



Ankara and the real estate reckoning



Jennifer Townsend
Partner, Occupier Insight
15th June 2026

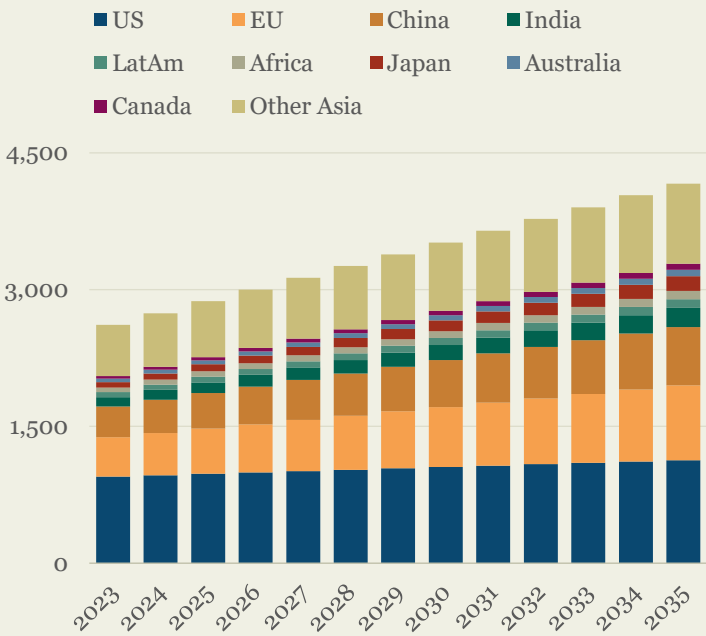
On 7–8 July, NATO leaders gather in Ankara for the first full review of the 3.5% core defence spending pledge, plus 1.5% for defence-related areas, agreed at The Hague. It is the clearest signal yet of a global rearmament wave and of the momentum now building across the sector. Drawing on our analysis of Q1 2026 earnings calls and 2025 financial reports across 15 major defence occupiers, this edition examines the trends reshaping defence real estate decisions worldwide and the requirements occupiers must now build into every brief.

All roads lead to Ankara

When NATO leaders meet at the Beştepe Presidential Complex in Ankara, one question will hang over the summit: Is the Alliance delivering on the commitments made at The Hague in June 2025? Then, all 32 members pledged to spend 5% of GDP on defence and security by 2035, including 3.5% on core defence and 1.5% on resilience and security-related infrastructure. Ankara is the first formal test, and the pressure to show progress is rising.

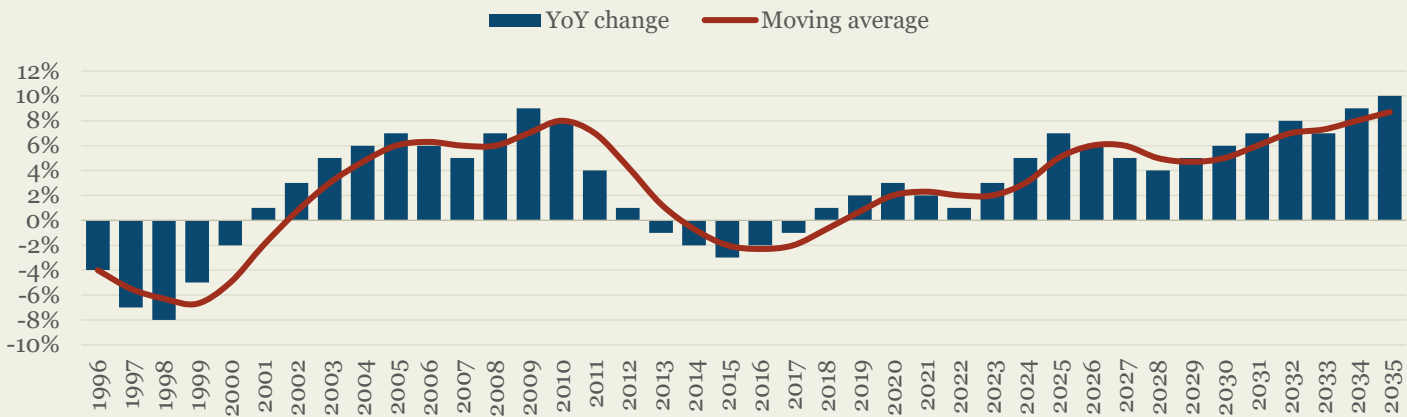
Worldwide defence outlays climbed to nearly \$2.7 trillion in 2024, the steepest jump since the Cold War. The United States remains far ahead, spending over \$900 billion last year, while Germany has lifted military budgets out from under its debt brake, and Poland is already spending above 4% of GDP. Japan is midway through its biggest rearmament since 1945, and Saudi Arabia’s Vision 2030 aims to localise half of defence spending. Increasingly, countries are collaborating on defence projects, with Europe’s €150 billion joint procurement fund being a prime example. Morningstar projects European budgets alone expanding by 6.8% a year to 2035. Across the board, defence is being reframed as both an industrial policy and an engine of economic growth.

Global Defence Spending, 2023–2035
(USD bn)



Source: Thunder Said Energy, NATO, Morningstar.

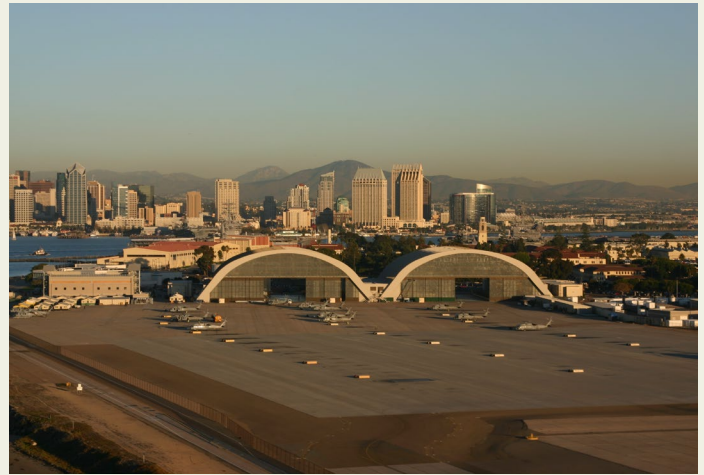
Global Military Spending Evolution (annual % change)



Source: Morningstar.

Four trends driving defence real estate decisions

Rising government defence spending matters, but it is only one of the forces now driving real estate decisions. Our analysis of Q1 2026 analyst calls and 2025 financial reports across major defence occupiers identifies four strategic priorities shaping where occupiers expand, what they require and the speed at which they need it.



1. Speed to capacity is driving expansion-led real estate

With governments pushing to rearm at pace, the pressure for more facilities and faster expansion has become acute. That surge of contract orders has left most leading contractors sitting on record backlogs. Thales, for one, pointed to defence orders climbing 75% on the back of five large contracts, and that demand is now translating straight into bricks and mortar. Northrop has brought more than 20 new facilities online and added over 2 million sq ft of manufacturing space across the US, while RTX has flagged close to \$900 million in capacity investment in Tucson, Huntsville and Andover over the past three years. Government spending will not be even, so close attention must be paid to different strategies. Some countries, for example, have made promises of increased funding but have yet to announce actual investment plans. It is worth noting that the sector is also set to see growth from the aftermarket (maintenance, repair and overhaul), as ageing fleets require extensions and upgrades. This is not always captured in the order backlog data.

2. Supply chain bottlenecks are a key constraint on growth

One of the key constraints on rearmament is the supply chain behind it. Across the Q1 calls, contractors repeatedly returned to component shortages: missile output is still capped by rocket-motor availability, with the bottleneck extending beyond the integrators into deeper supplier tiers. The chemistry base is just as stretched, castings and forgings remain a persistent drag, and microelectronics remain a structural weak point: weapons depend on global chip supply chains that the defence buyer can rarely see beyond the first tier. Export controls, tariffs and foreign manufacturing dependencies add further fragility. One of the deepest exposures sits upstream: China controls roughly 70% of rare earth mining, around 90% of processing and refining and most permanent magnet production, the magnets inside almost every missile, fighter, submarine and radar.

The response is redrawing the industrial map. Reshoring the manufacturing and production of mission-critical raw materials and components is redefining the supply chain and, in turn, where defence occupiers locate. Around it sit strategic stockpiling, digital tools and data analytics embedded in real estate to monitor the supply of goods and growing investment in alternative materials and recycling.

3. Location decisions now include sovereignty and power

Defence demand is not footloose. It concentrates in areas where capability, clearance-ready labour and supply chains already exist, and governments are actively reinforcing those clusters by steering contracts to national and local suppliers and creating centres of excellence that often come with additional support, such as fast-tracked planning and incentives. In the UK, for example, the Defence Industrial Strategy lays out five defence growth deal locations. Elsewhere, the EU wants at least 50% of defence equipment sourced within Europe. Northrop told Q1 investors that European customers prefer to buy local when a comparable product exists, pushing firms towards dual-footprint strategies with production, integration and final assembly within the customer's market. For occupiers, location is also a question of sovereignty and evolving government policy.

Within those clusters, the scarcest input is increasingly power. Modern defence sites are energy-intensive. In particular, defence firms now run high-performance computing for digital twins, simulation, AI training and satellite-image processing: Leonardo's Davinci supercomputer in Genoa, doubled in its latest upgrade, is one example. That places defence occupiers in direct competition with other occupier types for the same powered land and grid capacity, at a moment when connection queues in some markets run to seven years. The result is a premium on sites with secured grid capacity, on-site generation, and embedded resilience.

4. Defence pivots to Tech

The definition of a defence occupier has changed. Venture funding into defence tech hit a record \$49.1 billion in 2025, nearly double the prior year. Palantir is making London its European defence headquarters under a strategic partnership, creating up to 350 high-skilled jobs; Anduril, now valued at over \$60 billion, is building a major manufacturing complex at Douglas Park, Long Beach; and Munich-based Helsing has become Europe's most valuable defence startup.

The incumbents are converging on the same ground from the other direction. Q1 calls show Leidos moving into software-rich products such as small cruise missiles, unmanned surface vessels and passive sensing, all out of the lab and into serial production; Leonardo reiterated its “bullets-and-bytes” strategy backed by €3 billion of combined R&D; and other primes are bolting on defence tech operations through M&A and joint ventures. These transactions bring consolidation, co-location and integration footprints with them.

The convergence is also a contest for talent, and that contest has its own real estate signature. Leonardo has hired a net 17,000 people in three years, with around 70% in STEM roles, while Thales now counts some 800 AI specialists and a third of its 85,000-strong workforce in R&D. The estate that supports this looks less like a traditional factory and more like a technology campus: secure labs, integration and test space, accredited data and compute, and select city-centre offices where the software engineering talent sits.

Space is a clear adjacent sector, forecast to grow at a high-single-digit rate into the 2030s as rising tensions drive demand for satellite surveillance, missile defence and more resilient architectures. The US dominates, while Europe is rearming in orbit for strategic autonomy led by France's circa €6 billion programme and players such as Airbus, Thales, Leonardo and Eutelsat. The real estate is distinctive: satellite manufacturing and integration cleanrooms, ground stations, secure downlink and data facilities, test halls and mission-control hubs, increasingly localised for sovereignty. ICEYE is scaling towards roughly one satellite a week and expanding sites across Europe through a joint venture with Rheinmetall, while US firms such as Apex are adding satellite-bus “factories” at speed.

Cyber is the other. As defence shifts towards integrated security spanning infrastructure, energy and networks, the cyber-defence base is expanding fast, and its real estate is unusually physical for a digital discipline. Classified workloads cannot sit in a generic public cloud: the great majority of defence cybersecurity is still deployed on-premises, driving demand for accredited secure data centres, security operations centres, sensitive compartmented information facilities and protected software-development environments, alongside talent-led offices that cluster cleared engineers.

Autonomous systems, particularly drones, are drawing growing focus. Ukraine's drone sector offers a clear signal of direction: an industry forged in wartime conditions is now shifting towards controlled exports and joint production with European partners. This includes proposals for facilities within allied countries, marking a transition from improvised assembly to repeatable, industrialised production built on secure and scalable manufacturing capacity.



Defence Tech: main sub-sectors

The fourteen technology domains driving defence innovation and the specialist estate behind them.



Advanced computing and software



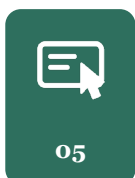
Advanced materials and manufacturing



Autonomous systems



Biotechnology



Human-machine interfaces



Quantum sciences



Renewable energy generation and storage



Sensing connectivity and security



Space technology



Semiconductors and microelectronics



Advanced air mobility



Directed energy



Hypersonics



Missiles and munitions systems

What this means if you are a defence occupier

Whether you lease or own, the new era of defence demands a revised approach to real estate

01

Reshape the portfolio for growth.
Assess the existing portfolio to identify surplus sites and core sites with headroom to scale. Deploy data, AI and related tools to accelerate output and improve operational efficiency. In parallel, evaluate new locations to expand capacity.

02

Treat supply-chain resilience as a property strategy. Map exposure to mission-critical inputs, single-source suppliers, tariffs and export controls, then build the answer into the brief: co-located supplier space, secure stockpiling, alternative materials and recycling, and digital tools to track supply chains.

03

Choose clusters with care.
Sovereignty, government policy and access to affordable, scalable and reliable power are now central to location strategy, alongside more established criteria. Maintain a clear view of policy direction, including local production and contracting requirements and place power availability, cost and resilience at the core of location decisions.

04

Plan for the new footprint. Defence tech-led operations have materially different needs from traditional defence. Delivery therefore requires a mix of office, R&D, light industrial and testing space, concentrated in locations with deep talent pools, strong start-up ecosystems, established R&D networks and supportive policy environments.

05

Deliver at pace, contract for flexibility. Secure options on expansion land early, weigh build-to-suit against repurposing existing stock and engage planning authorities ahead of need to access fast-track regimes. Then align lease events and ownership horizons with contract backlogs, so the estate can flex as programmes change.

Recent expansion announcements

A snapshot of how the changes happening in the defence sector are translating into physical capacity:

Company	Location	Facility / scope	Scale & investment	Announced
Anduril	Columbus, Ohio, USA	"Arsenal-1" autonomous systems and weapons mega factory	~\$900m+, ~4,000 direct high-quality jobs plus an additional 8,500 from the supply chain and construction.	Jan 2025
Rheinmetall	Unterlüß, Germany	155mm artillery shell plant ("Werk Niedersachsen")	~€500m and 500 jobs	Aug 2025
SAMI	Al-Kharj, Saudi Arabia	SAMI Land complex (armoured vehicles & turrets)	82,000 sq m building and 1,000+ jobs	Feb 2026
UkrSpec Systems	Mildenhall, Suffolk, UK	Drone production plant plus test & training site (Elmsett)	~£200m and up to 500 jobs	Mar 2026
BAE Systems	Austin and Hudson, USA	Upgrade to facilities that play distinct roles in the firm's Electronic Systems business	\$135m	May 2026

We like questions; if you've got one about our research,
or would like some property advice, we would love to hear from you.



**Head of Global
Occupier Research**

Dr. Lee Elliott
+44 7468 729 187
lee.elliott@knightfrank.com



**Global Head of Occupier
Strategy & Solutions**

Tim Armstrong
+65 6429 3531
tim.armstrong@asia.knightfrank.com



**EMEA Head of Occupier
Strategy & Solutions**

Philipp Ueberschaer
+44 7811 771 416
philipp.ueberschaer@knightfrank.com



**Partner, COO – Occupier
Strategy & Solutions**

Ross Criddle
+44 7870 379 519
ross.criddle@knightfrank.com



**Head of Global Portfolio
Solutions, EMEA**

Giulia Grigolato
+44 20 3967 8561
Giulia.grigolato@knightfrank.com



**Partner, Head of
International, Cross-Border**

Sam King
+44 20 3995 0760
sam.king@knightfrank.com



**Partner, Executive Director,
Strategic Client Development**

James Maddock
+44 20 3540 0030
james.maddock@knightfrank.com



**Head of Global Portfolio
Solutions, APAC**

Francesco Demarco
+61 3 9604 4621
francesco.demarco@au.knightfrank.com