COPT Defense Properties (CDP)

Updated November 26th, 2025 by Felix Martinez

Key Metrics

Current Price:	$31	**5 Year Annual Expected Total Return:**	6.9%	**Market Cap:**	$3.5B
Fair Value Price:	$32	**5 Year Growth Estimate:**	2.5%	**Ex-Dividend Date:**	12/31/25
% Fair Value:	95%	**5 Year Valuation Multiple Estimate:**	1.1%	**Dividend Payment Date:**	01/15/26
Dividend Yield:	4.0%	**5 Year Price Target**	$37	**Years Of Dividend Growth:**	3
Dividend Risk Score:	F	**Sector:** Real Estate		**Rating:**	Hold

Overview & Current Events

COPT Defense Properties is a Real Estate Investment Trust (REIT) that invests in office and data center buildings, mainly in the suburbs of the Washington, D.C. metropolitan area. It primarily leases to the U.S. government and its contractors. As of December 31, 2024, the company derived 91% of its core portfolio annualized rental revenue from Defense/IT Locations and 9% from its Regional Office Properties. CDP's core portfolio of 195 properties encompassed 22.4 million square feet and was 96.8% leased. The company has a current market capitalization of $3.5 billion. On September 5th 2023, the company Announces New Name and Logo to Align with Defense and Mission Critical Sector Focus. Corporate Office Properties Trust (NYSE: OFC) ("COPT" or the "Company") announced that the Company is changing its name to COPT Defense Properties ("COPT Defense") and its ticker symbol for its common shares listed on the New York Stock Exchange from "OFC" to "CDP" effective September 15, 2023.

On October 30th, 2025, OFC reported third quarter results for Fiscal Year (FY)2025. COPT Defense Properties reported delivered a solid third quarter, highlighted by steady FFO growth, strong leasing volume, and continued portfolio stability near U.S. defense hubs. Adjusted FFO per share came in at $0.69, representing a 6.2% increase year-over-year and landing two cents above the midpoint of prior guidance. Management raised full-year expectations, increasing the 2025 FFO per share midpoint to $2.70, which implies 5.1% annual growth. Same-property cash NOI rose 4.6% in Q3 and year-to-date, reinforcing the company's ability to generate consistent internal income growth. The total portfolio ended the quarter 93.9% occupied and 95.7% leased, while the core Defense/IT segment reached a robust 97% leased—its highest rate in two decades. Leasing activity exceeded internal targets, with 971,000 square feet leased in the quarter and 2.3 million square feet year-to-date. Vacancy leasing totaled 432,000 square feet through the first nine months, prompting management to raise its annual target to 500,000 square feet—up from 400,000 originally. Tenant retention remained strong at 82%, and renewal rent spreads continued to move higher, with straight-line rental rates increasing 13.4% in Q3. Investment deployment also accelerated, supported by $124 million in new commitments year-to-date, including a new 101,000-square-foot build-to-suit project for Yulista and the acquisition of a fully leased 142,000-square-foot office asset in Virginia. These moves expand existing tenant relationships and are expected to be accretive to FFO.

The balance sheet was further strengthened through strategic financing actions. Fixed-rate debt now represents 97% of total borrowings, reducing rate-related risk and supporting long-term growth visibility. With leasing ahead of plan, elevated occupancy levels, and guidance revised upward across multiple performance metrics, COPT Defense enters the final quarter of 2025 positioned for continued momentum. Management expects compound annual FFO per share growth of more than 4% from 2023 through 2026, underscoring stability backed by mission-critical defense demand.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$2.01	$2.01	$2.03	$2.01	$2.03	$2.12	$2.29	$2.36	$2.42	$2.57	***$2.70***	***$3.05***
DPS	$1.10	$1.10	$1.10	$1.10	$1.10	$1.10	$1.10	$1.10	$1.14	$1.18	***$1.22***	***$1.28***
Shares[1]	97.7	94.5	99.2	104.1	111.6	112.1	112.4	112.6	112.0	112.9	***113.4***	***115.0***

[1] Share count is in millions.

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The most significant growth prospects from CDP will be the continuation of profitable acquisitions in the future and increasing rents at a modest rate. CDP had grown FFO at a Compound Annual Growth Rate (CAGR) of 2.8% over the past ten years. Over the past five years, FFO growth has improved with a CAGR of 5.0%. During the COVID-19 pandemic, most REITs had to cut their dividend, or FFO decreased for the year. However, FFO increased by 4% from 2019 to 2020 for the company. We expect CDP to continue to grow FFO at a 2.5% CAGR for the next five years. We expect the Trust to make $3.05 in FFO per share in 2030.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Avg. P/E	10.9	15.5	14.4	10.5	14.5	12.3	12.2	11	10.6	12.1	***11.4***	***12.00***
Avg. Yld.	5.0%	3.5%	3.8%	5.2%	3.7%	4.2%	3.9%	4.2%	4.5%	3.8%	***4.0%***	***3.5%***

CDP currently trades hands with a 11.4x FFO, which is lower than its peers. Over the ten years history of CDP, the Trust has ten-year multiple averages of 12.4x FFO. Thus, we think a multiple of 12.0x FFO is fair for CDP. This will provide a 1.1% tailwind expansion over the next five years. The current dividend yield of 4.0% is in line with its five-year average. Thus, the company looks to be fairly valued.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	55%	55%	54%	55%	54%	52%	48%	47%	47%	46%	***45%***	***42%***

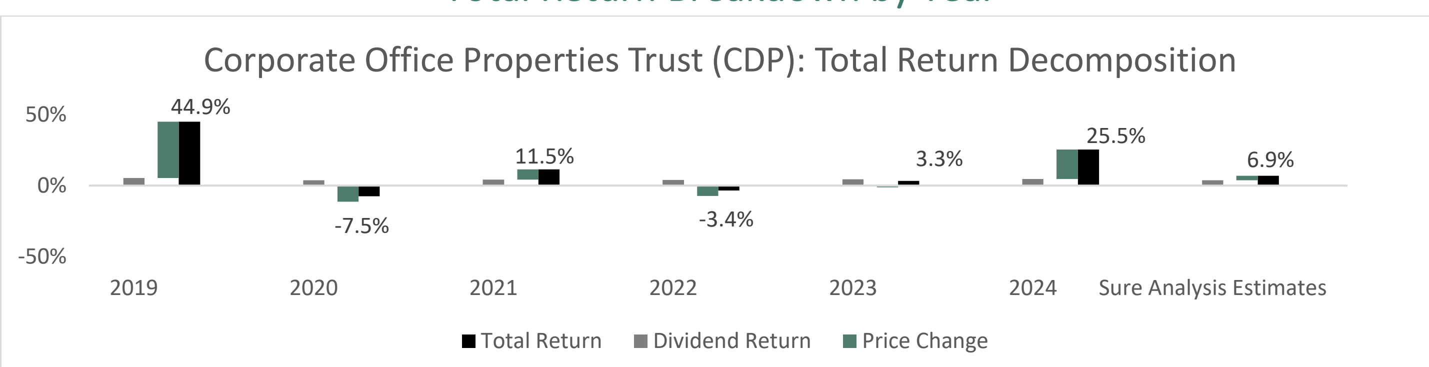
CDP's competitive advantage is that it has a strong management team. The company was very resilient during The Great Recession in 2008-2009 and droning the COVID-19 pandemic. During 2008, FFO increased by 9% to $2.44 per share. Also, in 2019, FFO increased by 2% to $2.49 per share. As mentioned above, CDP was one of the fortunate REITs that increased FFO in FY2020. This speaks volumes as most REITs struggle mightily during the pandemic. Also, OFC did not have to cut its dividend.

CDP has a good balance sheet. The Trust has an interest coverage ratio of 2.9 and a debt-to-equity ratio of 1.6. The dividend payment is meager compared to other REITs paying out 46% of its FFO. The low dividend payout ratio should help the company start a dividend growth policy in the future.

Final Thoughts & Recommendation

CDP is a well-run office REIT with a good balance sheet. The Trust went through the COVID-19 pandemic like it was not even there. The Trust offers an expected total return for the next five years of 6.9%. However, at the current price, the stock earns a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	625	574	613	578	612	582	664	739	685	753
Gross Profit	188	199	188	182	191	197	209	220	231	260
Gross Margin	30.1%	34.6%	30.7%	31.4%	31.3%	33.9%	31.5%	29.8%	33.7%	34.5%
SG&A Exp.	45	45	37	35	40	37	41	39	43	47
D&A Exp.	142	135	137	139	139	140	151	144		156
Operating Profit	143	154	151	147	152	160	169	181	188	213
Operating Margin	22.9%	26.8%	24.6%	25.4%	24.8%	27.5%	25.4%	24.5%	27.4%	28.3%
Net Profit	178	30	69	72	192	97	77	173	-73	139
Net Margin	28.5%	5.2%	11.2%	12.5%	31.3%	16.7%	11.5%	23.4%	-10.7%	18.5%
Free Cash Flow	181	208	207	156	204	206	219	229		300
Income Tax	0	0	1	0	0	0	0	0	1	0

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	3,909	3,781	3,595	3,656	3,854	4,077	4,262	4,257	4,247	4254
Cash & Equivalents	60	210	12	8	15	18	13	12	168	38
Accounts Receivable	135	125	119	116	123	133	150	168	198	204
Goodwill & Int. Ass.	98	78	59	43	27	19	15	10		
Total Liabilities	2,274	2,163	2,104	2,003	2,106	2,358	2,578	2,510	2,700	2694
Accounts Payable	92	109	108	93	149	143	186	158	133	126
Long-Term Debt	2,078	1,904	1,828	1,824	1,831	2,087	2,272	2,232	2,416	2392
Shareholder's Equity	1,345	1,351	1,402	1,585	1,679	1,661	1,623	1,682	1,484	1493
LTD/E Ratio	1.35	1.25	1.30	1.15	1.09	1.26	1.40	1.33	1.63	1.60

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	4.7%	0.8%	1.9%	2.0%	5.1%	2.5%	1.8%	4.1%	-1.7%	3.3%
Return on Equity	13.7%	2.2%	5.0%	4.8%	11.7%	5.8%	4.7%	10.5%	-4.5%	8.9%
ROIC	5.0%	0.8%	2.0%	2.1%	5.4%	2.6%	2.0%	4.4%	-1.9%	3.5%
Shares Out.	97.7	94.5	99.2	104.1	111.6	112.1	112.4	112.6	112.2	112.9
Revenue/Share	6.40	6.07	6.18	5.55	5.48	5.20	5.91	6.56	6.11	6.67
FCF/Share	1.85	2.20	2.09	1.50	1.83	1.84	1.95	2.04		2.65

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Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.