

Space Economy: A New Investment Frontier

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The space economy is no longer a distant or speculative theme. We find it is already delivering economic value through communications, navigation, Earth observation, defense systems, weather data, logistics tracking and satellite-enabled connectivity.

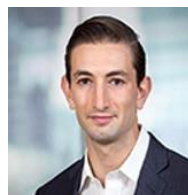
Yet the scale of the opportunity is changing. A convergence of supply-side breakthroughs — most importantly falling launch costs, reusable rockets, smaller satellites and AI-enabled autonomy — is meeting powerful demand-side drivers from AI, defense, data, connectivity and infrastructure. Together, these forces are creating an inflection point in the space economy and could represent a significant infrastructure investment opportunity of the next decade.



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A multi-faceted market having its moment

Space is not one market. It spans multiple applications including communications, sensing, compute, navigation, defense, and science and exploration. Space also operates across multiple orbital planes, each with distinct physics, economics and use cases. Demand for capabilities in space is being driven by both commercial and government needs, creating multiple growth vectors across the value chain.

Three exponentials are converging to give space its moment.

- 1. The cost of reaching orbit is collapsing.** Space economics are driven by a key metric: cost per kilogram to orbit. NASA's Space Shuttle cost roughly USD\$54,000/kg. SpaceX recently built a partially reusable craft at 5% of that cost, with a fully reusable model in development that targets another order-of-magnitude cost reduction.¹ As launch costs fall, entirely new markets become viable, from mega-constellations and space-based defense architectures to orbital data centers and potentially lunar operations.

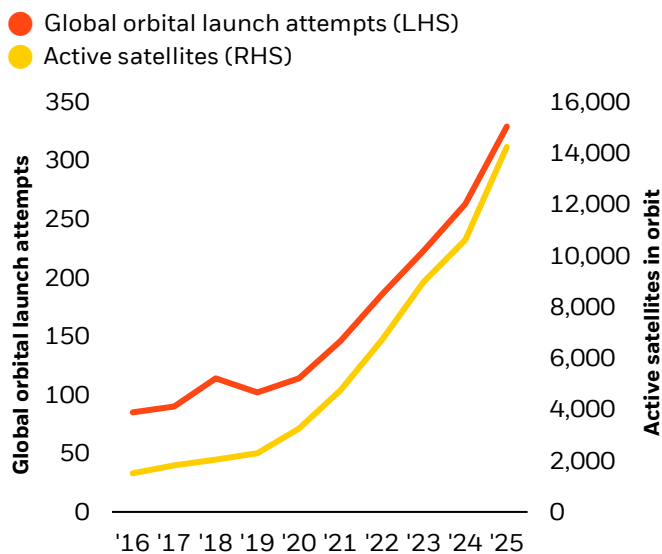
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¹ How much does it cost to launch a rocket, Orbital Radar, May 2026.

2. AI is expanding both the demand for and capabilities of space. Historically, the complexity of turning satellite data into actionable insights limited commercial adoption. AI is changing that by transforming imagery, signals, weather and tracking data into real-time intelligence for industries ranging from logistics and insurance to energy and defense.² At the same time, satellite networks provide the connectivity needed to extend AI to users, devices, sensors and machines globally, while AI-enabled satellites increasingly process data onboard, coordinate autonomously and act at the edge. Looking further ahead, space could become a new frontier for AI infrastructure as rising compute demand collides with terrestrial power constraints.

3. Government and defense spending are accelerating into space. The U.S., its allies and strategic competitors increasingly view space as a core national security domain.³ The U.S. Space Force funding request is set to rise roughly 78% from 2026 to 2027, increasing its share of total defense spending from approximately 3% to 5%,⁴ alongside growing investment in launch capabilities, satellite constellations and space-based defense systems.

Ready for lift-off: Orbital launches and active satellites have nearly tripled since 2020



Source: Space Activities in 2025; Planet4589, February 2026.

We believe the economic case has been proven. What lies ahead is a much larger transformation of space into critical infrastructure.

The new space stack

Applications & services	Commercial	Gov't & Defense
	• Broadband • Mobile direct-to-device • Earth observation • Weather & climate	• ISR & space awareness • Missile warning & tracking • Secure comms • Science & exploration
Satellites & payloads	• Communications • Sensing (electro-optical, radar, RF) • Compute • Manufacturing & integration	
Ground infrastructure	• Ground stations & antennas • Mission control & operations	
Launch	• Orbital launch	

Source: BlackRock, June 2026. For illustrative purposes only.

We view the space economy through the lens of a stack. Launch is the foundation. Satellites and payloads sit above it. Ground infrastructure connects orbit to Earth. Applications and services sit on top.

The three waves of space investment

Key defense applications. Defense is becoming a major potential growth engine for space. Near-term investment is focused on secure satellite communications, Earth observation, positioning and navigation, data transport and command-and-control. Recent conflicts have reinforced how central space assets are to resilient communications, real-time intelligence, precision targeting and faster decision-making.⁵

The use case is now broadening from communications and imagery into missile warning and tracking, AI-enabled battle management, in-orbit servicing, autonomous satellite repositioning, cyber and electronic warfare, and space-enabled logistics. Initiatives such as the U.S. government’s Golden Dome — a multi-layer missile defense architecture incorporating space-based sensors, AI-enabled

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2 New era of Earth intelligence from Space, University of Cambridge, June 2026. 3 National Space Policy, NASA, March 2026. 4 House appropriators back USD\$55.5 billion Space Force budget, Space News, June 2026. 5 The Future of Military Power is Space Power, CSIS, April 2025.

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battle management, and potentially space-based interceptors — illustrate the growing role of space in national defense. We see potential for this trend to continue with a variety of potential paths and applications.

From an economic perspective, we see this shift broadening the supplier base. Governments remain the anchor customers, but they are increasingly looking beyond traditional defense primes to commercial and dual-use space companies that can deliver faster innovation, fixed-price discipline and critical capabilities across software, components, subsystems, manufacturing and services.

Data centers in space. Building AI data centers on Earth is becoming increasingly difficult. Each new data center must secure grid interconnection in queues that are already backlogged, source gas turbines with delivery timelines stretching into 2030, and navigate local permitting processes facing growing community resistance. We estimate a 1GW AI data center costs roughly USD\$40 billion–USD\$50 billion to build on Earth.⁶

In orbit, those constraints invert. Solar panels in space receive cleaner, more continuous sunlight by avoiding atmospheric losses, clouds, weather and much of the day-night cycle. This allows them to collect roughly 5x more solar energy than those on Earth.⁷ At the same time, the vacuum of space provides natural cooling, eliminating one of the largest costs of running a data center. There is no grid to connect to, no water to source, and no neighbors to object. Computing hardware and power generation can sit side by side in orbit. On Earth, each incremental gigawatt gets harder. In orbit, the opposite is true — scale improves the economics.⁸

While certain engineering challenges remain to be solved, we believe all are tractable. In January 2026, SpaceX filed an FCC application for an orbital data center constellation of up to one million satellites, operating between 500- and 2,000-kilometers altitude, and other companies are evaluating similar concepts.⁹ In our view, orbital space centers could become the only way to scale computing beyond 100GW of new global data center capacity by 2030, particularly if they become cheaper to build and operate than their Earth-based counterparts.

Deep space exploration and the moon. The moon is back on the agenda as humanity's first non-terrestrial economic and strategic frontier. NASA's Artemis II mission, launched in April 2026, was the first crewed mission beyond low earth orbit in over 50 years. A crewed lunar surface mission is planned for 2028. Beneath these government-led programs, a commercial ecosystem of private companies is increasingly providing landers, rovers, communications relays and surface power systems.

The moon offers unique economic and logistical advantages: Water ice at the lunar South Pole could support propellant and life-support production, while lunar materials may eventually be processed onsite. Its low gravity and lack of atmosphere also make it a potential staging ground for Mars and deeper-space missions, and could one day enable lower-energy cargo launches via electromagnetic mass drivers.

The next investing frontier

Space is creating multiple ways to invest across the stack, from traditional defense primes to newer entrants and specialist suppliers. But the winners will not all look the same. Some will be driven by government and defense budgets; others by AI-led commercial demand for data, connectivity and compute. We believe the most attractive opportunities may sit where those two engines overlap.

This is also a physically constrained system. Space is hard to build, difficult to scale, technically complex and capital intensive — particularly in areas like launch, manufacturing and mission-critical infrastructure. These bottlenecks limit supply, slow competition and create areas where scarcity, reliability, technical capability and customer trust can support durable returns.

Space is no longer a speculative theme, but a strategic investment ecosystem. As the system scales, demand should broaden across defense, space infrastructure, AI and applications. Yet value capture will be uneven, in our view, making this an active investment opportunity. The focus should be on where bottlenecks are real, moats are durable, and on those companies positioned to capitalize on supply/demand dynamics as the space economy builds out.

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6 2026 Global Data Center Outlook, JLL, January 2026. 7 Why Solar Panels in Space Could Power our Future, GLO Renewables, January 2026.

8 The Future of Data Centers is Space, Starcloud, May 2026. 9 U.S. Federal Communications Commission (FCC), Space Bureau Accepts for Filing SpaceX's Application for Orbital Data Centers, Public Notice DA 26-113, released February 4, 2026.

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