



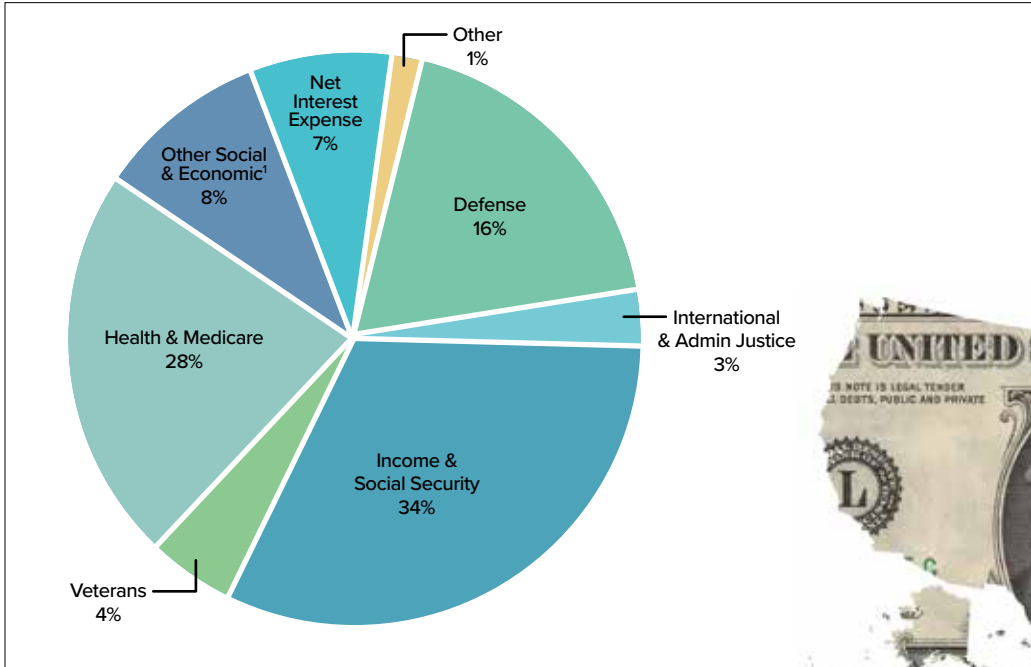
DEFENSE & INTELLIGENCE BUDGET UPDATES

Presented by
Corporate Office
Properties Trust

UPDATED MAY 2019

Total U.S. Federal Budget*: FY 2019

⊖ Spending on national defense represents 16% of the federal budget

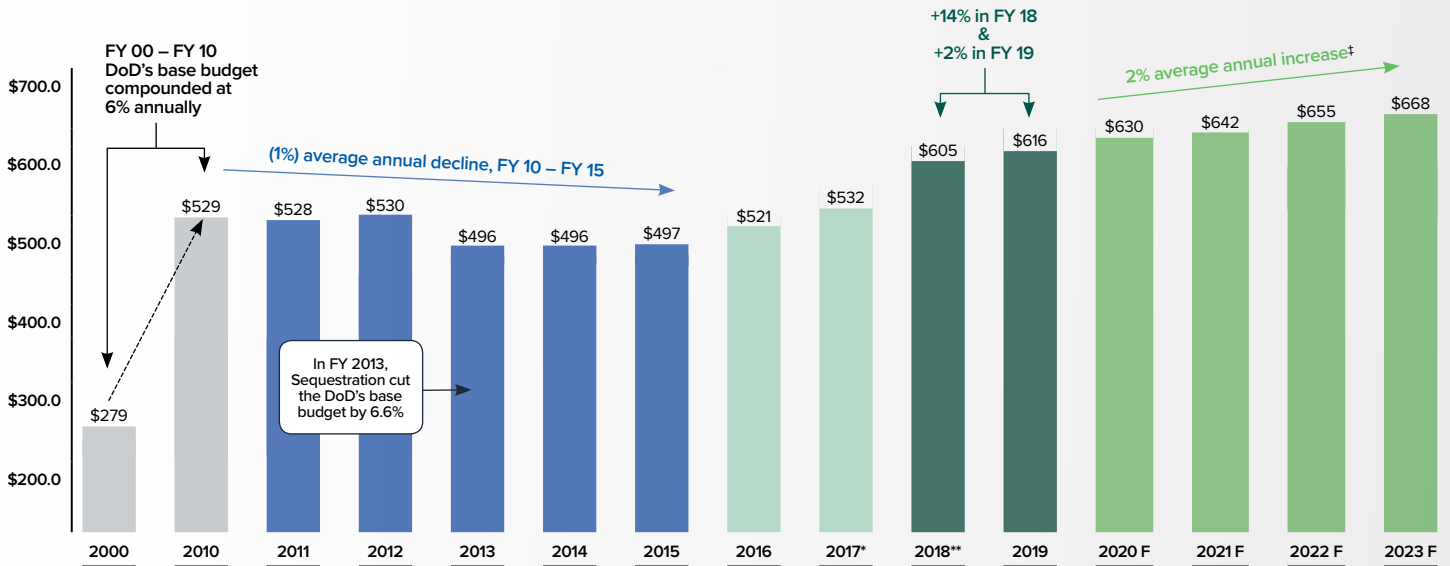


*Source: Table 1-4: Federal Unified Budget – Budget Authority by Function (FY 2020 “Green Book”)

¹This category includes General Science, Space & Technology (250), Energy (270), Natural Resources and Environment (300), Agriculture (350), Commerce and Housing Credit (370), Transportation (400), Community and Regional Development (450), and Education, Training, Employment and Social Services (500).



DoD Base Budget[†] Authorizations



Current dollars, in billions.

Sources: Historical data through FY 2016 are pulled from Tables 1-9 and 2-1 of the National Defense Budget Estimates (“Green Books”); data for FY 2017-FY 2019 are pulled from Tables 1-2 and 2-1 of the FY 2020 Green Book; Capital Alpha Partners; COPT’s IR Department

[†] DoD base budget (051) numbers exclude funding for overseas contingency operations (“OCO”), Atomic Energy Defense Activities (053), Other Defense-Related Activities (054), and mandatory spending.

* FY 2017 includes \$8.25 billion of “OCO for base budget purposes.” Source: CRS report on final authorizations.

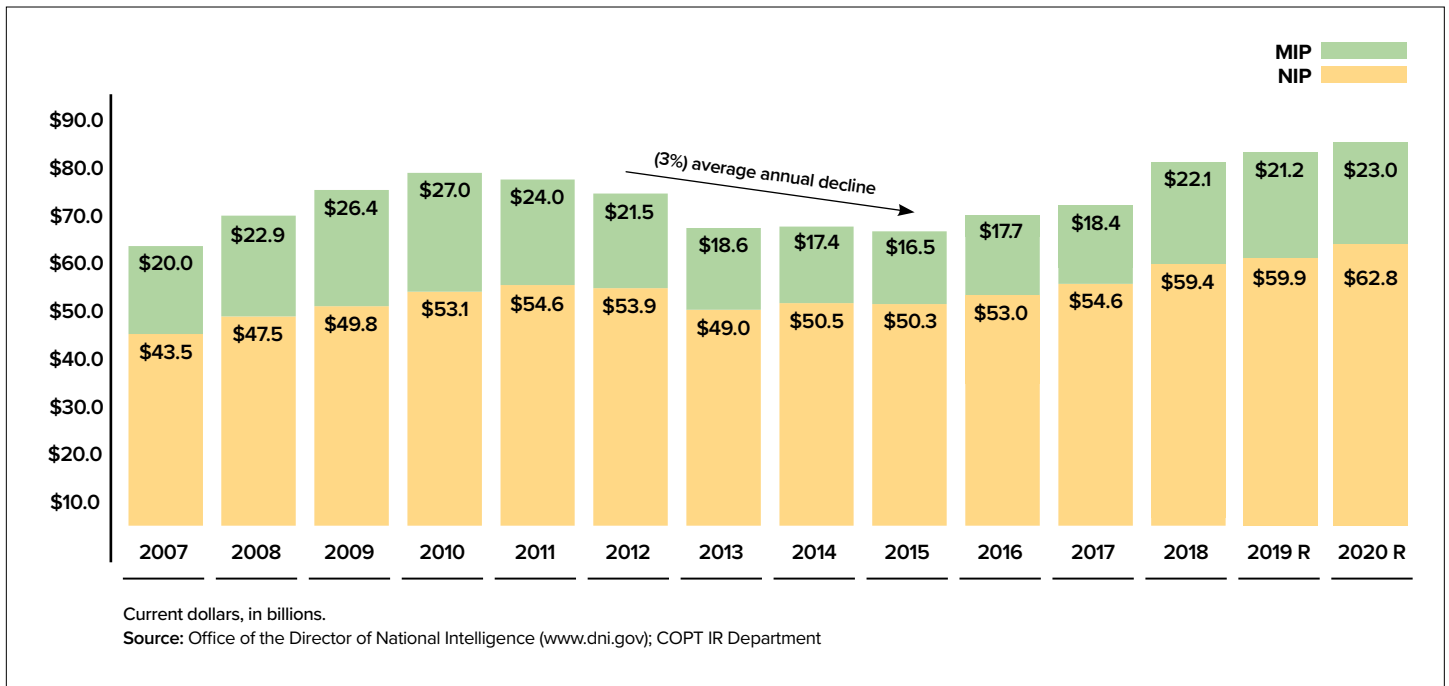
** FY 2018 includes \$5.8 billion of supplemental authorizations for Missile Defeat.

‡ The President’s FY 2020 Budget Request asks for Base + OCO budget authority of \$718.3 billion; the distribution of O&M budget authority between the base and OCO is still uncertain. The \$630 billion estimate assumes a normalized distribution between the two budgets. Forecasted years assume 2% annual increases from the FY 2020 estimate.

Intelligence Community Budgets have Stabilized

⊙ After five years of 3% average annual reductions between 2011–2015, spending on National and Military Intelligence Programs (“NIP” and “MIP,” respectively) stabilized and has increased an average of 4% annually since.

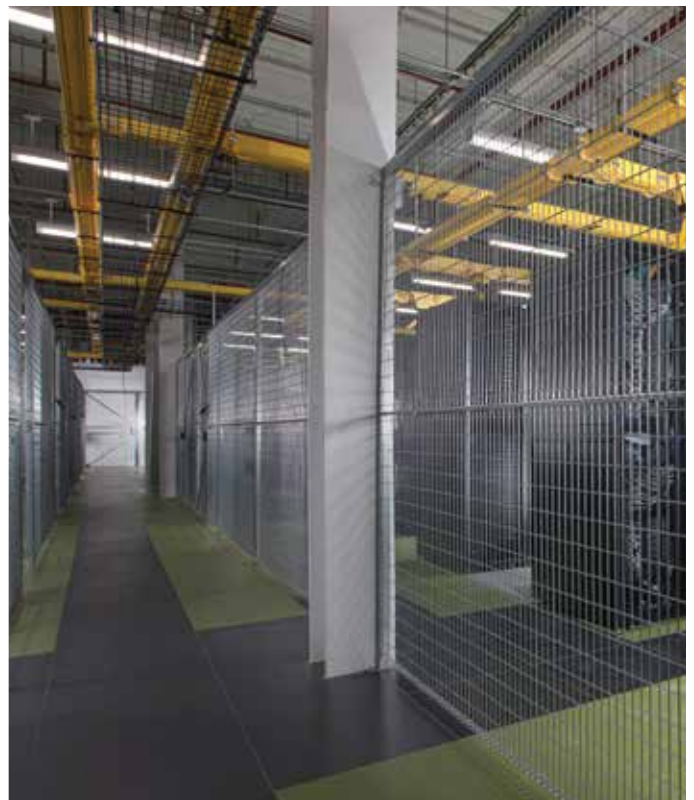
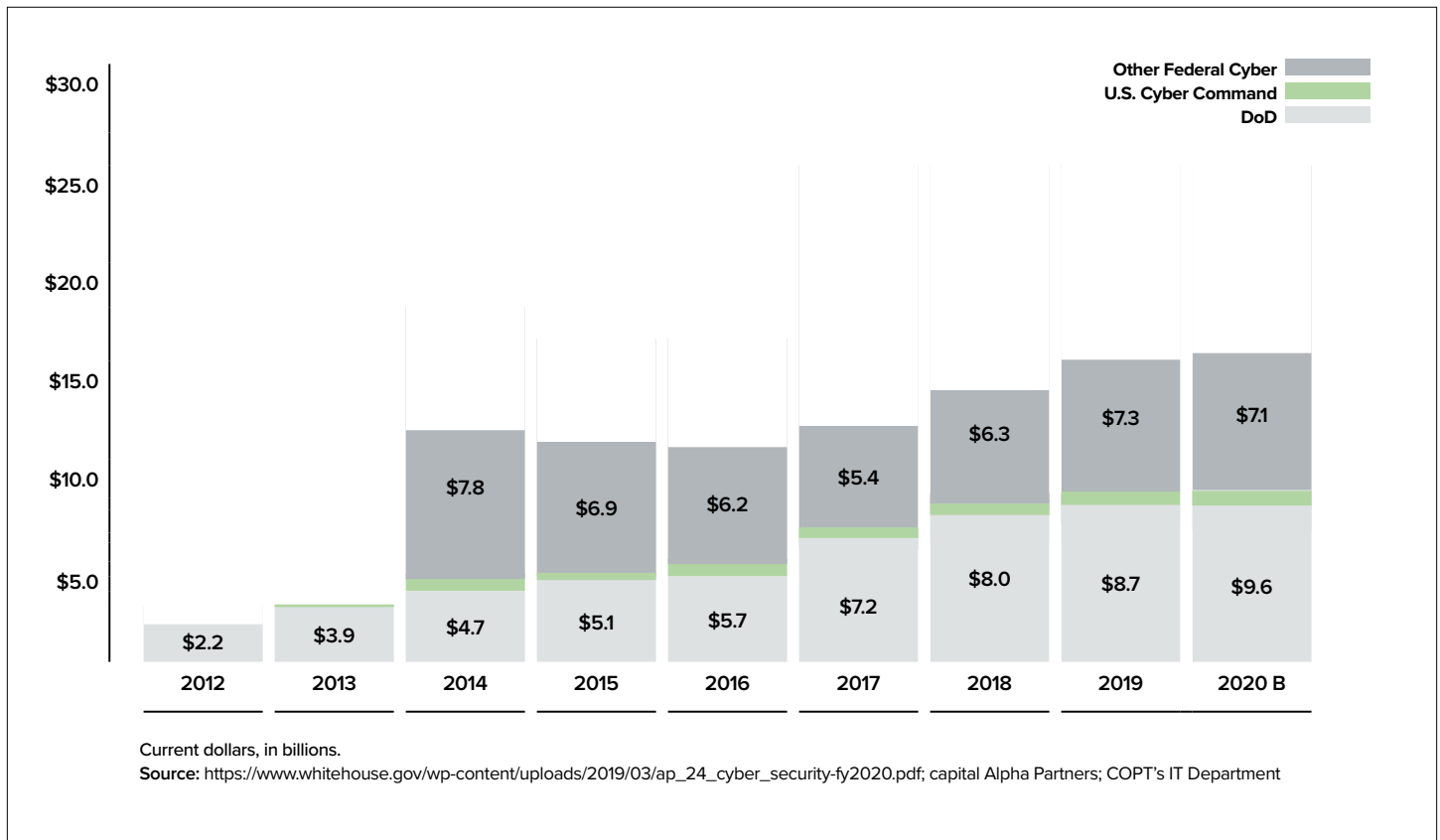
INTELLIGENCE COMMUNITY SPENDING



DoD Cybersecurity Funding Forecasted to Increase

- Since 2012, the DoD's cybersecurity budget has grown at a compound annual rate of 19%
- In fiscal 2020, the \$9.6 billion requested budget would represent an additional 10% increase over fiscal 2019

U.S. CYBERSECURITY SPENDING

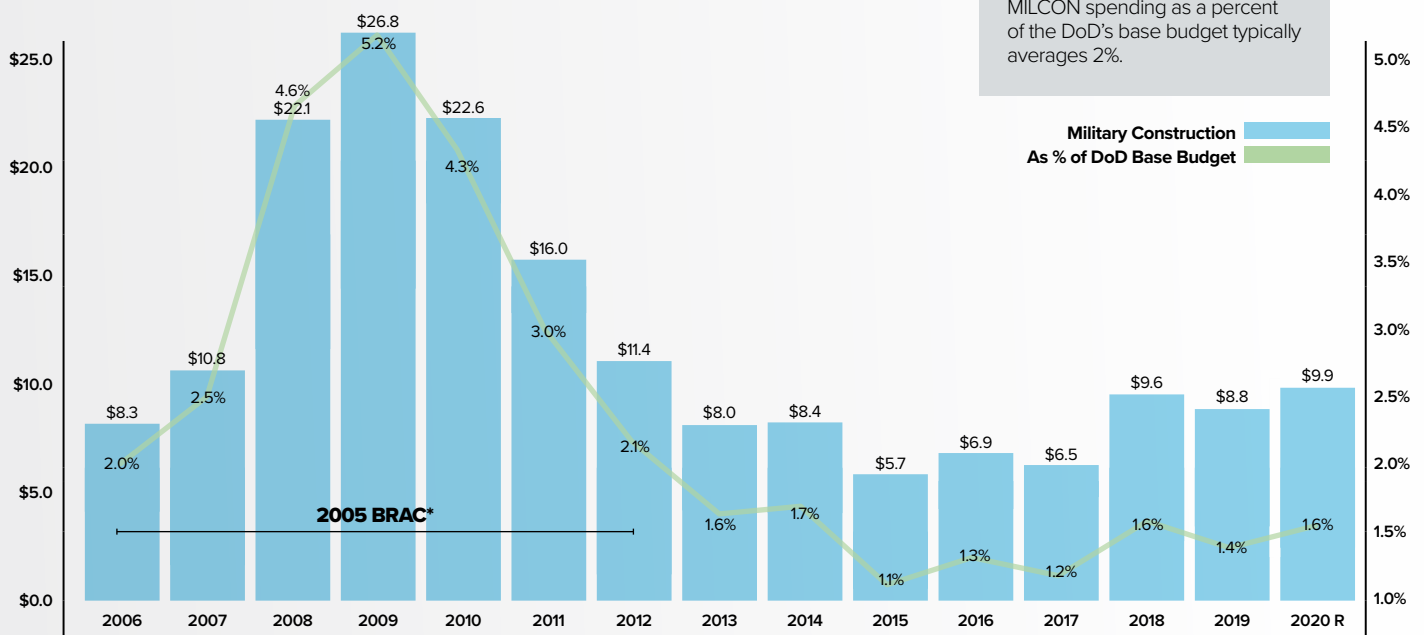




MILCON Spending Forecasted to Decline

- Within the DoD base budget, Military construction (“MILCON”) spending’s recent peak was in FY 2009 – at \$26.8 billion, or 5.2% of the base budget. The 2005 Base Realignment and Closure (“BRAC”) moves drove elevated MICON spending from 2006–2012.
- MILCON spending, which is spread across all U.S. defense installations worldwide, is forecasted to be less than 2% of the DoD’s base budget going forward
- According to its 2015 Base Structure Report, at September 30, 2014, the DoD’s portfolio of defense installations included 4,855 sites in the U.S. and 42 foreign countries.

MILITARY CONSTRUCTION APPROPRIATIONS



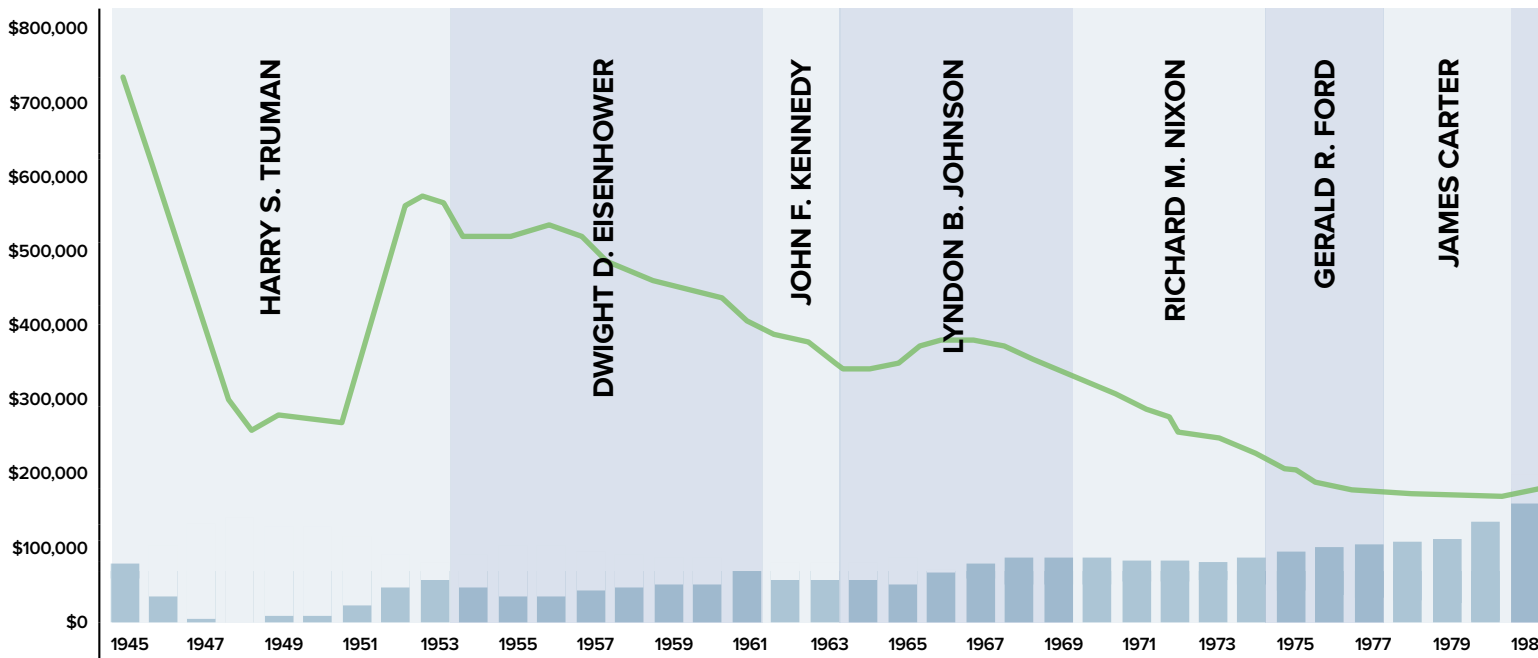
Current dollars, in billions.

Source: National Defense Budget Estimates for FY 2019; Capital Alpha Partners; COPT’s IR Department

* Please refer to our “BRAC Overview” in the ‘COPT Research’ section of investors.copt.com



National Defense Outlays as a Percent of Total Federal Outlays, by Presidential Administration



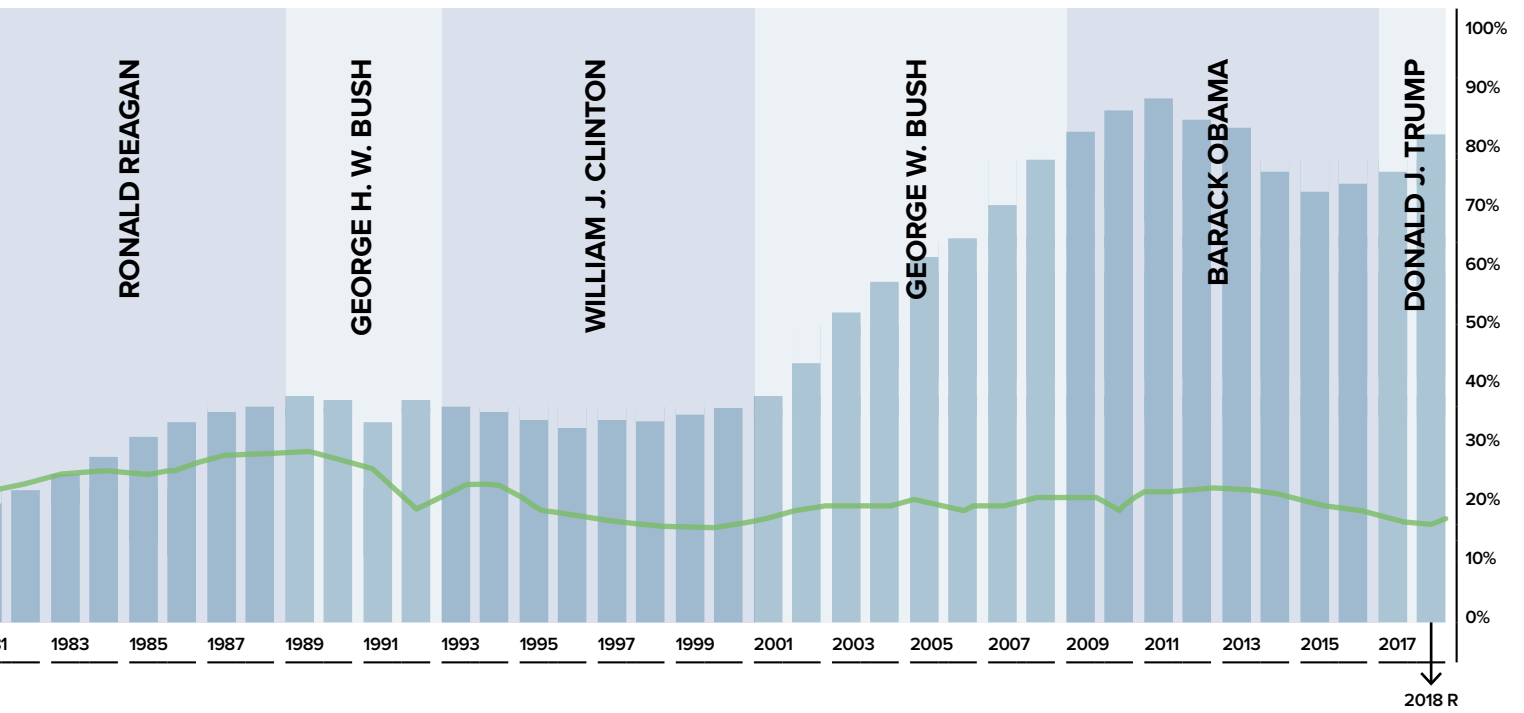
Current dollars, in millions.

Source: Table 7-1: Total Federal Outlays from the National Defense Budget Estimates for FY 2018 (the Fiscal Year 2018 "Green Book").

*National Defense (function 050) is comprised of DoD Military (subfunction 051, a.k.a., the Base Budget), Atomic Energy Defense Activities (subfunction 053), and Defense-Related Activities of other federal agencies (e.g., the Department of Justice) (subfunction 054). National Defense does not include Overseas Contingency Operations ("OCO") used to fund wars and military actions on foreign territory.



National Defense* █
 Defense/Total Federal █





Defense Spending Since 1945

| U.S. PRESIDENT | ENTERED OFFICE | LEFT OFFICE | CAGR IN DEFENSE SPENDING | MILITARY CONFLICT | | | |
|-----------------------|----------------|-------------|--------------------------|-------------------------------------|-----------------------------------|---------------------------------|--|
| Franklin D. Roosevelt | Mar-33 | Apr-45 | -- | World War II, Sept-1939 - Sept-1945 | | | |
| Harry S. Truman | Apr-45 | Jan-53 | -4.9% | Korean War, Jun-1950 - Jul-1953 | | | |
| Dwight D. Eisenhower | Jan-53 | Jan-61 | -0.7% | Cold War, 1947–1991 | | | |
| John F. Kennedy | Jan-61 | Nov-63 | 3.8% | | | | |
| Lyndon B. Johnson | Nov-63 | Jan-69 | 6.4% | | | Vietnam War,* 1964–1973 | |
| Richard M. Nixon | Jan-69 | Aug-74 | -0.6% | | | | |
| Gerald R. Ford | Aug-74 | Jan-77 | 5.2% | | | | |
| James Carter | Jan-77 | Jan-81 | 10.1% | | | | |
| Ronald Reagan | Jan-81 | Jan-89 | 7.6% | | | | |
| George H. W. Bush | Jan-89 | Jan-93 | -0.8% | Gulf War, Aug. 1990–Feb. 1991 | | | |
| William J. Clinton | Jan-93 | Jan-01 | 0.5% | | | | |
| George W. Bush | Jan-01 | Jan-09 | 9.0% | | | | |
| Barack Obama | Jan-09 | Jan-17 | -1.0% | Global War on Terror, Oct. 2001–TBD | War in Afghanistan, Oct. 2001–TBD | Iraq War,** Mar. 2003–Dec. 2011 | |
| Donald J. Trump | Jan-17 | TBD | 5% expected | | | | |

Source: WhiteHouse.gov

*The Vietnam War lasted from Nov-1955–Apr-1975. U.S. was involved from 1964 through 1973.

**Also known as the Second Gulf War.



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