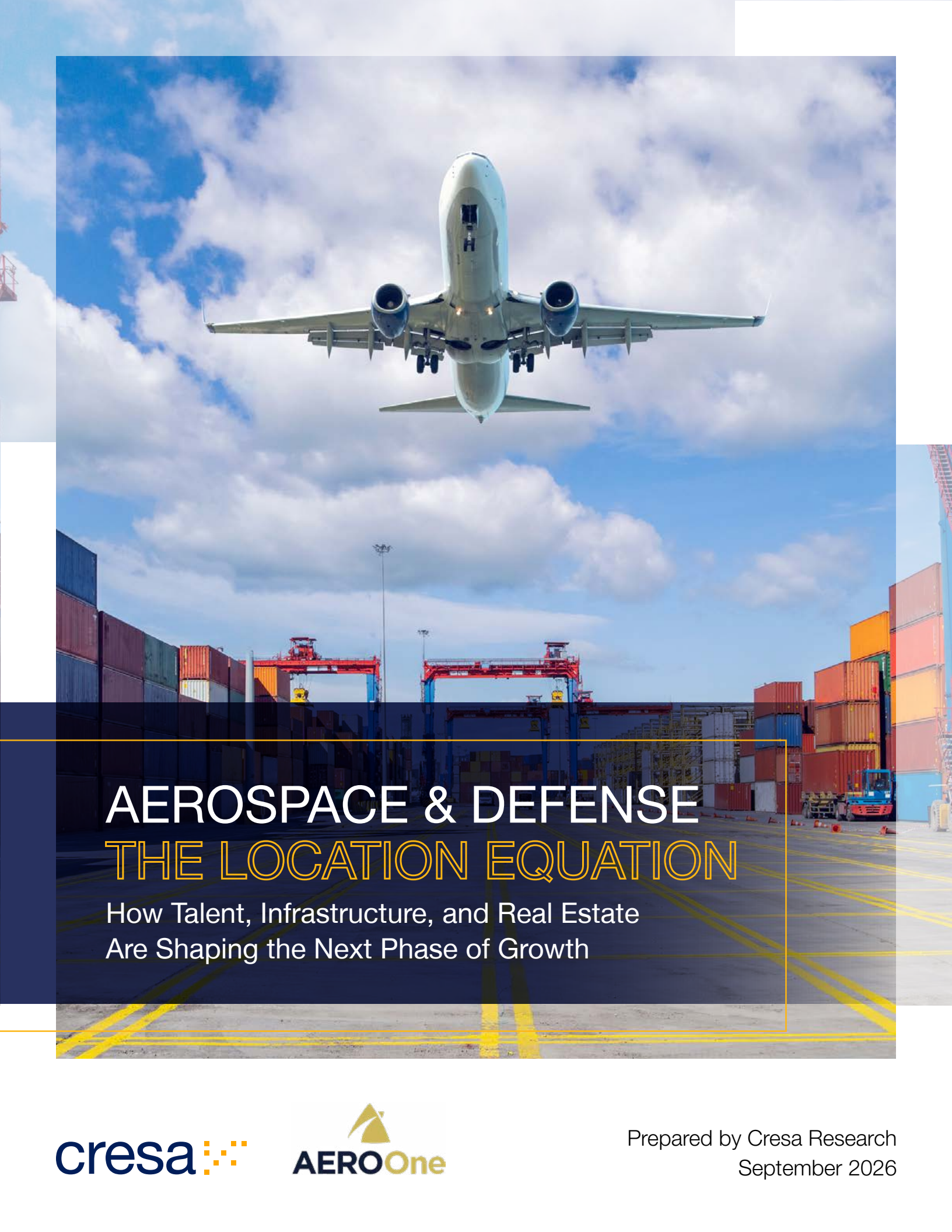




AEROSPACE & DEFENSE

THE LOCATION EQUATION

How Talent, Infrastructure, and Real Estate
Are Shaping the Next Phase of Growth

A large commercial airplane is shown from the front, inside a hangar. The lighting is warm and golden, creating a dramatic effect. The plane's nose and cockpit are prominent. The hangar's structure is visible in the background.

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GROWTH IS CHANGING THE A&D LOCATION EQUATION

Aerospace and defense (A&D) is entering a period of sustained investment and change. Higher defense priorities, expanding production, new technologies, and private capital are creating opportunities across the industry, while strengthening demand for specialized talent, infrastructure, and facilities.

For occupiers, growth also brings new constraints. A&D talent is highly concentrated, power availability is becoming more important, and specialized manufacturing and R&D facilities can be difficult to replicate. At the same time, conditions across office, flex/R&D, distribution, and manufacturing markets are creating very different opportunities for occupiers.

This report looks beyond industry growth to examine where A&D companies can grow, and what it takes to support that growth. By connecting talent, labor cost, infrastructure, and real estate conditions, the analysis provides a framework for evaluating location and portfolio decisions in an increasingly competitive operating environment.

The Location Equation



Talent
Can we find the specialized workforce?



Real Estate
Can we find the right facility?



Infrastructure
Can the location support the operation?



Cost
Can we operate competitively?





AEROSPACE & DEFENSE TRENDS TO WATCH

1. Defense Priorities Are Shifting Toward Readiness & Modernization

Geopolitical tensions are sustaining U.S. defense investment, with greater emphasis on modernizing weapons systems, rebuilding domestic production capacity, and strengthening the defense industrial base. Demand for advanced missiles, autonomous systems, aircraft, space capabilities, and other next-generation technologies is putting additional pressure on manufacturers and suppliers.

CRE Implications: More investment in domestic production and R&D should support demand for specialized manufacturing, flex/R&D, and secure facilities, particularly in markets with established defense infrastructure and skilled talent.

2. The Supply Chain Is Resilient

Geopolitical risks and recent supply disruptions are enhancing efforts to localize critical suppliers and increase domestic production capacity. For aerospace and defense companies, supply-chain resilience now means having better visibility and control over the production locations of critical components.

CRE Implications: Reshoring and supplier localization can generate demand for manufacturing and warehouse space near established A&D production hubs.

3. Technology Is Reshaping A&D

Investment is accelerating across commercial space, autonomous systems, drones, AI, and next-generation defense technologies, bringing new entrants alongside traditional defense contractors.

CRE Implications: New technologies are supporting demand for flex/R&D and advanced manufacturing facilities that can accommodate engineering, testing, and production under one roof.

4. M&A Is Reshaping the Competitive Landscape

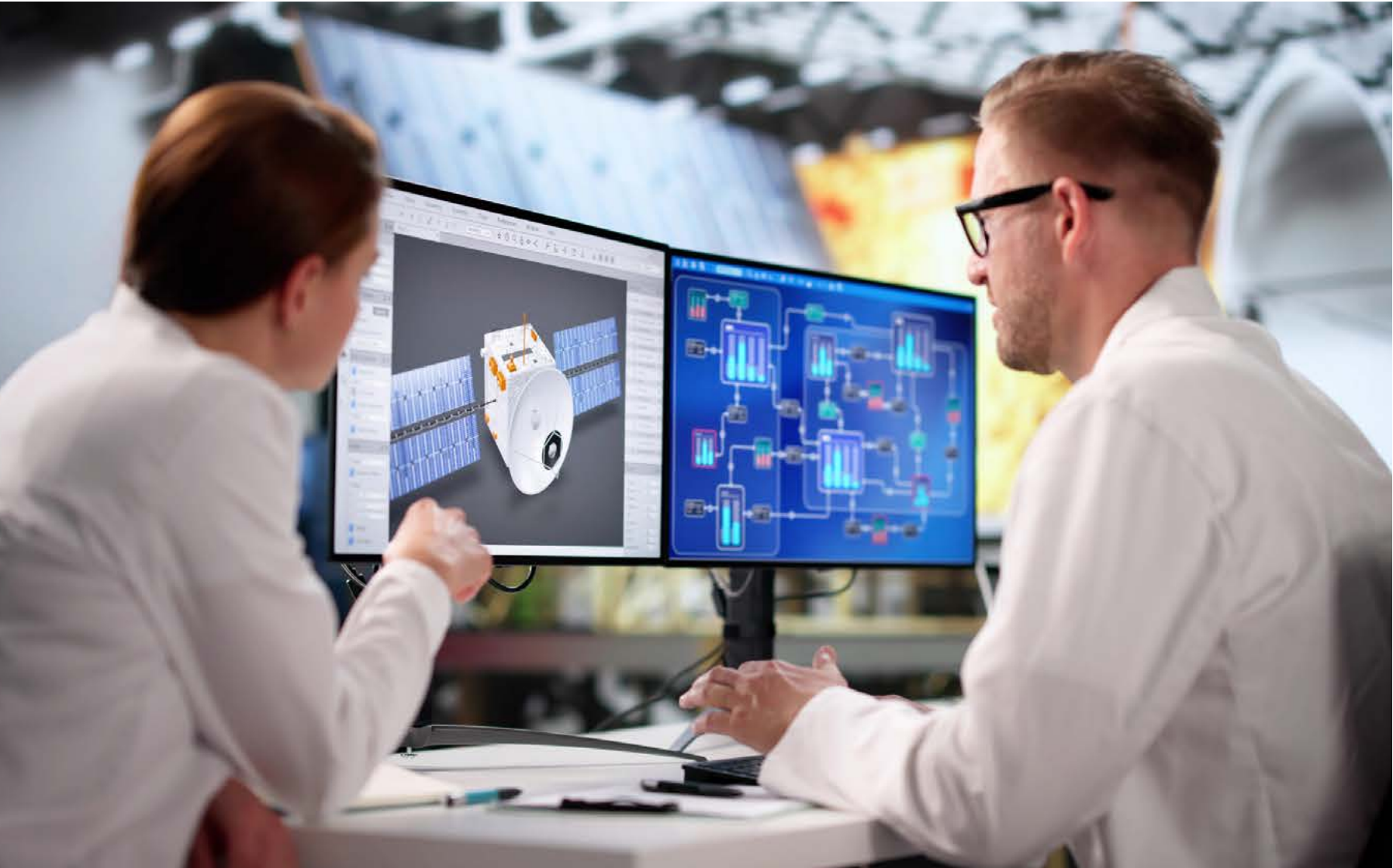
A&D companies continue to use acquisitions to add technology, secure critical capabilities, and expand production capacity. Consolidation can also create overlapping operations and real estate portfolios.

CRE Implications: M&A creates opportunities to consolidate facilities, optimize portfolios and reinvest in strategic locations.

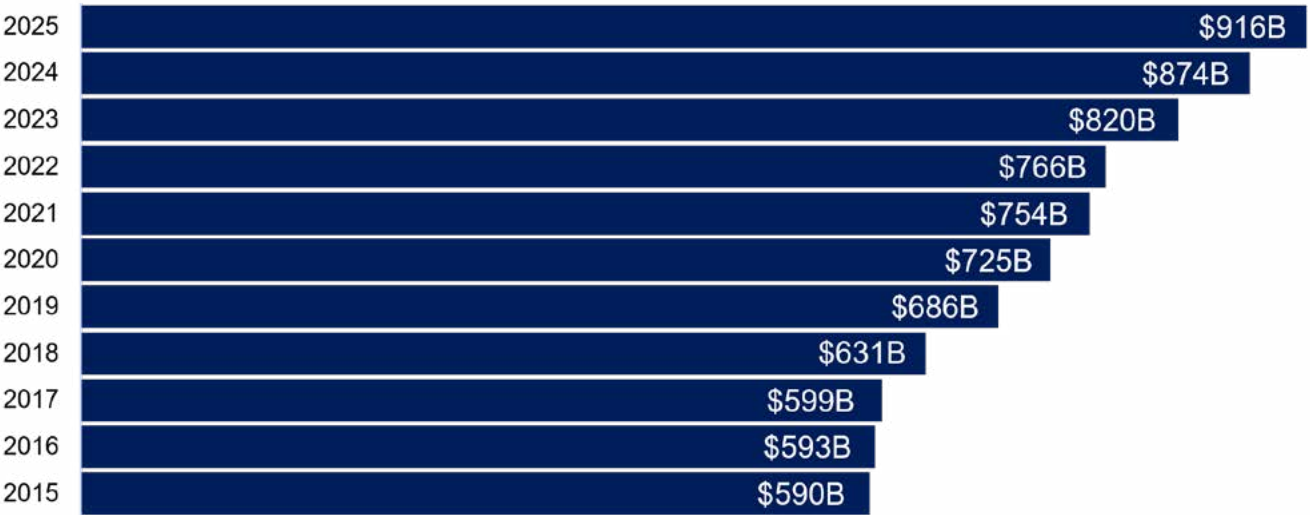
5. Growth Is Increasing the Importance of Capacity

Expanding A&D production requires more than capital. Companies need access to specialized talent, reliable power, infrastructure, and facilities capable of supporting increasingly sophisticated production.²

CRE Implications: Labor and infrastructure are becoming increasingly important location filters, sometimes outweighing real estate cost alone.



National Defense Outlays¹ By Fiscal Year



Source: CoStar, Cresa

CAPITAL IS RESHAPING THE A&D LANDSCAPE

Mergers & Acquisitions (M&A) Are Shifting From Scale to Capability

A&D dealmaking reflects a focus on acquiring specialized technology, talent, production capacity, and supply-chain capabilities. For occupiers, acquisitions can create both immediate expansion needs and longer-term opportunities to consolidate facilities and redirect investment toward strategic locations.

Recent M&A ³⁻⁷	Strategic Focus	Why It Matters for CRE
Boeing / Spirit AeroSystems	Vertical integration and manufacturing capacity	Creates opportunities to integrate and optimize major manufacturing and supplier footprints
AeroVironment / BlueHalo	Defense technology, space, and autonomy	Combines specialized R&D, engineering and production capabilities across a growing technology platform
Honeywell / CAES	Defense electronics & RF technology	Adds specialized talent and advanced production capacity, reinforcing the value of technical facilities and labor
TransDigm / Simmonds Precision	Specialized aerospace & defense components	Continues consolidation around highly engineered products and specialized manufacturing capabilities
Lockheed Martin / Amentum Rapid Solutions	Radar, space, and mission systems	Adds specialized engineering talent and technology capabilities with implications for R&D and technical facilities

Occupier Takeaway: M&A can quickly shift portfolio requirements. Acquirers should assess real estate early in the integration process, not only for consolidation opportunities but also to identify essential facilities, infrastructure, and talent that contribute significantly to the value of the transaction.

Private Capital is Accelerating A&D Innovation

Venture capital is playing a growing role in funding the next generation of aerospace and defense companies. Investment is increasingly flowing toward defense technology, autonomy, AI, advanced hardware, and space, helping companies move from concept and R&D toward commercialization and production. Silicon Valley Bank reported that aerospace and defense VC investment surpassed \$4 billion in 2024 and was on pace to increase substantially in 2025.

Occupier takeaway: Capital-intensive A&D companies need more than office space. As VC-backed companies progress from R&D to prototyping and production, requirements can quickly evolve toward specialized flex/R&D and manufacturing facilities, which makes scalability and infrastructure increasingly important real estate considerations.

Commercial Space Is Expanding the A&D Ecosystem

NASA is increasingly using commercial partnerships and service-based models for crew transportation, lunar deliveries, and future space stations. Rather than developing every capability itself, the government is helping create markets in which private companies own and operate assets and NASA becomes one of several customers.¹¹⁻¹²

Occupier Takeaway: A growing commercial space ecosystem is creating new demand for specialized R&D, manufacturing and testing facilities, particularly in markets that combine technical talent with launch, aerospace, and research infrastructure.

\$4B+
A&D VC investment, 2024⁸

+75%
Growth in global defense-tech VC investment, 2025⁹

4X
Later-stage defense-tech deal size vs. other technology sectors¹⁰

13 Commercial Providers
Eligible to compete for NASA's Commercial Lunar Payload Services program, which has a \$2.6 billion maximum contract value through 2028.^{13,31}

A&D INVESTMENT IS TRANSLATING INTO GROWTH

~72%

lower utilization than historic pre-COVID levels, but at the highest level since March 2019

~40%

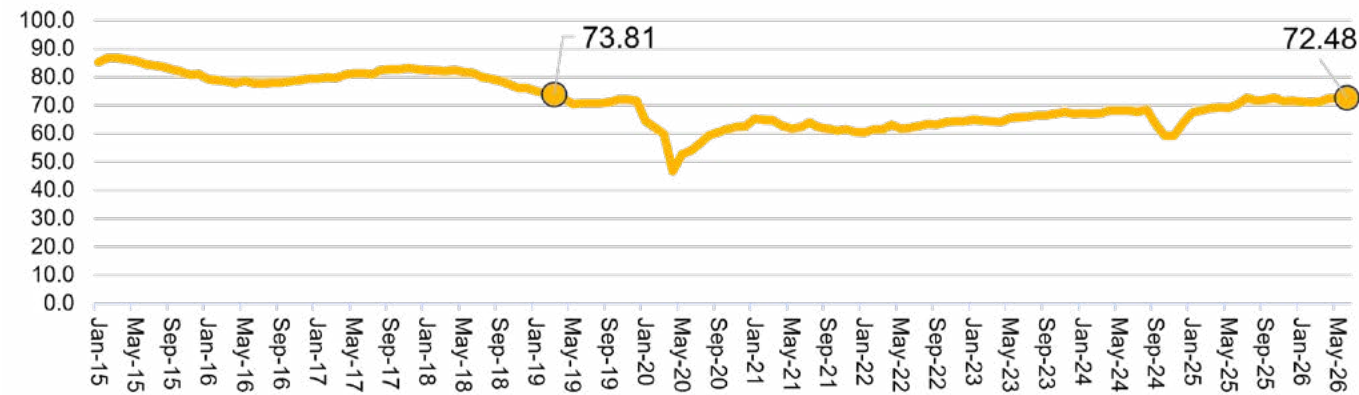
Increase in **aircraft and parts orders** between 2015 and 2025

Capacity is Being Put Back To Work

Capacity Utilization: Manufacturing Aerospace & Miscellaneous Transportation Equipment

Aerospace manufacturing capacity utilization has steadily recovered from pandemic-era disruptions, reaching roughly 72 percent in early 2026, but remains below pre-pandemic levels.¹⁵

Occupier Takeaway: The industry appears to have room to increase production within its existing capacity, even as strong orders may support additional investment over time.

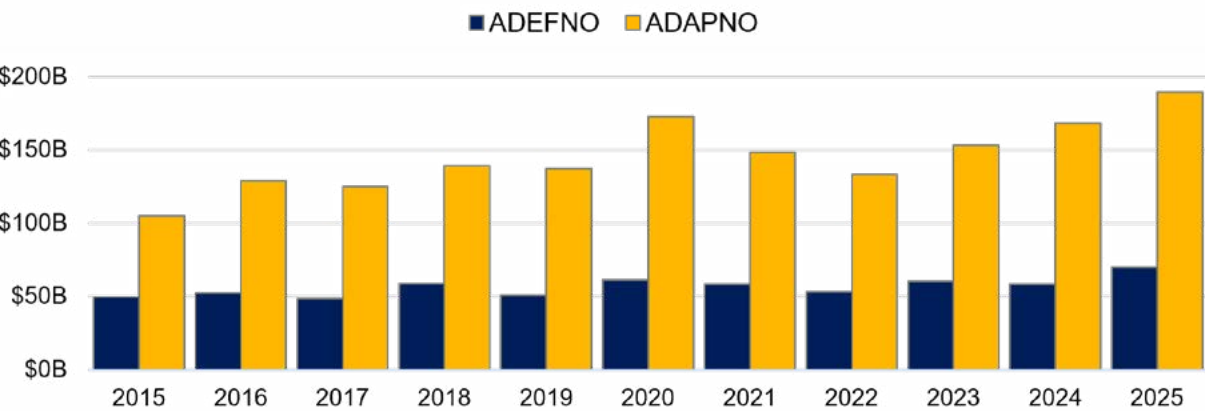


Board of Governors of the Federal Reserve System (US), Capacity Utilization: Manufacturing: Durable Goods: Aerospace and Miscellaneous Transportation Equipment (NAICS = 3364-9) [CAPUTLG3364T9S], retrieved from FRED, Federal Reserve Bank of St. Louis

Defense Orders Remain Elevated

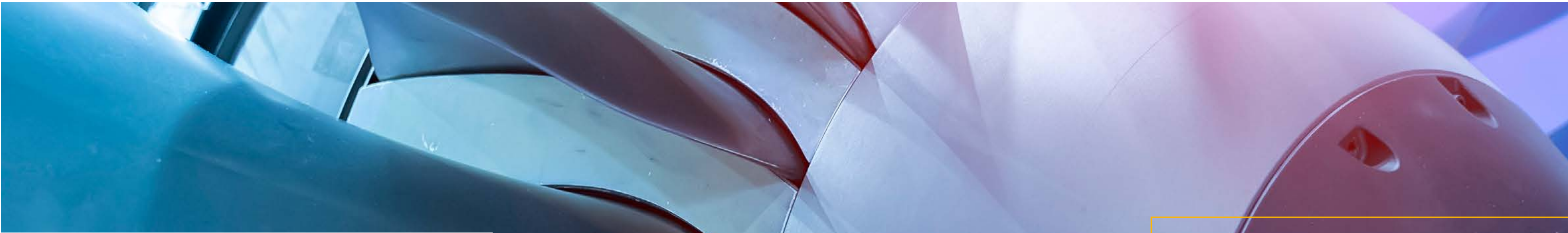
U.S. defense aircraft and parts orders reached approximately \$70 billion in 2025, the highest level of the past decade and roughly 40 percent above 2015 levels.¹⁴

Occupier Takeaway: The increase signals a growing production pipeline for aircraft manufacturers and suppliers, supporting continued demand for skilled labor and manufacturing capacity.



Source: U.S. Census Bureau, Manufacturers' New Orders: Defense Capital Goods (ADEFNO); New Orders: Defense Aircraft and Parts (ADAPNO); retrieved from FRED, Federal Reserve Bank of St. Louis

Note: Annual values represent the sum of monthly seasonally adjusted observations.



A&D INVESTMENT IS TRANSLATING INTO GROWTH



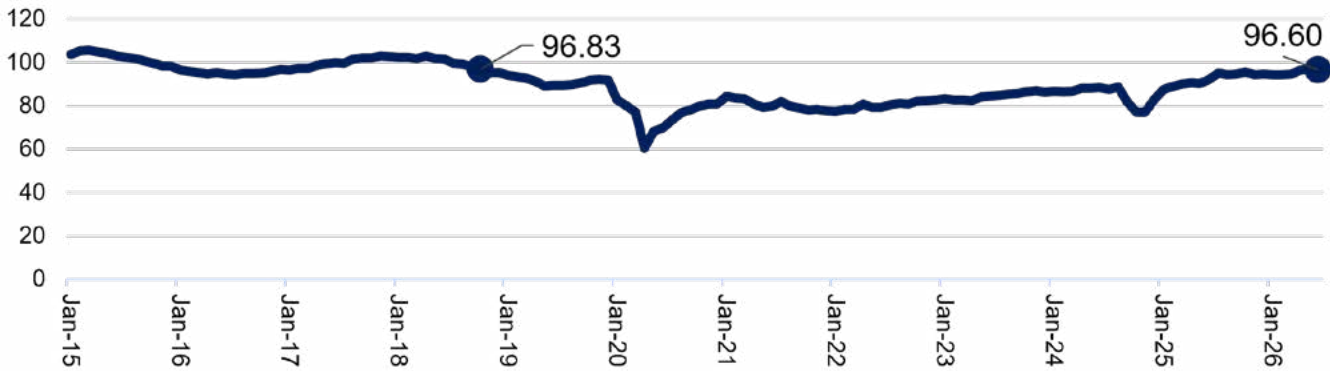
The Industrial Production Index is currently at its **highest level since October 2018** (Pre-COVID)

Aerospace & Transportation Equipment Production Rebounds

Industrial Production Index: Aerospace & Misc. Transportation Equipment

Aerospace and transportation equipment production has rebounded sharply from its late-2024 decline and is approaching pre-pandemic production levels.¹⁶

Occupier Takeaway: Recovering production, coupled with elevated defense orders, points to continued demand for manufacturing capacity, skilled labor, and specialized facilities.



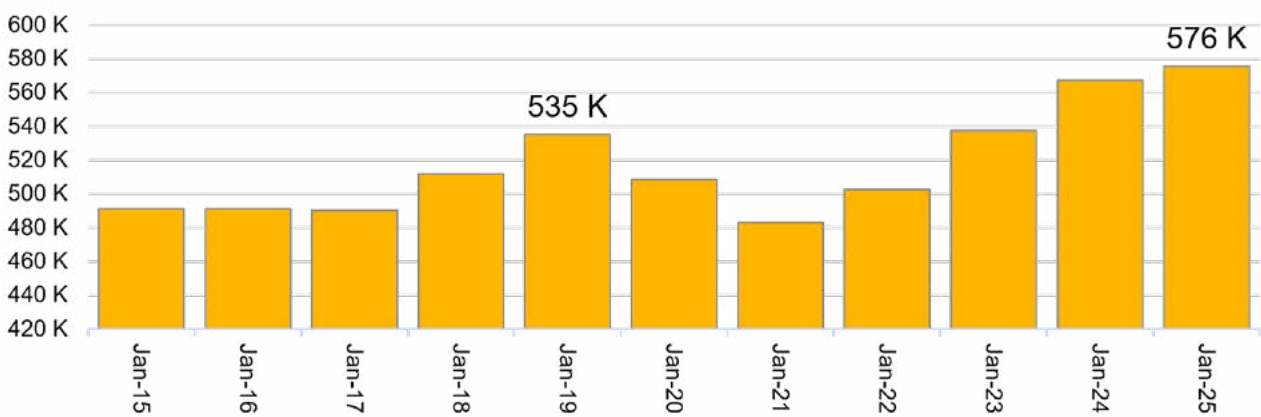
Source: Board of Governors of the Federal Reserve System. Index 2017 = 100, Not Seasonally Adjusted.
Note: The Industrial Production Index tracks changes in the volume of goods being produced, providing a measure of actual manufacturing activity rather than sales or revenue.

Aerospace Manufacturing Employment Reaches a New High

Employment for Manufacturing: Aerospace Product & Parts Manufacturing (NAICS 3364)

Aerospace manufacturing employment has increased for the past four straight years, increasing 19.3 percent since the end of 2021.¹⁷

Occupier Takeaway: Employment reached approximately 576,000 in 2025, surpassing the previous 2019 peak and reinforcing the growing importance of access to skilled aerospace manufacturing labor.



Source: U.S. Bureau of Labor Statistics, Employment for Manufacturing: Aerospace Product and Parts Manufacturing (NAICS 3364) in the United States [IPUEN3364W200000000], retrieved from FRED, Federal Reserve Bank of St. Louis

AEROSPACE & DEFENSE TALENT

Talent Is Becoming a Location Constraint

Aerospace & defense (A&D) employment has reached a new high, increasing competition for specialized workers. Yet the talent needed to support the industry—from engineers and technicians to skilled production workers—is concentrated in a relatively small number of markets.

For A&D occupiers, access to talent can be as important as the cost of real estate. Understanding where relevant workers are concentrated, the depth of the labor pool, and the cost of that talent can help companies evaluate where to expand, invest, or relocate.

A&D Talent Index

The **A&D Talent Index** uses U.S. Bureau of Labor Statistics occupational employment data to compare the strength of A&D-relevant talent across U.S. metropolitan areas.¹⁸⁻²⁰

Rather than relying on a single occupation, the index groups relevant occupations into three talent baskets:

Focused A&D Technical Talent — 50%: Specialized occupations closely associated with aerospace and defense, including aerospace and electronics engineers, avionics technicians, and aerospace engineering technicians.

Advanced Manufacturing Production Talent — 25%: Skilled production occupations that support A&D and other advanced manufacturing industries,

including machinists, CNC operators, assemblers, welders, and inspectors.

Broader Engineering Talent — 25%: Transferable engineering skills important to A&D companies, including mechanical, electrical, industrial, and materials engineers.

The greater weighting assigned to Focused A&D Technical Talent reflects the importance and relative scarcity of specialized A&D skills.

Three Indicators Tell the Story

Location Quotient — Specialization
Measures how concentrated relevant talent is in a market compared with the U.S. An LQ above 1.0 indicates an above-average concentration.

Employment — Depth
Measures the size of the relevant labor pool. A high LQ can identify specialization, but employment shows whether the market has sufficient scale to support expansion.

Employment-Weighted Wage — Cost
Measures the relative cost of the occupational mix using employment-weighted median wages. Combined with real estate costs, wages help identify markets where specialized talent may offer greater relative value.

Together, these measures distinguish markets that have A&D talent from those offering the combination of specialization, scale, and cost that can support long-term growth.

Talent Is Becoming a Location Constraint

Markets with the Highest Concentration of A&D Labor Expertise

Metro	Total Employment	Total A&D Employment	Employment Weighted A&D Wage	A&D Talent Index
Wichita, KS	308,570	30,640	\$73,691	7.33
Huntsville, AL	266,650	32,580	\$103,324	6.18
Lexington Park, MD	70,650	5,120	\$119,396	6.17
Warner Robins, GA	76,050	5,330	\$84,369	5.19
Palm Bay-Melbourne-Titusville, FL	245,170	18,350	\$89,724	4.36
Columbus, IN	49,820	9,330	\$69,867	2.69
Tucson, AZ	389,630	16,650	\$82,487	2.63
Tulsa, OK	458,730	30,750	\$45,082	2.50
Boulder, CO	192,390	9,610	\$107,282	2.46
Ogden, UT	271,370	17,460	\$88,526	2.44
San Jose-Sunnyvale-Santa Clara, CA	1,134,970	59,190	\$137,856	2.29
Dayton-Kettering-Beavercreek, OH	372,660	24,580	\$98,865	2.26
Crestview-Fort Walton Beach-Destin, FL	125,050	4,250	\$93,574	2.16
Mobile, AL	172,550	10,240	\$84,107	2.15
Seattle-Tacoma-Bellevue, WA	2,086,210	84,890	\$114,046	2.12
Elkhart-Goshen, IN	127,730	28,420	\$67,122	2.01
Detroit-Warren-Dearborn, MI	1,904,530	162,830	\$91,162	1.88
Oklahoma City, OK	677,680	23,960	\$81,895	1.82
Bremerton-Silverdale-Port Orchard, WA	93,740	5,300	\$102,909	1.80
Rockford, IL	137,650	11,900	\$37,964	1.75
Bakersfield-Delano, CA	338,230	10,430	\$101,959	1.65
Colorado Springs, CO	316,060	9,360	\$103,428	1.63
Decatur, AL	61,240	6,410	\$101,145	1.57
Ann Arbor, MI	219,730	9,720	\$81,159	1.55

The strongest A&D labor market depends on the requirement. Highly specialized markets may offer concentrated expertise but smaller labor pools, while larger markets can provide greater workforce depth at higher cost. Evaluating specialization depth and cost together reveals where different A&D operations may find the strongest relative fit.

What the Industry Data Tells Us

Strong Demand Is Driving A&D Production & Hiring

Elevated defense orders are supporting a continued recovery in aerospace manufacturing. Production and capacity utilization have strengthened, while employment has already surpassed its pre-pandemic peak—placing greater importance on access to skilled labor as manufacturers position for continued demand.



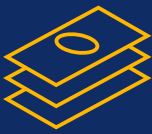
Orders
Demand remains elevated



Capacity
Existing capacity still has room to run



Production
Output continues to recover

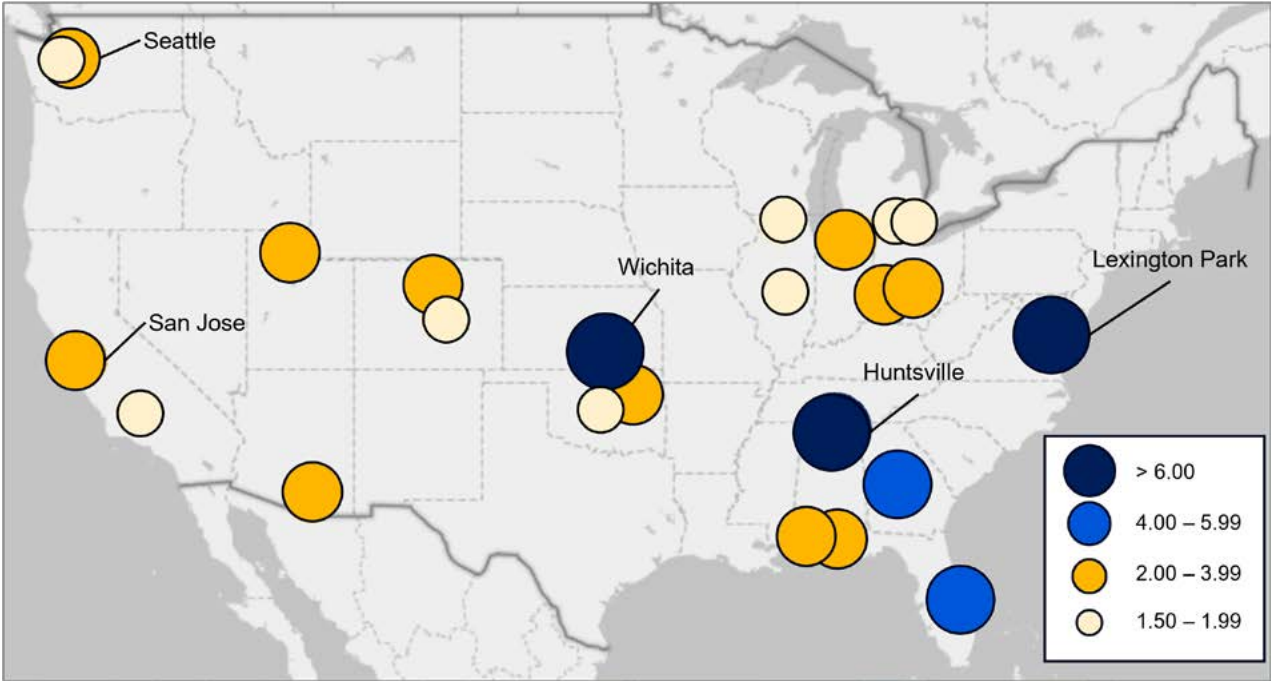


Employment
Hiring has reached a new high

AEROSPACE & DEFENSE TALENT

Higher Talent Index scores identify markets where A&D-relevant occupations are disproportionately concentrated. Although all these markets are characterized by above-average labor related to the A&D industry, those with higher scores are more concentrated compared to others.

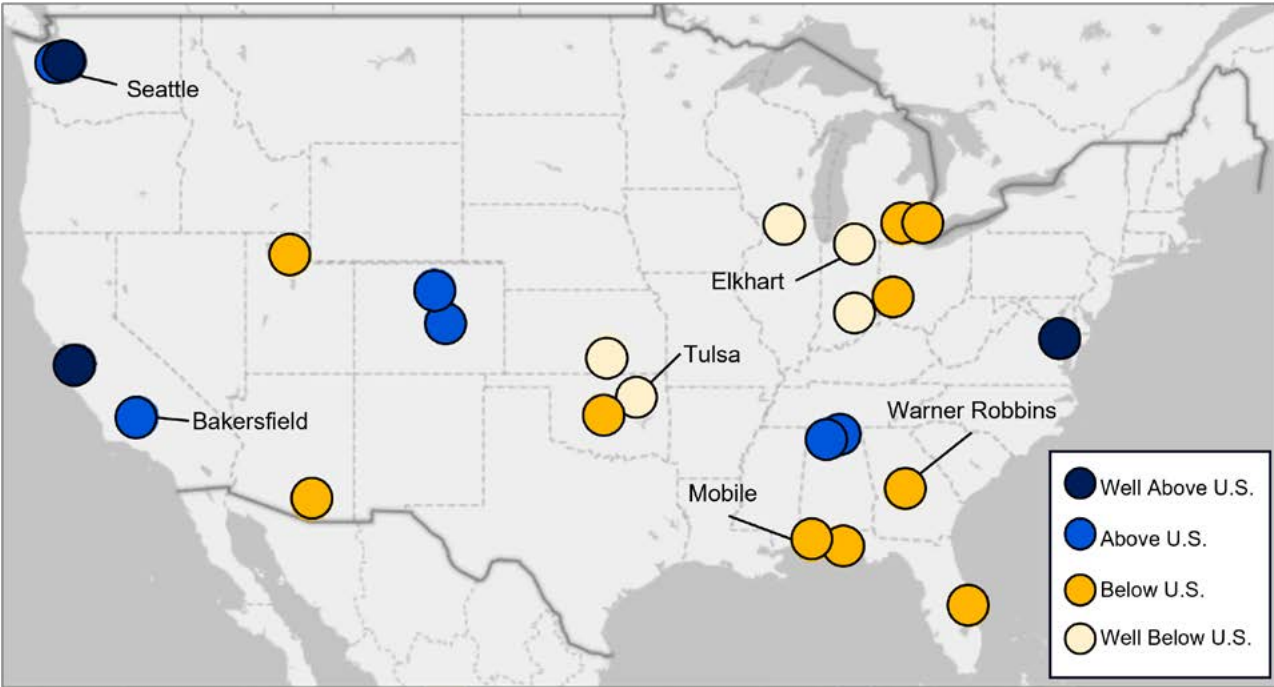
Aerospace & Defense Talent Index: Specialization



Talent Takeaways

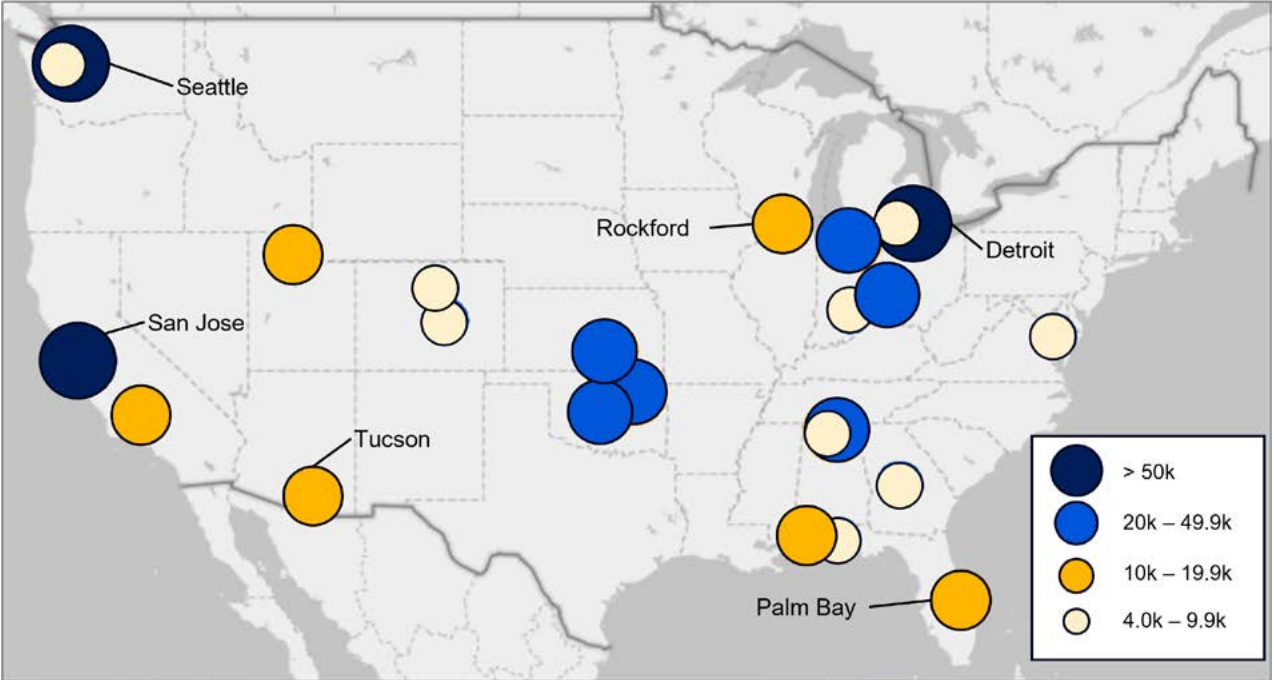
- Specialization Doesn't Always Mean Scale**
Wichita, Huntsville, and Lexington Park have the highest concentrations of A&D talent, but labor-pool depth varies considerably across these highly specialized markets.
- Some Specialized Markets Offer a Cost Advantage**
Wichita, Tucson, Tulsa, Mobile, and Oklahoma City pair above-average A&D talent concentrations with comparatively moderate wage costs.
- Different Operations Require Different Markets**
A highly specialized technical operation may prioritize concentration, while a large manufacturing requirement may place greater emphasis on labor-pool depth and costs.

Aerospace & Defense Weighted Wage: Cost



Aerospace and defense employment-weighted wages indicate the cost of accessing talent. The average weighted wage for U.S. A&D is approximately \$94,000.

Aerospace & Defense Employment: Depth



Aerospace & defense employment highlights the scale of the labor pool available to support existing operations and future growth.

Note: Detailed discussion and methodology are available with the complete references. ¹⁸⁻²⁰



LARGEST A&D COMPANIES

Established Hubs Anchor the A&D Landscape

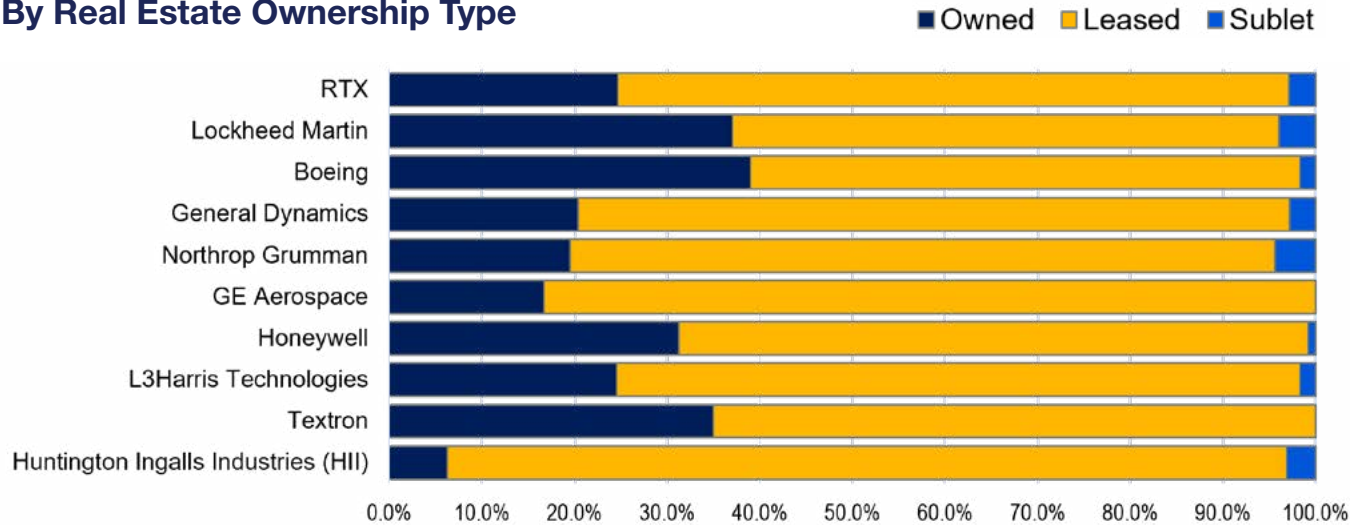
Aerospace & defense companies have historically clustered around major manufacturers, military and government installations, research institutions, and specialized labor pools. Over time, these concentrations developed deep supplier networks and technical infrastructure, reinforcing established hubs such as Southern California, Seattle, Wichita, Dallas-Fort Worth, Connecticut, Huntsville, and Florida’s Space Coast.

Top Aerospace & Defense Companies By Revenue

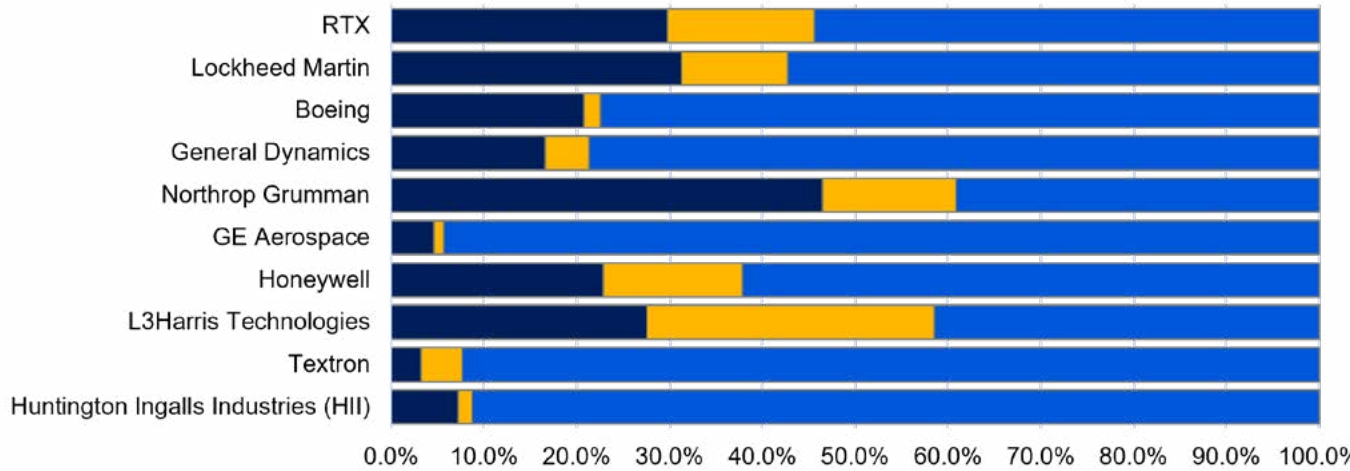
Company ²¹	U.S. Headquarters	Ownership	Total Revenue* (Estimated)	Defense Revenue*	% Defense (Estimated)
Boeing	Arlington, VA	Public	\$89.5B	\$27.2B	30%
RTX	Arlington County, VA	Public	\$88.6B	\$46.1B	52%
Lockheed Martin	Bethesda, MD	Public	\$75.0B	~\$75.0B	~100%
General Dynamics	Reston, VA	Public	\$52.6B	\$39.5B	75%
GE Aerospace	Evendale, OH	Public	\$45.9B	\$8.9B	19%
Northrop Grumman	Falls Church, VA	Public	\$42.0B	~\$42.0B	~100%
Honeywell	Charlotte, NC	Public	\$37.4B	\$7.2B	19%
L3Harris Technologies	Melbourne, FL	Public	\$21.9B	~\$16.4B	~75%
Textron	Providence, RI	Public	\$14.8B	~\$3.9B	~26%
Huntington Ingalls Industries	Newport News, VA	Public	\$12.5B	~\$12.5B	~100%

²¹Note: FY2025 revenue reflects each company’s reported fiscal-year revenue. Defense/defense-oriented revenue is based on reported segment, government, military, and defense-related revenue disclosures where available. Definitions vary by company and are not directly comparable. Estimated figures are Cresa Research calculations.²¹

By Real Estate Ownership Type



By Property Type Mix



Source: CoStar²², Cresa
Note: Industrial uses combined both distribution and manufacturing property types. Real estate ownership and property-type mix reflect properties identified by CoStar within the analyzed portfolio and may not represent a company’s complete global or U.S. footprint.

THE U.S. A&D LANDSCAPE



A&D Demand: Fewer Deals, Larger Requirements

A&D companies are signing fewer leases than they were before the pandemic, but space demand has proven more resilient than transaction counts suggest. Larger average requirements—particularly across distribution, flex/R&D and manufacturing—point to continued investment in operational real estate.

Average requirements remain substantial across operational property types. In 2025, manufacturing leases averaged approximately 146,000 SF, distribution 122,000 SF, and flex/R&D 41,000 SF—all significantly larger than the average office transaction.

Larger operational requirements can narrow the pool of suitable facilities, particularly when specialized power, infrastructure or buildout requirements are involved.

A&D Signed Lease Transactions

Number of Signed Transactions

No. of Deals	2017	2018	2019	2020	2021	2022	2023	2024	2025	Trends
Office	141	173	176	151	139	166	129	120	92	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Flex/R&D	30	40	48	35	29	41	21	23	22	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Distribution	51	52	48	47	54	46	55	42	41	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Manufacturing	15	21	15	16	17	16	12	13	17	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Peak Year										

A&D leasing activity has declined from its 2018–19 peak, but manufacturing and distribution have proven more resilient than office and flex/R&D.

A&D Signed Lease Volume SF

Million SF

No. of Deals	2017	2018	2019	2020	2021	2022	2023	2024	2025	Trends
Office	4.2M	4.6M	7.3M	4.8M	5.8M	4.9M	4.2M	3.4M	3.2M	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Flex/R&D	1.0M	1.0M	1.4M	1.2M	0.6M	1.8M	0.7M	0.7M	0.9M	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Distribution	4.9M	4.0M	4.2M	4.7M	6.2M	5.2M	6.0M	5.7M	5.0M	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Manufacturing	2.3M	2.3M	1.4M	2.8M	2.2M	2.8M	1.9M	1.2M	2.5M	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Peak Year										

Distribution volume has remained remarkably resilient, while manufacturing leasing more than doubled in 2025. Despite fewer transactions, operational real estate continues to account for substantial A&D demand.

A&D Average Lease Size SF

Average SF

No. of Deals	2017	2018	2019	2020	2021	2022	2023	2024	2025	Trends
Office	29.7K	26.3K	41.3K	31.6K	41.6K	29.2K	32.2K	28.7K	35.1K	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Flex/R&D	32.0K	25.3K	28.2K	34.0K	21.7K	43.0K	34.3K	28.8K	41.2K	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Distribution	95.5K	77.2K	87.1K	99.9K	115.5K	113.2K	108.6K	136.9K	121.5K	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Manufacturing	150.7K	108.5K	92.3K	172.0K	127.1K	173.1K	155.8K	92.3K	145.5K	■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Peak Year										

Source: CoStar, Cresa²⁴
Note: A&D transactions reflect the companies and NAICS-based criteria defined by Cresa Research; lease transaction data, 2017-2025, accessed August 20, 2026. The data reflects the date the tenant signed the lease, not the move-in date.

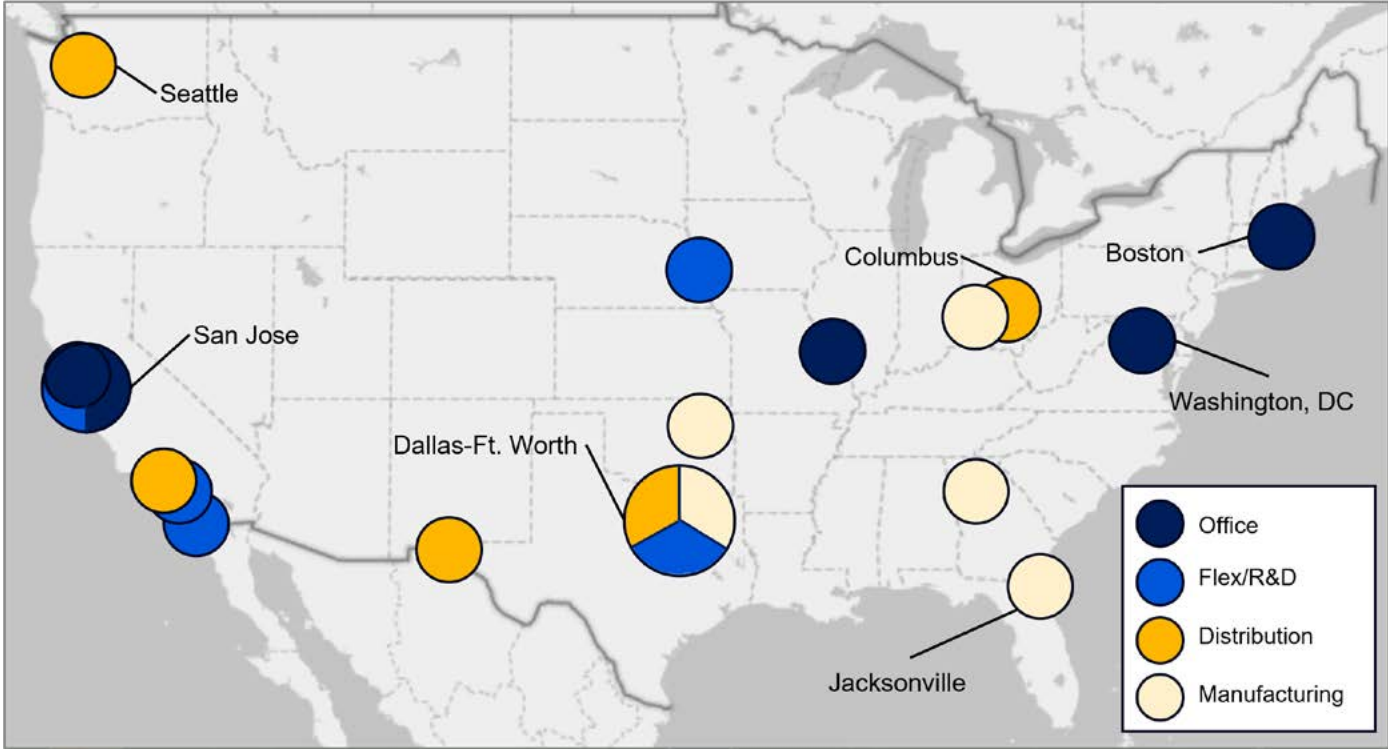


AEROSPACE & DEFENSE REAL ESTATE DECISIONS

Dallas-Fort Worth stands out as the only market among the leaders across flex/R&D, distribution and manufacturing—illustrating the value of markets capable of supporting multiple A&D functions.

Recent A&D Move-Ins

Top 5 Markets by Property Type



Where A&D Demand is Landing: Move-Ins Since 2024

Recent A&D move-ins show distinct location patterns by property type. Office and R&D activity remains concentrated in established technology and government centers, while manufacturing and distribution requirements are reaching a broader set of markets with deep production, logistics and A&D capabilities.²⁴

Office

San Francisco, CA	2.0M
Washington, DC	1.5M
Boston, MA	1.1M
San Jose, CA	909.8K
St. Louis, MO	739.3K

Flex/R&D

San Jose, CA	471.9K
Orange County, CA	277.3K
Dallas-Fort Worth, TX	250.0K
San Diego, CA	228.0K
Omaha, NE	221.1K

Distribution

Seattle, WA	3.5M
Columbus, OH	2.9M
Los Angeles, CA	1.6M
Dallas-Fort Worth, TX	1.6M
El Paso, TX	772.6K

Manufacturing

Dallas-Fort Worth, TX	1.1M
Southwest OH	654.4K
Tulsa, OK	641.2K
Atlanta, GA	400.0K
Jacksonville, FL	385.0K

Source: CoStar²⁵, Cresa
Note: Markets reflect CoStar market definition; Data reflects the date the tenant moved-in to space, not the signing date

AEROSPACE & DEFENSE REAL ESTATE MARKET

Four Uses, Four Different Real Estate Markets

Aerospace and defense companies depend on four distinct types of properties to support various functions, including administration, sales, finance, engineering, research and development (R&D), production, and distribution. Recent leasing activity indicates sustained demand for operational space; however, market conditions vary significantly by asset type. The availability of properties, new supply rates, and pricing present unique opportunities and challenges for these companies.

From Market Conditions to Occupier Leverage

Market conditions ultimately determine the choices available to occupiers. Availability, demand, pricing, and future supply influence negotiating leverage, but their importance varies by property type. For aerospace & defense companies, leverage also depends on whether the available space meets specialized operational requirements.

Factors	What it Tells an Occupier
Choice	Vacancy, availability, and sublease options
Pricing	Rent levels and rent growth
Demand	Net absorption and leasing momentum (activity)
Future Supply	Construction, starts, and deliveries

Together, these indicators help identify where A&D occupiers have negotiating leverage, and where limited suitable supply requires earlier planning and greater flexibility.



Office

HQ • Engineering • Strategy & Sales
Key Consideration: Leverage & Choice



Flex / R&D

Research • Prototyping • Testing
Key Consideration: Specialized
Availability & Labor



Distribution

Parts • Inventory • Supply Chain
Key Consideration: Location,
Availability & Cost



Manufacturing

Production • Assembly • Testing
Key Consideration: Facility Suitability
& Capacity



AEROSPACE & DEFENSE REAL ESTATE MARKET



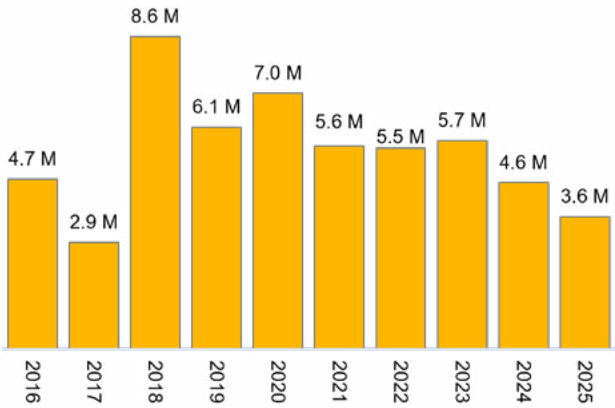
Office: Leverage Remains, But Quality Is Tightening

The U.S. office market is moving into recovery, with positive absorption improving leasing activity, and vacancy stabilizing. However, conditions remain bifurcated as occupiers still have meaningful leverage across much of the market, while competition is increasing for high-quality space and the construction pipeline remains historically low.

Class A Office Snapshot

	Q2 2026	Q2 2025	Trend
Rent Growth (Y-o-Y)	1.7%	1.3%	▲
Vacancy %	16.9%	17.3%	▼
Availability %	20.4%	21.8%	▼
Sublease SF	96M	119M	▼
Leasing Activity SF (TTM)	212M	218M	►
Net Absorption SF (TTM)	44M	7.2M	▲
Under Construction SF	47M	59M	▼
Net Deliveries SF (TTM)	31M	43M	▼

Class A Availabilities Fall U.S. Class Office Availability Rate



Occupier Takeaway: Elevated Class A availability still provides meaningful choice and negotiating leverage, but a shrinking supply pipeline and improving demand suggest the window to secure high-quality space on favorable terms is beginning to narrow.

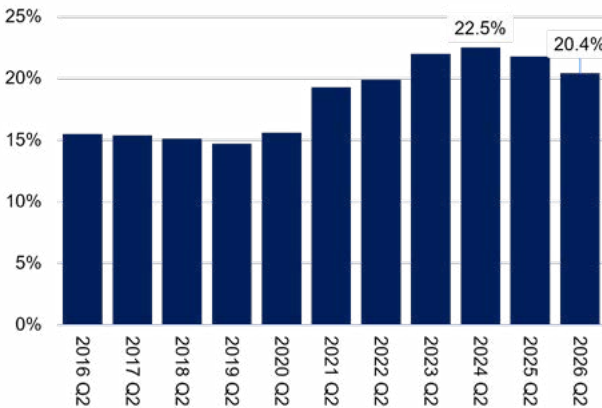
Flex / R&D: Demand Cools as Availability Rises

Demand for flex / R&D spaces has moderated, leading to a slowdown in leasing activity and net absorption, while vacancy rates are gradually increasing. Meanwhile, a decline in the construction pipeline is expected to restrict future supply. Additionally, specialized A&D requirements can significantly reduce the number of suitable spaces available.

Flex / R&D Snapshot

	Q2 2026	Q2 2025	Trend
Rent Growth (Y-o-Y)	2.1%	3.0%	▼
Vacancy %	10.7%	10.1%	▲
Availability %	13.6%	14.0%	▼
Sublease SF	2.7M	3.4M	▼
Leasing Activity SF (TTM)	6.7M	7.3M	▼
Net Absorption SF (TTM)	2.8M	4.4M	▼
Under Construction SF	5.4M	6.7M	▼
Net Deliveries SF (TTM)	4.2M	6.8M	▼

Flex / R&D Net Absorption SF Drops U.S. Net Absorption SF



Occupier Takeaway: Softer demand is increasing options and negotiating power; however, occupiers needing specialized power, infrastructure, or R&D capabilities should not assume that overall higher availability results in more suitable options.

Source: CoStar, Cresa²⁵⁻²⁶
Note: ttm = trailing twelve months



AEROSPACE & DEFENSE REAL ESTATE MARKET

Distribution

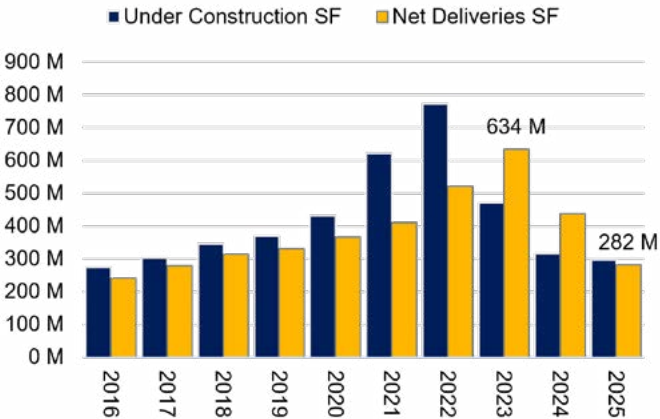
The U.S. distribution market is showing signs of renewed momentum, with leasing activity and net absorption increasing while vacancy and availability edge lower. New development remains well below the post-pandemic peak, helping existing supply work through the market and bringing supply and demand closer to balance.

Distribution Snapshot

	Q2 2026	Q2 2025	Trend
Rent Growth (Y-o-Y)	2.7%	3.1%	▼
Vacancy %	9.1%	9.4%	▼
Availability %	13.0%	13.2%	▼
Sublease SF	173M	182M	▼
Leasing Activity SF (TTM)	745M	603M	▲
Net Absorption SF (TTM)	243M	150M	▲
Under Construction SF	308M	289M	▲
Net Deliveries SF (TTM)	242M	327M	▼

Distribution Supply Pipeline Rebalances

U.S. Distribution Construction SF & Net Deliveries SF



Occupier Takeaway: Improved availability still provides occupiers with choice but strengthening demand and a more disciplined supply pipeline suggest the favorable window for securing large, modern distribution space may begin to narrow.

Manufacturing: Suitable Space, Not Supply, Is the Constraint

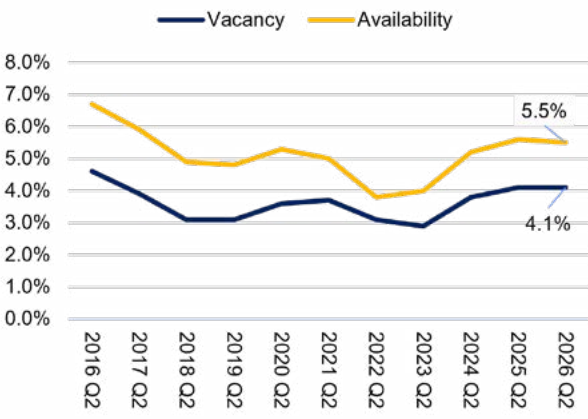
National manufacturing fundamentals remain relatively tight, but headline market metrics tell only part of the story for A&D occupiers. Specialized facility requirements and a development pipeline that includes significant build-to-suit activity can make the pool of viable existing space considerably smaller than overall availability might indicate.

Manufacturing Snapshot

	Q2 2026	Q2 2025	Trend
Rent Growth (Y-o-Y)	1.7%	4.2%	▼
Vacancy %	4.1%	4.1%	►
Availability %	5.5%	5.6%	▼
Sublease SF	18.8M	18.9M	►
Leasing Activity SF (TTM)	79.3M	74.4M	▲
Net Absorption SF (TTM)	48.9M	38.8M	▲
Under Construction SF	73.0M	92.2M	▼
Net Deliveries SF (TTM)	52.3M	55.2M	▼

Manufacturing Availability Is Limited

U.S. Manufacturing Vacancy & Availability Rates



Occupier Takeaway: For specialized A&D manufacturing requirements, building suitability often matters more than headline availability. Occupiers should begin facility and infrastructure diligence early, as viable existing options may be limited, and new construction can require longer lead times.

Source: CoStar, Cresa²⁵⁻²⁶
Note: ttm = trailing twelve months

POWER IS BECOMING A SITE-SELECTION CONSTRAINT

Advanced manufacturing, testing, simulation, and increasingly sophisticated A&D systems can require significant and highly reliable electrical capacity. At the same time, growing demand from manufacturing, data centers, and other large users is placing additional pressure on the U.S. power grid, making access to power an increasingly important consideration in site selection.

Is the Power Available?

Electricity demand is accelerating after more than a decade of relatively little growth, driven by data centers, domestic manufacturing, and other large users. As utilities respond to rapidly increasing load requests, available capacity and speed-to-power are becoming important site-selection considerations for energy-intensive aerospace & defense operations.

Aerospace & defense manufacturers increasingly compete for electrical capacity with data centers and other large industrial users, making power availability a location consideration rather than simply a utility-cost consideration.

Occupier Takeaway: Ask “how much power, and when?” before asking “what does it cost?” Available capacity and delivery timelines should be evaluated early in site selection, particularly for advanced manufacturing, testing, and other power-intensive A&D requirements.

Is it Reliable?

Available power only matters if it can be delivered consistently. Grid reliability varies considerably by region and can be affected by extreme weather, generation constraints, and transmission limitations, making redundancy and resilience especially important for mission-critical A&D operations.

Occupier Takeaway: Reliability should be evaluated at the utility and site level, not just the market level. For critical A&D operations, redundancy, backup generation, and resilience can matter as much as available capacity or electricity cost.

How Long Will It Take?

Available power does not necessarily mean power can be delivered on the required schedule. Connecting large new loads can require utility studies, system upgrades, and long-lead equipment, making speed-to-power an increasingly important site-selection consideration. Berkeley Lab notes that growing demand for large loads is already creating connection bottlenecks across parts of the U.S. grid.³⁰

Occupier Takeaway: Confirm power requirements and delivery timelines early. For example, an otherwise viable site can quickly become unworkable if required capacity cannot arrive on schedule.

Sources: U.S. Energy Information Administration; North American Electric Reliability Corporation; Lawrence Berkeley National Laboratory; Cresa Research



CONCLUSIONS

Looking Ahead

The outlook for the A&D industry remains favorable, but growth will increasingly depend on the industry’s ability to secure the necessary resources to support it. Rising demand, expanding production capabilities, and new sources of private capital are creating opportunities throughout the A&D ecosystem. At the same time, the need for specialized talent, appropriate facilities, and robust power infrastructure are emerging as significant constraints.

For occupiers in this sector, the decision of where to locate operations is becoming more complex. Established A&D hubs will continue to hold importance, but markets that offer specialized talent, scalable real estate, effective infrastructure, and competitive operating costs may present compelling alternatives. Consequently, the best location decisions will increasingly involve a comprehensive evaluation of these factors together rather than in isolation.



What This Means for Occupiers

1. Evaluate talent and real estate together. Low occupancy costs provide little advantage if specialized labor is either unavailable or prohibitively expensive.
2. Look beyond traditional A&D hubs. Established clusters offer proven ecosystems, but specialized and emerging markets can provide compelling combinations of talent, cost, and operating capacity.
3. Start specialized requirements early. Manufacturing and R&D availability can overstate real choice. Power, security, infrastructure, and building specifications can dramatically narrow viable options.
4. Treat power as part of site selection. Confirm capacity, reliability, and delivery timelines alongside real estate diligence – not after a preferred site has been identified.
5. Build flexibility into the portfolio. Changing programs, M&A, new technologies, and rapid growth among emerging A&D companies can alter requirements quickly. Portfolio strategy should accommodate both expansion and consolidation.

Talent
+
Real Estate
+
Infrastructure
+
Cost
=
Location Value



BEYOND SPACE.

About Cresa

Cresa is the world's leading global commercial real estate advisory firm that exclusively represents occupiers and specializes in the delivery of fully integrated real estate solutions. Our purpose is to think beyond space, strengthening those we serve and enhancing the quality of life for our clients.

Delivered across every industry, Cresa's services include Transaction Management, Workplace Solutions, Project Management, Consulting, Lease Administration, Technology, Investment Banking & Capital Markets and Portfolio Solutions. In partnership with London-based Knight Frank, Cresa provides service through 16,000 people, across 380 offices in 51 territories.

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