UAE Industrial and Logistics Market Review

Knight Frank

H1 2026

A biannual review of the trends and performance of the industrial and logistics market in Dubai and Abu Dhabi

knightfrank.ae/research



FOREWORD

The first half of 2026 will be remembered as the period that saw an abrupt end to five years of uninterrupted growth in the UAE's industrial and logistics sector, spurred by the regional conflict. January and February were exceptionally busy, with enquiries at or above the pace of late 2025. This changed during March. The regional conflict slowed decision-making sharply; pre-conflict deals that were already in train continued to complete, while new commitments were deferred. During April, we noted a modest recovery in activity, but this once again slowed during May, around the Eid Al Adha holidays, as is usually the case. With the regional geopolitical uncertainty rising again just before the summer, May and June have also been quieter than normal.

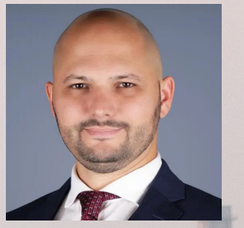
Key for the sector in the UAE has been the shipping disruption through the Strait of Hormuz, which has sharpened the focus on the creation of alternative logistics and shipping solutions, culminating most recently in DP World's announcement of a partnership with the Port of Fujairah to develop two deep water ports on the UAE's east coast, near Kalba, with inland logistics routes onward to Jebel Ali and JAFZA.

Beneath the monthly swings, the demand-supply imbalance that has defined the sector since 2021 is starting to correct. Newly completed stock is giving occupiers real choice for the first time in three years, more sellers are coming to market and our rental data is pointing to a broad-based moderation in headline lease rates for the first time in this cycle. This means tenants are now very much in the driving seat; a position not enjoyed since 2021.

The manufacturing sector dominated leasing activity during H1 2026, displacing logistics occupiers who have historically been the backbone of market activity, many of whom have been negatively impacted by the disruption around the Strait of Hormuz.

Prime industrial and logistics yields remained broadly stable during H1 2026, with institutional transactions continuing to complete, despite the evolving and uncertain geopolitical backdrop. This reflects the perceived resilience of the UAE's industrial and logistics sector, underpinned by strong occupational fundamentals and investor confidence in the long-term future of the country and the sector.

We invite you to explore our market-leading research on the UAE's industrial sector and welcome the opportunity to discuss our analysis in more detail.



Maxim Talmatchi MRICS

Partner – Head of Industrial and Logistics, ME

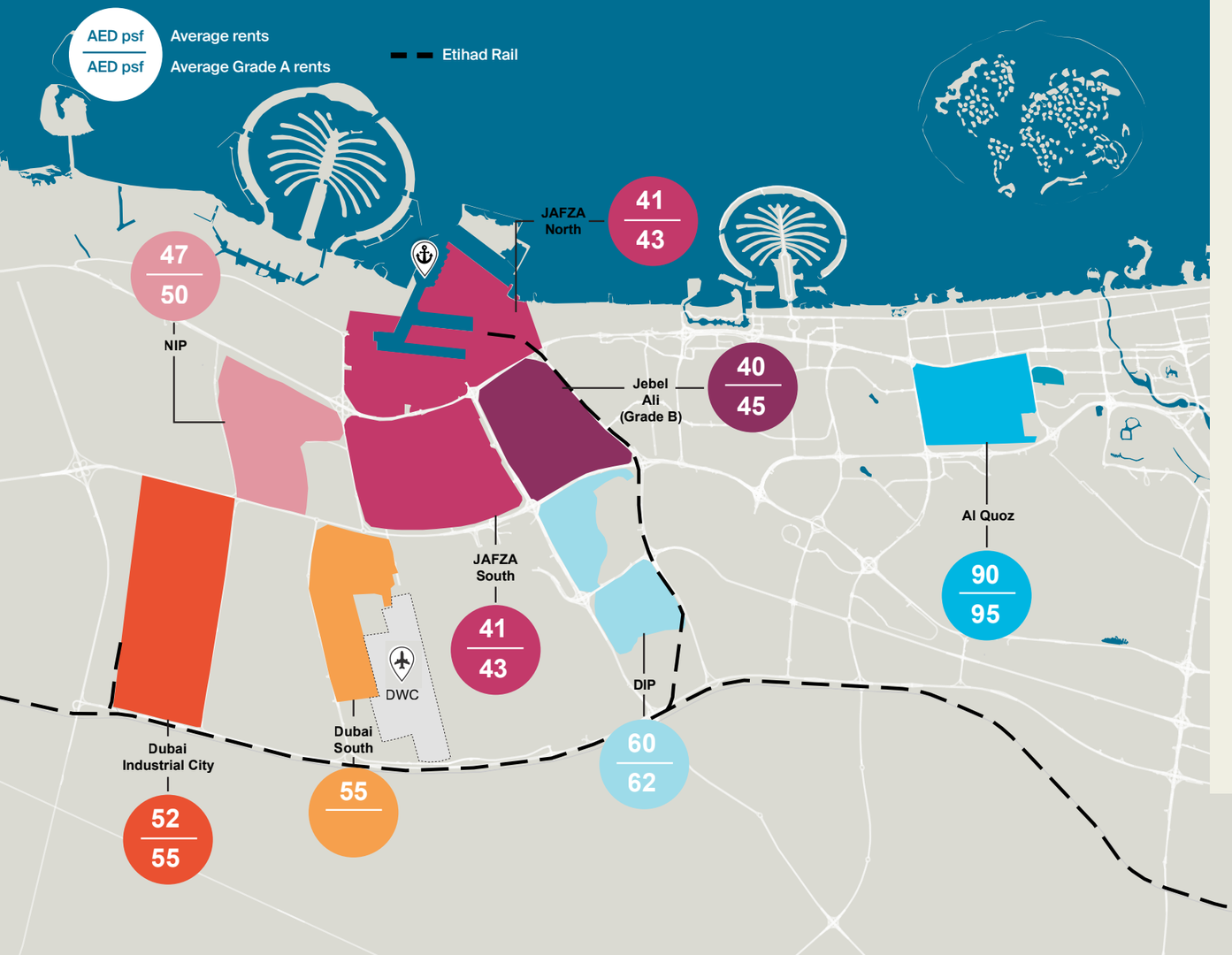
RENTAL PERFORMANCE IN DUBAI

Rents across Dubai's various industrial submarkets remained resilient in H1 2026, although performance became increasingly divergent as several submarkets eased from their late-2025 peaks as the regional conflict unfolded towards the end of Q1.

Al Quoz remains the most expensive industrial submarket in the city, with Grade A rents averaging AED 90 psf, up 6% year-on-year as at the end of June, ranging between AED 90–95 psf. Grade B rents, however, declined by 2% to AED 57 psf, over the same period. Dubai South recorded the highest year-on-year growth at 22%, pushing average rents to AED 55 psf, supported by logistics and demand from occupiers based in and around the wider Jebel Ali area.

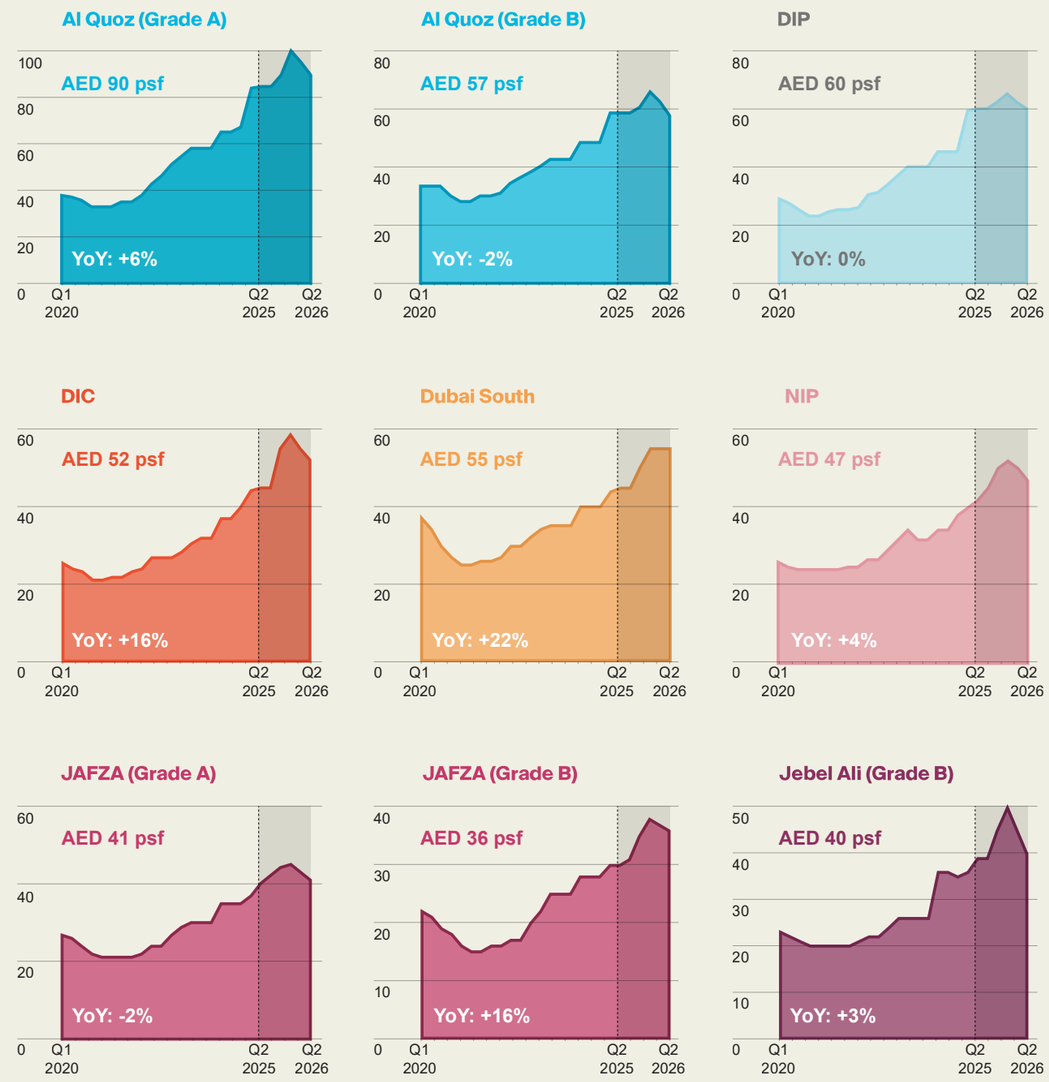
Dubai Industrial City followed with a 16% increase, with rents ranging from AED 52–55 psf, while JAFZA Grade B rents also rose by 16% to AED 36 psf.

JAFZA Grade A assets softened by 2% to AED 41 psf, with rents in JAFZA North and JAFZA South ranging between AED 36-41 psf, while Jebel Ali Grade B stock rose by 3% to AED 40 psf. Other locations such as National Industries Park and Dubai Investment Park saw broad stabilisation, with rents rising by 4% to AED 47 psf in NIP and remaining unchanged at AED 60 psf in DIP, as higher vacancy levels, driven by rising new stock levels and uncertainty stemming from the regional conflict, as occupiers put requirements on hold tempered further upward pressure.



Performance of industrial and logistics rents in Dubai (Q1 2020 - Q2 2026)

AED psf on Built Up Area (BUA)



Source: Knight Frank

SUPPLY IN DUBAI

We forecast Dubai's upcoming industrial and logistics supply pipeline between 2026 and 2028 is to gradually toward the end of our forecast period, reinforcing medium term supply tightness across prime locations; a key defining feature of the market through this cycle.

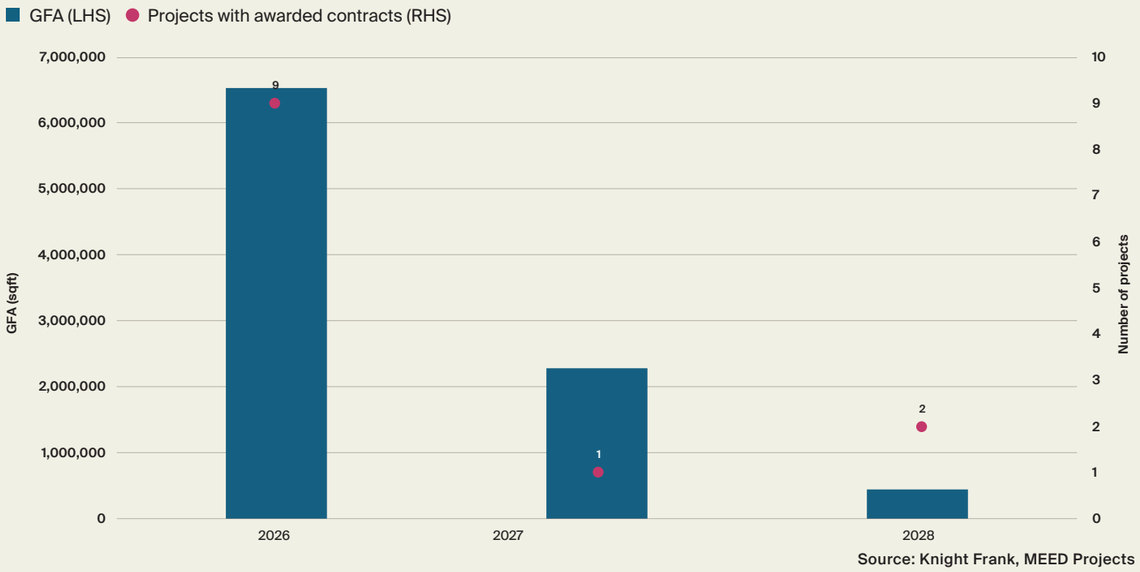
New completions are concentrated primarily in 2026, when the largest volume of GFA is scheduled for delivery. Supply additions are expected to moderate considerably in 2027, despite several projects remaining under development. The decline in scheduled GFA suggests that the pipeline is increasingly characterised by smaller-scale developments, while longer construction timelines and strong pre-leasing activity continue to limit the volume of immediately available space entering the market.

The development pipeline will remain constrained into 2028, with scheduled completions remaining below 2026 levels despite an increase in the number of projects with awarded contracts. This divergence highlights the fact that much of the incoming supply is likely to comprise smaller industrial and logistics schemes rather than large-scale developments, limiting the extent to which new completions will materially alleviate existing supply pressures.

The pipeline of supply will remain subdued through much of 2028, when delivered space (and newly awarded contracts set for completion in 2028) are likely to be minimal, indicating continued constraints on available Grade A stock over the short to medium term. This scarcity is likely to sustain upward pressure on rents, particularly in established logistics and industrial hubs.

While this late-cycle surge will materially expand total stock (particularly this year), the staggered nature of supply prior to 2029 suggests that market conditions will likely remain landlord favourable in the interim, with demand continuing to outpace completions across most prime industrial submarkets. The key variable for our supply-demand outlook is of course the duration of the regional conflict and the geopolitical uncertainty stemming from ongoing events and the extent to which this may impact occupier demand in the short term.

Upcoming market-facing industrial & logistics supply in Dubai (2026-2028)
Gross floor area (GFA)



Source: Knight Frank, MEED Projects

DEMAND IN DUBAI

Industrial and logistics demand in Dubai at the end of H1 2026 reflects a market that remains structurally strong, but is transitioning from a peak expansion phase, with a moderation in demand directly a result of not only the ongoing regional conflict, but also cost sensitivities amongst some occupiers which we have documented previously and was well entrenched prior to the start of hostilities between the warring parties.

Broadly speaking, industrial and logistics demand in Dubai remained strong in H1 2026, with our teams recording 12.3 million sqft of new requirements.

Sectoral requirements in H1 2026 have been led by manufacturing & industry (35.1%) and logistics occupiers (15.5%), with these two key occupier groups accounting for half of all leasing requirements. Retailers and traders (12.1%), construction & real estate businesses (9.3%) and technology-driven occupiers rounded off the top four sources of demand.

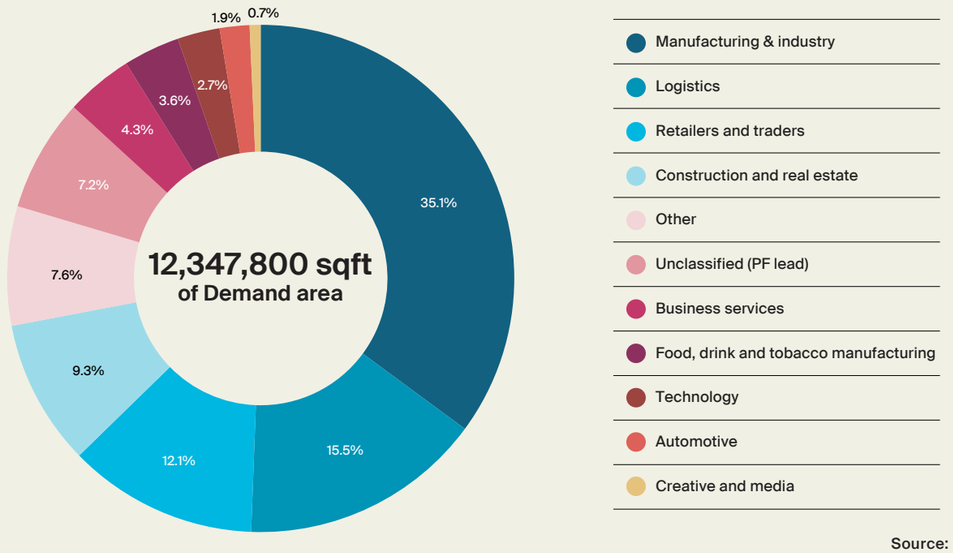
In terms of unit size, demand in H1 2026 remained heavily skewed toward mid-sized warehouses with 10,000-50,000 sqft units accounting for 35.5% of requirements, reflecting occupiers' preference for flexible, scalable facilities. Smaller units of up to 10,000 sqft represented just 5.3%, highlighting occupiers' preference for larger-format industrial and logistics facilities.

Larger format warehouses (50,000-100,000 sqft) while still in demand, accounted for almost a third (32.2%) of demand, while 'mega-warehouses' above 100,000 sqft were sought by 27% of occupiers, typically large-scale logistics operators and manufacturers. Mega-warehouse requirements have notably risen this year from around 7.8% in H2 2025.

Overall, quarterly demand moderated throughout 2025, declining from 6.3 million sqft in Q1 to 5.2 million sqft in Q2, 4.2 million sqft in Q3 and 4.0 million sqft in Q4, before strengthening again during H1 2026. Overall, the 12.3 million sqft of requirements recorded in H1 2026. When combined with 59.2% of demand concentrated in units above 50,000 sqft, this suggests resilient occupier activity and sustained demand for larger, modern facilities across Dubai's key industrial and logistics hubs.

These demand trends do however mask an overall market recalibration after an impressive growth phase, with occupiers becoming more cost-conscious and space efficient, focusing on strategic locations within Dubai's core industrial and logistics clusters. The uncertainty surrounding the true regional and global economic impact from the fall-out of the regional conflict has also unsurprisingly weighed on occupiers, with some deferring decision making until greater clarity emerges around how events may conclude.

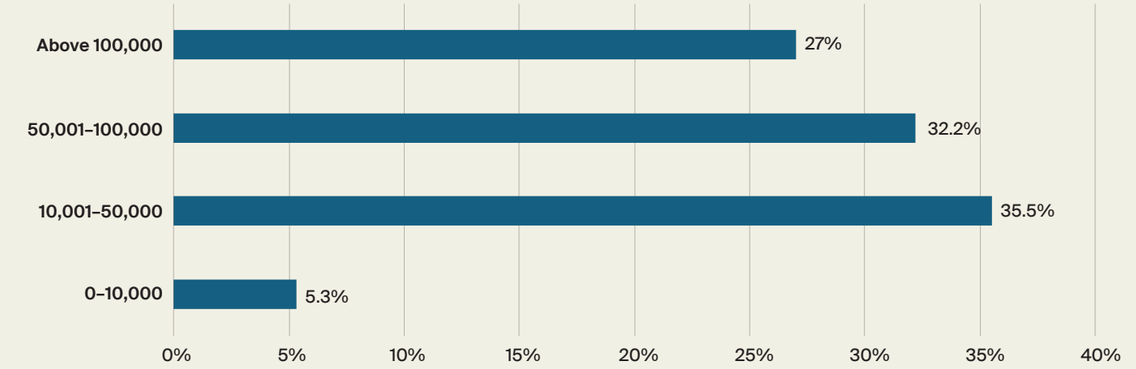
Industrial & logistics requirements in H1 2026 (by sector)



Source: Knight Frank

Industrial & logistics space requirements in Dubai (by size band)

sqft



Source: Knight Frank

New industrial and logistics requirements in Dubai (Q1 2024 - Q2 2026)

Source: Knight Frank

> The movement of goods continues to be the biggest challenge. Container volumes through Jebel Ali Port have fallen by 90–95% since the start of the conflict. In many cases, goods are being dispatched almost as quickly as they arrive in warehouses, having already experienced delays in transit. This means logistics operators have spare capacity. We are also beginning to see trade routes evolve. DP World has agreed a deal to construct two ports in Fujairah and has announced plans for a new bonded free zone in Oman. Businesses are increasingly reviewing contingency plans and considering alternative routes both in the short and long term.

ANDREW LOVE
International Partner, Regional Head of Commercial Transactions, MENA

RENTAL PERFORMANCE IN ABU DHABI

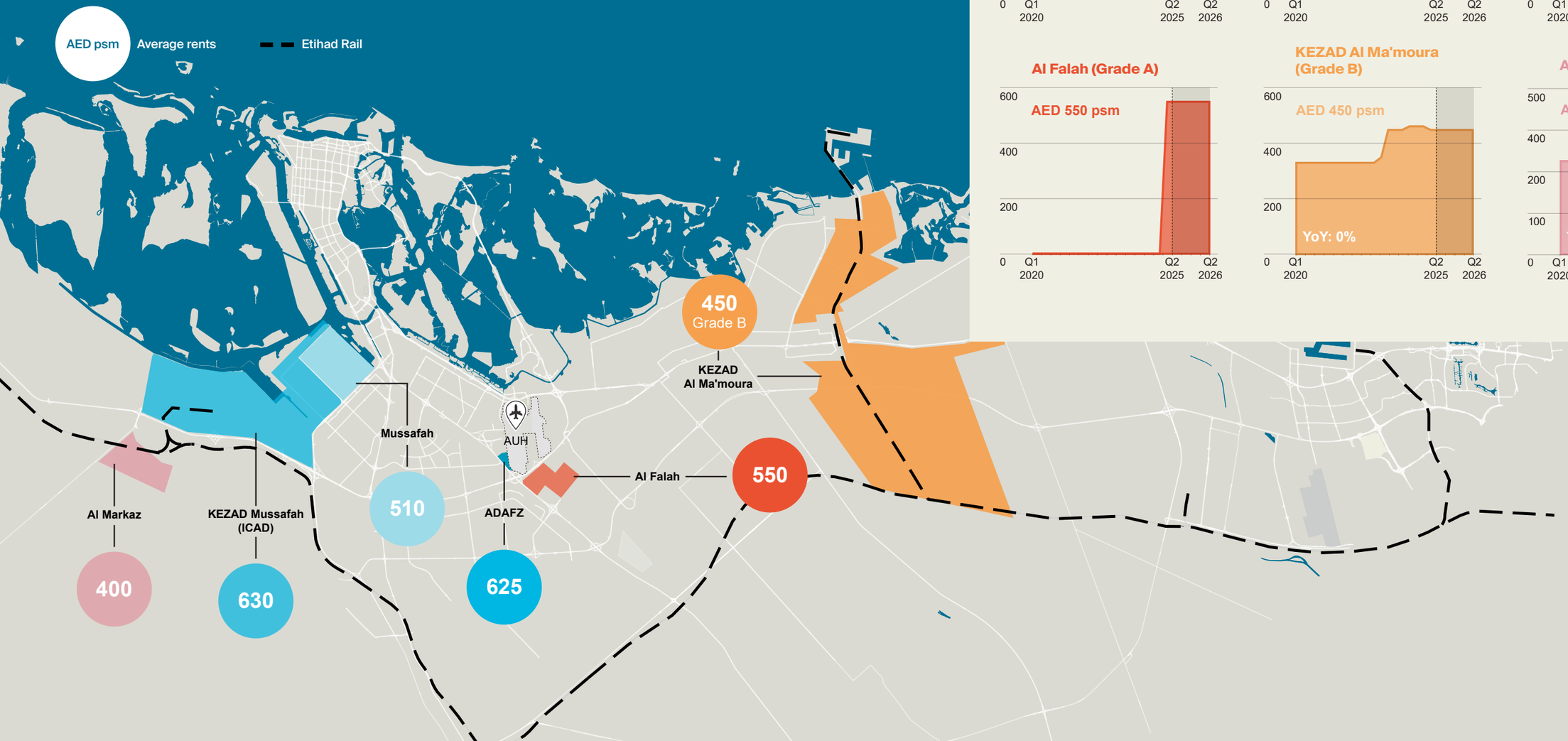
The rental performance of warehouses in Abu Dhabi during H1 2026 highlights a clear hierarchy, driven by location, quality, infrastructure and proximity to strategic transport corridors. Like Dubai however, rental growth has unsurprisingly been curbed by ongoing regional events.

KEZAD Mussafah (ICAD) commands the highest average rents at AED 630 psm, which translates into a 15% year-on-year increase in the 12 months to the end of June, supported by demand from manufacturing and regional distribution occupiers.

ADAFZ follows at AED 625 psm as the emirate's second most expensive industrial and logistics submarket, with rents remaining unchanged year-on-year, reflecting its free zone status, proximity to Abu Dhabi International Airport, and strong appeal to high-value logistics.

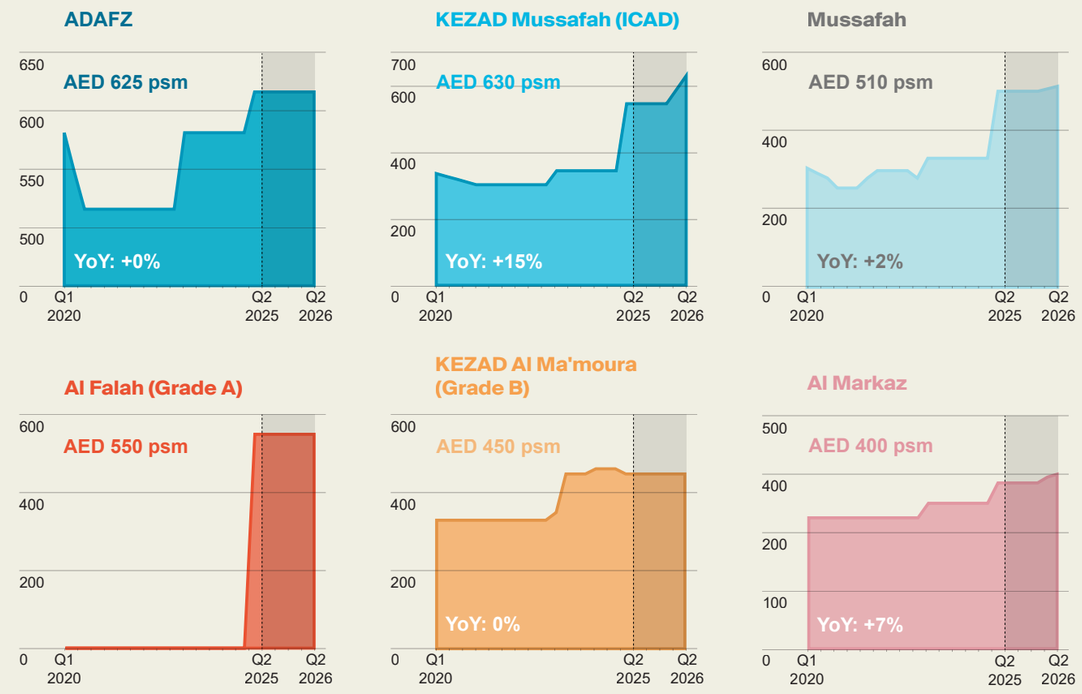
Al Falah (Grade A), averaging AED 550 psm, also recorded stable rents, benefiting from modern highways and the Etihad Rail corridor.

Elsewhere, Mussafah remains a core industrial hub offering scale and depth of supply, with average rents rising by 2% to AED 510 psm. The performance has been mixed across more affordable locations, with rents at KEZAD Al Ma'moura (Grade B), for instance, remaining stable at AED 450 psm over the last 12 months, while Al Markaz recorded a 7% increase to AED 400 psm. Al Markaz largely caters to secondary logistics, storage, and light industrial users who prioritise rental cost efficiency over prime specifications.



Performance of industrial & logistics rents in Abu Dhabi 2020-H1 2026

AED psm



Source: Knight Frank

RENTAL PERFORMANCE IN THE NORTHERN EMIRATES

Marketed warehouse availability across the Northern Emirates remained substantial in H1 2026, exceeding 10 million sqft across the locations and submarkets we monitor. Supply is heavily concentrated in Umm Al Quwain's Umm Al Thuoob (5.2 million sqft of available space), followed by Al Sajaa in Sharjah (3 million sqft) and Sharjah Industrial Area (1.6 million sqft).

By comparison, availability in Al Jurf Industrial and RAK FTZ in Ras Al Khaimah remain below 0.4 million sqft each, highlighting the significant variation in supply depth across the northern regions of the UAE.

SHARJAH

Sharjah remains the centre of gravity for industrial and logistics supply in the Northern Emirates, although rental performance has become increasingly fragmented, with the regional conflict eroding demand, which has filtered through to the market in the form of a weakening in rents.

That said, Al Sajaa recorded the strongest rental growth, with leasing rates rising by 11.5% between January and June 2026 to AED 51.6 psf. In contrast, Sharjah Industrial Area recorded a 8.6% decline to AED 45.7 psf, while Emirates Industrial City experienced a sharper 16.9% correction to AED 45 psf.

The divergence indicates that demand is becoming more location- and specification-sensitive, with occupiers favouring areas offering greater availability and competitive rental terms as they look to capitalise on lower rental rates that were elusive throughout the course of this cycle and in the lead up to the regional conflict.

UMM AL QUWAIN

Umm Al Quwain (UAQ) has become an increasingly important part of the regional supply landscape, particularly in and around Umm Al Thuoob. However, the scale of available stock has placed downward pressure on rents, with leasing rates in Umm Al Thuoob declining by 18.5% to approximately AED 32.6 psf per annum over the course of the last 12 months.

Elsewhere, rents remained stable at around AED 38 psf in Emirates Modern Industrial, AED 36 psf in Umm Dir and AED 23.3 psf in Old Industrial Area, although there may be further downward pressure should regional hostilities persist for an extended period or escalate further.

Any further weakening in headline lease rates will further reinforce UAQ's position as one of the Northern Emirates' most affordable warehouse markets, where landlords are increasingly required to compete through pricing flexibility and commercial incentives.

AJMAN

The UAE's smallest emirate (by land area) has experienced a more resilient rental rate dynamic. Al Jurf Industrial recorded an 11.9% increase over the last 12 months, pushing leasing rates to approximately AED 57.8 psf, while Ajman Industrial Area and Ajman Downtown remained stable at around AED 50 psf. Availability in Al Jurf Industrial remained limited at approximately 0.3 million sqft, supporting stronger pricing.

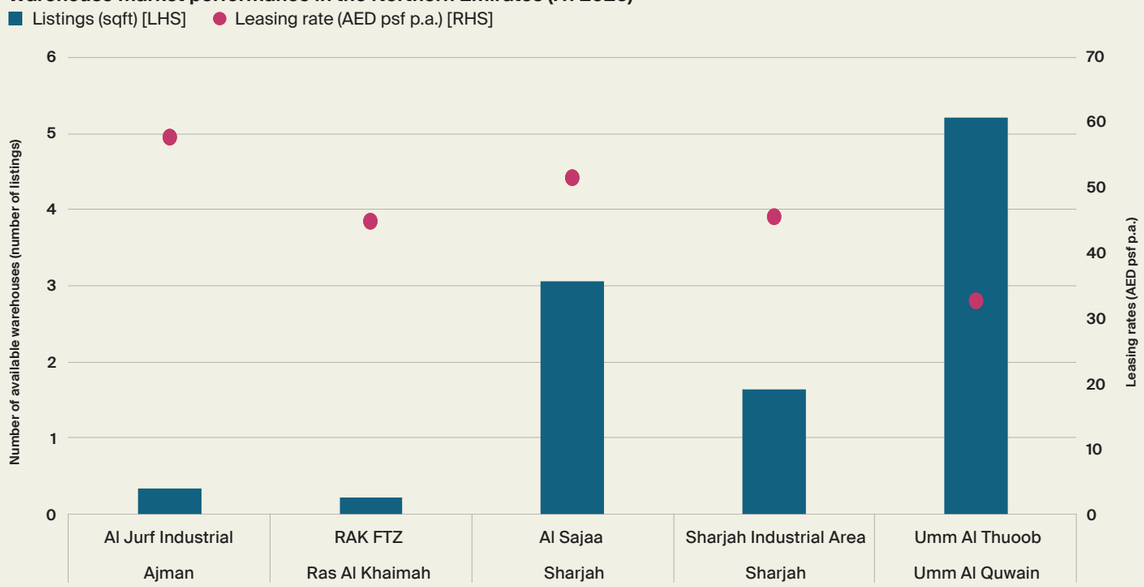
RAK

Ras Al Khaimah also recorded stable rental performance, with rates holding at approximately AED 45 psf in RAK FTZ, AED 40 psf in Al Ghail Industrial Zone and AED 34.4 psf in Al Felyah.

> The movement of goods continues to be the biggest challenge. The Financial Times recently reported that container volumes through Jebel Ali Port have fallen by 90–95% since the start of the conflict. In many cases, goods are being dispatched almost as quickly as they arrive in warehouses, having already experienced delays in transit. This means logistics operators have spare capacity. We are also beginning to see trade routes evolve. DP World has agreed to construct a port in Fujairah and has announced plans for a new bonded free zone in Oman. Businesses are increasingly reviewing contingency plans and considering alternative routes both in the short and long term.

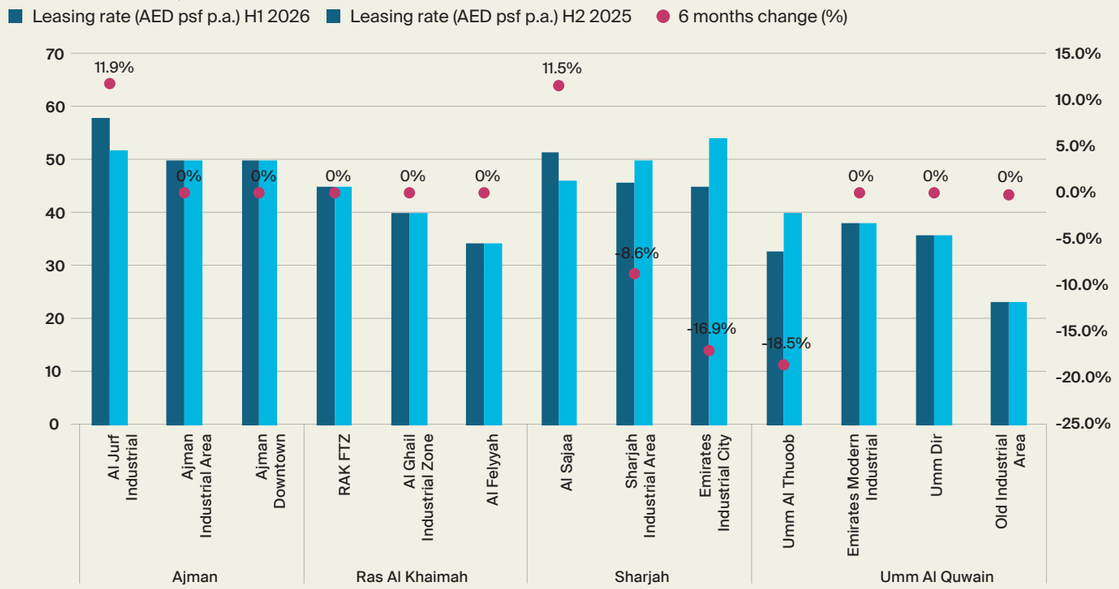
Adam Wynne MRICS
Partner - Head of Commercial Agency, UAE

Warehouse market performance in the Northern Emirates (H1 2026)



Source: Knight Frank

Warehouse leasing rate performance in the Northern Emirates



Source: Knight Frank

NEW DEVELOPMENTS AND OUTLOOK

Evolving Trade Routes

Limited access through the Strait of Hormuz has forced occupiers and logistics operators to rethink their supply chain strategies. Rather than relying on traditional Gulf gateways, an increasing volume of cargo is now routed through Fujairah, Khor Fakkan and Salalah before travelling overland into Dubai and Abu Dhabi. Continuity of supply has largely been maintained, but at a cost. Longer shipping distances, additional handling and extended road legs have materially raised landed costs, while demand for air freight has strengthened among businesses moving high value or time critical goods where speed outweighs price.

With shipping costs on some routes reportedly rising as much as five-fold, most businesses have absorbed the increase through inventory management, operational efficiencies and margin compression rather than passing it through. What began as a workaround, however, is now being institutionalised.

Mawani and Sharjah based Gulftainer have linked Sharjah to Dammam through an integrated sea and land corridor anchored on Khorfakkan Commercial Terminal and Sajaa Dry Port, routing cargo around the Strait entirely. Cargo classes and annual throughput remain undisclosed, but the strategic intent is unmistakable. The two largest economies in the region are building a land bridge that does not pass Iran's coastline.

Four months on, that intent has become a capital commitment. DP World has reached agreement in principle with the Fujairah Ports Authority under a 50 year concession to develop two new terminals on the UAE's east coast, Al Rugaylat and Dibba, together adding significant container and general cargo capacity and lifting DP World's national container handling capability materially above current levels. Delivery will take roughly two and a half years once construction begins. Gulftainer has separately committed to a substantial expansion of Khor Fakkan. Two operators, one stretch of coastline, and a shared conviction that the Gulf of Oman is permanent national infrastructure rather than an emergency detour.

The rental implications are already visible, though they will arrive in two distinct waves. In the immediate term the pressure sits in Sharjah's established industrial belt, where Al Sajaa, the Industrial Areas, Hamriyah and SAIF Zone are functioning as the staging grounds for diverted cargo. Longer and less predictable lead times require deeper inventory buffers, and that translates directly into demand for open storage and transit space rather than prime warehousing. Assets with adequate specification and direct access to the Emirates Road and east coast corridors should command a widening premium, while older stock tightens through occupancy. The constraint is affordability. Occupiers absorbing multiples of their previous freight costs have limited capacity to accept sharp rent increases, and many are seeking shorter leases with break options while the situation remains fluid.

The longer term effect is structural and sits on the east coast. Fujairah's commercial stock is thin, with almost no institutional grade product and a negligible pipeline, so even modest occupational demand moves the market disproportionately. Land values are likely to outperform built rents in the near term as investors position ahead of terminal delivery, with occupational rents following once the ports become operational. Workforce accommodation is the quieter consequence, with two major construction programmes and eventual terminal operations feeding a residential market in Fujairah, Dibba and Kalba that has very little capacity to respond.

For occupiers and investors, this is the moment logistics real estate stops being a supporting act. A coastline that was capacity constrained industrial land with limited institutional appetite is now attracting substantial capital on a fifty year horizon, and Etihad Rail's east coast connection looks considerably more valuable today than it did eighteen months ago. Jebel Ali remains the flagship and the region's largest gateway, but the UAE is building a second front door. Supply chains rerouted under pressure rarely revert once that pressure lifts, and the industrial footprint being laid today will outlast the conflict that prompted it.

Outlook

In our view, the second half of 2026 begins with the UAE's industrial and logistics market in a healthier supply-demand equilibrium than it has known for three years. However, with the ongoing regional conflict, uncertainty persists, with the stop-start passage of cargo vessels through the Strait of Hormuz fuelling caution and cost sensitivities.

Ongoing events mean occupiers are firmly in the driving seat for the first time since the height of the pandemic in 2021, particularly those with a presence in Jebel Ali Free Zone and those occupying Grade B stock more generally.

Rents in Dubai, we believe should find a floor within twelve months, with prime rents stabilising in the second half of next year (Grade B rents will correct for a longer period), assuming the regional conflict is concluded before then. Warehouse specification, location and covenant strength will separate performance more than at any point in this cycle, occupationally and on the capital markets side alike.

With around 3.2 million sq ft of new space confirmed for 2027 in Dubai and almost no new construction awards for 2028, the supply relief for occupiers we predicted in 2026 will be supplemented by softer rents in some locations. Through that adjustment,

Abu Dhabi we believe will see rents firming, supporting by near full-occupancy in key locations and land take-up underpinned by real (rather than speculative) demand.

The Northern Emirates will trade on value, with Umm Al Quwain consolidating its cost play, while landlords in Sharjah and Ajman may find terms tested as Dubai's improved availability curbs the recent 'northern-bound demand'.

United Arab Emirates and Saudi Arabia new trade routes emerging



We like questions. If you've got one about our research, or would like some property advice, we would love to hear from you.

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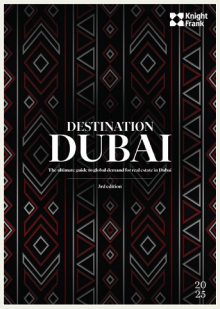
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