



Market Spotlight

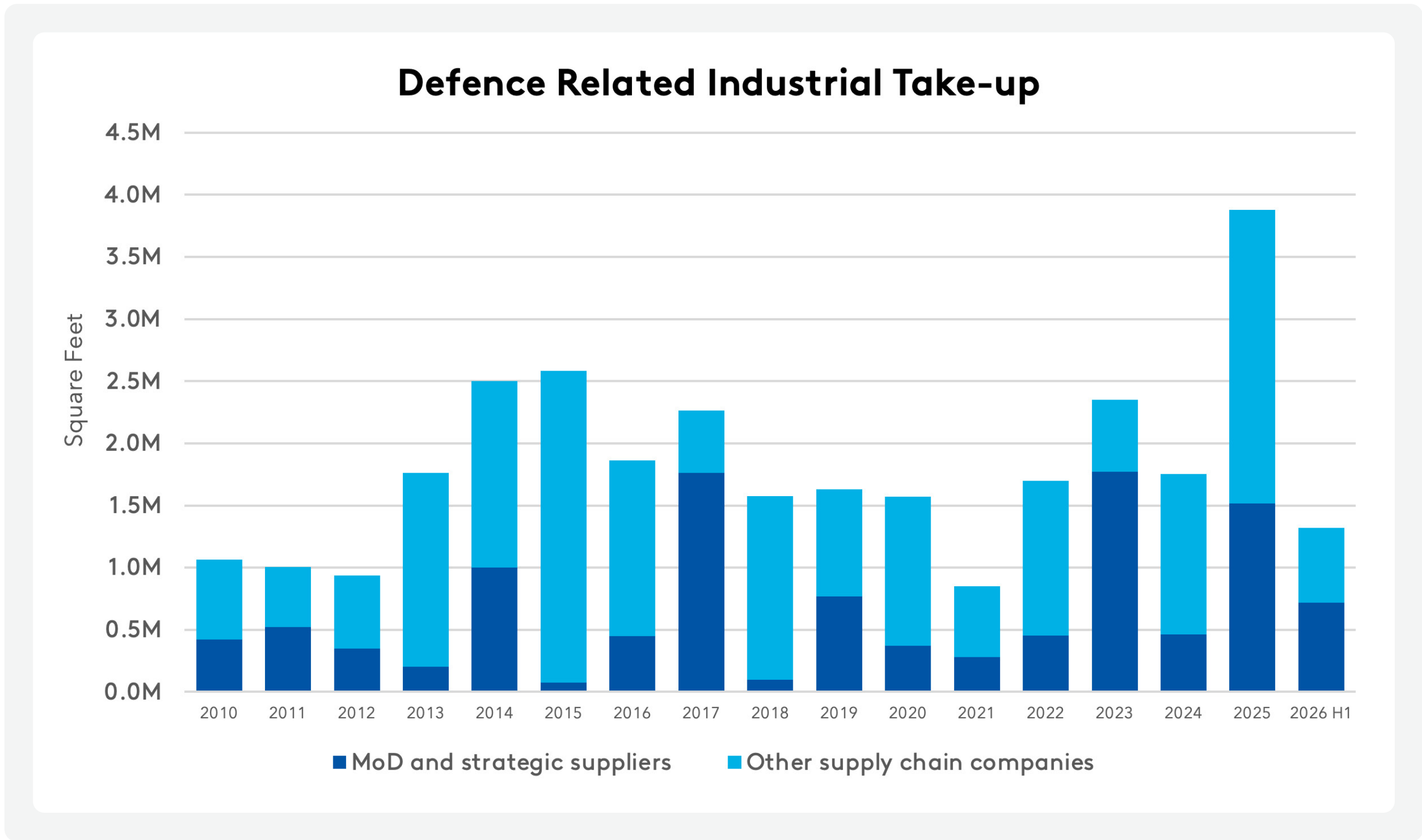
A case for the defence: How the UK's defence push is reshaping industrial demand

Data up to Q2 2026



DroneTEX Facility - Panattoni Park Swindon
Occupier - Ministry of Defence

CoStar data shows defence-related occupier activity reached 1.3 million square feet in the first half of 2026, reflecting growing demand from manufacturing, engineering and the broader defence supply chain.



While the Ministry of Defence’s 545,000-square-foot DroneTEX facility in Swindon was the largest commitment recorded during the period, demand extended beyond government requirements, with a wide range of businesses across the sector also contributing to take-up.

Activity in the first half of the year was concentrated across a number of established defence and aerospace clusters, including Derby, Plymouth, Swindon and South Wales, reinforcing the importance of these locations to the UK’s defence sector.

With the recently published Defence Investment Plan providing greater clarity over future procurement priorities, manufacturers and suppliers are expected to bring forward additional industrial requirements, supporting additional take-up.

While defence-related demand still represents a relatively small share of overall industrial take-up, CoStar data suggests the 1.3 million square feet recorded during the first half alone puts 2026 on course to rank among the strongest years for defence-related occupier activity of the past decade.

For landlords and developers, the sector is becoming an increasingly important source of demand, helping to diversify occupier requirements beyond more traditional drivers such as e-commerce and third-party logistics.



Grant Lonsdale
Senior Director of
Market Analytics





Logistics North Campus - Bolton
Occupier - MBDA

On the National Impact

“The UK Government’s Defence Investment Plan should have significant knock-on effects on real estate, as increased defence spending translates into demand for advanced manufacturing, secure logistics, office, R&D, storage and supply chain infrastructure.

Delivery of the Government’s military goals depends heavily on the availability of suitable physical space. Defence occupiers often need secure, power-enabled, resilient and highly specialised facilities, with specific requirements around access, servicing, ownership, clearance and operational security.

Our analysis suggests that increased defence spending could generate up to 3 million sq m of additional UK industrial and logistics demand over seven years. This is broadly comparable to the annual warehouse demand generated by high street retailers, highlighting the scale of the potential opportunity. In addition, a further 243,000 sq m of office and research and development space may also be required by 2033 as approximately 12,600 new administrative and technical research roles could be created to support UK defence manufacturing.

The key challenge will be speed of delivery. If the UK is to convert defence spending into operational capability, policy will need to align with planning, infrastructure, grid capacity, land supply and regional skills strategies. In real estate terms, the winners are likely to be those locations that can provide secure, infrastructure-ready space at pace.

The plan is not only a defence announcement, but a property and infrastructure signal. Success will depend in part on whether the UK can provide the buildings, land and enabling infrastructure needed to support a more resilient domestic defence supply chain.”

On the Regional Impact

“The impact is unlikely to be evenly spread across the UK. Demand is expected to concentrate around established defence, aerospace, advanced manufacturing and technology clusters, where occupiers can access skilled labour, specialist supply chains, transport connectivity, power and land capable of supporting secure expansion.

Recent activity across Europe suggests that the greater onus on defence is already beginning to influence real estate markets. Investors and landlords are increasingly looking at defence-related manufacturing, drone technology, aerospace, logistics and supply chain occupiers as growth areas. However, security requirements and restrictions around ownership and occupation mean that not all assets or landlords will be able to access this demand.”



Robert Pearson
Director





GKN Global Technology Centre - Bristol
Occupier - GKN Aerospace

Real Estate:UK Commentary

“Our analysis suggests that to meet the ambitions of the increased defence spending, then this requires an expansion of up to 3 million sq m of additional UK industrial and logistics space over seven years. This is in addition to, a further 243,000 sq m of office and research and development space that may also be required by 2033 as approximately 12,600 new administrative and technical research roles could be created to support UK defence manufacturing.

However, this expansion may be at risk unless barriers relating to planning, infrastructure, grid capacity, land supply, and regional skills strategies are urgently addressed. With the overall success of the government’s defence ambitions resting upon whether the UK can provide the buildings, land and enabling infrastructure needed to support a more resilient domestic defence supply chain. Real Estate:UK calls on Ministers to work closely with us to help remove barriers to more take up, which means more jobs, modern workplaces and a safer realm.”



Vanessa Hale
Chief Executive Officer





About CoStar Group

CoStar Group (NASDAQ: CSGP) is a global leader in commercial real estate information, analytics, online marketplaces, and 3D digital twin technology. Founded in 1986, CoStar Group is dedicated to digitizing the world's real estate, empowering all people to discover properties, insights, and connections that improve their businesses and lives.

CoStar Group's major brands include CoStar, a leading global provider of commercial real estate data, analytics, and news; LoopNet, the most trafficked commercial real estate marketplace; Apartments.com, the leading platform for apartment rentals; Homes.com, the fastest-growing residential real estate marketplace; and Domain, one of Australia's leading property marketplaces. CoStar Group's industry-leading brands also include Matterport, a leading spatial data company whose platform turns buildings into data to make every space more valuable and accessible; STR, a global leader in hospitality data and benchmarking; Zonda, a leading provider of data, analytics, software, and marketplace solutions for the residential construction industry; Ten-X, an online platform for commercial real estate auctions and negotiated bids; and OnTheMarket, a leading residential property portal in the United Kingdom.

CoStar Group's websites attracted over 118 million average monthly unique visitors in the second quarter of 2026, serving clients around the world. Headquartered in Arlington, Virginia, CoStar Group is committed to transforming the real estate industry through innovative technology and comprehensive market intelligence. From time to time, we plan to utilize our corporate website as a channel of distribution for material company information. For more information, visit [CoStarGroup.com](https://costargroup.com).

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With over 500 member organisations spanning investors, developers, advisers and operators, we represent the full breadth and diversity of the market.

We connect UK and international investors with the insight, networks and opportunities that make the UK one of the world's most dynamic and investable markets.

Working closely with national governments and their agencies, as well as regional and local leaders, we promote the UK real estate sector as a premier destination for capital. Through direct engagement with ministers, policymakers and advisers, we help shape a regulatory environment that unlocks growth and builds investor confidence.

We support thriving communities across the UK through the homes, workplaces, critical infrastructure such as logistics and data centres, and retail and leisure centres our members build, maintain and operate.

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