

From Budgets to Buildings

DEFENCE AS A DRIVER OF REAL ESTATE DEMAND.



GARBE.
Industrial

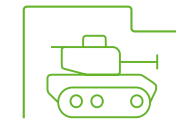
Growing European defence budgets are creating a new, tangible pipeline of demand for I&L real estate.

Growing European defence budgets are creating a new, tangible pipeline of demand for I&L real estate. Our analysis shows that much of the demand will remain tied to built-to-own facilities, expansions, or specialized sites. Even so, institutional investors and developers could capture approximately 2–4M sqm of incremental demand in Germany by 2030, equivalent to a 5–10% uplift in overall take-up based on 15-year historical averages. This paper breaks down equipment procurement, workforce-driven space needs, and multiplier effects, providing a clear framework to identify actionable opportunities in a sector sustained by structural, long-term growth.

Our first defence paper outlined the roadmap for Industrial & Logistics (I&L) real estate in light of multi-billion-euro defence investment plans that will be shaping the next era. One key conclusion was the broad consensus that rising defence-related equipment spending should be regarded as an emerging structural demand driver for the I&L sector.

The plausible next step is to assess the potential scale of this demand. This paper sets out an approach to quantify that impact for Germany by 2030. The demand model draws on insights from 20 external studies and articles, and the following sections will explain, step by step, how this framework was developed and applied in order to assess the resulting demand implications.

While the potential demand impact is significant, its materialization will be gradual, requiring a cautious view on timing as Europe is only beginning to translate rising procurement into physical I&L space needs.



DEFENCE INDUSTRY (PRIVATE SECTOR)

POTENTIAL I&L DEMAND.

Key questions answered in this report

How is defence build-up reshaping industrial footprints?

The shift is structural in nature, underpinned by multi-year procurement and government-backed contracts.

How is Germany's position within Europe's defence production landscape evolving?

A strong industrial (defence) base and budget increases make it a prime hub for manufacturing and logistics growth.

How does each €1 billion of defence spending cascade down through the economy?

Direct employment, supplier activity, and spill-over effects collectively translate each billion worth of investments into substantial I&L space requirements.

Why will only part of the demand be accessible to the institutional market?

While the footprint is mainly expanded through BTO development, site expansions, or repurposing of existing assets, the situation still presents a significant opportunity emerging for institutional investors and developers.

What will the next five years mean for Germany's demand outlook?

The potential uplift for the institutional market is quite substantial—several million sqm—and represents a notable increase exceeding the long-term average annual take-up.



CAUSES – EFFECTS – ACTION

SHIFTS DRIVING DEFENCE GROWTH.

Structural shifts leading to structural defence investments

Causes

The realization that Europe must increasingly stand on its own has become unavoidable.

For decades, Europe relied on the U.S. security umbrella. Although the awareness of the need for greater self-reliance is nothing new, concrete action has only accelerated in recent years. This shift is driven by several geopolitical dynamics: the transition from Western dominance to a

multipolar world order, the sustained long-term commitment to the war in Ukraine, and the energy-security vulnerabilities that the conflict has exposed.



Effects

A strategic reset of defence policy and funding is underway.

At both national and European levels, significant new initiatives have been announced. In Germany, the key measures include the €100B Special Defence Fund and the suspension of the so-called “debt brake.” At the European level, NATO members agreed in summer of 2025 to

raise core military expenditure to 3.5% of GDP by 2032. Policymakers in the member states are now accelerating procurement, modernizing capabilities, and introducing institutional reforms in defence planning.



Action

Significantly higher investments in the German defence industry are expected over the next five years.

During this period, equipment procurement in Germany is projected to increase by €40B (see details in the section below). This growth reflects both the growth in defence

budgets across the EU-27 and the United Kingdom (UK) and additional equipment orders originating outside the EU-27 and the UK.



QUANTIFYING PROJECTED DEFENCE INVESTMENT LEVELS

DEFENCE INVESTMENTS IN NUMBERS.

The era of low defence allocations by European governments has come to an end. Budgets have already gone up in recent years, and both national and EU policymakers have committed to further expansion in the years ahead. Within these budgets, the sharpest increases are in equip-

ment procurement, and this is particularly relevant for future I&L real estate demand. Higher equipment procurement necessitates additional manufacturing capacity—from OEMs through suppliers—as well as expanded space for spare parts and logistics support.

2024: Equipment procurement in defence budgets and orders outside the EU-27/UK

- Overall defence budgets in the EU-27 and the UK reached €405B in 2024, equivalent to around 2% of GDP¹. This budget total includes salaries, IT, real estate, equipment, and other expenses.
- Approximately 25% (€105B)² of the total was earmarked for new equipment. However, as noted in the first defence paper, the bulk of this procurement total (78%) was still spent outside the EU-27/UK³.
- In 2024, roughly €23B (22% of €105B) were invested in equipment procurement within the EU-27/UK, thereof about €4.6B (20%) in Germany⁴. The allocation of total defence budgets towards equipment had already risen sharply in all European NATO member countries in recent years.

reached approximately €31B⁵ in 2024, with Germany estimated to account for 15% (€4.7B) thereof, being a major economy, active defence player and significant equipment producer.

■ Together, this adds up to an estimated total equipment procurement of approximately €9.3B (€4.6B from defence budgets plus €4.7B orders from outside the EU/UK) for Germany in 2024.

€405 B

Overall defence budgets in the EU-27 and the UK in 2024

2030: Equipment procurement in defence budgets and orders outside the EU-27/UK

- Overall defence budgets across the EU-27 countries and the UK are projected to rise by around €300B over the coming years and expected to reach approximately €700B—equivalent to approximately 3% of GDP—by 2030. However, no official forecasts are available, and national budgets are subject to regular changes. The projected amount of €300B is therefore based on an extrapolation of estimated GDP growth per country by 2030 and the corresponding share of GDP allocated to defence. Four categories were used to reflect the variation in defence spending intensity across countries:

1. Frontline states (e.g., Poland, the Baltics) with a projected defence share of 4.5% of GDP by 2030;
2. Largest industrial & leading states (e.g., Germany, France, the UK) with 3.5%
3. Smaller but active states (e.g., Denmark, the Netherlands) with 3.25%;
4. Lagging states, seen from a historical perspective, (e.g., Belgium, Austria) with 2.25%.

■ Equipment procurement is expected to be the main beneficiary of the spending increase and to account for an estimated 45% of defence budget totals (€317B) by 2030⁶.

€700 B

Overall defence budgets in the EU-27 and the UK in 2030

- This represents a significant volume, equivalent to around 1.6% of the combined GDP of the EU-27 and the UK. This ratio is in line with Oxford Economics projections of 1.5% of equipment procurement as share of GDP by 2030⁶.
- To strengthen self-reliance, the European Defence Industry Programme aims to source at least 50% of its procurement needs within the EU by 2030, and to raise the ratio to 60% by 2035⁷. For the purpose of this analysis, which also includes the UK, the share is set at 50% for 2030, resulting in projected equipment procurement of approximately €158B. Country-level volumes are derived from historical budgets and grouped into four categories based on each nation's industrial base and role within the European defence strategy. Germany, the UK, and France are projected to claim the largest share, with Germany accounting for 25% (€39.6B) of total equipment procurement.

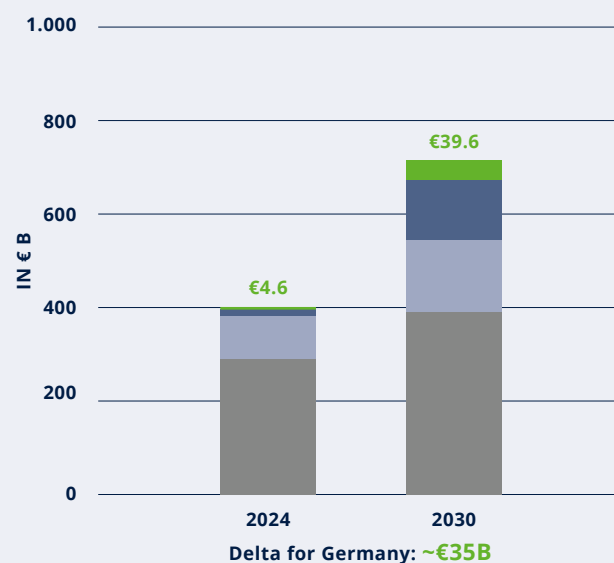
- With global geopolitical tensions likely to persist, orders from outside the EU-27/UK are also projected to grow. Applying an annual growth rate parameter of 7.5%, the total could reach about €48B by 2030. An annual growth rate of 7.5% can be considered conservative as reports suggest that European defence companies may grow their revenue from European customers by an average 10.5% to 11.5% a year over the next decade⁸. Germany's industrial base is projected to capture a share of 20%, equivalent to €9.6B.
- Taken together, this results in an estimated equipment procurement total of approximately €49.2B (€39.6B from defence budgets plus €9.6B in orders from outside the EU/UK) for Germany by 2030.

Based on these assessments, the total increase in defence equipment procurement is projected at €40B over the next five years.

Action: equipment procurement projections

Increased EU/UK defence budgets

- Germany equipment procurement
- EU-27/UK equipment procurement
- Ex-EU-27/UK equipment procurement
- Rest EU-27/UK budget

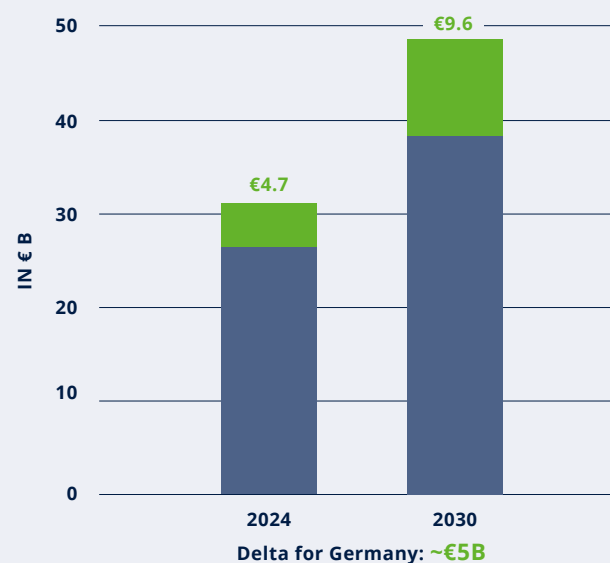


Delta for Germany: ~€35B

Delta defence equipment procurement '24-'30 for Germany: ~€40B

Rising ourders outside EU-27/UK

- Germany equipment procurement
- Rest EU-27/UK equipment procurement



Delta for Germany: ~€5B

Source: European Parliament, European Commission, House of Commons Library, FT, European Council, Future of European Competitiveness, EEAS, Gov.uk, Oxford Economics



QUANTIFYING POTENTIAL I&L SPACE NEED

EVALUATE THE POTENTIAL IMPACT.

Having established that equipment procurement levels will clearly rise in the years ahead, the next step will be to quantify the potential impact per €1B of incremental spending.

Incremental jobs

Seeking to quantify the effect on labour demand, an academic study published in Q4 2024 suggests that €1B of arms expenditure generate approximately 2,000 direct FTEs⁹. However, not all roles are carried out at typical I&L sites (e.g., accounting, engineering). For the purpose of this analysis, a 65% share (≈1,300 FTEs) is applied, assuming that roughly 40% of defence industry employment is in manufacturing and 25% in logistics¹⁰.

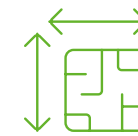


~ 1,300 FTE

I&L direct domestic employment effect per €1B arms invest

Space need per FTE

The availability of data on specific I&L space needs for the defence industry is limited. One industry source indicates that large-scale defence projects require approximately 100–170 sqm per FTE¹¹, which exceeds general I&L market norms of around 90–120 sqm per FTE¹². Given the diverse nature of defence-related activities—such as large-scale manufacturing, drone assembly, and logistics—the level assumed in the demand model is 75–150 sqm per FTE.



75 to 150 sqm per FTE

Space need per FTE

Spill-over effects

Increased defence spending also generates knock-on revenue for other suppliers and non-defence sectors. New manufacturing facilities require upstream and downstream operational partners—suppliers, distributors, and third-party logistics operators—all of which are crucial for an efficient supply chain. Industry norms suggest a three-to-five-fold multiplier effect on I&L space¹³; a conservative factor of 2.5 has been applied in this analysis.



Factor 2.5

Spill over space need, downstream/upstream supply chain

Combining these three variables, I&L space demand per €1B of defence investment is estimated to range from approximately 245,000 sqm to 490,000 sqm. The width of the window depends on the parameters applied for defence-linked I&L space per FTE.

245k–490k sqm

I&L space need per €1B of defence investment

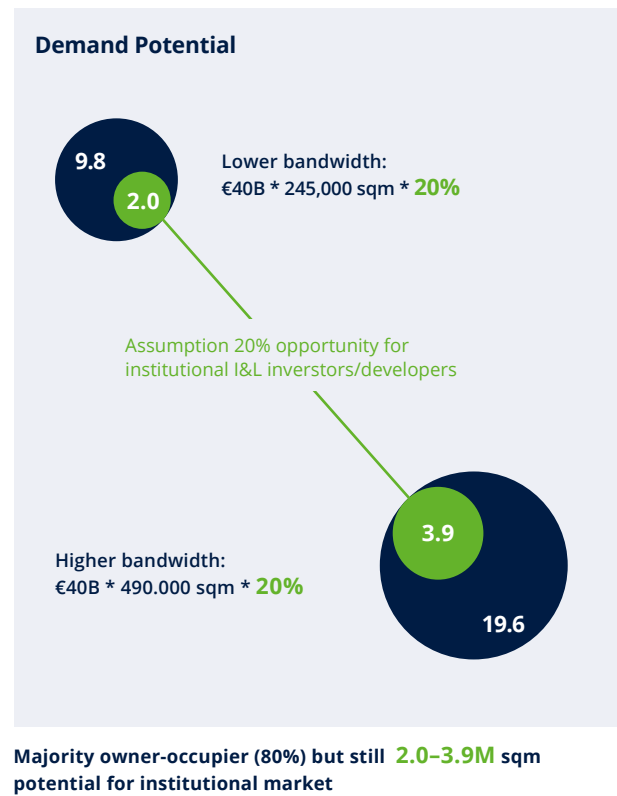
Sources: GARBE, Marco Stamegna Chiara Bonaiuti Paolo Maranzano and Mario Pianta, Bulwiengesa, CBRE, JLL

Projected demand potential over the next five years

Based on the projected incremental equipment procurement total of €40B and the estimated I&L space need per €1B of defence investment (245,000–490,000 sqm), the total demand potential in Germany is projected to range between 9.8M and 19.6M sqm over the next five years.

However, as noted in Paper I, the sector's high levels of security, specialization, and specific use cases result in a relatively large share of owner-occupied space. In addition, expansions of existing facilities account for a significant part of the demand total, which diminishes the true window of opportunity for institutional (large-scale, professional private market) developers and investors.

Assuming that 20% of the total demand potential can be captured by the German institutional market, the demand potential in Germany for the institutional market is forecast at between 2.0M and 3.9M sqm for 2025–2030. On an annual basis, this corresponds to roughly 325,000 to 650,000 sqm per year. Compared with the historic 15-year average annual national take-up of approximately 6.3 M sqm¹⁴, this suggests a potential uplift in a range of 5–10% per year under the base-case scenario.



EU-27/UK DEMAND POTENTIAL

PAN-EUROPEAN PERSPECTIVE

Based on the parameters identified in this report, the Pan-European (EU-27 + UK) demand potential can be quantified as well.

■ **National defence budgets:** Total defence budgets are projected to increase by almost €300B, reaching €704B by 2030.

■ **Equipment procurement:** As with Germany, equipment procurement within the EU-27 + UK is expected to become the main beneficiary, increasing by €152B to €207B by 2030.

- Procurement by EU-27 states/UK: Given the strong focus on regional sourcing, volumes are projected to rise by €135B to €158B by 2030.

- Orders from outside the EU-27/UK: Total orders are forecast to increase by €17B, reaching €48B by 2030.

■ **I&L real estate parameters:** As covered in the first defence paper (link), the bulk of the European defence base is concentrated in the key economies (Germany, France, the UK, Italy, Spain). Parameters in these established markets are broadly similar to those in Germany, meaning that I&L space needs per €1B of investment are comparable.

■ **Pan-European demand potential:** Based on the argument above, total demand potential at a Pan-European level ranges from 37M sqm (lower bandwidth) to 75M sqm (upper bandwidth). Only a portion (20%) is accessible for the institutional real estate market, resulting in an incremental demand potential of 7.5M to 14.9M sqm.

■ **Regional breakdown:**

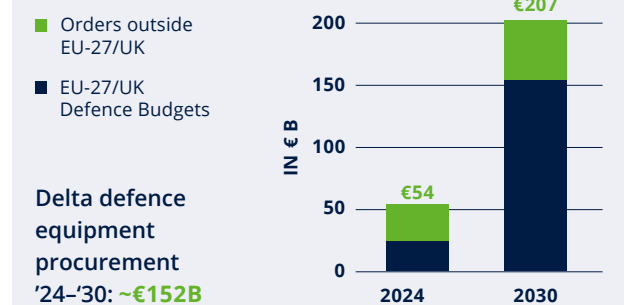
- Approximately 65% of the total demand potential is allocated to the top 3 countries (Germany, France and the UK), as they have the largest manufacturing defence base and the largest defence budgets.

- Although Italy has a relatively strong manufacturing defence base, its lower defence budget limits the demand potential compared to the top 3.

- Poland, the Netherlands and Sweden are projected to experience relatively strong growth (compared to the national I&L stock) due to their focus on expanding their industrial bases.

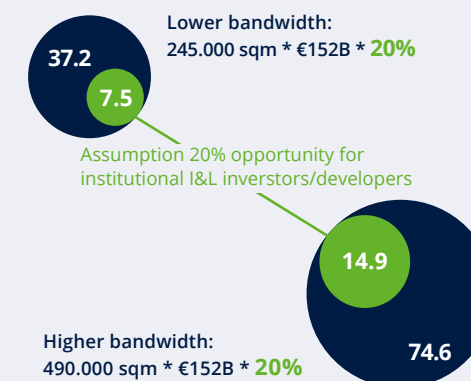
- CEE countries are benefiting from the expansion of production facilities by Europe's leading defence manufacturers.

EU-27/UK: Rising equipment procurement

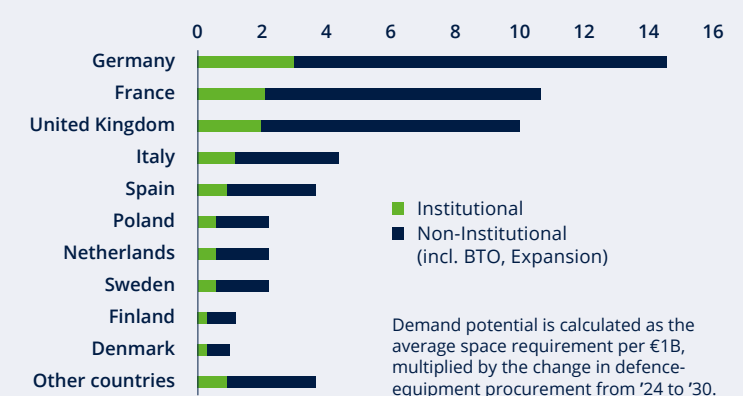


Demand Potential at Pan-European level and Top 10 markets (in M sqm)

Pan-European Perspective



Top 10 Markets





KEY TAKEAWAYS

DEFENCE-DRIVEN DEMAND IN I&L.

Rising structural demand

European defence budgets are set to surge, with equipment procurement and continued order growth outside of the EU-27/UK driving long-term growth in I&L real estate. The total increase in defence equipment procurement in Germany is projected to amount to €40B during the period 2025 through 2030.

High space intensity per investment

Each €1 billion of defence spending generates approximately 1,300 on-site FTEs, translating into 245,000–490,000 sqm of I&L space while highlighting tangible real estate needs.

Hotspot Germany

Institutional I&L demand in Germany alone could reach approximately 2 to 4M sqm over 2025–2030 (20% of total projected demand), representing a 5–10% annual uplift on top of the 15-year average historic take-up. Total demand impact is projected to reach approximately 10 to 20M sqm.

Selective institutional opportunity

Institutional investors and developers are likely to capture a smaller portion of total demand because much of it is tied up in BTO facilities, expansions of existing sites, or subject to highly specialized/high-security requirements. Even so, the opportunity for the institutional market remains substantial.

Assessing the market potential

It is clear that the potential demand impact is significant. However, the timing is fluid, as the translation into actual real estate footprints represents one of the final links in the chain of cause–effect–action outlined earlier in this report. Europe is still in the early stages—characterised by heightened awareness, political intent, and rising procurement commitments—and this is only gradually converting into tangible space requirements. As a result, the direct impact may not yet be fully visible, as real estate demand typically lags behind budget decisions and procurement activity.

€40B

Estimated total increase in defense procurement in Germany between 2025 and 2030

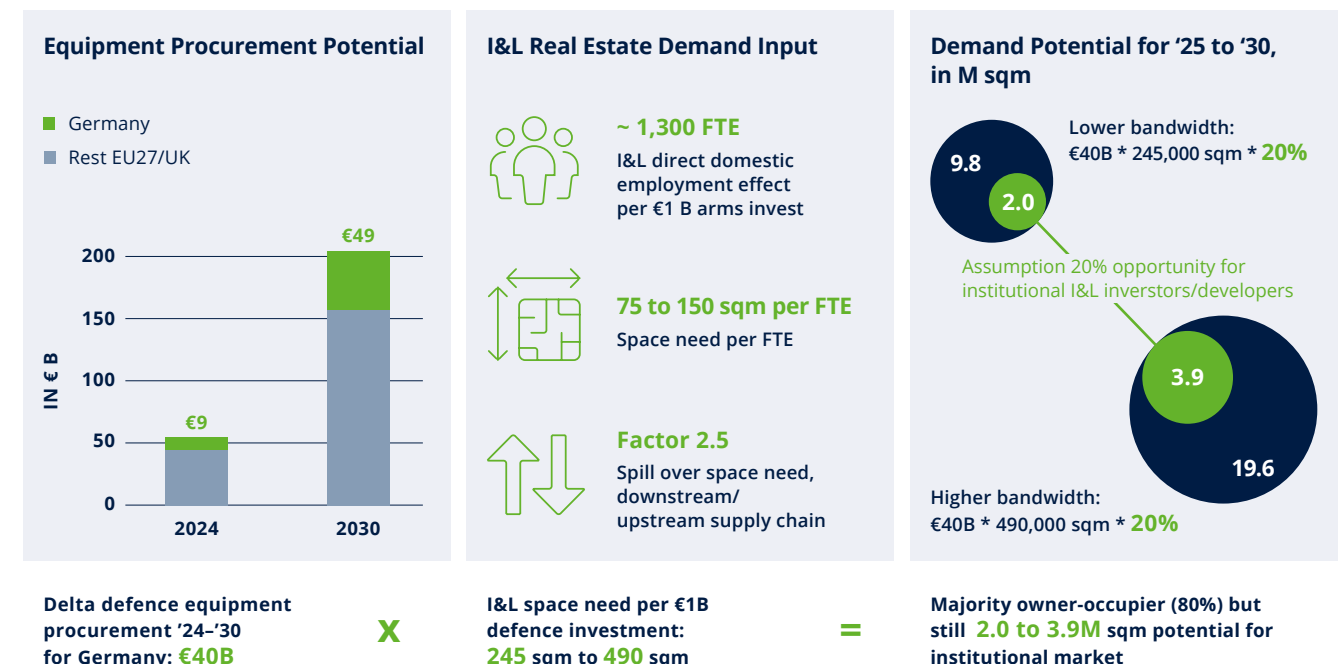
5–10%

Expected annual demand growth for I&L space in the period 2025–2030



AT A GLANCE: QUANTIFYING I&L-FOOTPRINT

POTENTIAL FROM DEFENSE INDUSTRY DEMAND IN GERMANY.



Final thoughts

Overall, the analysis underscores the fact that rising defence spending is not just a policy or industrial trend but a tangible, structural driver of I&L demand. For market participants, this implies that defence-related production, supply-chains, and logistics facilities will increasingly represent a stable component of occupier demand. While

exact outcomes will depend on policy execution and project pipelines, the projections presented in this report indicate the direction and scale of the anticipated growth and thus clearly point to a structural, long-term potential for defence-related real estate within the I&L sector.

Sources:

- 1 European Parliament, European Commission, House of Commons Library, FT
- 2 NATO, European Defence Agency, House of Commons Library
- 3 Future of European Competitiveness
- 4 NATO
- 5 EEAS, Gov.uk
- 6 Oxford Economics, "Defence splurge will help industry – but by how much?"
- 7 European Commission
- 8 Rothschild & Co
- 9 GARBE, Marco Stamegna Chiara Bonaiuti Paolo Maranzano and Mario Pianta, Bulwiengesa, CBRE, JLL, Source: Stamegna, M., Bonaiuti, C., Maranzano, P. & Pianta, M., 2024. The economic impact of arms spending in Germany, Italy, and Spain,
- 10 GITNEX, ReAnIn
- 11 CBRE
- 12 bulwiengesa
- 13 JLL
- 14 CBRE

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