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M&A ACTIVITY IN THE AEROSPACE & DEFENSE INDUSTRY

Commercial Real Estate Challenges & Opportunities

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Drivers Behind Aerospace & Defense Mergers & Acquisitions

The aerospace & defense (A&D) sector is experiencing a surge in M&A activity due to the convergence of defense, space, AI, and cybersecurity technologies. Both strategic acquirers and private equity are fueling this activity. Private equity has increased its presence in the A&D sector, particularly in logistics, defense, space, and suppliers. Meanwhile, strategic corporate buyers, often backed by institutional capital and sovereign wealth funds, continue to engage in M&As for the integration of technologies. Below are drivers increasing M&A activity:

- 1 GEOPOLITICAL TENSIONS**
Rising global conflicts are prompting governments, regions, and alliances to increase their defense budgets at an unprecedented rate.
- 2 SUPPLY CHAIN SECURITY/RESILIENCE**
The pandemic and geopolitical disruptions exposed vulnerabilities in global aerospace supply chains.
- 3 SPACE/TECH INTEGRATION**
A&D firms are pivoting toward dual-use tech, buying startups or smaller firms focusing on AI and other forward-looking technologies.
- 4 NATURAL RESOURCES**
Investment in rare earth elements, advanced metals, and energy inputs are prompting supply chain reshoring and acquisition strategies.
- 5 DIVESTURES & SPECIALIZATION**
Larger firms are selling non-core divisions to focus on strategic domains.

M&A AT A GLANCE

\$35+B

Value of announced A&D
M&A deals in 2024

~40%

Share of A&D M&A deals
involving private equity
or venture-backed firms
(2023-2024)

15.3M SF

Industrial Square Feet leased
since the start of 2023

Source: CoStar, Cresa

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Significant Recent M&A Activity in the A&D industry

Within the aerospace and defense industry, M&A activity is shifting from historical trends, in terms of volume, strategic drivers, and buyer profiles. The A&D industry has not been as negatively impacted as many other industries following the onset of the pandemic. Deal volume has jumped considerably in the past three years, propelled by a surge of private equity and venture capital investment. To the right is a highlight of recent M&A activity:

- | | |
|----------|---|
| JAN 2025 | Serco buys Northrop Grumman's training division, a strategic divestiture allowing focus on core defense missions (\$327M) |
| NOV 2024 | Private Equity firm Apollo buys Barnes Group, growing their industrial and aerospace portfolio (\$3.6B) |
| NOV 2024 | AeroVironment acquires BlueHalo for \$4.1B, bolstering drone, electronic warfare, and space tech portfolio (\$4.1B) |
| JUL 2024 | Boeing announces re-acquisition of Spirit AeroSystems |
| JUN 2024 | Honeywell buys CAES Systems, enhancing RF/electronic warfare capabilities (\$1.9B) |
| JAN 2024 | Synopsys buys ANSYS for broadening of engineering software (\$32.6B) |
| NOV 2023 | TransDigm acquires CPI's Electron Device business (\$1.39B) |
| AUG 2023 | BAE Systems acquires Ball Aerospace, expanding space engineering and payload capabilities (\$5.6B) |
| JUN 2023 | Firefly acquires Spaceflight, expanding launch capabilities |
| DEC 2022 | L3Harris completes purchase of Aerojet Rocketdyne, forming a fourth business segment at the company |

Post Merger Trends for Occupiers in the A&D Industry

Mergers & acquisitions in the aerospace and defense industry provide challenges and opportunities for the commercial real estate market, particularly in the industrial and specialized manufacturing sectors. As companies both consolidate and blend operations, secure supply chains, and vertically integrate, several trends have emerged:

HIGHLY SPECIALIZED INDUSTRIAL SPACE

Facilities with secure infrastructure, clean rooms, and specialized buildouts are being prioritized.

BUILD-TO-SUIT/RETROFIT

Customized facilities with the appropriate levels of security (both cyber and physical) are increasingly common to meet demand for advanced manufacturing, testing, and research & development.

SKILLED LABOR

Analyzing and understanding access to a skilled workforce for existing and future demand remains a strategic imperative during M&A considerations.

BUILD-TO-SUIT/RETROFIT

Consolidation, particularly in the office sector has followed trends in the broader office market, as occupiers reduce their footprint. A&D companies are also bifurcating executive office space and back-office services to optimize cost efficiencies.

POWER/ABILITY TO SCALE

The ability to meet heavy power needs, ventilation, consistent pricing, and capacity for future expansion will be high on the list for occupiers looking to expand or when acquiring assets.

COMPLIANCE

Evaluating whether potential newly acquired sites meet federal security standards and/or can be adapted to support classified work.



CONCLUSIONS

Post-merger CRE decisions within the Aerospace & Defense industry are not always about cost. Capability, compliance, and competitive advantage will need to be closely considered. An early real estate integration workstream with cross-functional inputs from finance, operations, legal, and HR will help to increase efficiencies and shield against future exposure to unnecessary costs.

About the Author

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Craig serves as the Head of Research for Cresa, the leading commercial real estate tenant advisory in the world. The research role provides insight, thought leadership, and trends impacting occupiers of real estate, and supports existing client relationships and business development.

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