

CORPORATE OFFICE PROPERTIES TRUST

Form 10-Q

August 08, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended **June 30, 2008**

or

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

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(Exact name of registrant as specified in its charter)

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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**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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 definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller
reporting company)

Smaller reporting company

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

As of July 29, 2008, 47,705,998 of the Company's Common Shares of Beneficial Interest, \$0.01 par value, were issued and outstanding.

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	June 30, 2008	December 31, 2007
Assets		
Investment in real estate:		
Operating properties, net	\$ 2,245,003	\$ 2,192,939
Property held for sale, net		14,988
Projects under construction or development	456,164	396,012
Total commercial real estate properties, net	2,701,167	2,603,939
Cash and cash equivalents	12,857	24,638
Restricted cash	23,066	15,121
Accounts receivable, net	23,452	24,831
Deferred rent receivable	59,238	53,631
Intangible assets on real estate acquisitions, net	104,136	108,661
Deferred charges, net	48,620	49,051
Prepaid expenses and other assets	37,934	51,981
Total assets	\$ 3,010,470	\$ 2,931,853
Liabilities and shareholders equity		
Liabilities:		
Mortgage and other loans payable	\$ 1,704,351	\$ 1,625,842
3.5% Exchangeable Senior Notes	200,000	200,000
Accounts payable and accrued expenses	82,526	75,535
Rents received in advance and security deposits	32,569	31,234
Dividends and distributions payable	22,548	22,441
Deferred revenue associated with acquired operating leases	12,762	11,530
Distributions in excess of investment in unconsolidated real estate joint venture	4,506	4,246
Other liabilities	8,820	8,288
Total liabilities	2,068,082	1,979,116
Minority interests:		
Common units in the Operating Partnership	111,033	114,127
Preferred units in the Operating Partnership	8,800	8,800
Other consolidated real estate joint ventures	10,259	7,168
Total minority interests	130,092	130,095
Commitments and contingencies (Note 20)		
Shareholders equity:		
Preferred Shares of beneficial interest (\$0.01 par value; shares authorized of 15,000,000, issued and outstanding of 8,121,667 at June 30, 2008 and December 31, 2007 (Note 13))	81	81
Common Shares of beneficial interest (\$0.01 par value; 75,000,000 shares authorized, shares issued and outstanding of 47,701,812 at June 30, 2008 and 47,366,475 at December 31,	477	474

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2007)			
Additional paid-in capital		956,683	950,615
Cumulative distributions in excess of net income		(142,330)	(126,156)
Accumulated other comprehensive loss		(2,615)	(2,372)
Total shareholders' equity		812,296	822,642
Total liabilities and shareholders' equity	\$	3,010,470	\$ 2,931,853

See accompanying notes to consolidated financial statements.

Table of Contents**Corporate Office Properties Trust and Subsidiaries****Consolidated Statements of Operations****(Dollars in thousands, except per share data)****(unaudited)**

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2008	2007	2008	2007
Revenues				
Rental revenue	\$ 83,154	\$ 78,337	\$ 164,864	\$ 153,612
Tenant recoveries and other real estate operations revenue	14,957	12,037	30,398	25,630
Construction contract revenues	14,619	10,620	23,133	19,311
Other service operations revenues	525	1,073	1,003	2,459
Total revenues	113,255	102,067	219,398	201,012
Expenses				
Property operating expenses	33,957	29,032	68,499	60,591
Depreciation and other amortization associated with real estate operations	24,955	26,834	49,847	52,786
Construction contract expenses	14,192	10,136	22,475	18,619
Other service operations expenses	454	1,126	1,056	2,531
General and administrative expenses	6,036	5,326	11,969	10,203
Total operating expenses	79,594	72,454	153,846	144,730
Operating income	33,661	29,613	65,552	56,282
Interest expense	(19,437)	(20,437)	(39,746)	(40,213)
Amortization of deferred financing costs	(910)	(921)	(1,713)	(1,805)
Gain on sale of non-real estate investment	5	1,033	51	1,033
Income from continuing operations before equity in loss of unconsolidated entities, income taxes and minority interests	13,319	9,288	24,144	15,297
Equity in loss of unconsolidated entities	(56)	(57)	(110)	(151)
Income tax benefit (expense)	107	(178)	(5)	(283)
Income from continuing operations before minority interests	13,370	9,053	24,029	14,863
Minority interests in income from continuing operations				
Common units in the Operating Partnership	(1,378)	(807)	(2,365)	(1,088)
Preferred units in the Operating Partnership	(165)	(165)	(330)	(330)
Other consolidated entities	(120)	31	(106)	78
Income from continuing operations	11,707	8,112	21,228	13,523
Income (loss) from discontinued operations, net of minority interests				
	1,115	(396)	2,187	(260)
Income before gain on sales of real estate	12,822	7,716	23,415	13,263
Gain on sales of real estate, net	31	161	833	161
Net income	12,853	7,877	24,248	13,424
Preferred share dividends	(4,026)	(4,025)	(8,051)	(8,018)
Net income available to common shareholders	\$ 8,827	\$ 3,852	\$ 16,197	\$ 5,406
Basic earnings per common share				
Income from continuing operations	\$ 0.16	\$ 0.09	\$ 0.30	\$ 0.12
Discontinued operations	0.03	(0.01)	0.04	
Net income available to common shareholders	\$ 0.19	\$ 0.08	\$ 0.34	\$ 0.12
Diluted earnings per common share				
Income from continuing operations	\$ 0.16	\$ 0.09	\$ 0.29	\$ 0.12

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Discontinued operations		0.02		(0.01)		0.05		(0.01)
Net income available to common shareholders	\$	0.18	\$	0.08	\$	0.34	\$	0.11
Dividends declared per common share	\$	0.34	\$	0.31	\$	0.68	\$	0.62

See accompanying notes to consolidated financial statements.

Table of Contents**Corporate Office Properties Trust and Subsidiaries****Consolidated Statements of Cash Flows****(Dollars in thousands)****(unaudited)**

	For the Six Months Ended June 30,	
	2008	2007
Cash flows from operating activities		
Net income	\$ 24,248	\$ 13,424
Adjustments to reconcile net income to net cash provided by operating activities:		
Minority interests	3,461	1,325
Depreciation and other amortization	50,676	54,055
Amortization of deferred financing costs	1,713	1,805
Amortization of deferred market rental revenue	(903)	(985)
Equity in loss of unconsolidated entities	110	151
Gain on sales of real estate	(4,204)	(183)
Gain on sale of non-real estate investment	(51)	(1,033)
Share-based compensation	4,556	3,141
Excess income tax benefits from share-based compensation	(1,053)	
Changes in operating assets and liabilities:		
Increase in deferred rent receivable	(5,701)	(5,936)
Decrease in accounts receivable	1,379	7,541
Decrease (increase) in restricted cash and prepaid and other assets	3,380	(10,274)
Increase (decrease) in accounts payable, accrued expenses and other liabilities	4,406	(4,037)
Increase in rents received in advance and security deposits	1,335	6,310
Other	268	(370)
Net cash provided by operating activities	83,620	64,934
Cash flows from investing activities		
Purchases of and additions to commercial real estate properties	(149,358)	(243,936)
Proceeds from sales of properties	28,304	
Leasing costs paid	(2,383)	(8,164)
(Increase) decrease in restricted cash associated with investing activities	(425)	14,838
Other	(2,079)	1,091
Net cash used in investing activities	(125,941)	(236,171)
Cash flows from financing activities		
Proceeds from mortgage and other loans payable	227,932	431,495
Repayments of mortgage and other loans payable	(149,374)	(216,352)
Deferred financing costs paid	(2,250)	(1,556)
Net proceeds from issuance of common shares	1,350	6,140
Dividends paid	(40,309)	(35,523)
Distributions paid	(5,878)	(5,505)
Excess income tax benefits from share-based compensation	1,053	
Restricted share redemptions	(1,304)	
Other	(680)	(262)
Net cash provided by financing activities	30,540	178,437
Net (decrease) increase in cash and cash equivalents	(11,781)	7,200

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Cash and cash equivalents

Beginning of period		24,638		7,923
End of period	\$	12,857	\$	15,123

See accompanying notes to consolidated financial statements.

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Corporate Office Properties Trust and Subsidiaries

Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

(unaudited)

1. Organization

Corporate Office Properties Trust (COPT) and subsidiaries (collectively, the Company , we or us) is a specialty office real estate investment trust (REIT) that focuses on strategic customer relationships and specialized tenant requirements in the United States Government, defense information technology and data sectors. We acquire, develop, manage and lease properties that are typically concentrated in large office parks primarily located adjacent to government demand drivers and/or in demographically strong markets possessing growth opportunities. As of June 30, 2008, our investments in real estate included the following:

- 234 wholly owned operating properties totaling 18.2 million square feet;
- 18 wholly owned properties under construction or development that we estimate will total approximately 1.8 million square feet upon completion;
- wholly owned land parcels totaling 1,457 acres that we believe are potentially developable into approximately 12.1 million square feet; and
- partial ownership interests in a number of other real estate projects in operation or under development or redevelopment.

We conduct almost all of our operations through our operating partnership, Corporate Office Properties, L.P. (the Operating Partnership), for which we are the managing general partner. The Operating Partnership owns real estate both directly and through subsidiary partnerships and limited liability companies (LLCs). A summary of our Operating Partnership 's forms of ownership and the percentage of those securities owned by COPT as of June 30, 2008 follows:

Common Units	85%
Series G Preferred Units	100%
Series H Preferred Units	100%
Series I Preferred Units	0%
Series J Preferred Units	100%
Series K Preferred Units	100%

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Three of our trustees also controlled at that date, either directly or through ownership by other entities or family members, 13% of the Operating Partnership's common units.

In addition to owning interests in real estate, the Operating Partnership also owns 100% of Corporate Office Management, Inc. (COMI) and owns, either directly or through COMI, 100% of the consolidated subsidiaries that are set forth below (collectively defined as the Service Companies):

Entity Name	Type of Service Business
COPT Property Management Services, LLC (CPM)	Real Estate Management
COPT Development & Construction Services, LLC (CDC)	Construction and Development
Corporate Development Services, LLC (CDS)	Construction and Development
COPT Environmental Systems, LLC (CES)	Heating and Air Conditioning

Most of the services that CPM provides are for us. CDC, CDS and CES provide services to us and to third parties.

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2. Basis of Presentation

The accompanying unaudited interim Consolidated Financial Statements have been prepared in accordance with the rules and regulations for reporting on Form 10-Q. Accordingly, certain information and disclosures required by accounting principles generally accepted in the United States for complete Consolidated Financial Statements are not included herein. These interim financial statements should be read together with the financial statements and notes thereto included in our 2007 Annual Report on Form 10-K. The interim financial statements reflect all adjustments that we believe are necessary for the fair statement of our financial position and results of operations for the interim periods presented. These adjustments are of a normal recurring nature. The results of operations for such interim periods are not necessarily indicative of the results for a full year.

We reclassified certain amounts from the prior period to conform to the current period presentation of our Consolidated Financial Statements. These reclassifications did not affect previously reported consolidated net income or shareholders' equity.

3. Earnings Per Share (EPS)

We present both basic and diluted EPS. We compute basic EPS by dividing net income available to common shareholders by the weighted average number of common shares of beneficial interest (common shares) outstanding during the period. Our computation of diluted EPS is similar except that:

- the denominator is increased to include: (1) the weighted average number of potential additional common shares that would have been outstanding if securities that are convertible into our common shares were converted; and (2) the effect of dilutive potential common shares outstanding during the period attributable to share-based compensation using the treasury stock method; and
- the numerator is adjusted to add back any changes in income or loss that would result from the assumed conversion into common shares that we added to the denominator.

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

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	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2008	2007	2008	2007
Numerator:				
Income from continuing operations	\$ 11,707	\$ 8,112	\$ 21,228	\$ 13,523
Add: Gain on sales of real estate, net	31	161	833	161
Less: Preferred share dividends	(4,026)	(4,025)	(8,051)	(8,018)
Numerator for basic and diluted EPS from continuing operations	7,712	4,248	14,010	5,666
Income (loss) from discontinued operations, net	1,115	(396)	2,187	(260)
Numerator for basic and diluted EPS on net income available to common shareholders	\$ 8,827	\$ 3,852	\$ 16,197	\$ 5,406
Denominator (all weighted averages):				
Denominator for basic EPS (common shares)	47,110	46,686	47,055	46,185
Dilutive effect of share-based compensation awards	888	1,105	797	1,305
Denominator for diluted EPS	47,998	47,791	47,852	47,490
Basic EPS:				
Income from continuing operations	\$ 0.16	\$ 0.09	\$ 0.30	\$ 0.12
Income (loss) from discontinued operations	0.03	(0.01)	0.04	
Net income available to common shareholders	\$ 0.19	\$ 0.08	\$ 0.34	\$ 0.12
Diluted EPS:				
Income from continuing operations	\$ 0.16	\$ 0.09	\$ 0.29	\$ 0.12
Income (loss) from discontinued operations	0.02	(0.01)	0.05	(0.01)
Net income available to common shareholders	\$ 0.18	\$ 0.08	\$ 0.34	\$ 0.11

Our diluted EPS computations do not include the effects of the following securities since the conversions of such securities would increase diluted EPS for the respective periods:

	Weighted Average Shares in Denominator			
	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2008	2007	2008	2007
Conversion of weighted average common units	8,151	8,313	8,153	8,361
Conversion of weighted average convertible preferred shares	434	434	434	415
Conversion of weighted average convertible preferred units	176	176	176	176

The 3.5% Exchangeable Senior Notes did not affect our diluted EPS reported above since the weighted average closing price of our common shares during each of the periods was less than the exchange price per common share applicable for such periods.

4. Recent Accounting Pronouncements

SFAS 157

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In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. The Statement does not require or permit any new fair value measurements but does apply under other accounting pronouncements that require or permit fair value measurements. The changes to current practice resulting from the Statement relate to the definition of fair value, the methods used to measure fair value and the expanded disclosures about fair value measurements. With respect to SFAS 157, the FASB also issued FASB Staff Position SFAS 157-1, Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13 (FSP FAS 157-1) and FASB Staff Position SFAS 157-2, Effective Date of FASB Statement No. 157 (FSP FAS 157-2). FSP FAS 157-1 amends SFAS 157 to exclude from the scope of SFAS 157 certain leasing transactions accounted for under Statement of Financial

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Accounting Standards No. 13, Accounting for Leases. FSP FAS 157-2 amends SFAS 157 to defer the effective date of SFAS 157 for all non-financial assets and non-financial liabilities except those that are recognized or disclosed at fair value in the financial statements on a recurring basis to fiscal years beginning after November 15, 2008. Effective January 1, 2008, we adopted, on a prospective basis, the portions of SFAS 157 not deferred by FSP FAS 157-2; this adoption did not have a material effect on our financial position, results of operations or cash flows. We are evaluating the impact that SFAS 157 will have on our non-financial assets and non-financial liabilities since the application of SFAS 157 for such items for us was deferred to January 1, 2009.

Under SFAS 157, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. SFAS 157 also establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs market participants would use in valuing the asset or liability developed based on market data obtained from sources independent of us. Unobservable inputs are inputs that reflect our assumptions about the factors market participants would use in valuing the asset or liability developed based upon the best information available in the circumstances. The hierarchy of these inputs is broken down into three levels: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs include (1) quoted prices for similar assets or liabilities in active markets, (2) quoted prices for identical or similar assets or liabilities in markets that are not active and (3) inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly; and Level 3 inputs are unobservable inputs for the asset or liability. Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The assets held in connection with our non-qualified elective deferred compensation plan and the corresponding liability to the participants are measured at fair value on a recurring basis on our consolidated balance sheet using quoted market prices. The assets are treated as trading securities for accounting purposes and included in restricted cash on our consolidated balance sheet. The offsetting liability is adjusted to fair value at the end of each accounting period based on the fair value of the plan assets and reported in other liabilities in our consolidated balance sheet. The assets and corresponding liability of our non-qualified elective deferred compensation plan are classified in Level 1 of the fair value hierarchy.

The valuation of our derivatives is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate market data and implied volatilities in such interest rates. While we determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy under SFAS 157, the credit valuation adjustments associated with our derivatives also utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default. However, as of June 30, 2008, we assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our derivatives and determined that these adjustments are not significant to the overall valuation of our derivatives. As a result, we determined that our derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

The table below sets forth our financial assets and liabilities that are accounted for at fair value on a recurring basis as of June 30, 2008:

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Deferred compensation plan assets (1)	\$ 6,331	\$	\$	\$ 6,331
Liabilities:				

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Deferred compensation plan liability (2)	\$	6,331	\$	\$	6,331
Interest rate swap contracts (2)				2,648	2,648
Liabilities	\$	6,331	\$	2,648	\$ 8,979

(1) Included in the line entitled restricted cash on our Consolidated Balance Sheet.

(2) Included in the line entitled other liabilities on our Consolidated Balance Sheet.

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Other Recent Accounting Pronouncements

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (SFAS 159). SFAS 159 permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. We adopted SFAS 159 on a prospective basis effective January 1, 2008. Our adoption of SFAS 159 did not have a material effect on our financial position, results of operations or cash flows since we did not elect to apply the fair value option for any of our eligible financial instruments or other items on the January 1, 2008 effective date.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141(R), Business Combinations (SFAS 141(R)). SFAS 141(R) requires the acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transactions; establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires the acquirer to disclose to investors and other users all of the information they need to evaluate and understand the nature and financial effect of the business combination. SFAS 141(R) is effective for fiscal years beginning after December 15, 2008. While we are currently assessing the impact of SFAS 141(R) on our consolidated financial position and results of operations, SFAS 141(R) will require us to expense transaction costs associated with property acquisitions occurring subsequent to the pronouncement's effective date, which is a significant change since our current practice is to capitalize such costs into the cost of the acquisitions.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, Noncontrolling Interests in Consolidated Financial Statements (SFAS 160). SFAS 160 requires all entities to report noncontrolling (minority) interests in subsidiaries as equity in the consolidated financial statements. SFAS 160 is effective for fiscal years beginning after December 15, 2008. We are currently assessing the impact of SFAS 160 on our consolidated financial position and results of operations.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161 Disclosures about Derivative Instruments and Hedging Activities (SFAS 161). This new standard expands the disclosure requirements for derivative instruments and for hedging activities in order to provide users of financial statements with an enhanced understanding of: (1) how and why an entity uses derivative instruments; (2) how derivative instruments and related hedged items are accounted for under Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities and its related interpretations; and (3) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS 161 is to be applied prospectively for the first annual reporting period beginning on or after November 15, 2008. We are evaluating the impact that SFAS 161 will have on our reporting for derivatives.

In May 2008, the FASB issued FASB Staff Position No. APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement) (FSP APB-14-1). FSP APB-14-1 requires that the initial proceeds from convertible debt instruments that may be settled in cash, including partial cash settlements, be allocated between a liability component and an equity component associated with the embedded conversion option. This pronouncement's objective is to require the liability and equity components of convertible debt to be separately accounted for in order to enable interest expense to be recorded at a rate that would reflect the issuer's conventional debt borrowing rate (previously, interest expense on such debt was recorded based on the contractual rate of interest under the debt). Under this pronouncement, the liability component is recorded at its fair value, as calculated based on the present value of its cash flows discounted using the issuer's conventional debt borrowing rate. The equity component is recorded based on the difference between the debt proceeds and the fair value of the liability. The difference between the liability's principal amount and fair value is reported as a debt discount and amortized as interest expense over the debt's expected life using the effective interest method. The provisions of FSP APB 14-1 will be effective beginning January 1, 2009 and are to be applied retrospectively to all periods presented. While we are in the process of evaluating FSP APB 14-1, we currently believe that this pronouncement will affect the accounting for our 3.5% Exchangeable Senior Notes by resulting in our recognition of additional annual interest expense of approximately \$3,000 to \$4,000 over the five-year expected life of the debt, beginning on the debt's

September 18, 2006 origination date.

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Operating properties consisted of the following:

	June 30, 2008	December 31, 2007
Land	\$ 420,182	\$ 413,779
Buildings and improvements	2,145,700	2,064,960
	2,565,882	2,478,739
Less: accumulated depreciation	(320,879)	(285,800)
	\$ 2,245,003	\$ 2,192,939

As of December 31, 2007, 429 Ridge Road, an office property located in Dayton, New Jersey that we were under contract to sell for \$17,000, was classified as held for sale (Dayton, New Jersey is located in the Northern/Central New Jersey Region). We completed the sale of this property on January 31, 2008. The components associated with 429 Ridge Road as of December 31, 2007 included the following:

	December 31, 2007
Land	\$ 2,932
Buildings and improvements	15,003
	17,935
Less: accumulated depreciation	(2,947)
	\$ 14,988

Projects we had under construction or development consisted of the following:

	June 30, 2008	December 31, 2007
Land	\$ 208,742	\$ 214,696
Construction in progress	247,422	181,316
	\$ 456,164	\$ 396,012

2008 Acquisitions

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We acquired the following office properties during the six months ended June 30, 2008:

Project Name	Location	Date of Acquisition	Number of Buildings	Total Rentable Square Feet	Acquisition Cost
3535 Northrop Grumman Point	Colorado Springs, CO	6/10/2008	1	124,305	\$ 23,240
1560 Cable Ranch Road (Buildings A and B)	San Antonio, TX	6/19/2008	2	122,975	17,317
			3	247,280	\$ 40,557

The table below sets forth the allocation of the acquisition costs of the three properties:

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	3535 Northrop Grumman Point	1560 Cable Ranch Road	Total
Land, operating properties	\$	\$	\$ 3,396
Building and improvements	22,163	10,315	32,478
Intangible assets on real estate acquisitions	3,423	4,208	7,631
Total assets	25,586	17,919	43,505
Deferred revenue associated with acquired operating leases	(2,346)	(602)	(2,948)
Total acquisition cost	\$ 23,240	\$ 17,317	\$ 40,557

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Intangible assets recorded in connection with the above acquisitions included the following:

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			Weighted Average Amortization Period (in Years)
Lease-up value	\$	4,558	10
Tenant relationship value		1,537	12
Lease cost portion of deemed cost avoidance		1,536	11
	\$	7,631	11

2008 Construction, Development and Redevelopment Activities

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During the six months ended June 30, 2008, we had five properties totaling 437,064 square feet become fully operational (89,497 of these square feet were placed into service in 2007). Three of these properties are located in Colorado Springs, Colorado (Colorado Springs) and two in the Baltimore/Washington Corridor.

As of June 30, 2008, we had construction underway on four new properties in the Baltimore/Washington Corridor (including one through a joint venture), four in Colorado Springs, two in San Antonio, Texas (San Antonio) and one in the Suburban Maryland region through a joint venture. We also had development activities underway on three new properties in Suburban Baltimore, two each in the Baltimore/Washington Corridor, San Antonio and Suburban Maryland (including one through a joint venture) and one in King George County, Virginia. In addition, we had redevelopment underway on two properties owned by a joint venture (one located in the Baltimore/Washington Corridor and the other in Northern Virginia).

2008 Dispositions

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We sold the following operating properties during the six months ended June 30, 2008:

Project Name	Location	Date of Sale	Number of Buildings	Total Rentable Square Feet	Sale Price	Gain on Sale
429 Ridge Road	Dayton, New Jersey	1/31/2008	1	142,385	\$ 17,000	\$ 1,365
7253 Ambassador Road	Woodlawn, Maryland	6/2/2008	1	38,930	5,100	1,278
47 Commerce Road	Cranbury, New Jersey	4/1/2008	1	41,398	3,150	
			3	222,713	\$ 25,250	\$ 2,643

During the six months ended June 30, 2008, we also completed the sale of six recently constructed office condominiums located in Herndon Virginia (located in the Northern Virginia region) for sale prices totaling \$8,388 in the aggregate. We recognized an aggregate gain before minority interests and taxes of \$1,368 on these sales.

The table below sets forth the components of the line on our Consolidated Statements of Operations entitled "gain on sales of real estate" for the three and six months ended June 30, 2008:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2008	2007	2008	2007
Gain on sales of real estate	\$ 46	\$ 194	\$ 1,678	\$ 194
Income taxes	(5)	(3)	(578)	(3)
Minority interests				
Common units in the Operating Partnership	(8)	(30)	(151)	(30)
Other consolidated entities	(2)		(116)	
Gain on sale of real estate, net	\$ 31	\$ 161	\$ 833	\$ 161

Table of Contents**6. Real Estate Joint Ventures**

During the six months ended June 30, 2008, we had an investment in one unconsolidated real estate joint venture accounted for using the equity method of accounting. Information pertaining to this joint venture investment is set forth below.

	Investment Balance at		Date Acquired	Ownership	Nature of Activity	Total Assets at 6/30/2008	Maximum Exposure to Loss (1)
	June 30, 2008	December 31, 2007					
Harrisburg Corporate Gateway Partners, L.P.	\$ (4,506)(2)	\$ (4,246)(2)	9/29/2005	20%	Operates 16 buildings (3)	\$ 71,261	\$

(1) Derived from the sum of our investment balance and maximum additional unilateral capital contributions or loans required from us. Not reported above are additional amounts that we and our partner are required to fund when needed by this joint venture; these funding requirements are proportional to our respective ownership percentages. Also not reported above are additional unilateral contributions or loans from us, the amounts of which are uncertain, which we would be required to make if certain contingent events occur.

(2) The carrying amount of our investment in this joint venture was lower than our share of the equity in the joint venture by \$5,196 at June 30, 2008 and December 31, 2007 due to our deferral of gain on the contribution by us of real estate into the joint venture upon its formation. A difference will continue to exist to the extent the nature of our continuing involvement in the joint venture remains the same.

(3) This joint venture's properties are located in Greater Harrisburg, Pennsylvania.

The following table sets forth condensed balance sheets for Harrisburg Corporate Gateway Partners, L.P.:

	June 30, 2008	December 31, 2007
Commercial real estate property	\$ 62,961	\$ 63,773
Other assets	8,300	9,051
Total assets	\$ 71,261	\$ 72,824
Liabilities	\$ 67,799	\$ 67,991
Owners' equity	3,462	4,833
Total liabilities and owners' equity	\$ 71,261	\$ 72,824

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The following table sets forth condensed statements of operations for Harrisburg Corporate Gateway Partners, L.P.:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2008	2007	2008	2007
Revenues	\$ 2,413	\$ 2,426	\$ 4,796	\$ 4,870
Property operating expenses	(876)	(876)	(1,701)	(1,836)
Interest expense	(980)	(980)	(1,960)	(2,118)
Depreciation and amortization expense	(830)	(855)	(1,660)	(1,722)
Net loss	\$ (273)	\$ (285)	\$ (525)	\$ (806)

On January 29, 2008, we completed the formation of M Square Associates, LLC (M Square), a consolidated joint venture in which we hold a 50% equity interest through Enterprise Campus Developer, LLC, another consolidated joint venture in which we own a 90% interest. M Square was formed to develop and own office properties, approved for up to approximately 750,000 square feet, located in M Square Research Park in College Park, Maryland (located in the Suburban Maryland region).

The table below sets forth information pertaining to our investments in consolidated joint ventures at June 30, 2008:

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	Date Acquired	Ownership % at 6/30/2008	Nature of Activity	Total Assets at 6/30/2008	Collateralized Assets at 6/30/2008
COPT Opportunity Invest I, LLC	12/20/2005	92.5%	Redeveloping two properties(1)	\$ 43,252	\$
Arundel Preserve #5, LLC	7/2/2007	50.0%	Developing land parcel(2)	26,113	
Enterprise Campus Developer, LLC	6/26/2007	90.0%	Developing land parcels(3)	24,317	
COPT-FD Indian Head, LLC	10/23/2006	75.0%	Developing land parcel(4)	4,772	
MOR Forbes 2 LLC	12/24/2002	50.0%	Operates one building(5)	4,409	
13849 Park Center Road, LLC	10/2/2007	92.5%	Redeveloping one property(6)	542	
				\$ 103,405	\$

(1) This joint venture owns one property in the Northern Virginia region and one in the Baltimore/Washington Corridor region.

(2) This joint venture is developing a land parcel located in Hanover, Maryland (located in the Baltimore/Washington Corridor).

(3) This joint venture is developing land parcels located in College Park, Maryland through the M Square joint venture.

(4) This joint venture's property is located in Charles County, Maryland (located in our other business segment).

(5) This joint venture's property is located in Lanham, Maryland (located in the Suburban Maryland region).

(6) This joint venture is redeveloping a property in the Northern Virginia region.

Our commitments and contingencies pertaining to our real estate joint ventures are disclosed in Note 20.

7. Intangible Assets on Real Estate Acquisitions

Intangible assets on real estate acquisitions consisted of the following:

	June 30, 2008		December 31, 2007			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Lease-up value	\$ 129,613	\$ 65,322	\$ 64,291	\$ 125,338	\$ 58,435	\$ 66,903
Tenant relationship value	36,514	10,623	25,891	35,189	7,892	27,297
Lease cost portion of deemed cost avoidance	18,587	9,828	8,759	17,133	8,697	8,436
Lease to market value	14,428	10,369	4,059	14,428	9,555	4,873
Market concentration premium	1,333	197	1,136	1,333	181	1,152
	\$ 200,475	\$ 96,339	\$ 104,136	\$ 193,421	\$ 84,760	\$ 108,661

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Amortization of the intangible asset categories set forth above totaled \$11,724 in the six months ended June 30, 2008 and \$16,678 in the six months ended June 30, 2007. The approximate weighted average amortization periods of the categories set forth above follow: lease-up value: nine years; tenant relationship value: seven years; lease cost portion of deemed cost avoidance: six years; lease to market value: four years; and market concentration premium: 34 years. The approximate weighted average amortization period for all of the categories combined is nine years. Estimated amortization expense associated with the intangible asset categories set forth above is \$10,500 for the six months ending December 31, 2008, \$19,100 for 2009, \$14,900 for 2010, \$12,100 for 2011, \$9,800 for 2012 and \$7,300 for 2013.

8. Deferred Charges

Deferred charges consisted of the following:

	June 30, 2008	December 31, 2007
Deferred leasing costs	\$ 64,946	\$ 63,052
Deferred financing costs	34,874	32,617
Goodwill	1,853	1,853
Deferred other	155	155
	101,828	97,677
Accumulated amortization	(53,208)	(48,626)
Deferred charges, net	\$ 48,620	\$ 49,051

Table of Contents**9. Accounts Receivable**

Our accounts receivable are reported net of an allowance for bad debts of \$1,249 at June 30, 2008 and \$798 at December 31, 2007.

10. Prepaid Expenses and Other Assets

Prepaid and other assets consisted of the following:

	June 30, 2008	December 31, 2007
Furniture, fixtures and equipment	\$ 11,807	\$ 11,410
Prepaid expenses	8,834	13,907
Construction contract costs incurred in excess of billings	8,031	19,425
Other assets	9,262	7,239
Prepaid expenses and other assets	\$ 37,934	\$ 51,981

11. Debt

Our debt consisted of the following:

	Maximum Principal Amount Under Debt at June 30, 2008	Carrying Value at		Stated Interest Rates at June 30, 2008	Scheduled Maturity Dates at June 30, 2008
		June 30, 2008	December 31, 2007		
Mortgage and other loans payable:					
Revolving Credit Facility	\$ 600,000	\$ 465,000	\$ 361,000	LIBOR + 0.75% to 1.25%	September 30, 2011 (1)
Mortgage and Other Secured Loans					
Fixed rate mortgage loans (2)	N/A	1,063,596	1,124,551	5.20% - 8.63 (3)%	2008 - 2034 (4)
Revolving Construction Facility (5)	225,000	35,432		LIBOR + 1.60% to 2.00%	May 2, 2011 (1)
Other construction loan facilities	111,500	104,089	104,089	LIBOR + 1.40% to 1.50%	2008-2009
Other variable-rate secured loans	N/A	34,500	34,500	LIBOR + 1.20% to 1.50%	2008
Total mortgage and other secured loans		1,237,617	1,263,140		
Note payable					
Unsecured seller notes	N/A	1,734	1,702	0% - 5.95%	2008-2016
Total mortgage and other loans payable		1,704,351	1,625,842		
3.5% Exchangeable Senior Notes	N/A	200,000	200,000	3.50%	September 2026 (6)

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Total debt \$ 1,904,351 \$ 1,825,842

- (1) These facilities may be extended for a one-year period at our option, subject to certain conditions.
- (2) Several of the fixed rate mortgages carry interest rates that were above or below market rates upon assumption and therefore are recorded at their fair value based on applicable effective interest rates. The carrying values of these loans reflect net premiums totaling \$556 at June 30, 2008 and \$605 at December 31, 2007.
- (3) The weighted average interest rate on these loans was 5.82% at June 30, 2008.
- (4) A loan with a balance of \$4,781 at June 30, 2008 that matures in 2034 may be repaid in March 2014, subject to certain conditions.
- (5) This loan is described in further detail below.
- (6) Refer to our 2007 Annual Report on Form 10-K for descriptions of provisions for early redemption and repurchase of these notes.

On May 2, 2008, we entered into a construction loan agreement with a group of lenders for which KeyBanc Capital Markets, Inc. acted as arranger, KeyBank National Association acted as administrative agent, Bank of America, N.A. acted as syndication agent and Manufacturers and Traders Trust Company acted as documentation agent; this loan is referred to in the table above as the Revolving Construction Facility. The construction loan agreement provides for an aggregate commitment by the lenders of \$225,000, with a right for us to further increase the lenders aggregate commitment during the term to a maximum of \$325,000, subject to certain conditions. Ownership interests in the properties for which construction costs are being financed through loans under the

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agreement are pledged as collateral. Borrowings are generally available for properties included in this construction loan agreement based on 85% of the total budgeted costs of construction of the applicable improvements for such properties as set forth in the properties' construction budgets, subject to certain other loan-to-value and debt coverage requirements. As loans for properties under the construction loan agreement are repaid in full and the ownership interests in such properties are no longer pledged as collateral, capacity under the construction loan agreement's aggregate commitment will be restored, giving us the ability to obtain new loans for other construction properties in which we pledge the ownership interests as collateral. The construction loan agreement matures on May 2, 2011, and may be extended by one year at our option, subject to certain conditions. The variable interest rate on each loan is based on one of the following, to be selected by us: (1) subject to certain conditions, the LIBOR rate for the interest period designated by us (customarily the 30-day rate) plus 1.6% to 2.0%, as determined by our leverage levels at different points in time; or (2) the greater of (a) the prime rate of the lender then acting as agent or (b) the Federal Funds Rate, as defined in the construction loan agreement, plus 0.50%. Interest is payable at the end of each interest period (as defined in the agreement), and principal outstanding under each loan under the agreement is payable on the maturity date. The construction loan agreement also carries a quarterly fee that is based on the unused amount of the commitment multiplied by a per annum rate of 0.125% to 0.20%.

We capitalized interest costs of \$8,957 in the six months ended June 30, 2008 and \$8,906 in the six months ended June 30, 2007.

12. Derivatives

The following table sets forth our interest rate swap contracts in place during the six months ended June 30, 2008 and their respective fair values:

Notional Amount	One-Month LIBOR Base	Effective Date	Expiration Date	Fair Value at	
				June 30, 2008	December 31, 2007
\$ 50,000	4.3300%	10/23/2007	10/23/2009	\$ (836)	\$ (596)
50,000	5.0360%	3/28/2006	3/30/2009	(826)	(765)
25,000	5.2320%	5/1/2006	5/1/2009	(493)	(486)
25,000	5.2320%	5/1/2006	5/1/2009	(493)	(486)
				\$ (2,648)	\$ (2,333)

These amounts are included on our Consolidated Balance Sheets as other liabilities.

We designated these derivatives as cash flow hedges. These contracts hedge the risk of changes in interest rates on certain of our one-month LIBOR-based variable rate borrowings until their respective maturities.

The table below sets forth our accounting application of changes in derivative fair values:

**For the Three Months
Ended June 30,**

**For the Six Months
Ended June 30,**

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	2008	2007	2008	2007
Beginning balance	\$ (4,701)	\$ (556)	\$ (2,333)	\$ (308)
Increase (decrease) in fair value applied to accumulated other comprehensive loss and minority interests	2,053	669	(315)	421
Ending balance	\$ (2,648)	\$ 113	\$ (2,648)	\$ 113

Table of Contents**13. Shareholders Equity****Preferred Shares**

Preferred shares of beneficial interest (preferred shares) consisted of the following:

	June 30, 2008	December 31, 2007
2,200,000 designated as Series G Cumulative Redeemable Preferred Shares of beneficial interest (2,200,000 shares issued with an aggregate liquidation preference of \$55,000)	\$ 22	\$ 22
2,000,000 designated as Series H Cumulative Redeemable Preferred Shares of beneficial interest (2,000,000 shares issued with an aggregate liquidation preference of \$50,000)	20	20
3,390,000 designated as Series J Cumulative Redeemable Preferred Shares of beneficial interest (3,390,000 shares issued with an aggregate liquidation preference of \$84,750)	34	34
531,667 designated as Series K Cumulative Redeemable Convertible Preferred Shares of beneficial interest (531,667 shares issued with an aggregate liquidation preference of \$26,583)	5	5
Total preferred shares	\$ 81	\$ 81

Common Shares

During the six months ended June 30, 2008, we converted 15,242 common units in our Operating Partnership into common shares on the basis of one common share for each common unit.

See Note 17 for disclosure of common share activity pertaining to our share-based compensation plans.

Accumulated Other Comprehensive Loss

The table below sets forth activity in the accumulated other comprehensive loss component of shareholders equity:

	For the Six Months Ended June 30,	
	2008	2007
Beginning balance	\$ (2,372)	\$ (693)
Unrealized (loss) gain on derivatives, net of minority interests	(269)	342
Realized loss on derivatives, net of minority interests	26	26

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Ending balance \$ (2,615) \$ (325)

The table below sets forth our comprehensive income:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2008	2007	2008	2007
Net income	\$ 12,853	\$ 7,877	\$ 24,248	\$ 13,424
Unrealized gain (loss) on derivatives, net of minority interests	1,740	565	(269)	342
Realized loss on derivatives, net of minority interests	13	13	26	26
Total comprehensive income	\$ 14,606	\$ 8,455	\$ 24,005	\$ 13,792

Table of Contents**14. Dividends and Distributions**

The following table summarizes our dividends and distributions when either the payable dates or record dates occurred during the six months ended June 30, 2008:

	Record Date	Payable Date		Dividend/ Distribution Per Share/unit		Total Dividend/ Distribution
Series G Preferred Shares:						
Fourth Quarter 2007	December 31, 2007	January 15, 2008	\$	0.5000	\$	1,100
First Quarter 2008	March 31, 2008	April 15, 2008	\$	0.5000	\$	1,100
Second Quarter 2008	June 30, 2008	July 15, 2008	\$	0.5000	\$	1,100
Series H Preferred Shares:						
Fourth Quarter 2007	December 31, 2007	January 15, 2008	\$	0.4688	\$	938
First Quarter 2008	March 31, 2008	April 15, 2008	\$	0.4688	\$	938
Second Quarter 2008	June 30, 2008	July 15, 2008	\$	0.4688	\$	938
Series J Preferred Shares:						
Fourth Quarter 2007	December 31, 2007	January 15, 2008	\$	0.4766	\$	1,616
First Quarter 2008	March 31, 2008	April 15, 2008	\$	0.4766	\$	1,616
Second Quarter 2008	June 30, 2008	July 15, 2008	\$	0.4766	\$	1,616
Series K Preferred Shares:						
Fourth Quarter 2007	December 31, 2007	January 15, 2008	\$	0.7000	\$	372
First Quarter 2008	March 31, 2008	April 15, 2008	\$	0.7000	\$	372
Second Quarter 2008	June 30, 2008	July 15, 2008	\$	0.7000	\$	372
Common Shares:						
Fourth Quarter 2007	December 31, 2007	January 15, 2008	\$	0.3400	\$	16,097
First Quarter 2008	March 31, 2008	April 15, 2008	\$	0.3400	\$	16,173
Second Quarter 2008	June 30, 2008	July 15, 2008	\$	0.3400	\$	16,197
Series I Preferred Units:						
Fourth Quarter 2007	December 31, 2007	January 15, 2008	\$	0.4688	\$	165
First Quarter 2008	March 31, 2008	April 15, 2008	\$	0.4688	\$	165
Second Quarter 2008	June 30, 2008	July 15, 2008	\$	0.4688	\$	165
Common Units:						
Fourth Quarter 2007	December 31, 2007	January 15, 2008	\$	0.3400	\$	2,777
First Quarter 2008	March 31, 2008	April 15, 2008	\$	0.3400	\$	2,771
Second Quarter 2008	June 30, 2008	July 15, 2008	\$	0.3400	\$	2,772

Table of Contents**15. Supplemental Information to Statements of Cash Flows**

	For the Six Months Ended June 30,	
	2008	2007
Supplemental schedule of non-cash investing and financing activities:		
Debt assumed in connection with acquisition of properties	\$	\$ 38,848
Issuance of common shares in connection with acquisition of properties	\$	\$ 156,691
Issuance of preferred shares in connection with acquisition of properties	\$	\$ 26,583
Restricted cash used in connection with acquisitions of properties	\$	\$ 20,122
Issuance of common units in the Operating Partnership in connection with acquisition of interest in properties	\$	\$ 12,125
Increase (decrease) in accrued capital improvements, leasing, and acquisition costs	\$ 2,176	\$ (3,057)
Consolidation of real estate joint venture:		
Real estate assets	\$ 14,208	\$ 39
Prepaid and other assets	(10,859)	1,021
Minority interest	(3,349)	(1,060)
Net adjustment	\$	\$
Proceeds from sale of property invested in restricted cash	\$ 5,103	\$
Reclassification of operating assets to investment in consolidated real estate joint venture	\$	\$ 10,341
Amortization of discounts and premiums on mortgage loans to commercial real estate properties	\$ 26	\$ 275
(Decrease) increase in fair value of derivatives applied to AOCL and minority interests	\$ (315)	\$ 421
Adjustments to minority interests resulting from changes in ownership of the Operating Partnership by COPT	\$	\$ 25,167
Dividends/distribution payable	\$ 22,548	\$ 20,754
Decrease in minority interests and increase in shareholders' equity in connection with the conversion of common units into common shares	\$ 420	\$ 18,958

Table of Contents**16. Information by Business Segment**

As of June 30, 2008, we had nine primary office property segments: Baltimore/Washington Corridor; Northern Virginia; Suburban Baltimore; Colorado Springs; Suburban Maryland; Greater Philadelphia; St. Mary's and King George Counties; San Antonio; and Northern/Central New Jersey.

The table below reports segment financial information. Our segment entitled "Other" includes assets and operations not specifically associated with the other defined segments, including corporate assets and investments in unconsolidated entities. We measure the performance of our segments based on total revenues less property operating expenses, a measure we define as net operating income ("NOI"). We believe that NOI is an important supplemental measure of operating 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.

	Baltimore/ Washington Corridor	Northern Virginia	Suburban Baltimore	Colorado Springs	Suburban Maryland	Greater Philadelphia	St. Mary's & King George Counties	San Antonio	Northern/ Central New Jersey	Other	Intersegment Elimination	Total
Three Months Ended June 30, 2008												
Revenues	\$ 46,426	\$ 18,927	\$ 13,502	\$ 4,691	\$ 4,516	\$ 2,506	\$ 3,134	\$ 1,999	\$ 586	\$ 2,812	\$ (903)	\$ 98,196
Property operating expenses	15,686	7,255	5,691	1,738	1,553	40	747	443	38	1,196	(419)	33,968
NOI	\$ 30,740	\$ 11,672	\$ 7,811	\$ 2,953	\$ 2,963	\$ 2,466	\$ 2,387	\$ 1,556	\$ 548	\$ 1,616	\$ (484)	\$ 64,228
Additions to commercial real estate properties												
	\$ 39,987	\$ 803	\$ 4,309	\$ 41,468	\$ 1,238	\$ 384	\$ 674	\$ 18,738	\$ 22	\$ 943	\$ (15)	\$ 108,551
Three Months Ended June 30, 2007												
Revenues	\$ 42,722	\$ 18,254	\$ 13,448	\$ 3,604	\$ 3,943	\$ 2,507	\$ 3,029	\$ 1,863	\$ 1,006	\$ 1,610	\$ (816)	\$ 91,170
Property operating expenses	13,376	6,483	4,976	1,193	1,655	29	743	385	385	1,249	(1,079)	29,395
NOI	\$ 29,346	\$ 11,771	\$ 8,472	\$ 2,411	\$ 2,288	\$ 2,478	\$ 2,286	\$ 1,478	\$ 621	\$ 361	\$ 263	\$ 61,775
Additions to commercial real estate properties												
	\$ 20,602	\$ 6,019	\$ 2,495	\$ 20,564	\$ 1,412	\$ 300	\$ 214	\$ 40	\$ 11	\$ 17,883	\$ (513)	\$ 69,027
Six Months Ended June 30,												

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2008																								
Revenues	\$	92,003	\$	37,931	\$	27,412	\$	8,863	\$	9,100	\$	5,012	\$	6,294	\$	3,907	\$	1,338	\$	5,538	\$	(1,781)	\$	195,617
Property operating expenses		31,901		14,239		12,014		3,320		3,217		104		1,489		876		247		2,513		(1,223)		68,697
NOI	\$	60,102	\$	23,692	\$	15,398	\$	5,543	\$	5,883	\$	4,908	\$	4,805	\$	3,031	\$	1,091	\$	3,025	\$	(558)	\$	126,920
Additions to commercial real estate properties	\$	54,074	\$	1,729	\$	7,737	\$	53,446	\$	22,096	\$	612	\$	1,236	\$	18,248	\$	43	\$	2,225	\$	(15)	\$	161,431
Segment assets at June 30, 2008	\$	1,248,057	\$	469,146	\$	438,424	\$	235,458	\$	160,509	\$	95,123	\$	94,798	\$	84,359	\$	22,155	\$	163,421	\$	(980)	\$	3,010,470
Six Months Ended June 30, 2007																								
Revenues	\$	86,559	\$	35,426	\$	26,529	\$	7,199	\$	7,910	\$	5,013	\$	6,127	\$	3,644	\$	2,792	\$	2,109	\$	(1,743)	\$	181,565
Property operating expenses		27,911		12,811		10,747		2,482		3,323		66		1,519		747		1,085		2,551		(1,760)		61,482
NOI	\$	58,648	\$	22,615	\$	15,782	\$	4,717	\$	4,587	\$	4,947	\$	4,608	\$	2,897	\$	1,707	\$	(442)	\$	17	\$	120,083
Additions to commercial real estate properties	\$	99,128	\$	16,916	\$	262,875	\$	24,367	\$	1,908	\$	532	\$	283	\$	6	\$	265	\$	43,735	\$	(945)	\$	449,070
Segment assets at June 30, 2007	\$	1,168,553	\$	482,966	\$	452,324	\$	157,397	\$	129,064	\$	96,888	\$	96,061	\$	53,032	\$	44,425	\$	174,026	\$	(7)	\$	2,854,729

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The following table reconciles our segment revenues to total revenues as reported on our Consolidated Statements of Operations:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2008	2007	2008	2007
Segment revenues	\$ 98,196	\$		