



Data Centers on Military Bases Present Unique Investment Considerations

Investors are poised to see a slew of data center construction for commercial use on military bases, and other Federal land. The US Army and Air Force, as well as the Department of Energy, have issued in recent months a growing number of requests for information and lease proposals to the private sector, to build and manage data centers on government lands. One of the latest examples is the Air Force’s proposal to develop AI data centers on three bases in Alaska. Earlier in March, the US Army announced it is entering into exclusive negotiations with Carlyle and CyrusOne to develop data centers at Fort Bliss in Texas and at the Dugway Proving Ground in Utah.

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The potential rise of private data centers on military bases underscores and accentuates a few themes, as investors adapt their approach to data center exposures. For example, the development comes on the heels of the ongoing de-clustering in the sector, and the shift to remote, unique locations for data center properties. The construction on military bases could face less community resistance and NIMBY issues. The upcoming properties will also feature several unique underwriting angles, such as the presence of ground leases with the government.

In a tangential trend, Federal agencies are becoming prevalent users of commercial data centers, as we previously [discussed](#).¹ To be sure, the government is not necessarily committing to, or interested in, leasing capacity in the data centers it is proposing to build on its lands. But the growing presence of government/private arrangements in the space, which extends to the power and energy markets as well, merits [attention](#).² Investors may wish to start tracking government systems such as SAM.gov, or to add familiarity with the mechanics of the government’s Enhanced Use Lease (EUL) program to the expanding list of aspects relevant for data center investments.

Data Center De-Clustering on Steroids

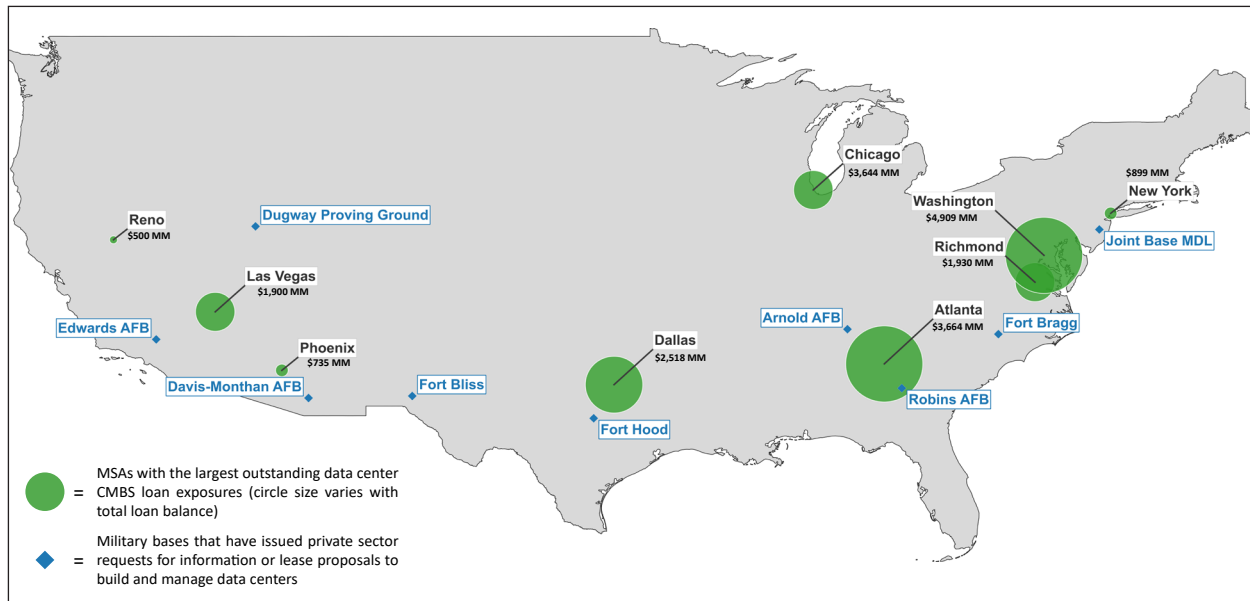
The lands the government proposes for data center development introduce unique locations. The Army and Air Force bases that have been offering excess land for lease are spread across the country. Some are in very remote locations. Examples include the Alaska bases, such as Eielson AFB and Clear Space Force Station. But other land is near population centers. Examples are Davis-Monthan AFB near Tucson, AZ, and Fort Bliss, near El Paso, TX. Still, many of the proposed locations are not part of the traditional, large data center clusters, such as Northern Virginia, Chicago, and Dallas. Many of the military bases are also away from some of the emerging data center markets, such as Salt Lake City, Reno, and Austin.

¹ “Data Centers: Tenant Rosters Poised to Change,” Securitized Products Special Topics, Academy Securities, August 12, 2024

² “PJM Auctions: Weeding Out Spec Data Center Construction,” Securitized Products Special Topics, Academy Securities, March 16, 2026

Military Data Centers: Gear Up for a Wave of Properties on Government Land

Figure 1. Government Data Center Construction Proposals and Outstanding Sector Exposure



Source: SAM.gov, deal documents and Academy Securities

The data center construction on government land should further diversify the geographies of the sector. This will accelerate data centers' rapid de-clustering. We think the jury is still out on the implications for investment decisions. On the one hand, data centers are shaping to be a unique CRE sector, akin to infrastructure, that doesn't necessarily need to be located close to population centers or other demand drivers, like retail, hotels, and other property types. In a way, the sector almost defies the perennial real estate maxim "location, location, location", at least in its traditional sense. Power availability and minimal community resistance are coming up as key location selection criteria. On the flip side, the durability of data centers in remote, unconventional locations is yet to be proven through a full cycle.

Military Bases and Data Center Site Selection Criteria Align

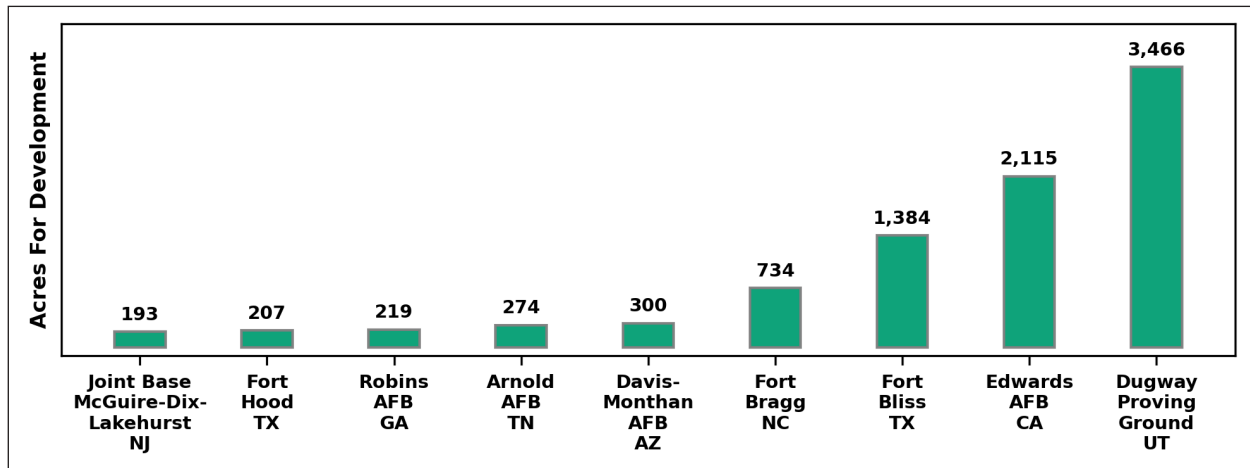
Military bases may be desirable locations for data centers. The government site selection criteria may interestingly align with those for data center site selection (with some caveats), according to Academy's Geopolitical Intelligence Group (GIG).

"Site selection on military or other US Federal agency land is essentially a multi-constraint optimization problem. Power, water, fiber, environmental compliance, and mission compatibility all need to align before a parcel is deemed viable. National security considerations further complicate the calculus." – Nancy Morgan, Former U.S. Intelligence Community Chief Data Officer

The sites the government proposes for private sector developments vary in their appeal across key data center considerations. Academy's GIG members identify some sites, such as Fort Bliss and Fort Hood, as best positioned for power grid access, and fiber proximity. Other sites may not feature proximity to fiber, but offer massive acreages for lease. For example, in Dugway the Army is offering 3,466 acreage for lease (Figure 2). Academy's GIG also has mapped out some national security considerations that can reshape site selection criteria. Interested readers should reach out.

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Figure 2. Military Bases Proposals for Data Center Developments



Source: SAM.gov and Academy Securities

Watch Ground Leases and In-Kind Consideration

The nuances of the leases the government negotiates with data center developers will have an impact on property valuations. We see at least two key aspects from a casual review of the terms the government suggested in a few requests for lease proposals (RFLPs).

- Fifty-year ground leases.** The government is proposing 50-year leaseholds to data center developers. The government notes it can entertain a longer term if a developer shows such term will promote “national defense” or is in the “government’s interest”. The basic 50-year term looks reasonable for a property type that is so susceptible to technological obsolescence. But many of the outstanding data center exposures do not appear to feature the ground lease wrinkle.³ One exception is the SJC1 property in the \$3.46 billion QTS Data Center Portfolio (BX 2025-VOLT). The data center in Santa Clara, CA, is subject to a ground lease with a scheduled expiration in October 2052. The lease can be extended for two additional 10-year terms. A significant section in the deal’s prospectus describes the ground lease provisions, and various aspects investors should be aware of. For example, the ground rent is adjusted at certain milestones based on a “fair market value” (FMV) formula. To be sure, a ground lease should not necessarily be a red flag for investors in and of itself. But the distress that quite a few properties experienced because of ground lease issues, including upcoming lease expirations and FMV rent adjustments, should inform the underwriting approach.
- In-kind consideration.** The government can lease the land for cash rent, or for so-called in-kind consideration (IKC). A full IKC rent would make the transaction a cash neutral lease. We see some RFLPs proposing only cash payments. Others can accommodate both cash and IKC exchanges. Some proposals, such as the Army’s, note preference for IKC. The IKC could include the provision of power to the entire military base, improvement to the base infrastructure, or even having the government access the data center computing power and storage (distinct from formally leasing capacity). All told, to the extent the data center ground rent includes non-cash components, the property valuation will become more complicated compared to simply factoring in ground cash payments to the cashflow analysis.

³ We identify data centers with ground leases based on the property’s Annex A’s ground lease flag. Such query is a bit coarse, and we cannot rule out the existence of other data centers with ground leases across outstanding securitization deals.

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