, vendors or other persons dealing with the former owners of the properties;
- liabilities incurred in the ordinary course of business; and

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claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

We may suffer economic harm as a result of making unsuccessful acquisitions in new markets. We may pursue selective acquisitions of properties in regions where we have not previously owned properties. These acquisitions may entail risks in addition to those we face in other acquisitions where we are familiar with the regions, such as the risk that we do not correctly anticipate conditions or trends in a new market and are therefore not able to operate the acquired property profitably. If this occurs, it could adversely affect our financial position, results of operations, cash flows and ability to make expected distributions to our shareholders.

We may be unable to execute our plans to develop and construct additional properties. Although the majority of our investments are in currently leased properties, we also develop, construct and redevelop properties, including some that are not fully pre-leased. When we develop, construct and redevelop properties, we assume the risk that actual costs will exceed our budgets, that we will experience conditions which delay or preclude project completion and that projected leasing will not occur, any of which could adversely affect our financial performance, results of operations and our ability to make distributions to our shareholders; the risk of projected leasing not occurring has increased as a result of the recent economic conditions. 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 adverse consequences due to our inexperience in developing, managing and leasing wholesale data centers. We have significant experience in developing, managing and leasing single user data center space in which tenants significantly funded the data center infrastructure costs. However, we do not have the same depth and length of experience in relation to wholesale data centers, having acquired our first wholesale data center in 2010. This may increase the likelihood of us being unsuccessful in executing our plans with respect to our existing wholesale data center or any such centers that we may acquire or develop in the future. If we are unsuccessful in executing our wholesale data center plans, it could adversely affect our financial position, results of operations, cash flows and ability to make expected distributions to our shareholders.

Our data centers may become obsolete. Data centers are much more expensive investments on a per square foot basis than office properties due to the level of infrastructure required to operate the centers. At the same time, technology, industry standards and service requirements for data centers are rapidly evolving and, as a result, the risk of investments we make in data centers becoming obsolete is higher than office properties. Our data centers may become obsolete due to the development of new systems to deliver power to or eliminate heat from the servers housed in the properties. Our data centers could also become obsolete from new server technology that requires less critical load and heat removal than our facilities are designed to provide. In addition, we may not be able to efficiently upgrade or change power and cooling systems to meet new demands or industry standards without incurring significant costs that we may not be able to pass on to our tenants. The obsolescence of our data centers could adversely affect our financial position, results of operations, cash flows and ability to make expected distributions to our shareholders.

Certain of our properties containing data centers contain space not suitable for lease other than as data centers, which could make it difficult or impractical to reposition them for alternative use. Certain of our properties contain data center space, which is highly specialized space containing extensive electrical and mechanical systems that are designed uniquely to run and maintain banks of computer servers. As a result, in the event we needed to reposition such data center space for another use, major renovations and expenditures could be required.

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We may suffer adverse effects as a result of the indebtedness that we carry and the terms and covenants that relate to this debt. Many of our properties are pledged by us to support repayment on indebtedness. In addition, we 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.

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 may refinance on terms that are less favorable to us than the terms of our existing indebtedness;

- in the event of our default under the terms of our Revolving Credit Facility, our Operating Partnership could be restricted from making cash distributions to us, which could result in reduced distributions to our shareholders or the need for us to incur additional debt to fund these distributions;

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

Some of our debt is cross-defaulted, which means that failure to pay interest or principal on the debt above a threshold value will create a default on certain of our other debt. In addition, some of our debt which is cross-defaulted also contains cross-collateralization provisions, which means that the collateral of the debt can also be used as collateral for certain of our other debt. Any foreclosure of our properties could result in loss of income and asset value that would negatively affect our financial condition, results of operations, cash flows and ability to make expected distributions to our shareholders. In addition, if we are in default and the value of the properties securing a loan is less than the loan balance, we may be required to pay the resulting shortfall to the lender using other assets.

As of December 31, 2010, 22% of our debt had variable interest rates, including the effect of interest rate swaps. If short-term interest rates were to rise, our debt service payments on debt with variable interest rates would increase, which would lower our net income and could decrease our distributions to our shareholders. We use interest rate swap agreements from time to time to reduce the impact of changes in interest rates. Decreases in interest rates would result in increased interest payments due under interest rate swap agreements in place and, in the event we decided to unwind such agreements, could result in our recognizing a loss and remitting a payment.

We must refinance our debt in the future. As of December 31, 2010, our scheduled debt payments over the next five years, including maturities, were as follows:

Year	**Amount(1)** (in thousands)
2011	$ 733,739(2)
2012	271,390
2013	146,049
2014	210,225
2015	396,473

(1) Represents principal maturities only and therefore excludes premiums and discounts.

(2) Includes $142.3 million in maturities that were extended to 2012 in January 2011 and an additional $311.8 million that may also be extended for one year, subject to certain conditions.

Our operations likely will not generate enough cash flow to repay some or all of this debt without additional borrowings, equity issuances and/or property sales. If we cannot refinance our debt, extend the repayment dates, or raise additional equity prior to the dates when our debt matures, we would default on our existing debt, which would have an adverse effect on our financial position, results of operations, cash flows and ability to make expected distributions to our shareholders.

We may incur additional indebtedness, which may harm our financial position and cash flow and potentially impact our ability to pay dividends on any series of preferred shares. Our governing documents do not limit us from incurring additional indebtedness and other liabilities. As of December 31, 2010, we had $2.3 billion of consolidated indebtedness outstanding. We may incur additional indebtedness and become more highly leveraged, which could harm our financial position and potentially limit our cash available to pay dividends. As a result, we may not have sufficient funds remaining to satisfy our dividend obligations relating to any series of preferred shares if we incur additional indebtedness.

We have certain distribution requirements that reduce cash available for other business purposes. As a REIT, we must distribute at least 90% of our annual taxable income (excluding capital gains), which limits the amount of cash we can retain for other business purposes, including amounts to fund acquisitions and development activity. Also, it is possible that because of the differences between the time we actually receive revenue or pay expenses and the period during which we report those items for distribution purposes, we may have to borrow funds to meet the 90% distribution requirement.

We may be unable to continue to make shareholder distributions at expected levels. We expect to make regular quarterly cash distributions to our shareholders. However, our ability to make such distributions depends on a number of factors, some of which are beyond our control. Some of our loan agreements contain provisions that could restrict future distributions. Our ability to make distributions at expected levels will also be dependent, in part, on other matters, including, but not limited to:

- continued property occupancy and timely receipt of rent obligations;
- 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;
- our ability to compete;
- our costs of compliance with environmental and other laws;
- our corporate overhead levels;
- our amount of uninsured losses; and
- our decision to reinvest in operations rather than distribute available cash.

In addition, we can make distributions to the holders of our common shares only after we make preferential distributions to holders of our preferred shares.

Our ability to pay dividends may be limited, and we cannot provide assurance that we will be able to pay dividends regularly. Because we conduct substantially all of our operations through our Operating Partnership, our ability to pay dividends will depend almost entirely on payments and distributions received on our interests in our Operating Partnership, the payment of which depends in turn on our ability to operate profitably and generate cash flow from our operations. We cannot guarantee that we will be able to pay dividends on a regular quarterly basis in the future. Additionally, the terms of some of the debt to which our Operating Partnership is a party limit its ability to make some types of payments and other distributions to us. This in turn limits our ability to make some types of payments, including payment of dividends on common or preferred shares, unless we meet certain financial tests or such payments or dividends are required to maintain our qualification as a REIT. As a result, if we are unable to meet the applicable financial tests, we may not be able to pay dividends on our shares in one or more periods. Furthermore, any new shares of beneficial interest issued will substantially increase the cash required to continue to pay cash dividends at current levels. Any common or preferred shares that may in the future be issued for financing acquisitions, share-based compensation arrangements or otherwise would have a similar effect.

Our ability to pay dividends on preferred shares is further limited by the requirements of Maryland law. As a Maryland REIT, we may not under applicable Maryland law make a distribution if either of the following conditions exist after giving effect to the distribution: (1) the REIT would not be able to pay its debts as the debts become due in the usual course of business; or (2) the REIT's total assets would be less than the sum of its total liabilities plus the amount that would be needed, if the REIT were dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of shareholders whose preferential rights are superior to those receiving the distribution. Therefore, we may not make a distribution on any series of preferred shares if either of the above described conditions exists after giving effect to the distribution.

We may issue additional common or preferred shares that dilute our shareholders' interests. We may issue additional common shares and preferred shares without shareholder approval. Similarly, we may cause the Operating Partnership to issue its common or preferred units for contributions of cash or property without approval by the limited partners of the Operating Partnership or our shareholders. Our existing shareholders' interests could be diluted if such additional issuances were to occur.

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. Real estate investments can be difficult to sell and convert to cash quickly, especially if market conditions are not favorable, and we may find that to be increasingly the case under the current economic conditions due to a lack of credit availability for potential buyers. Such illiquidity could limit our ability to quickly change our portfolio of properties in response to changes in economic or other conditions. Moreover, under certain circumstances, the Internal Revenue Code imposes certain penalties on a REIT that sells property held for less than two years and limits the number of properties it can sell in a given year. In addition, for certain of our properties that we acquired by issuing units in our Operating Partnership, we are restricted by agreements with the sellers of the properties for a certain period of time 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 seller's consent. Due to these factors, we may be unable to sell a property at an advantageous time.

We may suffer economic harm as a result of the actions of our partners in real estate joint ventures and other investments. We invest in certain entities in which we are not the exclusive investor or principal decision maker. Investments in such entities may, under certain circumstances, involve risks not present when a third party is not involved, including the possibility that the other parties to these investments might become bankrupt or fail to fund their share of required capital contributions. Our partners in these entities may have economic, tax or other business interests or goals which are inconsistent with our business interests or goals, and may be in a position to take actions contrary to our policies or objectives. Such investments may also lead to impasses, for example, as to whether to sell a property, because neither we nor the other parties to these investments may have full control over the entity. In addition, we may in certain circumstances be liable for the actions of the other parties to these investments. Each of these factors could have an adverse effect on our financial condition, results of operations, cash flows and ability to make expected distributions to our shareholders.

We may need to make additional cash outlays to protect our investment in loans we make that are subordinate to other loans. We have made and may in the future make loans under which we have a secured interest in the ownership of a property that is subordinate to other loans on the property. If a default were to occur under the terms of any such loans with us or under the first mortgage loans related to the properties on such loans, we may be in a position where, in order to protect our investment, we would need to either (1) purchase the other loan or (2) foreclose on the ownership interest in the property and repay the first mortgage loan, either of which could have an adverse effect on our financial condition, results of operations, cash flows and ability to make expected distributions to our shareholders.

We may be subject to possible environmental liabilities. We are subject to various Federal, state and local environmental laws, including air and water quality, hazardous or toxic substances and health and safety. These laws can impose liability on current and prior 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, or even aware of, 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 other reasons. Additionally, various laws 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 on an entity even if the facility was not owned or operated by the entity.

Although most of our properties have been subject to varying degrees of environmental assessment, many of these assessments are limited in scope and may not include or identify all potential environmental liabilities or risks associated with the property. Identification of new compliance concerns or undiscovered areas of contamination, changes in the extent or known scope of contamination, discovery of additional sites, human exposure to the contamination or changes in cleanup or compliance requirements could result in significant costs to us that could have an adverse effect on our financial condition, results of operations, cash flows and ability to make expected distributions to our shareholders.

Terrorist attacks, such as those of September 11, 2001, may adversely affect the value of our properties, our financial position and cash flows. We have significant investments in properties located in large metropolitan areas and near military installations. Future terrorist attacks could directly or indirectly damage our properties or cause losses that materially exceed our insurance coverage. After such an attack, tenants in these areas may choose to relocate their businesses to areas of the United States that may be perceived to be less likely targets of future terrorist activity, and fewer customers may choose to patronize businesses in these areas. This in turn would trigger a decrease in the demand for space in these areas, which could increase vacancies in our properties and force us to lease space on less favorable terms. As a result, the occurrence of terrorist attacks could adversely affect our financial position, results of operations, cash flows and ability to make expected distributions to our shareholders.

We may be 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, state or local laws relating to zoning, construction, fire and life safety requirements and other matters. These laws may require significant property modifications in the future and could result in the levy of fines 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 or, as mentioned above, terrorism. The occurrence of any of these events could have an adverse effect on our financial condition, results of operations, cash flows and ability to make expected distributions to our shareholders.

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We may be subject to increased costs of insurance and limitations on coverage, particularly regarding acts of terrorism. Our portfolio of properties is insured for losses under our property, casualty and umbrella insurance policies through September 30, 2011. These policies include coverage for acts of terrorism. Future changes in the insurance industry's risk assessment approach and pricing structure may increase the cost of insuring our properties and decrease the scope of insurance coverage, either of which could adversely affect our financial position and operating results. Most of our loan agreements contain customary covenants requiring us to maintain insurance. Although we believe that we have adequate insurance coverage for purposes of these agreements, we may not be able to obtain an equivalent amount of coverage at reasonable costs, or at all, in the future. In addition, if lenders insist on greater coverage than we are able to obtain, it could adversely affect our ability to finance and/or refinance our properties and execute our growth strategies, which, in turn, would have an adverse effect on our financial condition, results of operations, cash flows and ability to make expected distributions to our shareholders.

Our business could be adversely affected by a negative audit by the United States Government. Agencies of the United States, including the Defense Contract Audit Agency and various agency Inspectors General, routinely audit and investigate government contractors. These agencies review a contractor's performance under its contracts, cost structure and compliance with applicable laws, regulations, and standards. The United States Government also reviews the adequacy of, and a contractor's compliance with, its internal control systems and policies. Any costs found to be misclassified may be subject to repayment. If an audit or investigation uncovers improper or illegal activities, we may be subject to civil or criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, suspension of payments, fines, and suspension or prohibition from doing business with the United States Government. In addition, we could suffer serious reputational harm if allegations of impropriety were made against us.

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, whichever is more restrictive. Our Declaration of Trust also limits ownership by any single shareholder of our common and preferred shares in the aggregate to 9.8% of the aggregate value of the outstanding common and preferred shares. We call these restrictions the "Ownership Limit." Our Declaration of Trust allows our Board of Trustees to exempt shareholders from the Ownership Limit. The Ownership Limit and the restrictions on ownership of our common shares may delay or prevent a transaction or a change of control that might involve a premium price for our common shares or otherwise be in the best interest of our shareholders.

Our Declaration of Trust includes other provisions that may prevent or delay a change of control. Subject to the requirements of the New York Stock Exchange, our Board of Trustees has the authority, without shareholder approval, to issue additional securities on terms that could delay or prevent a 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, which could also delay or prevent a change in control.

The Maryland business statutes impose potential restrictions that may discourage 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. Resolutions adopted by our Board of Trustees and/or provisions of our bylaws exempt us from such laws, but our Board of Trustees can alter its resolutions or 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, which would substantially reduce funds available to make distributions to our shareholders. We believe that since 1992 we have

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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 specified 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 Internal Revenue Service 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 Internal Revenue Service 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. In addition, if we fail to qualify as a REIT, we will no longer be required to pay dividends. As a result of all these factors, our failure to qualify as a REIT could impair our ability to expand our business and raise capital and would likely have a significant adverse effect on the value of our securities.

We could face possible adverse changes in tax laws, which may result in an increase in our tax liability. From time to time changes in state and local tax laws or regulations are enacted, which may result in an increase in our tax liability. The shortfall in tax revenues for states and municipalities in recent years may lead to an increase in the frequency and size of such changes. If such changes occur, we may be required to pay additional taxes on our assets or income. These increased tax costs could adversely affect our financial condition and results of operations and the amount of cash available for payment of dividends.

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 and office REITs in particular;
- the level of institutional investor interest in our Company;
- general economic and business conditions;
- prevailing interest rates;
- our financial performance;
- our underlying asset value;
- market perception of our financial condition, performance, dividends and growth potential; and
- adverse changes in tax laws.

We may experience significant losses and harm to our financial condition if financial institutions holding our cash and cash equivalents file for bankruptcy protection. We believe that we maintain our cash and cash equivalents with high quality financial institutions. We have not experienced any losses to date on our deposited cash. However, we may incur significant losses and harm to our financial condition in the future if any of these financial institutions files for bankruptcy protection.

Certain of our Trustees have potential conflicts of interest. Certain members of our Board of Trustees own partnership units in our Operating Partnership. These individuals may have personal

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interests that conflict with the interests of our shareholders. For example, if our Operating Partnership sells or refinances certain of the properties that these Trustees contributed to the Operating Partnership, the Trustees could suffer adverse tax consequences. Their personal interests could conflict with our interests if such a sale or refinancing would be advantageous to us. We have certain policies in place that are designed to minimize conflicts of interest. We cannot, however, provide assurance 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.

Item 1B. Unresolved Staff Comments

None

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Item 2. Properties

The following table provides certain information about our wholly owned office properties as of December 31, 2010:

Property and Location	Submarket	Year Built/ Renovated	Rentable Square Feet	Occupancy(1)	Annualized Rental Revenue(2)	Annualized Rental Revenue per Occupied Square Foot(2)(3)
Baltimore/Washington Corridor:						
2730 Hercules Road *Annapolis Junction, MD*	BWI Airport	1990	240,336	100.0%	$ 8,087,504	$ 33.65
300 Sentinel Drive *Annapolis Junction, MD*	BWI Airport	2009	192,562	79.5%	4,883,794	31.90
304 Sentinel Drive *Annapolis Junction, MD*	BWI Airport	2005	162,647	100.0%	4,900,519	30.13
306 Sentinel Drive *Annapolis Junction, MD*	BWI Airport	2006	155,883	100.0%	4,741,283	30.42
2720 Technology Drive *Annapolis Junction, MD*	BWI Airport	2004	156,730	100.0%	5,174,350	33.01
302 Sentinel Drive *Annapolis Junction, MD*	BWI Airport	2007	153,598	99.6%	5,073,056	33.16
2711 Technology Drive *Annapolis Junction, MD*	BWI Airport	2002	152,196	100.0%	4,775,664	31.38
308 Sentinel Drive *Annapolis Junction, MD*	BWI Airport	2010	31,128	100.0%	1,027,224	33.00
320 Sentinel Way *Annapolis Junction, MD*	BWI Airport	2007	125,681	100.0%	4,808,650	38.26
318 Sentinel Way *Annapolis Junction, MD*	BWI Airport	2005	125,681	100.0%	4,303,838	34.24
322 Sentinel Way *Annapolis Junction, MD*	BWI Airport	2006	125,568	100.0%	4,791,402	38.16
324 Sentinel Way *Annapolis Junction, MD*	BWI Airport	2010	125,118	100.0%	3,543,967	28.32
140 National Business Parkway *Annapolis Junction, MD*	BWI Airport	2003	119,904	100.0%	4,041,801	33.71
132 National Business Parkway *Annapolis Junction, MD*	BWI Airport	2000	118,598	100.0%	3,772,677	31.81
2721 Technology Drive *Annapolis Junction, MD*	BWI Airport	2000	118,093	100.0%	3,863,446	32.72
2701 Technology Drive	BWI Airport	2001	117,450	100.0%	3,671,870	31.26

Annapolis Junction, MD						
2691 Technology Drive *Annapolis Junction, MD*	BWI Airport	2005	103,683	100.0%	3,362,821	32.43
134 National Business Parkway *Annapolis Junction, MD*	BWI Airport	1999	93,482	100.0%	2,716,807	29.06
135 National Business Parkway *Annapolis Junction, MD*	BWI Airport	1998	87,422	89.0%	2,586,642	33.25
133 National Business Parkway *Annapolis Junction, MD*	BWI Airport	1997	87,401	100.0%	2,773,921	31.74
141 National Business Parkway *Annapolis Junction, MD*	BWI Airport	1990	87,206	100.0%	2,831,278	32.47
131 National Business Parkway *Annapolis Junction, MD*	BWI Airport	1990	69,336	100.0%	2,210,056	31.87
114 National Business Parkway *Annapolis Junction, MD*	BWI Airport	2002	9,908	100.0%	231,218	23.34
314 Sentinel Way *Annapolis Junction, MD*	BWI Airport	2008	4,462	100.0%	203,798	45.67
1550 West Nursery Road *Linthicum, MD*	BWI Airport	2009	162,101	100.0%	3,366,433	20.77

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Property and Location	Submarket	Year Built/ Renovated	Rentable Square Feet	Occupancy(1)	Annualized Rental Revenue(2)	Annualized Rental Revenue per Occupied Square Foot(2)(3)
1306 Concourse Drive *Linthicum, MD*	BWI Airport	1990	116,307	68.8%	1,909,479	23.88
1304 Concourse Drive *Linthicum, MD*	BWI Airport	2002	101,792	78.9%	2,111,806	26.29
900 Elkridge Landing Road *Linthicum, MD*	BWI Airport	1982	100,824	100.0%	2,372,295	23.53
880 Elkridge Landing Road *Linthicum, MD*	BWI Airport	1981	99,524	100.0%	2,197,490	22.08
1199 Winterson Road *Linthicum, MD*	BWI Airport	1988	96,636	100.0%	2,654,571	27.47
920 Elkridge Landing Road *Linthicum, MD*	BWI Airport	1982	96,566	100.0%	1,942,773	20.12
1302 Concourse Drive *Linthicum, MD*	BWI Airport	1996	84,053	82.3%	1,741,674	25.17
881 Elkridge Landing Road *Linthicum, MD*	BWI Airport	1986	73,572	100.0%	1,784,645	24.26
1099 Winterson Road *Linthicum, MD*	BWI Airport	1988	70,583	31.2%	520,008	23.59
1190 Winterson Road *Linthicum, MD*	BWI Airport	1987	68,899	93.5%	1,784,960	27.71
849 International Drive *Linthicum, MD*	BWI Airport	1988	68,768	86.3%	1,579,873	26.62
911 Elkridge Landing Road *Linthicum, MD*	BWI Airport	1985	68,296	100.0%	1,580,369	23.14
1201 Winterson Road *Linthicum, MD*	BWI Airport	1985	67,903	100.0%	1,414,097	20.83
999 Corporate Boulevard *Linthicum, MD*	BWI Airport	2000	66,889	91.8%	1,812,239	29.52
901 Elkridge Landing Road *Linthicum, MD*	BWI Airport	1984	58,035	50.0%	858,162	29.57
891 Elkridge Landing Road *Linthicum, MD*	BWI Airport	1984	57,955	91.1%	1,427,742	27.04
800 International Drive *Linthicum, MD*	BWI Airport	1988	57,379	100.0%	1,199,164	20.90
930 International Drive *Linthicum, MD*	BWI Airport	1986	57,272	99.8%	1,066,358	18.66
900 International Drive *Linthicum, MD*	BWI Airport	1986	57,140	100.0%	889,963	15.58
939 Elkridge Landing Road *Linthicum, MD*	BWI Airport	1983	54,280	51.4%	483,944	17.34

921 Elkridge Landing Road *Linthicum, MD*	BWI Airport	1983	54,175	100.0%	1,218,938	22.50
938 Elkridge Landing Road *Linthicum, MD*	BWI Airport	1984	52,988	100.0%	1,244,578	23.49
870 Elkridge Landing Road *Linthicum, MD*	BWI Airport	1981	5,627	100.0%	190,854	33.92
7467 Ridge Road *Hanover, MD*	BWI Airport	1990	74,136	83.1%	1,436,000	23.31
7240 Parkway Drive *Hanover, MD*	BWI Airport	1985	74,153	79.9%	1,278,782	21.58
7272 Park Circle Drive *Hanover, MD*	BWI Airport	1991/1996	59,888	79.6%	999,610	20.97
7318 Parkway Drive *Hanover, MD*	BWI Airport	1984	59,204	100.0%	1,200,508	20.28
7320 Parkway Drive *Hanover, MD*	BWI Airport	1983	56,964	0.0%		

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Property and Location	Submarket	Year Built/ Renovated	Rentable Square Feet	Occupancy(1)	Annualized Rental Revenue(2)	Annualized Rental Revenue per Occupied Square Foot(2)(3)
1340 Ashton Road *Hanover, MD*	BWI Airport	1989	45,867	100.0%	934,899	20.38
1362 Mellon Road *Hanover, MD*	BWI Airport	2006	43,232	58.6%	572,879	22.61
1334 Ashton Road *Hanover, MD*	BWI Airport	1989	37,317	100.0%	870,824	23.34
1331 Ashton Road *Hanover, MD*	BWI Airport	1989	28,998	29.5%	144,125	16.84
1350 Dorsey Road *Hanover, MD*	BWI Airport	1989	18,698	67.2%	268,575	21.38
1344 Ashton Road *Hanover, MD*	BWI Airport	1989	16,964	100.0%	499,521	29.45
1341 Ashton Road *Hanover, MD*	BWI Airport	1989	15,947	100.0%	318,390	19.97
1343 Ashton Road *Hanover, MD*	BWI Airport	1989	9,903	100.0%	135,968	13.73
1348 Ashton Road *Hanover, MD*	BWI Airport	1988	3,108	100.0%	75,930	24.43
5520 Research Park Drive *Catonsville, MD*	BWI Airport	2009	103,990	39.2%	1,034,972	25.37
5522 Research Park Drive *Catonsville, MD*	BWI Airport	2007	23,500	100.0%	781,887	33.27
2500 Riva Road *Annapolis, MD*	Annapolis	2000	155,000	100.0%	2,217,712	14.31
Old Annapolis Road *Columbia, MD*	Howard County Perimeter	1974/1985	171,436	100.0%	7,320,399	42.70
7125 Columbia Gateway Drive *Columbia, MD*	Howard County Perimeter	1973/1999	470,249	63.8%	5,860,672	19.54
7000 Columbia Gateway Drive *Columbia, MD*	Howard County Perimeter	1999	145,806	76.9%	1,975,915	17.63
6721 Columbia Gateway Drive *Columbia, MD*	Howard County Perimeter	2009	131,451	100.0%	3,781,845	28.77
6731 Columbia Gateway Drive *Columbia, MD*	Howard County Perimeter	2002	123,847	89.2%	3,211,304	29.07
6711 Columbia Gateway Drive *Columbia, MD*	Howard County Perimeter	2006-2007	123,599	93.2%	3,400,641	29.53
6940 Columbia Gateway Drive *Columbia, MD*	Howard County Perimeter	1999	108,822	86.2%	2,405,306	25.64
6950 Columbia Gateway Drive *Columbia, MD*	Howard County Perimeter	1998	112,861	100.0%	2,631,046	23.31
7067 Columbia Gateway Drive *Columbia, MD*	Howard County Perimeter	2001	86,027	92.4%	1,842,907	23.17
8621 Robert Fulton Drive *Columbia, MD*	Howard County Perimeter	2005-2006	86,033	94.2%	1,734,169	21.40
6750 Alexander Bell Drive *Columbia, MD*	Howard County Perimeter	2001	75,328	86.8%	1,717,494	26.27
	Howard County	1988	76,347	77.0%	1,444,917	24.59

6700 Alexander Bell Drive *Columbia, MD*	Perimeter					
6740 Alexander Bell Drive *Columbia, MD*	Howard County Perimeter	1992	63,480	100.0%	1,813,601	28.57
7015 Albert Einstein Drive *Columbia, MD*	Howard County Perimeter	1999	61,203	100.0%	1,293,310	21.13
8671 Robert Fulton Drive *Columbia, MD*	Howard County Perimeter	2002	56,350	100.0%	1,051,310	18.66
6716 Alexander Bell Drive *Columbia, MD*	Howard County Perimeter	1990	52,131	90.6%	1,100,117	23.29

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Property and Location	Submarket	Year Built/ Renovated	Rentable Square Feet	Occupancy(1)	Annualized Rental Revenue(2)	Annualized Rental Revenue per Occupied Square Foot(2)(3)
8661 Robert Fulton Drive *Columbia, MD*	Howard County Perimeter	2002	49,307	100.0%	938,964	19.04
7142 Columbia Gateway Drive *Columbia, MD*	Howard County Perimeter	1994	47,668	100.0%	716,005	15.02
7130 Columbia Gateway Drive *Columbia, MD*	Howard County Perimeter	1989	46,460	100.0%	883,181	19.01
6708 Alexander Bell Drive *Columbia, MD*	Howard County Perimeter	1988	39,203	100.0%	916,824	23.39
7065 Columbia Gateway Drive *Columbia, MD*	Howard County Perimeter	2000	38,560	100.0%	774,928	20.10
7138 Columbia Gateway Drive *Columbia, MD*	Howard County Perimeter	1990	38,225	100.0%	863,790	22.60
7063 Columbia Gateway Drive *Columbia, MD*	Howard County Perimeter	2000	36,472	100.0%	958,645	26.28
6760 Alexander Bell Drive *Columbia, MD*	Howard County Perimeter	1991	36,225	57.8%	477,243	22.79
7150 Columbia Gateway Drive *Columbia, MD*	Howard County Perimeter	1991	35,812	84.6%	572,576	18.89
7061 Columbia Gateway Drive *Columbia, MD*	Howard County Perimeter	2000	29,910	83.0%	586,231	23.62
6724 Alexander Bell Drive *Columbia, MD*	Howard County Perimeter	2001	28,107	94.6%	707,435	26.60
7134 Columbia Gateway Drive *Columbia, MD*	Howard County Perimeter	1990	21,991	0.0%		
6741 Columbia Gateway Drive *Columbia, MD*	Howard County Perimeter	2008	4,592	100.0%	123,984	27.00
7200 Riverwood Drive *Columbia, MD*	Howard County Perimeter	1986	160,000	100.0%	4,400,776	27.50
7160 Riverwood Drive *Columbia, MD*	Howard County Perimeter	2000	61,984	94.6%	1,718,771	29.32
9140 Guilford Road *Columbia, MD*	Howard County Perimeter	1983	40,286	53.3%	385,654	17.95
7150 Riverwood Drive *Columbia, MD*	Howard County Perimeter	2000	39,496	100.0%	780,997	19.77
9160 Guilford Road *Columbia, MD*	Howard County Perimeter	1984	37,034	100.0%	948,186	25.60
7170 Riverwood Drive *Columbia, MD*	Howard County Perimeter	2000	29,162	65.3%	359,160	18.87
9150 Guilford Drive *Columbia, MD*	Howard County Perimeter	1984	18,592	100.0%	366,640	19.72

10280 Old Columbia Road *Columbia, MD*	Howard County Perimeter	1988/2001	16,195	90.5%	247,579	16.89
10270 Old Columbia Road *Columbia, MD*	Howard County Perimeter	1988/2001	15,910	100.0%	237,242	14.91
9130 Guilford Drive *Columbia, MD*	Howard County Perimeter	1984	13,700	0.0%		
10290 Old Columbia Road *Columbia, MD*	Howard County Perimeter	1988/2001	10,263	43.9%	96,897	21.50
9720 Patuxent Woods Drive *Columbia, MD*	Howard County Perimeter	1986/2001	40,004	12.4%	47,145	9.51
9740 Patuxent Woods Drive *Columbia, MD*	Howard County Perimeter	1986/2001	38,292	100.0%	567,968	14.83
9700 Patuxent Woods Drive *Columbia, MD*	Howard County Perimeter	1986/2001	31,220	84.2%	569,376	21.65
9730 Patuxent Woods Drive *Columbia, MD*	Howard County Perimeter	1986/2001	30,485	100.0%	482,386	15.82

Property and Location	Submarket	Year Built/ Renovated	Rentable Square Feet	Occupancy(1)	Annualized Rental Revenue(2)	Annualized Rental Revenue per Occupied Square Foot(2)(3)
9710 Patuxent Woods Drive *Columbia, MD*	Howard County Perimeter	1986/2001	14,778	72.2%	131,309	12.30
9020 Mendenhall Court *Columbia, MD*	Howard County Perimeter	1982/2005	49,217	88.6%	651,297	14.94
Subtotal/Average			**8,432,626**	**89.5%**	**$ 201,596,725**	**$ 26.72**
Northern Virginia:						
15000 Conference Center Drive *Chantilly, VA*	Dulles South	1989	471,440	80.4%	$ 9,261,749	$ 24.44
15010 Conference Center Drive *Chantilly, VA*	Dulles South	2006	223,610	100.0%	6,957,290	31.11
15059 Conference Center Drive *Chantilly, VA*	Dulles South	2000	145,224	98.8%	4,532,214	31.60
15049 Conference Center Drive *Chantilly, VA*	Dulles South	1997	145,706	99.8%	4,792,103	32.97
14900 Conference Center Drive *Chantilly, VA*	Dulles South	1999	126,158	76.9%	2,777,767	28.62
14280 Park Meadow Drive *Chantilly, VA*	Dulles South	1999	114,126	88.3%	2,701,138	26.80
4851 Stonecroft Boulevard *Chantilly, VA*	Dulles South	2004	88,094	100.0%	2,604,401	29.56
14850 Conference Center Drive *Chantilly, VA*	Dulles South	2000	72,194	33.4%	334,537	13.89
14840 Conference Center Drive *Chantilly, VA*	Dulles South	2000	69,710	100.0%	2,135,089	30.63
13200 Woodland Park Drive *Herndon, VA*	Herndon	2002	404,665	100.0%	12,289,923	30.37
13454 Sunrise Valley Road *Herndon, VA*	Herndon	1998	111,816	75.0%	2,206,231	26.30
13450 Sunrise Valley Road *Herndon, VA*	Herndon	1998	53,776	98.5%	1,418,577	26.78
3120 Fairview Park Drive(4) *Herndon, VA*	Herndon	2008	7,080	100.0%	281,705	39.79
1751 Pinnacle Drive *McLean, VA*	Tysons Corner	1989/1995	260,469	95.6%	8,688,804	34.88
1753 Pinnacle Drive *McLean, VA*	Tysons Corner	1976/2004	186,707	100.0%	6,752,584	36.17
1550 Westbranch Drive *McLean, VA*	Tysons Corner	2002	152,240	100.0%	4,883,163	32.08
2900 Towerview Road *Herndon, VA*	Herndon	1982/2008	139,802	100.0%	2,339,361	16.73

Subtotal/Average			**2,772,817**	**91.9%**	**$**	**74,956,636**	**$**	**29.41**
Suburban Maryland:								
11800 Tech Road *Silver Spring, MD*	North Silver Spring	1969/1989	228,179	82.6%	$	3,314,427	$	17.60
400 Professional Drive *Gaithersburg, MD*	Gaithersburg	2000	129,355	61.2%		2,245,727		28.37
110 Thomas Johnson Drive *Frederick, MD*	Frederick	1987/1999	122,490	100.0%		2,912,166		23.77
45 West Gude Drive *Rockville, MD*	Rockville	1987	108,588	0.0%				
15 West Gude Drive *Rockville, MD*	Rockville	1986	106,694	100.0%		2,680,626		25.12
Subtotal/Average			**695,306**	**71.4%**	**$**	**11,152,946**	**$**	**22.45**

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Property and Location	Submarket	Year Built/ Renovated	Rentable Square Feet	Occupancy(1)	Annualized Rental Revenue(2)	Annualized Rental Revenue per Occupied Square Foot(2)(3)
Washington, DC Capitol Riverfront:						
1201 M Street *Washington, DC*	Washington, DC Capitol Riverfront	2001	200,509	99.8%	$ 8,917,050	$ 44.58
1220 M Street *Washington, DC*	Washington, DC Capitol Riverfront	2003	161,165	97.0%	6,804,065	43.54
Subtotal/Average			**361,674**	**98.5%**	**$ 15,721,115**	**$ 44.13**
St. Mary's & King George Counties:						
22309 Exploration Drive *Lexington Park, MD*	St. Mary's County	1984/1997	98,860	100.0%	$ 1,489,935	$ 15.07
22289 Exploration Drive *Lexington Park, MD*	St. Mary's County	2000	58,676	100.0%	1,293,086	22.04
22299 Exploration Drive *Lexington Park, MD*	St. Mary's County	1998	58,363	93.9%	1,272,775	23.24
22300 Exploration Drive *Lexington Park, MD*	St. Mary's County	1997	44,830	100.0%	740,600	16.52
46579 Expedition Drive *Lexington Park, MD*	St. Mary's County	2002	61,156	100.0%	1,393,131	22.78
46591 Expedition Drive *Lexington Park, MD*	St. Mary's County	2005-2006	59,483	100.0%	1,367,515	22.99
44425 Pecan Court *California, MD*	St. Mary's County	1997	58,981	94.2%	1,131,964	20.38
44408 Pecan Court *California, MD*	St. Mary's County	1986	50,532	0.0%		
23535 Cottonwood Parkway *California, MD*	St. Mary's County	1984	46,656	100.0%	576,202	12.35
44417 Pecan Court *California, MD*	St. Mary's County	1989	29,053	100.0%	304,771	10.49
44414 Pecan Court *California, MD*	St. Mary's County	1986	25,444	100.0%	258,390	10.16
44420 Pecan Court *California, MD*	St. Mary's County	1989	25,200	0.0%		
16480 Commerce Drive *Dahlgren, VA*	King George County	2000	70,728	100.0%	1,296,725	18.33

16541 Commerce Drive *King George, VA*	King George County	1996	36,053	100.0%		688,662		19.10
16539 Commerce Drive *King George, VA*	King George County	1990	32,076	100.0%		585,387		18.25
16442 Commerce Drive *Dahlgren, VA*	King George County	2002	25,518	0.0%				
16501 Commerce Drive *Dahlgren, VA*	King George County	2002	22,833	100.0%		482,256		21.12
16543 Commerce Drive *Dahlgren, VA*	King George County	2002	17,370	100.0%		416,428		23.97
Subtotal/Average			**821,812**	**86.8%**	**$**	**13,297,827**	**$**	**18.64**
Greater Baltimore:								
11311 McCormick Road *Hunt Valley, MD*	Hunt Valley/Rte 83 Corridor	1984/1994	214,704	93.5%	$	4,643,709	$	23.14
200 International Circle *Hunt Valley, MD*	Hunt Valley/Rte 83 Corridor	1987	125,352	97.1%		2,690,307		22.11
226 Schilling Circle *Hunt Valley, MD*	Hunt Valley/Rte 83 Corridor	1980	97,309	100.0%		2,401,352		24.68
201 International Circle *Hunt Valley, MD*	Hunt Valley/Rte 83 Corridor	1982	78,243	84.1%		1,536,019		23.35

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11011 McCormick Road *Hunt Valley, MD*	Hunt Valley/Rte 83 Corridor	1974	57,104	24.9%	269,571	18.96
216 Schilling Circle *Hunt Valley, MD*	Hunt Valley/Rte 83 Corridor	1988/2001	35,806	91.8%	722,790	21.99
222 Schilling Circle *Hunt Valley, MD*	Hunt Valley/Rte 83 Corridor	1978/1997	28,618	63.5%	354,738	19.52
224 Schilling Circle *Hunt Valley, MD*	Hunt Valley/Rte 83 Corridor	1978/1997	27,575	79.2%	421,454	19.31
10150 York Road *Hunt Valley, MD*	Hunt Valley/Rte 83 Corridor	1985	174,737	77.1%	2,534,548	18.81
9690 Deereco Road *Timonium, MD*	Hunt Valley/Rte 83 Corridor	1988	133,861	85.5%	2,934,096	25.64
375 W. Padonia Road *Timonium, MD*	Hunt Valley/Rte 83 Corridor	1986	104,885	99.6%	2,000,112	19.14
7210 Ambassador Road *Woodlawn, MD*	Baltimore County Westside	1972	83,435	100.0%	795,136	9.53
7152 Windsor Boulevard *Woodlawn, MD*	Baltimore County Westside	1986	57,855	100.0%	969,876	16.76
21 Governor's Court *Woodlawn, MD*	Baltimore County Westside	1981/1995	56,383	70.9%	634,002	15.86
7125 Ambassador Road *Woodlawn, MD*	Baltimore County Westside	1985	50,604	84.9%	866,651	20.17
7104 Ambassador Road *Woodlawn, MD*	Baltimore County Westside	1988	30,081	100.0%	595,662	19.80
17 Governor's Court *Woodlawn, MD*	Baltimore County Westside	1981	14,454	79.2%	213,845	18.67
15 Governor's Court *Woodlawn, MD*	Baltimore County Westside	1981	14,568	100.0%	241,902	16.61
7127 Ambassador Road *Woodlawn, MD*	Baltimore County Westside	1985	11,630	62.2%	150,161	20.75
7129 Ambassador Road *Woodlawn, MD*	Baltimore County Westside	1985	11,075	100.0%	81,844	7.39
7108 Ambassador Road *Woodlawn, MD*	Baltimore County Westside	1988	8,811	100.0%	160,039	18.16
7102 Ambassador Road *Woodlawn, MD*	Baltimore County Westside	1988	8,879	100.0%	149,003	16.78
7106 Ambassador Road *Woodlawn, MD*	Baltimore County Westside	1988	8,899	100.0%	137,073	15.40
7131 Ambassador Road *Woodlawn, MD*	Baltimore County Westside	1985	7,734	44.2%	33,844	9.89

502 Washington Avenue *Towson, MD*	Towson	1984	90,435	77.5%	1,353,535	19.32
102 West Pennsylvania Avenue *Towson, MD*	Towson	1968/2001	49,701	84.9%	902,784	21.41
100 West Pennsylvania Avenue *Towson, MD*	Towson	1952/1989	20,099	71.7%	253,146	17.56
109-111 Allegheny Avenue *Towson, MD*	Towson	1971	18,431	100.0%	302,127	16.39
1501 South Clinton Street *Baltimore, MD*	Baltimore	2006	474,637	89.82%	14,963,100	35.10
209 Research Boulevard *Aberdeen, MD*	Harford County	2010	47,930	100.00%	1,360,410	28.38
210 Research Boulevard *Aberdeen, MD*	Harford County	2010	27,551	100.00%	817,292	29.66
4940 Campbell Boulevard *White Marsh, MD*	White Marsh	1990	50,415	82.1%	947,788	22.91

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Property and Location	Submarket	Year Built/ Renovated	Rentable Square Feet	Occupancy(1)	Annualized Rental Revenue(2)	Annualized Rental Revenue per Occupied Square Foot(2)(3)
8140 Corporate Drive *White Marsh, MD*	White Marsh	2003	76,271	77.0%	1,618,164	27.54
8110 Corporate Drive *White Marsh, MD*	White Marsh	2001	79,091	95.7%	1,772,798	23.42
9910 Franklin Square Drive *White Marsh, MD*	White Marsh	2005	57,812	97.3%	1,275,032	22.66
9920 Franklin Square Drive *White Marsh, MD*	White Marsh	2006	42,891	88.2%	853,392	22.56
9930 Franklin Square Drive *White Marsh, MD*	White Marsh	2001	39,750	100.0%	912,035	22.94
9900 Franklin Square Drive *White Marsh, MD*	White Marsh	1999	33,800	100.0%	580,001	17.16
9940 Franklin Square Drive *White Marsh, MD*	White Marsh	2000	32,242	100.0%	635,808	19.72
8020 Corporate Drive *White Marsh, MD*	White Marsh	1997	50,796	100.0%	928,800	18.28
8094 Sandpiper Circle *White Marsh, MD*	White Marsh	1998	49,585	88.7%	815,265	18.53
8098 Sandpiper Circle *White Marsh, MD*	White Marsh	1998	46,485	100.0%	850,882	18.30
8010 Corporate Drive *White Marsh, MD*	White Marsh	1998	38,487	92.5%	664,111	18.65
5355 Nottingham Ridge Road *White Marsh, MD*	White Marsh	2005	35,930	79.58%	475,646	16.63
5325 Nottingham Ridge Road *White Marsh, MD*	White Marsh	2002	35,678	76.3%	589,576	21.65
7941-7949 Corporate Drive *White Marsh, MD*	White Marsh	1996	57,782	0.0%		
8007 Corporate Drive *White Marsh, MD*	White Marsh	1995	41,799	84.8%	634,373	17.89

8019 Corporate Drive *White Marsh, MD*	White Marsh	1990	32,423	75.9%	508,682	20.67
8013 Corporate Drive *White Marsh, MD*	White Marsh	1990	29,995	27.6%	131,969	15.94
8003 Corporate Drive *White Marsh, MD*	White Marsh	1999	17,599	43.1%	182,921	24.11
8015 Corporate Drive *White Marsh, MD*	White Marsh	1990	15,669	87.1%	279,185	20.45
8023 Corporate Drive *White Marsh, MD*	White Marsh	1990	9,486	100.0%	182,736	19.26
5020 Campbell Boulevard *White Marsh, MD*	White Marsh	1986-1988	43,623	65.2%	444,271	15.63
5024 Campbell Boulevard *White Marsh, MD*	White Marsh	1986-1988	33,710	60.2%	344,830	16.98
5026 Campbell Boulevard *White Marsh, MD*	White Marsh	1986-1988	30,163	77.8%	365,325	15.57
5022 Campbell Boulevard *White Marsh, MD*	White Marsh	1986-1988	26,748	74.7%	348,054	17.42
10001 Franklin Square Drive *White Marsh, MD*	White Marsh	1997	218,215	100.0%	1,127,298	5.17
8114 Sandpiper Circle *White Marsh, MD*	White Marsh	1986	45,806	75.8%	892,640	25.70
4979 Mercantile Road *White Marsh, MD*	White Marsh	1985	51,198	100.0%	753,911	14.73
4969 Mercantile Road *White Marsh, MD*	White Marsh	1983	47,132	0.0%		

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Property and Location	Submarket	Year Built/ Renovated	Rentable Square Feet	Occupancy(1)	Annualized Rental Revenue(2)	Annualized Rental Revenue per Occupied Square Foot(2)(3)
7939 Honeygo Boulevard *White Marsh, MD*	White Marsh	1984	28,208	81.7%	517,254	22.45
8133 Perry Hall Boulevard *White Marsh, MD*	White Marsh	1988	27,996	90.2%	524,990	20.80
7923 Honeygo Boulevard *White Marsh, MD*	White Marsh	1985	23,481	61.4%	293,652	20.36
8031 Corporate Drive *White Marsh, MD*	White Marsh	1988/2004	66,000	100.0%	1,238,328	18.76
8615 Ridgely's Choice Drive *White Marsh, MD*	White Marsh	2005	37,746	58.4%	466,258	21.16
8029 Corporate Drive *White Marsh, MD*	White Marsh	1988/2004	25,000	100.0%	476,524	19.06
Subtotal/Average			**3,750,398**	**85.0%**	**$ 68,122,627**	**$ 21.38**
Colorado Springs:						
655 Space Center Drive *Colorado Springs, CO*	Colorado Springs East	2008	103,970	100.0%	$ 2,135,769	$ 20.54
985 Space Center Drive *Colorado Springs, CO*	Colorado Springs East	1989	104,028	78.0%	1,824,943	22.50
565 Space Center Drive *Colorado Springs, CO*	Colorado Springs East	2009	89,899	2.2%	36,345	18.63
745 Space Center Drive *Colorado Springs, CO*	Colorado Springs East	2006	51,500	100.0%	1,359,311	26.39
980 Technology Court *Colorado Springs, CO*	Colorado Springs East	1995	33,207	99.9%	645,475	19.45
525 Babcock Road *Colorado Springs, CO*	Colorado Springs East	1967	14,000	100.0%	191,559	13.68
1055 North Newport Road *Colorado Springs, CO*	Colorado Springs East	2007-2008	59,763	100.0%	1,190,948	19.93
3535 Northrop Grumman Point *Colorado Springs, CO*	Colorado Springs East	2008	124,305	100.0%	2,341,806	18.84
1670 North Newport Road *Colorado Springs, CO*	Colorado Springs East	1986-1987	67,500	56.2%	795,514	20.97
1915 Aerotech Drive	Colorado Springs East	1985	37,946	34.5%	238,837	18.26

Colorado Springs, CO						
1925 Aerotech Drive *Colorado Springs, CO*	Colorado Springs East	1985	37,946	60.1%	494,422	21.67
10807 New Allegiance Drive *Colorado Springs, CO*	I-25 North Corridor	2009	145,723	41.2%	1,353,816	22.57
12515 Academy Ridge View *Colorado Springs, CO*	I-25 North Corridor	2006	61,372	100.0%	1,435,164	23.38
9965 Federal Drive *Colorado Springs, CO*	I-25 North Corridor	1983/2007	74,749	100.0%	1,233,813	16.51
9945 Federal Drive *Colorado Springs, CO*	I-25 North Corridor	2009	74,005	0.0%		
9950 Federal Drive *Colorado Springs, CO*	I-25 North Corridor	2001	66,223	100.0%	1,048,213	15.83
9925 Federal Drive *Colorado Springs, CO*	I-25 North Corridor	2008	53,788	81.3%	697,407	15.95
9960 Federal Drive *Colorado Springs, CO*	I-25 North Corridor	2001	46,948	78.3%	803,174	21.84
5775 Mark Dabling Boulevard *Colorado Springs, CO*	Colorado Springs Northwest	1984	109,678	100.0%	1,882,027	17.16
5725 Mark Dabling Boulevard *Colorado Springs, CO*	Colorado Springs Northwest	1984	108,976	100.0%	2,079,346	19.08

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Property and Location	Submarket	Year Built/ Renovated	Rentable Square Feet	Occupancy(1)	Annualized Rental Revenue(2)	Annualized Rental Revenue per Occupied Square Foot(2)(3)
5755 Mark Dabling Boulevard *Colorado Springs, CO*	Colorado Springs Northwest	1989	103,400	87.2%	2,033,358	22.56
Subtotal/Average			**1,568,926**	**76.2%**	**$ 23,821,247**	**$ 19.93**
San Antonio, Texas:						
7700 Potranco Road *San Antonio, TX*	San Antonio Northwest	1982/1985	508,412	100.0%	$ 16,451,125	$ 32.36
8000 Potranco Road *San Antonio, TX*	San Antonio Northwest	2010	125,005	100.0%	3,218,879	25.75
8030 Potranco Road *San Antonio, TX*	San Antonio Northwest	2010	125,005	100.0%	3,218,879	25.75
7700-5 Potranco Road *San Antonio, TX*	San Antonio Northwest	2009	25,056	100.0%	355,632	14.19
7700-1 Potranco Road *San Antonio, TX*	San Antonio Northwest	2007	8,674	100.0%	289,539	33.38
1560 A Cable Ranch Road *San Antonio, TX*	San Antonio Northwest	1985/2007	45,935	100.0%	581,182	12.65
1560 B Cable Ranch Road *San Antonio, TX*	San Antonio Northwest	1985/2006	77,040	100.0%	1,801,365	23.38
Subtotal/Average			**915,127**	**100.0%**	**$ 25,916,601**	**$ 28.32**
Greater Philadelphia, Pennsylvania:						
785 Jolly Road *Blue Bell, PA*	Blue Bell	1996	219,065	100.0%	$ 2,783,362	$ 11.94
801 Lakeview Drive *Blue Bell, PA*	Blue Bell	1994	156,695	100.0%	4,142,959	17.18
Subtotal/Average			**375,760**	**100.0%**	**$ 6,926,321**	**$ 18.43**
Other:						
11751 Meadowville Lane *Chester, VA*	Richmond Southwest	2007	193,000	100.0%	$ 5,639,518	$ 29.22
201 Technology Park Drive *Lebanon, VA*	Southwest Virginia	2007	102,842	100.0%	3,416,773	33.22
Subtotal/Average			**295,842**	**100.0%**	**$ 9,056,291**	**$ 30.61**
Total/Average			**19,990,288**	**88.2%**	**$ 450,568,336**	**$ 25.56**

(1) This percentage is based upon all rentable square feet under lease terms that were in effect as of December 31, 2010.

(2)

Annualized rental revenue is the monthly contractual base rent as of December 31, 2010 multiplied by 12, plus the estimated annualized expense reimbursements under existing leases. We consider annualized rental revenue to be a useful measure for analyzing revenue sources because, since it is point-in-time based, it does not contain increases and decreases in revenue associated with periods in which lease terms were not in effect; historical revenue under GAAP does contain such fluctuations. We find the measure particularly useful for leasing, tenant, segment and industry analysis.

(3)

Annualized rental revenue per occupied square foot is a property's annualized rental revenue divided by that property's occupied square feet as of December 31, 2010.

(4)

This property, which was shell complete in 2008 and acquired by us in December 2010, contains a total 183,440 square feet. For accounting purposes, this space was 100% operational upon acquisition. For occupancy reporting, we are not including the unoccupied portion of the property in rentable square feet until the earlier of when leases commence on the space or one year from the date of acquisition.

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The following table provides certain information about our wholly owned office properties that were under construction, development or redevelopment as of December 31, 2010:

Property and Location	Submarket	Estimated Rentable Square Feet Upon Completion	Percentage Leased at December 31, 2010
Under Construction			
Baltimore/Washington Corridor:			
316 Sentinel Way *Annapolis Junction, MD*	BWI Airport	125,044	0%
7205 Riverwood Road *Columbia, MD*	Howard Co. Perimeter	86,000	0%
308 Sentinel Drive(1) *Annapolis Junction, MD*	BWI Airport	151,543	98%
410 National Business Parkway *Annapolis Junction, MD*	BWI Airport	110,000	0%
430 National Business Parkway *Annapolis Junction, MD*	BWI Airport	109,341	0%
Subtotal/Average		**581,928**	
St. Mary's & King George Counties:			
45310 Abell House Lane *California, MD*	St. Mary's County	**80,205**	100%
Greater Baltimore:			
206 Research Boulevard *Aberdeen, MD*	Harford County	127,300	0%
209 Research Boulevard(1) *Aberdeen, MD*	Harford County	77,192	100%
210 Research Boulevard(1) *Aberdeen, MD*	Harford County	79,573	35%
Subtotal/Average		**284,065**	
San Antonio:			
100 Sentry Gateway *San Antonio, TX*	San Antonio Northwest	**94,550**	0%
Total Under Construction		**1,040,748**	**32%**
Under Development			
Baltimore/Washington Corridor:			
310 Sentinel Way *Annapolis Junction, MD*	BWI Airport	240,000	N/A
312 Sentinel Way *Annapolis Junction, MD*	BWI Airport	125,000	N/A
420 National Business Parkway *Annapolis Junction, MD*	BWI Airport	140,000	N/A
Subtotal/Average		**505,000**	

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Property and Location	Submarket	Estimated Rentable Square Feet Upon Completion	Percentage Leased at December 31, 2010
Northern Virginia:			
7770 Backlick Road *Springfield, VA*	Springfield	**240,000**	N/A
Greater Baltimore:			
202 Research Boulevard *Aberdeen, MD*	Harford County	**127,530**	N/A
San Antonio:			
Sentry Gateway *San Antonio, TX*	San Antonio Northwest	93,830	N/A
8100 Portanco Road *San Antonio, TX*	San Antonio Northwest	125,000	N/A
Subtotal/Average		**218,830**	
Total Under Development		**1,091,360**	
Under Redevelopment			
Baltimore/Washington Corridor:			
7468 Candlewood Road *Hanover, MD*	BWI Airport	**357,700**	0%
Northern Virginia:			
3120 Fairview Park Drive(2) *Herndon, VA*	Herndon	**183,440**	4%
Greater Philadelphia:			
801 Lakeview Drive(1) *Blue Bell, PA*	Greater Philadelphia	218,653	72%
751 Arbor Way *Blue Bell, PA*	Greater Philadelphia	113,500	0%
Subtotal/Average		**332,153**	
Total Under Redevelopment		**873,293**	

(1) Estimated rentable square feet includes space reported as rentable square feet on the previous table of wholly owned operating office properties attributable to partially operational properties.

(2) This property, which was shell complete in 2008, was acquired by us in December 2010. For accounting purposes, this space was 100% operational upon acquisition. For occupancy reporting, we are including the space as "Under Redevelopment" until the earlier of when leases commence on the space or one year from the date of acquisition. Estimated rentable square feet for this property includes 7,080 rentable square feet reported on the previous table of wholly owned operating office properties attributable to the occupied portion of the property.

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The following table provides certain information about our wholly owned developable land holdings not under construction or development as of December 31, 2010, including properties under ground lease to us:

Land Location	Submarket	Acres	Estimated Developable Square Feet
Baltimore/Washington Corridor:			
National Business Park North *Annapolis Junction, MD*	BWI Airport	162	1,111,000
1243 Winterson Road (AS 22) *Linthicum, MD*	BWI Airport	2	30,000
940 Elkridge Landing Road (AS7) *Linthicum, MD*	BWI Airport	3	54,000
West Nursery Road *Linthicum, MD*	BWI Airport	1	5,000
1460 Dorsey Road *Hanover, MD*	BWI Airport	6	60,000
Columbia Gateway Parcel T-11 *Columbia, MD*	Howard Co. Perimeter	14	220,000
7125 Columbia Gateway Drive *Columbia, MD*	Howard Co. Perimeter	8	275,000
Riverwood *Columbia, MD*	Howard Co. Perimeter	5	27,000
Subtotal		**201**	**1,782,000**
Northern Virginia:			
Westfields Corporate Center *Chantilly, VA*	Dulles South	23	400,000
Westfields Park Center *Chantilly, VA*	Dulles South	33	674,000
Patriot Ridge *Springfield, VA*	Springfield	11	738,000
Woodland Park *Herndon, VA*	Herndon	5	225,000
Subtotal		**72**	**2,037,000**
Suburban Maryland:			
Thomas Johnson Drive *Frederick, MD*	Frederick	6	170,000
Route 15 / Biggs Ford Road *Frederick, MD*	Frederick	107	1,000,000
Rockville Corporate Center *Rockville, MD*	Rockville	10	220,000
Subtotal		**123**	**1,390,000**
St. Mary's & King George Counties:			
Dahlgren Technology Center *Dahlgren, MD*	King George County	39	122,000
Expedition VII *Lexington Park, MD*	St. Mary's County	6	60,000
Subtotal		**45**	**182,000**

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Land Location	Submarket	Acres	Estimated Developable Square Feet
Greater Baltimore:			
Canton Crossing *Baltimore, MD*	Baltimore	10	773,000
White Marsh *White Marsh, MD*	White Marsh	152	1,692,000
37 Allegheny Avenue *Towson, MD*	Towson	0.3	40,000
Northgate Business Park *Aberdeen, MD*	Harford County	34	439,000
Subtotal		**196**	**2,944,000**
Colorado Springs:			
InterQuest *Colorado Springs, CO*	I-25 North Corridor	113	1,623,000
9965 Federal Drive *Colorado Springs, CO*	I-25 North Corridor	4	30,000
Patriot Park *Colorado Springs, CO*	Colorado Springs East	71	756,000
Aerotech Commerce *Colorado Springs, CO*	Colorado Springs East	6	90,000
Subtotal		**194**	**2,499,000**
San Antonio:			
Northwest Crossroads *San Antonio, TX*	San Antonio Northwest	31	375,000
Military Drive *San Antonio, TX*	San Antonio Northwest	37	658,000
Subtotal		**68**	**1,033,000**
Greater Philadelphia:			
Arborcrest *Blue Bell, PA*	Blue Bell	**8**	**790,000**
Other:			
Fort Ritchie(1) *Cascade, MD*	Fort Ritchie	**591**	**1,700,000**
Total Land		**1,497**	**14,357,000**

(1) The Fort Ritchie acquisition includes 284,000 square feet of existing office space targeted for future development and 110 existing usable residential units.

The following table provides certain information about our wholly owned wholesale data center property as of December 31, 2010:

Property and Location	Year Built	Gross Building Area	Raised Floor Square Footage(1)	Initial Stabilization Critical Load (in MWs)(2)	Critical Load Upon Completion Leased at December 31, 2010	MW Operational
9651 Hornbaker Road	2010	233,000	100,000	18	17%	11%

Manassas, Virginia

(1) Raised floor square footage is that portion of the gross building area in which tenants locate their computer servers. Raised floor area is considered to be the net rentable square footage.

(2) Critical load is the power available for exclusive use of tenants in the property (expressed in terms of megawatts ("MWs")).

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The following table provides certain information about our joint venture office properties as of December 31, 2010:

Property and Location	Submarket	Year Built/ Renovated	Rentable Square Feet	Occupancy(1)	Annualized Rental Revenue(2)	Annualized Rental Revenue per Occupied Square Foot(2)(3)
Baltimore/Washington Corridor:						
7740 Milestone Parkway *Hanover, MD*	BWI Airport	2009	143,939	6.0%	$ 275,428	$ 31.79
Subtotal/Average			**143,939**	**6.0%**	**$ 275,428**	**$ 31.79**
Suburban Maryland:						
4230 Forbes Boulevard *Prince Georges, MD*	Lanham	2003	55,866	91.0%	$ 830,430	$ 16.34
5825 University Research Drive *College Park, MD*	College Park	2008	118,528	74.8%	2,432,546	27.45
5850 University Research Drive *College Park, MD*	College Park	2009	123,464	100.0%	3,666,881	29.70
Subtotal/Average			**297,858**	**88.3%**	**$ 6,929,857**	**$ 26.36**
Greater Harrisburg:						
2605 Interstate Drive *Harrisburg, PA*	East Shore	1990	79,456	100.0%	$ 1,476,292	$ 18.58
6345 Flank Drive *Harrisburg, PA*	East Shore	1989	69,443	63.0%	631,200	14.42
6340 Flank Drive *Harrisburg, PA*	East Shore	1988	68,200	100.0%	833,399	12.22
2601 Market Place *Harrisburg, PA*	East Shore	1989	65,411	90.0%	1,169,776	19.88
6400 Flank Drive *Harrisburg, PA*	East Shore	1992	52,439	75.5%	542,041	13.69
6360 Flank Drive *Harrisburg, PA*	East Shore	1988	46,589	46.1%	287,330	13.37
6385 Flank Drive *Harrisburg, PA*	East Shore	1995	32,671	62.6%	299,338	14.63
6380 Flank Drive *Harrisburg, PA*	East Shore	1991	32,668	80.6%	403,544	15.32
6405 Flank Drive *Harrisburg, PA*	East Shore	1991	32,000	0.0%		
95 Shannon Road *Harrisburg, PA*	East Shore	1999	21,976	100.0%	330,760	15.05
75 Shannon Road *Harrisburg, PA*	East Shore	1999	20,887	0.0%		
6375 Flank Drive *Harrisburg, PA*	East Shore	2000	19,783	71.3%	304,622	21.59
85 Shannon Road *Harrisburg, PA*	East Shore	1999	12,863	100.0%	193,601	15.05
5035 Ritter Road *Mechanicsburg, PA*	West Shore	1988	56,556	100.0%	942,866	16.67
5070 Ritter Road Building A *Mechanicsburg, PA*	West Shore	1989	31,710	36.4%	167,553	14.51
5070 Ritter Road Building B *Mechanicsburg, PA*	West Shore	1989	28,347	82.0%	280,843	12.08
Subtotal/Average			**670,999**	**74.3%**	**$ 7,863,165**	**$ 15.78**

Total/Average	**1,112,796**	**69.2%**	**$ 15,068,450**	**$**	**19.57**

(1) This percentage is based upon all rentable square feet under lease terms that were in effect at December 31, 2010.

(2) Annualized rental revenue is the monthly contractual base rent as of December 31, 2010 multiplied by 12, plus the estimated annual expense reimbursements under existing leases.

(3) Annualized rental revenue per occupied square foot is the property's annualized rental revenue divided by that property's occupied square feet as of December 31, 2010.

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The following table provides certain information about office properties owned through a joint venture that were under development as of December 31, 2010:

Property and Location	Submarket	Estimated Rentable Square Feet Upon Completion
Huntsville:		
Redstone Gateway (Building 1) *Huntsville, AL*	Huntsville	115,000
Redstone Gateway (Building 2) *Huntsville, AL*	Huntsville	120,000
Total Under Development		**235,000**

The following table provides certain information about our developable land holdings through joint ventures that were not under construction or development as of December 31, 2010, including properties under ground lease to us:

Land Location	Submarket	Acres	Estimated Developable Square Feet
Baltimore/Washington Corridor:			
Arundel Preserve(1) *Hanover, MD*	BWI Airport	**56**	**Up to 1,652,000**
Suburban Maryland:			
M Square Research Park(1) *College Park, MD*	College Park	**49**	**510,000**
Huntsville:			
Redstone Gateway(1) *Huntsville, AL*	Huntsville	**458**	**4,360,000**
Other:			
Indian Head *Charles County, MD*	Charles County	**192**	**967,000**
Total Land		**755**	**7,489,000**

(1) This land was not owned at December 31, 2010 but was under contract.

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Lease Expirations

The following table provides a summary schedule of the lease expirations for leases in place at our wholly owned office properties as of December 31, 2010, assuming that none of the tenants exercise renewal options. This analysis includes the effect of early renewals completed on existing leases but excludes the effect of new tenant leases on 266,125 square feet executed but yet to commence as of December 31, 2010.

Year of Lease Expiration(1)	Number of Leases Expiring	Square Footage of Leases Expiring	Percentage of Total Occupied Square Feet	Annualized Rental of Expiring Leases(2) (in thousands)	Percentage of Total Annualized Rental Revenue Expiring(2)	Total Annualized Rental Revenue of Expiring Leases Per Occupied Square Foot
2011	161	1,922,024	10.9%	$ 46,878	10.4%	$ 24.39
2012	144	2,564,566	14.5%	57,306	12.7%	22.35
2013	131	2,164,148	12.3%	59,939	13.3%	27.70
2014	108	1,874,195	10.6%	49,237	10.9%	26.27
2015	123	2,563,807	14.5%	65,119	14.5%	25.40
2016	58	1,251,370	7.1%	32,654	7.2%	26.09
2017	44	1,306,785	7.4%	37,076	8.2%	28.37
2018	29	906,744	5.1%	23,020	5.1%	25.39
2019	20	477,740	2.7%	10,701	2.4%	22.40
2020	20	1,032,829	5.9%	27,092	6.0%	26.23
2021	8	318,017	1.8%	7,154	1.6%	22.49
2022	4	374,991	2.1%	10,502	2.3%	28.01
2023	2	52,899	0.3%	1,155	0.3%	21.84
2025	4	555,370	3.2%	17,373	3.9%	31.28
Other(3)	27	262,037	1.5%	5,361	1.2%	20.46
Total/Weighted Average	883	17,627,522	100.0%	$ 450,568	100.0%	$ 25.56

(1) Most of our leases with the United States Government provide for consecutive one-year terms or provide for early termination rights. All of the leasing statistics set forth above assumed that the United States Government will remain in the space that it leases through the end of the respective arrangements, without ending consecutive one-year leases prematurely or exercising early termination rights. We reported the statistics in this manner because we manage our leasing activities using these same assumptions and believe these assumptions to be probable.

(2) Annualized rental revenue is the monthly contractual base rent as of December 31, 2010 multiplied by 12, plus the estimated annualized expense reimbursements under existing office leases.

(3) Other consists primarily of month-to-month leases and leases that have expired but the tenant remains in holdover as the exact expiration date is unknown.

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The following table provides a summary schedule of the lease expirations for leases in place at our wholly owned wholesale data center property as of December 31, 2010:

Year of Lease Expiration(1)	Number of Leases Expiring	Raised Floor Square Footage Expiring	Critical Load Leased (in megawatts)	Critical Load Used (in megawatts)	Annualized Rental of Expiring Leases(2) (in thousands)
2019	1	7,172	1	1	$ 2,017
2020	1	12,773	2	1	1,900
Total/Weighted Average	2	19,945	3	2	$ 3,917

Item 3. Legal Proceedings

Jim Lemon and Robin Biser, as plaintiffs, initiated a suit on May 12, 2005, in The United States District Court for the District of Columbia (Case No. 1:05CV00949), against The Secretary of the United States Army, PenMar Development Corporation ("PMDC") and the Company, as defendants, in connection with the then pending acquisition by the Company of the former army base known as Fort Ritchie located in Cascade, Maryland. The case was dismissed by the United States District Court on September 28, 2006, due to the plaintiffs' lack of standing. The plaintiffs filed an appeal in the case in the United States Court of Appeals for the District of Columbia Circuit and the Court of Appeals reversed the findings of the District Court and remanded the case to the District Court for further proceedings. The plaintiffs were unsuccessful in their request for an emergency injunction pending appeal. The Company acquired from PMDC fee simple title to 500 acres of the 591 acres comprising Fort Ritchie on October 5, 2006 and the remaining 91 acres on November 29, 2007.

On November 10, 2009, the District Court issued an Order, together with a Memorandum Opinion, which precludes the Company from proceeding with the implementation of its development plan until the Army either re-issues an amended Record of Environmental Consideration ("REC") or a Supplemental Environmental Impact Statement ("SEIS") that complies with the District Court's Memorandum Opinion. The Memorandum Opinion highlights various areas of the existing REC which could be revised to include greater detail on the Army's deliberative process whereby the Army determined that a SEIS was not necessary. We are working with both the Army's counsel and the Army representative on re-submission of the amended REC to the Court in order to lift the restrictions imposed by the Court.

On January 8, 2010, the Army filed an appeal in the United States Court of Appeals for the District of Columbia Circuit, and, on January 19, 2011, the appeal was dismissed. On January 21, 2011, the District Court issued an order for the parties to meet and confer to provide a status report to the Court on or before February 4, 2011 and the Court has approved an extended filing date of February 18, 2011. In the event that this matter is not favorably resolved, we may be unable to execute our development plans for the property, which could render us unable to recover some or all of our investment made in the property. As of December 31, 2010, the carrying value of our investment in the property was $27.7 million.

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

Item 4. Removed and Reserved

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common shares trade on the New York Stock Exchange ("NYSE") under the symbol "OFC." The table below shows the range of the high and low sale prices for our common shares as reported on the NYSE, as well as the quarterly common share dividends per share declared:

	Price Range		Dividends
2009	**Low**	**High**	**Per Share**
First Quarter	$ 20.49	$ 30.92	$ 0.3725
Second Quarter	$ 23.13	$ 33.14	$ 0.3725
Third Quarter	$ 26.87	$ 40.59	$ 0.3925
Fourth Quarter	$ 31.77	$ 38.29	$ 0.3925

	Price Range		Dividends
2010	**Low**	**High**	**Per Share**
First Quarter	$ 32.69	$ 42.44	$ 0.3925
Second Quarter	$ 34.82	$ 43.61	$ 0.3925
Third Quarter	$ 35.04	$ 39.85	$ 0.4125
Fourth Quarter	$ 33.33	$ 38.96	$ 0.4125

The number of holders of record of our common shares was 640 as of December 31, 2010. This number does not include shareholders whose shares are held of record by a brokerage house or clearing agency, but does include any such brokerage house or clearing agency as one record holder.

We will pay dividends at the discretion of our Board of Trustees. Our ability to pay cash dividends will be dependent upon: (1) the income and cash flow generated from our operations; (2) cash generated or used by our financing and investing activities; and (3) the annual distribution requirements under the REIT provisions of the Code described above and such other factors as the Board of Trustees deems relevant. Our ability to make cash dividends will also be limited by the terms of our Operating Partnership Agreement, as well as by limitations imposed by state law. In addition, we are prohibited from paying cash dividends in excess of the amount necessary for us to qualify for taxation as a REIT if a default or event of default exists pursuant to the terms of our Revolving Credit Facility; this restriction does not currently limit our ability to pay dividends, and we do not believe that this restriction is reasonably likely to limit our ability to pay future dividends because we expect to comply with the terms of our Revolving Credit Facility.

Unregistered Sales of Equity Securities and Use of Proceeds

During the three months ended December 31, 2010, 42,900 of the Operating Partnership's common units were exchanged for 42,900 common shares in accordance with the Operating Partnership's Second Amended and Restated Limited Partnership Agreement, as amended. The issuance of these common shares was effected in reliance upon the exemption from registration under Section 4(2) of the Securities Act of 1933, as amended.

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Common Shares Performance Graph

The graph and the table set forth below assume $100 was invested on December 31, 2005 in the common shares of Corporate Office Properties Trust. The graph and the table compare the cumulative return (assuming reinvestment of dividends) of this investment with a $100 investment at that time in the S&P 500 Index or the All Equity REIT Index of the National Association of Real Estate Investment Trusts ("NAREIT"):

	Period Ended					
Index	**12/31/05**	**12/31/06**	**12/31/07**	**12/31/08**	**12/31/09**	**12/31/10**
Corporate Office Properties Trust	100.00	145.77	94.04	95.71	119.91	119.34
S&P 500	100.00	115.79	122.16	76.96	97.33	111.99
NAREIT All Equity REIT Index	100.00	135.06	113.87	70.91	90.76	116.12

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Item 6. Selected Financial Data

The following table sets forth summary financial data as of and for each of the years ended December 31, 2006 through 2010. The table illustrates the significant growth we experienced over the periods reported. Most of this growth, particularly pertaining to revenues from real estate operations and total assets, was attributable to our addition of properties through acquisition and development activities. We financed most of the acquisition and development activities by incurring debt and issuing common equity, as indicated by the growth in our interest expense and weighted average common shares outstanding. The growth in our general and administrative expenses reflects, in large part, the growth in management resources required to support the increased size of our portfolio. Since this information is only a summary, you should refer to our consolidated financial statements and notes thereto and the section of this report entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional information.

Corporate Office Properties Trust and Subsidiaries
(in thousands, except per share data and number of properties)

	2010	2009	2008	2007	2006
Revenues					
Revenues from real estate operations(1)	$ 459,800	$ 423,984	$ 396,760	$ 362,770	$ 287,815
Construction contract and other service revenues	104,675	343,087	188,385	41,225	60,084
Total revenues	564,475	767,071	585,145	403,995	347,899
Expenses					
Property operating expenses(1)	179,419	157,154	140,895	122,794	92,187
Depreciation and amortization associated with real estate operations(1)	123,236	108,529	101,854	103,824	75,469
Construction contract and other service expenses	102,302	336,519	184,142	39,793	57,345
General and administrative expenses	24,008	23,240	24,096	20,227	17,441
Business development expenses	4,197	3,699	1,233	1,477	607
Total operating expenses	433,162	629,141	452,220	288,115	243,049
Operating income	131,313	137,930	132,925	115,880	104,850
Interest expense	(101,865)	(82,187)	(86,368)	(88,070)	(73,395)
Interest and other income	9,568	5,164	2,070	3,030	1,077
Gain on early extinguishment of debt			8,101		
Income from continuing operations before equity in income (loss) of unconsolidated entities and income taxes	39,016	60,907	56,728	30,840	32,532
Equity in income (loss) of unconsolidated entities	1,376	(941)	(147)	(224)	(92)
Income tax expense	(108)	(196)	(201)	(569)	(887)
Income from continuing operations	40,284	59,770	56,380	30,047	31,553
Discontinued operations(1)(2)	2,391	1,529	3,832	3,858	23,546
Income before gain on sales of real estate	42,675	61,299	60,212	33,905	55,099
Gain on sales of real estate, net of income taxes(1)(3)	2,829		1,104	2,037	889

Net income	45,504	61,299	61,316	35,942	55,988
Net income attributable to noncontrolling interests	(2,744)	(4,970)	(7,351)	(3,741)	(7,621)
Net income attributable to Corporate Office Properties Trust	42,760	56,329	53,965	32,201	48,367
Preferred share dividends	(16,102)	(16,102)	(16,102)	(16,068)	(15,404)
Issuance costs associated with redeemed preferred shares(4)					(3,896)
Net income attributable to Corporate Office Properties Trust common shareholders	$ 26,658	$ 40,227	$ 37,863	$ 16,133	$ 29,067
Basic earnings per common share(5)					
Income from continuing operations	$ 0.39	$ 0.68	$ 0.70	$ 0.27	$ 0.22
Net income	$ 0.43	$ 0.70	$ 0.77	$ 0.34	$ 0.69
Diluted earnings per common share(5)					
Income from continuing operations	$ 0.39	$ 0.68	$ 0.69	$ 0.26	$ 0.21
Net income	$ 0.43	$ 0.70	$ 0.76	$ 0.33	$ 0.67
Weighted average common shares outstanding basic	59,611	55,930	48,132	46,527	41,463
Weighted average common shares outstanding diluted	59,944	56,407	48,820	47,518	43,031

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	2010	2009	2008	2007	2006
Balance Sheet Data (as of year end):					
Investment in real estate	$ 3,445,455	$ 3,029,900	$ 2,778,466	$ 2,604,836	$ 2,111,517
Total assets	$ 3,844,517	$ 3,380,022	$ 3,114,239	$ 2,932,364	$ 2,419,329
Debt	$ 2,323,681	$ 2,053,841	$ 1,856,751	$ 1,809,610	$ 1,478,460
Total liabilities	$ 2,521,379	$ 2,259,390	$ 2,031,816	$ 1,962,884	$ 1,609,034
Total equity	$ 1,323,138	$ 1,120,632	$ 1,082,423	$ 969,480	$ 810,295
Other Financial Data (for the year ended):					
Cash flows provided by (used in):					
Operating activities	$ 156,436	$ 194,817	$ 180,892	$ 138,391	$ 113,358
Investing activities	$ (479,167)	$ (349,076)	$ (290,822)	$ (328,404)	$ (254,041)
Financing activities	$ 324,571	$ 155,746	$ 92,067	$ 206,728	$ 137,822
Numerator for diluted EPS	$ 25,587	$ 39,217	$ 37,135	$ 15,616	$ 28,618
Diluted funds from operations(6)	$ 148,645	$ 152,626	$ 143,592	$ 121,371	$ 97,165
Diluted funds from operations per share(6)	$ 2.30	$ 2.46	$ 2.52	$ 2.17	$ 1.89
Cash dividends declared per common share	$ 1.61	$ 1.53	$ 1.425	$ 1.30	$ 1.18
Property Data (as of year end):					
Number of properties owned(1)(7)	252	245	235	227	170
Total rentable square feet owned(1)(7)	19,990	19,086	18,452	17,827	15,050

(1) Certain prior period amounts pertaining to properties included in discontinued operations have been reclassified to conform with the current presentation. These reclassifications did not affect consolidated net income or shareholders' equity.

(2) Includes income derived from seven operating real estate properties we sold in 2006, four operating real estate properties we sold in 2007, three operating real estate properties we sold in 2008 and three operating real estate properties we sold in 2010 (see Note 18 to our consolidated financial statements).

(3) Reflects gain from sales of properties and unconsolidated real estate joint ventures not associated with discontinued operations.

(4) Reflects a decrease to net income available to common shareholders pertaining to the original issuance costs recognized upon the redemption of the Series E and Series F preferred shares of beneficial interest in 2006.

(5) Basic and diluted earnings per common share are calculated based on amounts attributable to common shareholders of Corporate Office Properties Trust.

(6) For definitions of diluted funds from operations per share and diluted funds from operations and reconciliations of these measures to their comparable measures under generally accepted accounting principles, you should refer to the section entitled "Funds from Operations" within the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(7) Amounts reported reflect only wholly owned office properties.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

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

This section contains "forward-looking" statements, as defined in the Private Securities Litigation Reform Act of 1995, that are based on our current expectations, estimates and projections about future events and financial trends affecting the financial condition and operations of our business. Forward-looking statements can be identified by the use of words such as "may," "will," "should," "could," "believe," "anticipate," "expect," "estimate," "plan" or other comparable terminology. Forward-looking statements are inherently subject to risks and uncertainties, many of which we cannot predict with accuracy and some of which we might not even anticipate. Although we believe that the expectations, estimates and projections reflected in such forward-looking statements are based on reasonable assumptions at the time made, we can give no assurance that these expectations, estimates and projections will be achieved. Future events and actual results may differ materially from those discussed in the forward-looking statements. Important factors that may affect these expectations, estimates and projections include, but are not limited to:

- 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;
- our ability to borrow on favorable terms;
- risks of real estate acquisition and development activities, including, among other things, risks that development projects may not be completed on schedule, that tenants may not take occupancy or pay rent or that development and operating costs may be greater than anticipated;
- risks of investing through joint venture structures, including risks that our joint venture partners may not fulfill their financial obligations as investors or may take actions that are inconsistent with our objectives;
- changes in our plans for properties or views of market economic conditions or failure to obtain development rights, either of which could result in recognition of impairment losses;
- our ability to satisfy and operate effectively under Federal income tax rules relating to real estate investment trusts and partnerships;
- governmental actions and initiatives; and
- environmental requirements.

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

Overview

We are a specialty office real estate investment trust ("REIT") that focuses primarily on strategic customer relationships and specialized tenant requirements in the United States Government and defense information technology sectors and data centers serving such sectors. We acquire, develop, manage and lease office and data center properties that are typically concentrated in large office parks primarily located adjacent to government demand drivers and/or in strong markets that we believe possess growth opportunities.

Most of our revenues relating to real estate operations are derived from rents and property operating expense reimbursements earned from tenants leasing space in our properties. Most of our expenses relating to our real estate operations take the form of: (1) property operating costs, such as real estate taxes, utilities and repairs and maintenance; (2) interest costs; and (3) depreciation and amortization associated with our operating properties. Much of our profitability from real estate operations depends on our ability to maintain high levels of occupancy and increase rents, which is affected by a number of factors, including, among other things, our tenants' ability to fulfill their lease obligations and their continuing space needs based on, among other things, employment levels, business confidence and competition and general economic conditions of the markets in which we operate.

As described further in Item 1 to this Annual Report on Form 10-K in the section entitled, "Business and Growth Strategies," our strategy for operations and growth focuses on establishing and nurturing long-term relationships with quality tenants and accommodating their multi-locational needs, particularly tenants in the United States Government and defense information technology sectors and data centers serving such sectors. As a result of this strategy, a large concentration of our revenue is derived from several large tenants. At December 31, 2010, 58.1% of our annualized rental revenue (as defined in the section entitled "Concentration of Operations") from wholly owned office properties was from our 20 largest tenants, 37.3% from our four largest tenants, 21.1% from our largest tenant, the United States Government, and 58.7% from properties occupied primarily by tenants in the United States Government and defense information technology sectors and data centers serving such sectors.

Our operations in 2009 and 2010 were adversely affected by the challenging economic conditions in the United States. Most of our regions experienced job losses to varying extents, which resulted in decreased demand for space. This decreased demand for space increased competition for tenants, which collectively placed downward pressure on rental rates. These factors contributed to a decrease in our occupancy from 93.2% at December 31, 2008 to 88.2% at December 31, 2010 and decreased the extent to which we were able to increase rents on lease renewals and space retenanting. These factors also contributed to slower than expected leasing on a number of our newly constructed properties and decreased our pace for commencing construction on additional properties. We expect this challenging lease environment to continue at least through 2011, although we believe that the overall fundamentals for office leasing for us were either at, or near, bottom by year end.

Our net income attributable to common shareholders decreased $13.6 million, or 34%, from 2009 to 2010. This decrease was due primarily to a $19.7 million increase in interest expense and a $6.6 million decrease in operating income, which were partially offset by a $6.0 million increase in gains recognized on our equity method investment in The KEYW Holding Corporation.

One manner in which we evaluate the operating performance of our properties is through a measure we define as net operating income ("NOI") from real estate operations, which is derived by subtracting property operating expenses from revenues from real estate operations (please refer to the section below entitled "Results of Operations" for additional information pertaining to this measure). The amount of NOI from real estate operations included in income from continuing operations is referred to herein as NOI from continuing real estate operations. Our NOI from continuing real estate operations increased from 2009 to 2010 due primarily to NOI from newly acquired or newly constructed properties. However, this increase was offset by decreases of $8.0 million in NOI from properties that were owned and 100% operational in 2009 and 2010 (properties that we refer to collectively as "Same Office Properties") and $5.4 million from three vacant properties that we expect to redevelop.

During 2010, we expanded our portfolio of office properties by:

- acquiring three operating office properties totaling 514,000 square feet that were 100% leased upon acquisition and a shell-complete office property totaling 183,000 square feet for $205.1 million; and

- placing into service an aggregate of 816,000 square feet in nine newly constructed office properties that were 77% leased at December 31, 2010; we expect all of these properties to be

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certified under the U.S. Green Building Council's Leadership in Energy and Environmental Design ("LEED") program as LEED Silver or Gold.

Other investing activities in 2010 to increase our capacity for future growth included our:

- formation of LW Redstone Company, LLC, a joint venture created to develop Redstone Gateway, a 468-acre master-planned office business park adjacent to Redstone Arsenal in Huntsville, Alabama;
- entry into the Springfield, Virginia submarket by acquiring 15 acres on which we are entitled to develop up to 978,000 square feet adjacent to the new National Geospatial Intelligence Agency (NGA) headquarters at Fort Belvoir; and
- acquisition of a partially operational 233,000 square foot wholesale data center for $115.5 million that was 17% leased on the date of acquisition to two tenants that have a combined initial critical load of three megawatts and further expansion rights of up to a combined five megawatts. We expect to complete the development of the property to an initial stabilization critical load of 18 megawatts for additional development costs initially estimated at $166 million.

Most of the investing activities described above were financed using borrowings from our unsecured revolving credit facility (the "Revolving Credit Facility") and construction loan agreement with an aggregate commitment by the lenders that is restorable (the "Revolving Construction Facility"). Our activities to restore and increase availability under our Revolving Credit Facility included our:

- issuance of a $240.0 million aggregate principal amount of 4.25% Exchangeable Senior Notes due in 2030 and redeemable by us, or subject to required repurchase upon request of the note holders, in April 2015 or thereafter as defined under the terms of the notes;
- issuance of 7.5 million common shares at a public offering price of $34.25 per share for net proceeds of $245.8 million after underwriting discounts but before offering expenses; and
- addition of new lenders under our Revolving Credit Facility to increase the borrowing capacity under the facility by $200.0 million, from $600.0 million to $800.0 million.

We expect to satisfy our 2011 debt maturities and fund the construction of properties under construction at December 31, 2010 or expected to be started in 2011 using capacity under our credit facilities and by accessing the secured debt market, unsecured debt market and/or public equity market.

We discuss significant factors contributing to changes in our net income attributable to our common shareholders and diluted earnings per share over the last three years in the section below entitled "Results of Operations." We discuss our 2010 investing and financing activities further in the section below entitled "Investing and Financing Activities During 2010." In addition, the section below entitled "Liquidity and Capital Resources" includes discussions of, among other things:

- how we expect to generate cash for short and long-term capital needs;
- our off-balance sheet arrangements in place that are reasonably likely to affect our financial condition; and
- our commitments and contingencies.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP"), which require us to make certain estimates and assumptions. A summary of our significant accounting policies is provided in Note 2 to our consolidated financial statements. The following section is a summary of certain aspects of those accounting policies involving estimates and assumptions that (1) require our most difficult, subjective or

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complex judgments in accounting for uncertain matters or matters that are susceptible to change and (2) materially affect our reported operating performance or financial condition. It is possible that the use of different reasonable estimates or assumptions in making these judgments could result in materially different amounts being reported in our consolidated financial statements. While reviewing this section, you should refer to Note 2 to our consolidated financial statements, including terms defined therein.

Acquisitions of Properties

When we acquire properties, we allocate the purchase price to numerous tangible and intangible components. Most of the terms in this bullet section are discussed in further detail in Note 2 to the consolidated financial statements entitled "Acquisitions of Properties." Our process for determining the allocation to these components requires many estimates and assumptions, including the following: (1) determination of market rental rates; (2) estimation of leasing and tenant improvement costs associated with the remaining term of acquired leases; (3) assumptions used in determining the in-place lease value, if-vacant value and tenant relationship value, including the rental rates, period of time that it will take to lease vacant space and estimated tenant improvement and leasing costs; and (4) allocation of the if-vacant value between land and building. A change in any of the above key assumptions, which are subjective, can materially change not only the presentation of acquired properties in our consolidated financial statements but also our reported results of operations. The allocation to different components affects the following:

- the amount of the purchase price allocated among different categories of assets and liabilities on our consolidated balance sheets; the amount of costs assigned to individual properties in multiple property acquisitions; and the amount of gain recognized in our consolidated statements of operations should we determine that the fair value of the acquisition exceeds its cost;

- where the amortization of the components appear over time in our consolidated statements of operations. Allocations to above- and below-market leases are amortized into rental revenue, whereas allocations to most of the other tangible and intangible assets are amortized into depreciation and amortization expense. As a REIT, this is important to us since much of the investment community evaluates our operating performance using non-GAAP measures such as funds from operations, the computation of which includes rental revenue but does not include depreciation and amortization expense; and

- the timing over which the items are recognized as revenue or expense in our consolidated statements of operations. For example, for allocations to the as-if vacant value, the land portion is not depreciated and the building portion is depreciated over a longer period of time than the other components (generally 40 years). Allocations to above- and below-market leases, in-place lease value and tenant relationship value are amortized over significantly shorter timeframes, and if individual tenants' leases are terminated early, any unamortized amounts remaining associated with those tenants are written off upon termination. These differences in timing can materially affect our reported results of operations. In addition, we establish lives for tenant relationship values based on our estimates of how long we expect the respective tenants to remain in the properties.

Impairment of Long-Lived Assets

If events or changes in circumstances indicate that the carrying values of operating properties, properties in development or land held for future development may be impaired, we perform a recovery analysis based on the estimated undiscounted future cash flows to be generated from the operations and eventual disposition of such properties. If the analysis indicates that the carrying value of a tested property is not recoverable from estimated future cash flows, it is written down to its estimated fair value and an impairment loss is recognized. Fair values are determined based on estimated future cash flows using appropriate discount and capitalization rates or third-party valuations or appraisals. The estimated cash flows used for the impairment analysis and determining the fair values are based on our plans for the tested property and our views of market and economic conditions. The estimates consider matters such as current and future rental rates, occupancies for the tested property and comparable properties, estimated operating and capital expenditures and recent sales data for comparable properties. Determining the appropriate capitalization rate also requires significant judgment and is typically based on many factors, including the prevailing rate for the market or submarket, as well as the quality and location of the properties. Changes in the estimated future cash flows due to changes in our plans for a property, views of market and economic conditions and/or our ability to obtain development rights could result in recognition of impairment losses which, under the applicable accounting guidance, could be substantial.

Properties held for sale are carried at the lower of their carrying values (i.e., cost less accumulated depreciation and any impairment loss recognized, where applicable) or estimated fair values less costs to sell. Accordingly, decisions to sell certain operating properties, properties in development or land held for development will result in impairment losses if carrying values of the specific properties exceed their estimated fair values less costs to sell. The estimates of fair value consider matters such as recent sales data for comparable properties and, where applicable, contracts or the results of negotiations with prospective purchasers. These estimates are subject to revision as market conditions, and our assessment of such conditions, change.

Assessment of Lease Term

As discussed above, a significant portion of our portfolio is leased to the United States Government, and the majority of those leases consist of a series of one-year renewal options. Applicable accounting guidance requires us to recognize minimum rental payments on a straight-line basis over the terms of each lease and to assess the lease terms as including all periods for which failure to renew the lease imposes a penalty on the lessee in such amounts that a renewal appears, at the inception of the lease, to be reasonably assured. Factors to consider when determining whether a penalty is significant include the uniqueness of the purpose or location of the property, the availability of a comparable replacement property, the relative importance or significance of the property to the continuation of the lessee's line of business and the existence of leasehold improvements or other assets whose value would be impaired by the lessee vacating or discontinuing use of the leased property. We have concluded for a number of our leases, based on the factors above, that the United States Government's exercise of all of those renewal options is reasonably assured. Changes in these assessments could result in the write-off of any recorded assets associated with straight-line rental revenue and acceleration of depreciation and amortization expense associated with costs we have incurred related to these leases.

Revenue Recognition on Tenant Improvements

Most of our leases involve some form of improvements to leased space. When we are required to provide improvements under the terms of a lease, we need to determine whether the improvements constitute landlord assets or tenant assets. If the improvements are landlord assets, we capitalize the cost of the improvements and recognize depreciation expense associated with such improvements over the shorter of the useful life of the assets or the term of the lease and recognize any payments from the tenant as rental revenue over the term of the lease. If the improvements are tenant assets, we defer the cost of improvements funded by us as a lease incentive asset and amortize it as a reduction of rental revenue over the term of the lease. Our determination of whether improvements are landlord assets or tenant assets also may affect when we commence revenue recognition in connection with a lease.

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In determining whether improvements constitute landlord or tenant assets, we consider numerous factors that may require subjective or complex judgments, including: whether the improvements are unique to the tenant or reusable by other tenants; whether the tenant is permitted to alter or remove the improvements without our consent or without compensating us for any lost fair value; whether the ownership of the improvements remains with us or remains with the tenant at the end of the lease term; and whether the economic substance of the lease terms is properly reflected.

Collectability of Accounts and Deferred Rent Receivable

Allowances for doubtful accounts and deferred rent receivable are established based on quarterly analyses of the risk of loss on specific accounts. The analyses place particular emphasis on past-due accounts and consider information such as the nature and age of the receivables, the payment history of the tenants, the financial condition of the tenants and our assessment of their ability to meet their lease obligations, the basis for any disputes and the status of related negotiations. Our estimate of the required allowance is subject to revision as these factors change and is sensitive to the effects of economic and market conditions on tenants.

Accounting Method for Investments

We use three different accounting methods to report our investments in entities: the consolidation method; the equity method; and the cost method (see Note 2 to our consolidated financial statements). We use the consolidation method when we own most of the outstanding voting interests in an entity and can control its operations. We also consolidate certain entities when control of such entities can be achieved through means other than voting rights ("variable interest entities" or "VIEs") if we are deemed to be the primary beneficiary. Generally, this applies when either (1) the equity investors (if any) lack one or more of the essential characteristics of a controlling financial interest; (2) the equity investment at risk is insufficient to finance that entity's activities without additional subordinated financial support; or (3) the equity investors have voting rights that are not proportionate to their economic interests and the activities of the entity involve, or are conducted on behalf of, an investor with a disproportionately small voting interest. We use the equity method of accounting when we own an interest in an entity and can exert significant influence over, but cannot control, the entity's operations.

In making these determinations, we need to make subjective estimates and judgments regarding the entity's future operating performance, financial condition, future valuation and other variables that may affect the cash flows of the entity. We must consider both our and our partner's ability to participate in the management of the entity's operations and make decisions that allow the parties to manage their economic risks. We may also need to estimate the probability of different scenarios taking place over time and their effect on the partners' cash flows. The conclusion reached as a result of this process affects whether or not we use the consolidation method in accounting for our investment or the equity method. Whether or not we consolidate an investment can materially affect our consolidated financial statements.

Concentration of Operations

We refer to the measure "annualized rental revenue" in various sections of the Management's Discussion and Analysis of Financial Condition and Results of Operations section of this Annual Report. Annualized rental revenue is a measure that we use to evaluate the source of our rental revenue as of a point in time. It is computed by multiplying by 12 the sum of monthly contractual base rents and estimated monthly expense reimbursements under active leases as of a point in time. We consider annualized rental revenue to be a useful measure for analyzing revenue sources because, since it is point-in-time based, it does not contain increases and decreases in revenue associated with periods in which lease terms were not in effect; historical revenue under GAAP does contain such fluctuations. We find the measure particularly useful for leasing, tenant, segment and industry analysis.

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Customer Concentration of Property Operations

The following schedule lists our 20 largest tenants in our portfolio of wholly owned office properties based on percentage of annualized rental revenue:

Tenant	Percentage of Annualized Rental Revenue of Wholly Owned Office Properties for 20 Largest Tenants as of December 31, 2010	2009	2008
United States of America	21.1%	18.6%	17.3%
Northrop Grumman Corporation(1)	7.3%	7.9%	7.4%
Booz Allen Hamilton, Inc.	4.7%	5.0%	5.2%
Computer Sciences Corporation(1)	4.2%	2.9%	3.1%
ITT Corporation(1)	1.8%	1.7%	1.8%
The MITRE Corporation	1.8%	N/A	N/A
The Aerospace Corporation(1)	1.7%	1.8%	1.9%
CareFirst, Inc.	1.7%	1.6%	N/A
Wells Fargo & Company(1)	1.7%	1.8%	1.7%
L-3 Communications Holdings, Inc.(1)	1.7%	1.8%	2.5%
Integral Systems, Inc.(1)	1.4%	1.4%	N/A
Comcast Corporation(1)	1.3%	1.4%	1.7%
The Boeing Company(1)	1.3%	1.1%	1.1%
AT&T Corporation(1)	1.2%	1.4%	1.4%
Ciena Corporation	1.1%	1.0%	1.1%
General Dynamics Corporation(1)	1.0%	2.0%	2.0%
Unisys Corporation	0.9%	1.1%	2.3%
The Johns Hopkins Institutions(1)	0.8%	0.8%	0.8%
Merck & Co., Inc.(1)	0.7%	0.7%	0.7%
First Mariner Bank(1)	0.7%	N/A	N/A
BAE Systems PLC(1)	N/A	0.8%	0.8%
Lockheed Martin Corporation	N/A	0.6%	N/A
Science Applications International Corporation	N/A	N/A	0.8%
Magellan Health Services, Inc.	N/A	N/A	0.7%
AARP	N/A	N/A	0.7%
Subtotal of 20 largest tenants	58.1%	55.4%	55.0%
All remaining tenants	41.9%	44.6%	45.0%
Total	100.0%	100.0%	100.0%

(1) Includes affiliated organizations and agencies and predecessor companies.

The United States Government increased in large part due to it taking occupancy of a significant portion of our newly-constructed square feet placed in service.

Our properties occupied primarily by tenants in the United States Government and defense information technology sectors and data centers serving such sectors accounted for 58.7% of our annualized rental revenue from wholly owned office properties at December 31, 2010, an increase from 54.9% at December 31, 2009. This increase is due primarily to newly-constructed properties placed into service and acquisitions of operating properties. We believe that we are well positioned for future growth in the concentration of our revenue derived from customers in these sectors, as discussed further in the section in Item 1 to this Annual Report on Form 10-K entitled "Business and Growth Strategies." We generally classify the revenue from our leases into sector groupings based solely on our

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knowledge of the tenants' operations in leased space. We do not use independent sources such as Standard Industrial Classification codes for classifying our revenue into industry groupings and if we did, the resulting groupings would be materially different.

Geographic Concentration of Property Operations

The table below sets forth the regional allocation of our annualized rental revenue of wholly owned office properties as of the end of the last three calendar years:

	Percentage of Annualized Rental Revenue of Wholly Owned Office Properties as of December 31,			Number of Wholly Owned Office Properties as of December 31,		
Region	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
Baltimore/Washington Corridor	44.7%	46.1%	46.7%	111	109	104
Northern Virginia	16.6%	17.7%	18.8%	17	15	15
Greater Baltimore	15.1%	15.7%	13.1%	66	64	63
San Antonio	5.8%	3.6%	2.6%	8	6	5
Colorado Springs	5.3%	6.0%	5.7%	21	21	17
Washington, DC - Capitol Riverfront	3.5%	N/A	N/A	2	N/A	N/A
St. Mary's and King George Counties	3.0%	3.3%	3.4%	18	18	18
Suburban Maryland	2.5%	3.4%	4.0%	5	5	5
Greater Philadelphia	1.5%	1.6%	2.9%	2	3	4
Other	2.0%	2.6%	2.8%	2	4	4
	100.0%	100.0%	100.0%	252	245	235

The most significant changes in our regional allocations set forth above was due to newly-constructed properties placed into service and acquisitions of operating office properties.

Occupancy and Leasing

Office Properties

The tables below set forth occupancy information pertaining to our portfolio of wholly owned operating office properties:

	December 31,		
	2010	**2009**	**2008**
Occupancy rates at year end			
Total	88.2%	90.7%	93.2%
Baltimore/Washington Corridor	89.5%	91.6%	93.4%
Northern Virginia	91.9%	96.6%	97.4%
Greater Baltimore	85.0%	80.3%	83.1%
San Antonio	100.0%	100.0%	100.0%
Colorado Springs	76.2%	85.8%	94.3%
Washington, DC - Capitol Riverfront	98.5%	N/A	N/A
St. Mary's and King George Counties	86.8%	97.8%	95.2%
Suburban Maryland	71.4%	91.9%	97.7%
Greater Philadelphia	100.0%	100.0%	100.0%
Other	100.0%	100.0%	100.0%
Average contractual annual rental rate per square foot at year end(1)	$ 25.56	$ 24.63	$ 22.40

(1)

Includes estimated expense reimbursements.

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	Rentable Square Feet	Occupied Square Feet
	(in thousands)	
December 31, 2009	19,086	17,310
Square feet vacated upon lease expiration(1)		(1,386)
Square feet retenanted after lease expiration(2)		943
Square feet acquired, constructed or disposed	1,112	963
Other changes	(208)	(202)
December 31, 2010	19,990	17,628

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

(2) Excludes retenanting of vacant square feet acquired or developed.

Due in large part to the challenging economic conditions in the United States, most of our regions experienced job losses to varying extents, prompting businesses to close, downsize their space requirements or cancel or delay expansion plans. Some tenants with continued space needs were looking to lower their operating expenses and were hesitant to make long-term leasing commitments given the uncertainty in the economy. Tenants looking to renew leases were at times willing to do so only when the renewal was accompanied by a downsizing of space or reduction of rent. This decrease in demand for space contributed to occupancy rate decreases in our regions and increased competition for tenants from owners of other properties willing to offer aggressively lower rental rates or higher cost tenant improvement terms, resulting in downward pressure on rental rates. These factors contributed to the decreases in our occupancy rates reflected above and decreased the extent to which we were able to increase rental rates. We renewed 68% of the square footage of our lease expirations (including the effect of early renewals) for the year ended December 31, 2010.

Much of the decrease in occupancy rates for certain of our regions with significant changes from December 31, 2009 to December 31, 2010 can be attributable to a small number of discrete events, including:

- 119,000 square feet vacated in Northern Virginia upon the expiration of one tenant's leases in two properties;
- 127,000 newly constructed square feet placed into service in Colorado Springs during 2010 that were unoccupied; and
- 149,000 square feet vacated upon the expiration of two large leases in Suburban Maryland.

While we expect the challenging lease environment to continue at least through 2011, we believe that the overall fundamentals for office leasing for us were either at, or near, bottom by December 31, 2010. We also believe that our customer and market strategies serve as advantages in the current lease environment since we expect the United States Government and defense information technology sectors to fuel economic growth in many of our regions. Military and civilian personnel are in the process of being relocated to government installations at Fort George G. Meade (in the Baltimore/Washington Corridor), Aberdeen Proving Ground (in the Greater Baltimore region), San Antonio, Redstone Arsenal (in Huntsville, Alabama) and Fort Belvoir (in Springfield, Virginia) in connection with mandates by the Base Realignment and Closure Commission of the United States Congress ("BRAC"). In addition, the newly-formed United States Cyber Command will be located at Fort George G. Meade. We expect the demand created by these government installations will not only help stabilize the leasing markets in these regions but also expect it will provide future growth for us due to the installations' proximity to many of our properties. While there has been increased speculation regarding future reductions in United States defense spending, we do not believe that such spending

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decreases, were they to occur, would significantly affect defense information technology, which is the primary nature of the activities for tenants in our sector concentration described above. On the contrary, we believe that United States spending for defense information technology could increase due to the increasing significance of these activities to national security.

At December 31, 2010, we had 1.0 million square feet under construction that was 32% leased. We are constructing this space in anticipation of demand from the United States Government and defense information technology sectors and data centers serving such sectors. We believe that we need to commence construction on properties that are not pre-leased to a certain extent to enable us to meet demand from these sectors in a short timeframe.

We believe that our continuing exposure to the challenging leasing environment is mitigated to a certain extent by the generally long-term nature of our leases and the staggered timing of our future lease expirations. Our weighted average lease term for wholly owned office properties at December 31, 2010 was approximately 4.9 years. The table below sets forth as of December 31, 2010 our scheduled lease expirations of wholly owned office properties by region in terms of percentage of annualized rental revenue:

	Year of Lease Expiration of Annualized Rental Revenue of Wholly Owned Office Properties						
	2011	**2012**	**2013**	**2014**	**2015**	**Thereafter/ Other(1)**	**Total**
Baltimore/Washington Corridor	4.6%	6.7%	8.3%	4.3%	6.5%	14.2%	44.7%
Northern Virginia	1.5%	1.1%	0.9%	3.1%	4.9%	5.1%	16.6%
Greater Baltimore	1.7%	2.4%	1.8%	1.2%	1.5%	6.5%	15.1%
San Antonio	0.0%	0.3%	0.0%	0.0%	0.0%	5.5%	5.8%
Colorado Springs	0.6%	0.4%	0.5%	0.8%	0.4%	2.6%	5.3%
Washington, DC - Capitol Riverfront	1.0%	0.0%	1.3%	0.7%	0.3%	0.3%	3.5%
St. Mary's and King George Counties	0.5%	1.1%	0.4%	0.2%	0.3%	0.4%	3.0%
Suburban Maryland	0.5%	0.1%	0.1%	0.6%	0.6%	0.7%	2.5%
Greater Philadelphia	0.0%	0.6%	0.0%	0.0%	0.0%	0.9%	1.5%
Other	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	2.0%
Total	10.4%	12.7%	13.3%	10.9%	14.5%	38.2%	100.0%

(1) Other includes 1.2% representing primarily month-to-month leases and leases that have expired but the tenant remains in holdover as the exact expiration date is unknown.

As noted above, most of the leases with our largest tenant, the United States Government, provide for consecutive one-year terms or provide for early termination rights; all of the leasing statistics set forth above assume that the United States Government will remain in the space that they lease through the end of the respective arrangements, without ending consecutive one-year leases prematurely or exercising early termination rights.

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The table below sets forth occupancy information pertaining to operating office properties in which we have a partial ownership interest:

Geographic Region	Ownership Interest	Occupancy Rates at December 31, 2010	2009	2008
Greater Harrisburg, Pennsylvania(1)	20.0%	74.3%	79.0%	89.4%
Suburban Maryland(2)	(2)	88.3%	84.1%	94.8%
Baltimore/Washington Corridor(3)	50.0%	6.0%	6.0%	N/A

(1) Includes 16 properties totaling 671,000 square feet.

(2) Includes three properties totaling 298,000 operational square feet at December 31, 2010 and 2009 (we had a 50% interest in 298,000 square feet at December 31, 2010, and a 45% interest in 242,000 square feet and 50% interest in 56,000 square feet at December 31, 2009). Includes two properties totaling 97,000 operational square feet at December 31, 2008 (we had a 50% interest in 56,000 square feet and a 45% interest in 41,000 square feet).

(3) Includes one property with 144,000 operational square feet at December 31, 2010 and 2009.

Wholesale Data Center Property

Our shell-complete wholesale data center property was 17% leased at December 31, 2010 through at least 2019 to tenants with an initial critical load of three megawatts and further expansion rights of up to a combined five megawatts. We expect to complete the development of the property to an initial stabilization critical load of 18 megawatts. We believe that the property is in a strong market and expect it to be fully leased in two to three years.

Results of Operations

As discussed above, one manner in which we evaluate the operating performance of our properties is through a measure we define as NOI from real estate operations, which is derived by subtracting property operating expenses from revenues from real estate operations. We believe that NOI from real estate operations is an important supplemental measure of performance for a REIT's operating real estate because it provides a measure of the core operations that is unaffected by depreciation, amortization, financing and general and administrative expenses; this measure is particularly useful in our opinion in evaluating the performance of geographic segments, same-office property groupings and individual properties. The amount of NOI from real estate operations included in income from continuing operations is referred to herein as NOI from continuing real estate operations. We view our NOI from continuing real estate operations as being comprised of the following primary categories:

- operating properties owned and 100% operational throughout the two years being compared. We define these as changes from "Same Office Properties." For further discussion of the concept of "operational," you should refer to the section of Note 2 of the consolidated financial statements entitled "Properties;"

- operating properties acquired during the two years being compared; and

- constructed properties placed into service that were not 100% operational throughout the two years being compared.

In addition to owning real estate properties, we provide construction contract and other services. The primary manner in which we evaluate the operating performance of our construction contract and other services is through a measure we define as NOI from service operations, which is based on the net of the revenues and expenses from these activities. The revenues and expenses from these activities

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consist primarily of subcontracted costs that are reimbursed to us by customers along with a management fee. The operating margins from these activities are small relative to the revenue. We believe NOI from service operations is a useful measure in assessing both our level of activity and our profitability in conducting such operations.

We believe that operating income, as reported on our consolidated statements of operations, is the most directly comparable GAAP measure for both NOI from continuing real estate operations and NOI from service operations. Since both of these measures exclude certain items includable in operating income, reliance on these measures has limitations; management compensates for these limitations by using the measures simply as supplemental measures that are considered alongside other GAAP and non-GAAP measures.

The table below reconciles NOI from continuing real estate operations and NOI from service operations to operating income reported on our consolidated statement of operations (in thousands):

	For the Years Ended December 31,		
	2010	**2009**	**2008**
NOI from continuing real estate operations	$ 280,381	$ 266,830	$ 255,865
NOI from service operations	2,373	6,568	4,243
Depreciation and amortization associated with continuing real estate operations	(123,236)	(108,529)	(101,854)
General and administrative expense	(24,008)	(23,240)	(24,096)
Business development expenses	(4,197)	(3,699)	(1,233)
Operating income	$ 131,313	$ 137,930	$ 132,925

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Comparison of the Year Ended December 31, 2010 to the Year Ended December 31, 2009

	For the Years Ended December 31,		
	2010	2009	Variance
	(Dollars in thousands)		
Revenues			
Revenues from real estate operations	$ 459,800	$ 423,984	$ 35,816
Construction contract and other service revenues	104,675	343,087	(238,412)
Total revenues	564,475	767,071	(202,596)
Expenses			
Property operating expenses	179,419	157,154	22,265
Depreciation and amortization associated with real estate operations	123,236	108,529	14,707
Construction contract and other service expenses	102,302	336,519	(234,217)
General and administrative expense	24,008	23,240	768
Business development expenses	4,197	3,699	498
Total operating expenses	433,162	629,141	(195,979)
Operating income	131,313	137,930	(6,617)
Interest expense	(101,865)	(82,187)	(19,678)
Interest and other income	9,568	5,164	4,404
Equity in income (loss) of unconsolidated entities	1,376	(941)	2,317
Income tax expense	(108)	(196)	88
Income from continuing operations	40,284	59,770	(19,486)
Discontinued operations	2,391	1,529	862
Gain on sales of real estate, net of income taxes	2,829		2,829
Net income	45,504	61,299	(15,795)
Net income attributable to noncontrolling interests	(2,744)	(4,970)	2,226
Preferred share dividends	(16,102)	(16,102)	
Net income attributable to COPT common shareholders	$ 26,658	$ 40,227	$ (13,569)

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NOI from Continuing Real Estate Operations

	For the Years Ended December 31,		
	2010	2009	Variance
	(Dollars in thousands)		
Revenues			
Same Office Properties	$ 401,498	$ 404,490	$ (2,992)
Acquired properties	29,935	4,150	25,785
Constructed properties placed in service	26,222	7,702	18,520
Other	2,145	7,642	(5,497)
	459,800	423,984	35,816
Property operating expenses			
Same Office Properties	152,393	147,394	4,999
Acquired properties	11,880	1,153	10,727
Constructed properties placed in service	9,420	3,233	6,187
Other	5,726	5,374	352
	179,419	157,154	22,265
NOI from continuing real estate operations			
Same Office Properties	249,105	257,096	(7,991)
Acquired properties	18,055	2,997	15,058
Constructed properties placed in service	16,802	4,469	12,333
Other	(3,581)	2,268	(5,849)
	$ 280,381	$ 266,830	$ 13,551

As the table above indicates, much of our change in NOI from continuing real estate operations was attributable to the additions of properties through acquisition and construction activities. In addition, the lines in the table entitled "Other" include the effects of vacancies in three properties that we expect to redevelop, including approximately 300,000 square feet at two properties in Greater Philadelphia; we experienced a $5.4 million decrease in NOI from continuing real estate operations attributable to these properties.

With regard to changes in NOI from continuing real estate operations attributable to Same Office Properties:

- the decrease in revenues included the following:
  - a $8.7 million decrease in rental revenue attributable primarily to changes in occupancy and rental rates between the two years (the average occupancy rate of Same Office Properties decreased from 91.7% in 2009 to 88.9% in 2010); and
  - a $1.2 million decrease in net revenue from the early termination of leases, most of which was due to the early termination of one lease at a property in Northern Virginia in 2009; offset in part by
  - a $6.9 million increase in tenant recoveries and other revenue due primarily to the increase in property operating expenses described below.
- the increase in property operating expenses included the following:

a $3.0 million increase in snow removal costs due primarily to record snowfall in Maryland and Northern Virginia; and

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a $1.5 million increase in heating and air conditioning repairs and maintenance, a significant portion of which was attributable to an increase in heating and air conditioning systems utilization at a property in San Antonio; partially offset by

a $1.4 million decrease in bad debt expense.

NOI from Service Operations

	For the Years Ended December 31,		
	2010	2009	Variance
	(Dollars in thousands)		
Construction contract and other service revenues	$ 104,675	$ 343,087	$ (238,412)
Construction contract and other service expenses	102,302	336,519	(234,217)
NOI from service operations	$ 2,373	$ 6,568	$ (4,195)

NOI from service operations decreased due primarily to a lower volume of construction activity in connection with one large construction contract that was nearing completion. As evidenced in the changes set forth above, our volume of construction contract activity is inherently subject to significant variability depending on the volume and nature of projects undertaken by us (primarily on behalf of tenants). We view our service operations as an ancillary component of our overall operations that should generally be a small contributor to our operating income relative to our real estate operations.

Depreciation and Amortization Associated with Real Estate Operations

Depreciation and amortization expense associated with real estate included in continuing operations increased due primarily to expense attributable to properties added into operations through acquisition and construction activities.

Interest Expense

The table below sets forth the components of our interest expense included in continuing operations:

	For the Years Ended December 31,		
	2010	2009	Variance
	(Dollars in thousands)		
Interest on mortgage and other secured loans	$ 82,634	$ 70,624	$ 12,010
Interest on Exchangeable Senior Notes	19,348	9,207	10,141
Interest on Revolving Credit Facility	5,661	6,040	(379)
Interest expense recognized on interest rate swaps	3,689	6,941	(3,252)
Amortization of deferred financing costs	5,871	4,214	1,657
Other interest	1,186	622	564
Capitalized interest	(16,524)	(15,461)	(1,063)
Total	$ 101,865	$ 82,187	$ 19,678

The increase in interest expense included the effect of a $319.2 million increase in our average outstanding debt resulting from our financing of acquisition and construction activities. Also included was an increase in our weighted average interest rates of debt from 4.86% to 5.01%. The increase in the proportion of our interest expense attributable to Exchangeable Senior Notes resulted from our issuance of a $240.0 million aggregate principal amount of 4.25% Exchangeable Senior Notes in April 2010.

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Interest and Other Income

Interest and other income increased due primarily to:

- a $6.0 million increase in gains recognized in connection with our investment in The KEYW Holding Corporation ("KEYW"), an entity supporting the intelligence community's operations and transformation to Cyber Age mission by providing engineering services and integrated platforms that support the intelligence process. We account for our investment in common stock of KEYW using the equity method of accounting. Under the equity method of accounting, additional issuances of equity by KEYW to parties other than us are accounted for as if we sold a proportionate share of our investment and, accordingly, result in our recognition of gain or loss. Most of the increase in gains recognized was attributable to additional equity issued by KEYW in connection with its initial public offering of common stock in 2010. This gain was partially offset by

- a $2.2 million decrease in interest income in connection with a mortgage loan receivable that was outstanding from August 2008 until October 2009.

Gain on sales of real estate, net of income taxes

The increase in gain on sales of real estate was attributable to the sale of a land parcel in Central New Jersey in 2010.

Net Income Attributable to Noncontrolling Interests

Interests in our Operating Partnership are in the form of preferred and common units. The line entitled net income attributable to noncontrolling interests includes primarily income allocated to preferred and common units not owned by us. Income is allocated to noncontrolling preferred unitholders in an amount equal to the priority return from the Operating Partnership to which they are entitled. Income is allocated to noncontrolling common unitholders based on income earned by the Operating Partnership, after allocation to preferred unitholders, multiplied by the percentage of the common units in the Operating Partnership owned by those common unitholders.

Net income attributable to noncontrolling interests decreased due primarily to: (1) a decrease in net income available to allocate to noncontrolling holders of common units in the Operating Partnership primarily resulting from the reasons set forth above; and (2) a decrease in the percentage of the Operating Partnership owned by noncontrolling interests resulting primarily from:

- the issuance of additional units to us as we issued unrestricted common shares during 2009 and 2010 due to the fact that we receive common units in the Operating Partnership each time we issue unrestricted common shares; and

- the exchange of common units for our common shares by certain noncontrolling unitholders.

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Comparison of the Year Ended December 31, 2009 to the Year Ended December 31, 2008

	For the Years Ended December 31,		
	2009	2008	Variance
	(Dollars in thousands)		
Revenues			
Revenues from real estate operations	$ 423,984	$ 396,760	$ 27,224
Construction contract and other service revenues	343,087	188,385	154,702
Total revenues	767,071	585,145	181,926
Expenses			
Property operating expenses	157,154	140,895	16,259
Depreciation and amortization associated with real estate operations	108,529	101,854	6,675
Construction contract and other service expenses	336,519	184,142	152,377
General and administrative expense	23,240	24,096	(856)
Business development expenses	3,699	1,233	2,466
Total operating expenses	629,141	452,220	176,921
Operating income	137,930	132,925	5,005
Interest expense	(82,187)	(86,368)	4,181
Interest and other income	5,164	2,070	3,094
Gain on early extinguishment of debt		8,101	(8,101)
Equity in loss of unconsolidated entities	(941)	(147)	(794)
Income tax expense	(196)	(201)	5
Income from continuing operations	59,770	56,380	3,390
Discontinued operations	1,529	3,832	(2,303)
Gain on sales of real estate, net of income taxes		1,104	(1,104)
Net income	61,299	61,316	(17)
Net income attributable to noncontrolling interests	(4,970)	(7,351)	2,381
Preferred share dividends	(16,102)	(16,102)	
Net income attributable to COPT common shareholders	$ 40,227	$ 37,863	$ 2,364

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NOI from Continuing Real Estate Operations

	For the Years Ended December 31,		
	2009	2008	Variance
	(Dollars in thousands)		
Revenues			