

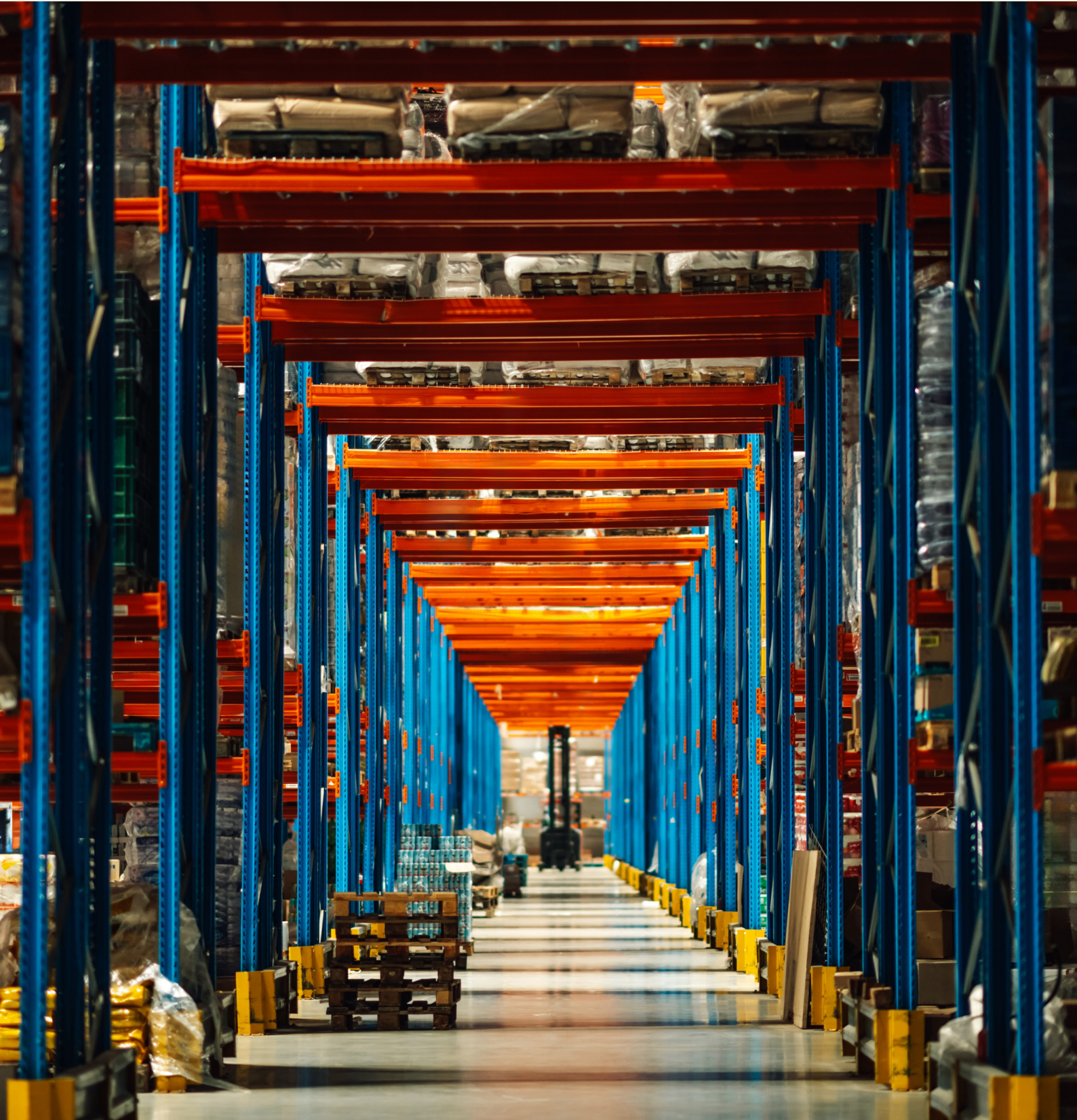
Dubai and Abu Dhabi Industrial and Logistics Market Review



2025/26

Special edition, a year in review

knightfrank.ae/research



FOREWORD

The UAE's industrial and logistics sector continued to perform strongly in 2025, with rents rising across the board, supported by persistent demand and a constrained supply environment. The latter issue, which we documented throughout 2025 has become a critical driver of the market. Combined with land scarcity for industrial and logistics development, alongside regulatory constraints affecting the delivery of build-to-lease schemes, the supply shortage in the market is set to once again define the sector in 2026.

Market conditions during 2025 remained supportive of landlords and this looks set to continue this year. The most pronounced demand–supply imbalances were observed in Dubai Investments Park, JAFZA and Al Quoz. Despite robust occupier demand, appetite for under-construction projects remained limited, with the majority of tenants still unwilling to commit to accommodation prior to completion.

As a result, occupancy levels remained elevated and rental growth was sustained across all the key submarkets we track and monitor. Notably, occupier sentiment increasingly reflects concerns around the availability of suitable space, delivery timescales and building specification, rather than rental levels alone.

Other structural drivers also continue to support market activity. The UAE's robust economic fundamentals are fostering ongoing expansion activity by local businesses, while an influx of overseas occupiers and logistics operators, predominantly from mainland China, is further reinforcing demand.

In parallel, robust investment appetite for industrial and logistics assets continues to underpin activity across the sector. We have however observed further yield compression, with net yields tightening from 8.5–8.75% in 2024 to around 8% and, in some cases, below 8% in 2025.

Looking ahead to 2026, new supply may begin to widen the rental performance gap between older, more secondary stock and newer, higher-specification facilities. Rental levels are therefore anticipated to remain firm, with marginal upside for Grade A properties, while a period of rental stabilisation, or modest cooling is expected across Grade B accommodation. However, we expect the demand drivers that have underpinned rental growth over the last few years to be sustained this year.

I invite you to explore our report in more detail and welcome the opportunity to discuss our findings and analysis with you in more detail to support your decision-making in the year ahead.



Maxim Talmatchi MRICS

Partner – Head of Industrial and Logistics, ME



ECONOMIC OVERVIEW

Non-Oil Sector sustains UAE's economic expansion

The UAE's non-oil economy continues to demonstrate remarkable resilience, with the latest S&P Purchasing Managers' Index (PMI) reading standing at 54.2 in December 2025, which eased slightly from the nine-month high of 54.8 in November, highlighting sustained expansion in non-oil business activity. In Dubai, the non-oil S&P PMI score remained firmly in growth territory at 54.3, supported by strong output and a consistent rise in employment.

Meanwhile, Abu Dhabi's economic momentum continued, with its real GDP growing by 3.63% year-on-year in the first half of 2025 to reach AED 597.4bn, according to the Statistics Centre – Abu Dhabi. Critically, the non-oil sector was the primary engine of this growth, expanding by 6.37% to contribute 56.8% of the emirate's total GDP.

Record foreign direct investment

Foreign direct investment (FDI) remains a cornerstone of the UAE's sustained economic growth and in a landmark achievement, national FDI inflows reached an all-time high of US \$ 45.6bn in 2024, underscoring the country's strong investment fundamentals and global competitiveness.

FDI inflows into greenfield projects hit a record of 613 projects during H1 2025, totaling US \$ 5.42bn. Dubai (526 projects) emerged as the largest recipient of greenfield FDI (US \$ 3bn), positioning the emirate as largest greenfield recipient by number of projects globally. This also made Dubai the second biggest magnet for total greenfield FDI capital, while the city was ranked third in the world for the number of jobs created as a result of greenfield FDI.

The UK (120 projects), India (101 projects) and the US (94 projects) were the top-3 largest investors by UAE greenfield project, while Kuwait was the single largest source of greenfield FDI (US \$ 955.7 million), which was directed towards three greenfield real estate projects in Sharjah.

At a sector level, property was the top recipient of greenfield FDI (US \$ 1.05bn), with transportation and warehousing following in second place at US \$ 770.4 million.

Meanwhile, manufacturing activities attracted just over US \$ 1bn in greenfield FDI.

Overall, Dubai attracted US \$ 9.6bn in FDI capital during the first half of 2025 alone, highlighting its continued appeal as a global hub for international investors.

Construction sector attracts 28% of Dubai's FDI in H1 2025

Dubai's business services sector was the primary recipient of FDI in H1 2025, accounting for 34% of inflows. This was followed by the construction sector (28%), retail (11%), manufacturing (8%), and logistics, distribution & transportation (8%) sectors, underscoring the diverse appeal of the emirate's key industrial and commercial sectors.

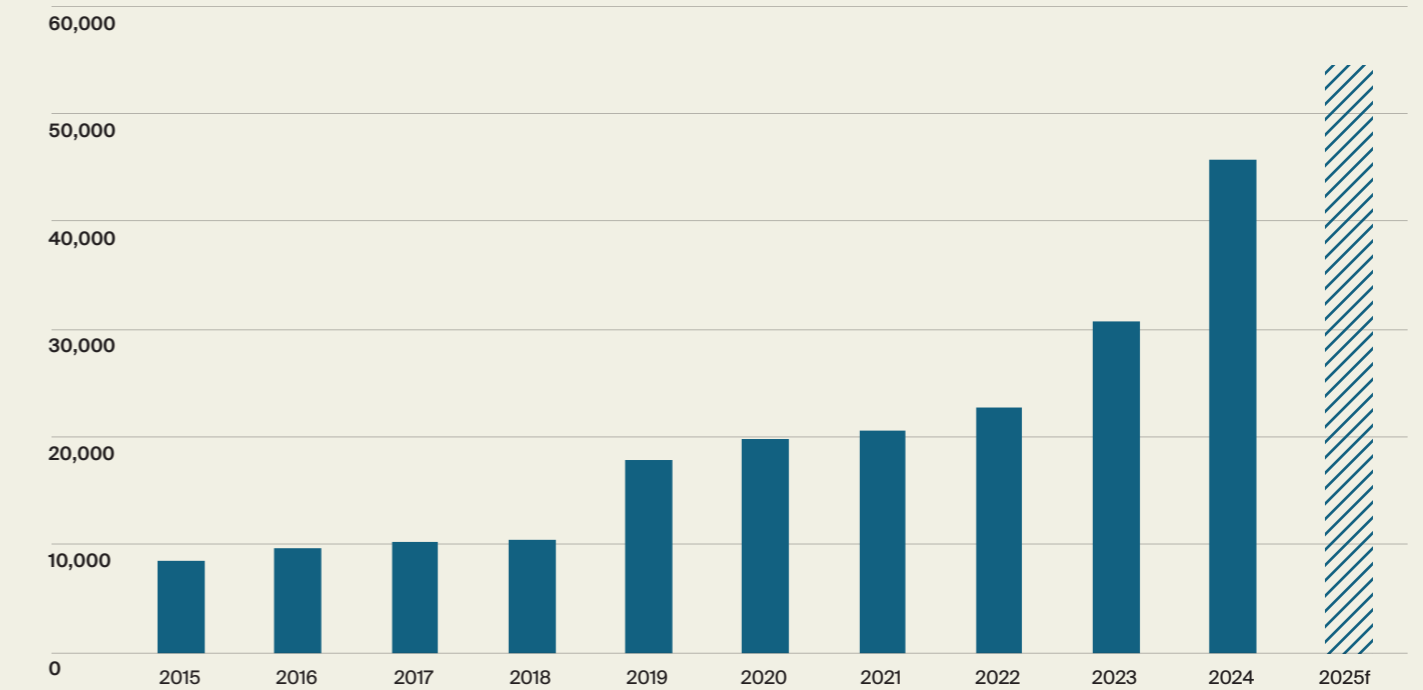
Competitive policy environment

The UAE's ability to attract international capital is underpinned by a highly competitive policy and regulatory environment. Pro-investment reforms, such as the 2020 removal for the need of a mandatory local sponsor for international investors in mainland companies for over 1,000 business activities, which paved the way for 100% foreign ownership. In parallel, the introduction of a range of residential visa options and the easing of the qualification criteria for the country's highly sought Golden Visa, which grants renewable 5- or 10-year residency permits, continue to enhance the UAE's appeal as a stable, long-term FDI destination.

“The UAE's ability to attract international capital is underpinned by a highly competitive policy and regulatory environment.”

The UAE's foreign direct investment inflows

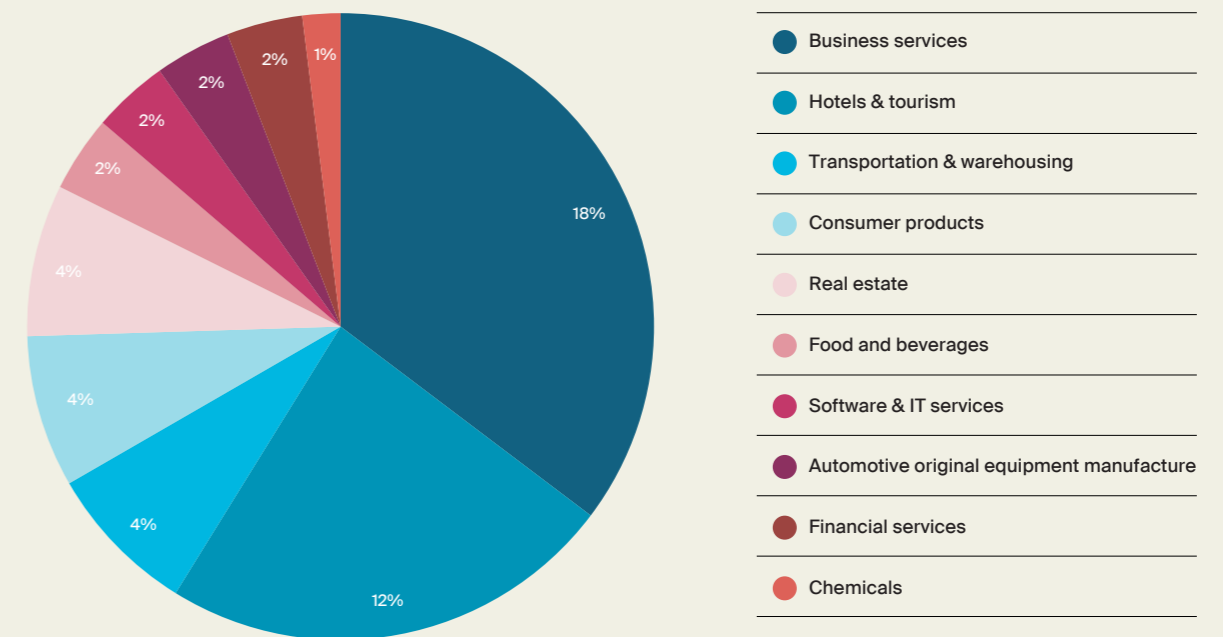
US \$ millions



Source: UN Trade and Development

Dubai FDI share by sector

H1 2025



Source: Dubai FDI Monitor

RENTAL PERFORMANCE IN DUBAI

Rents remain on an upward trajectory

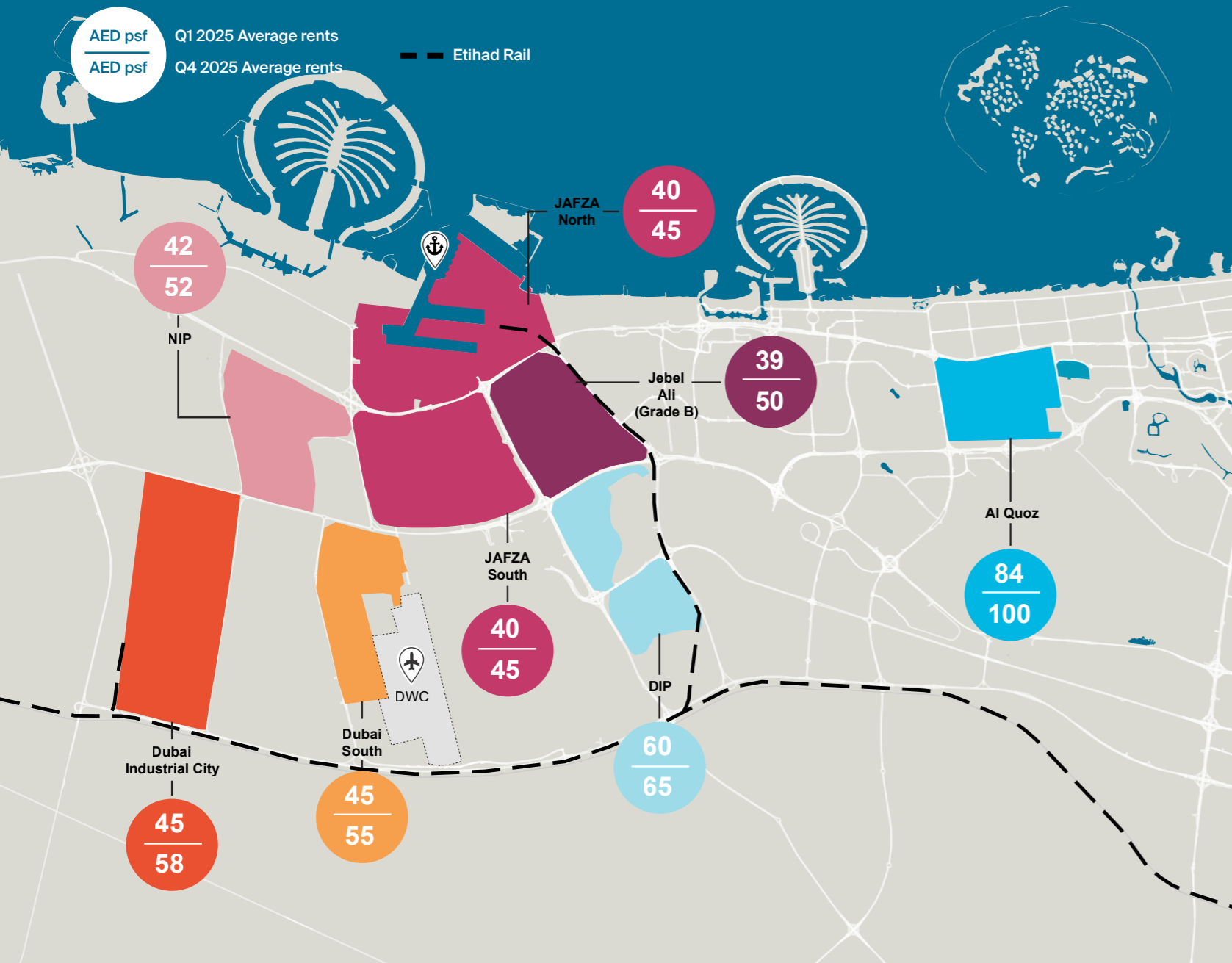
Rents in Dubai's industrial and logistics market continued to climb during 2025, reflecting persistent occupier demand and rising construction and land costs, which has left some developers with little option but to boost asking rents to sustain the financial viability of new developments.

Al Quoz remained the most expensive industrial submarket in the city with rents reaching AED 100 psf, underpinned by its central location and strong demand. Dubai Industrial City recorded the highest year-on-year annual growth at 32%, with rents rising to AED 58 psf, driven by large-scale manufacturing demand and constrained high-quality supply.

Dubai South followed with a 25% year-on-year increase, pushing average rents to AED 45-55 psf, supported by ongoing requirements from logistics occupiers.

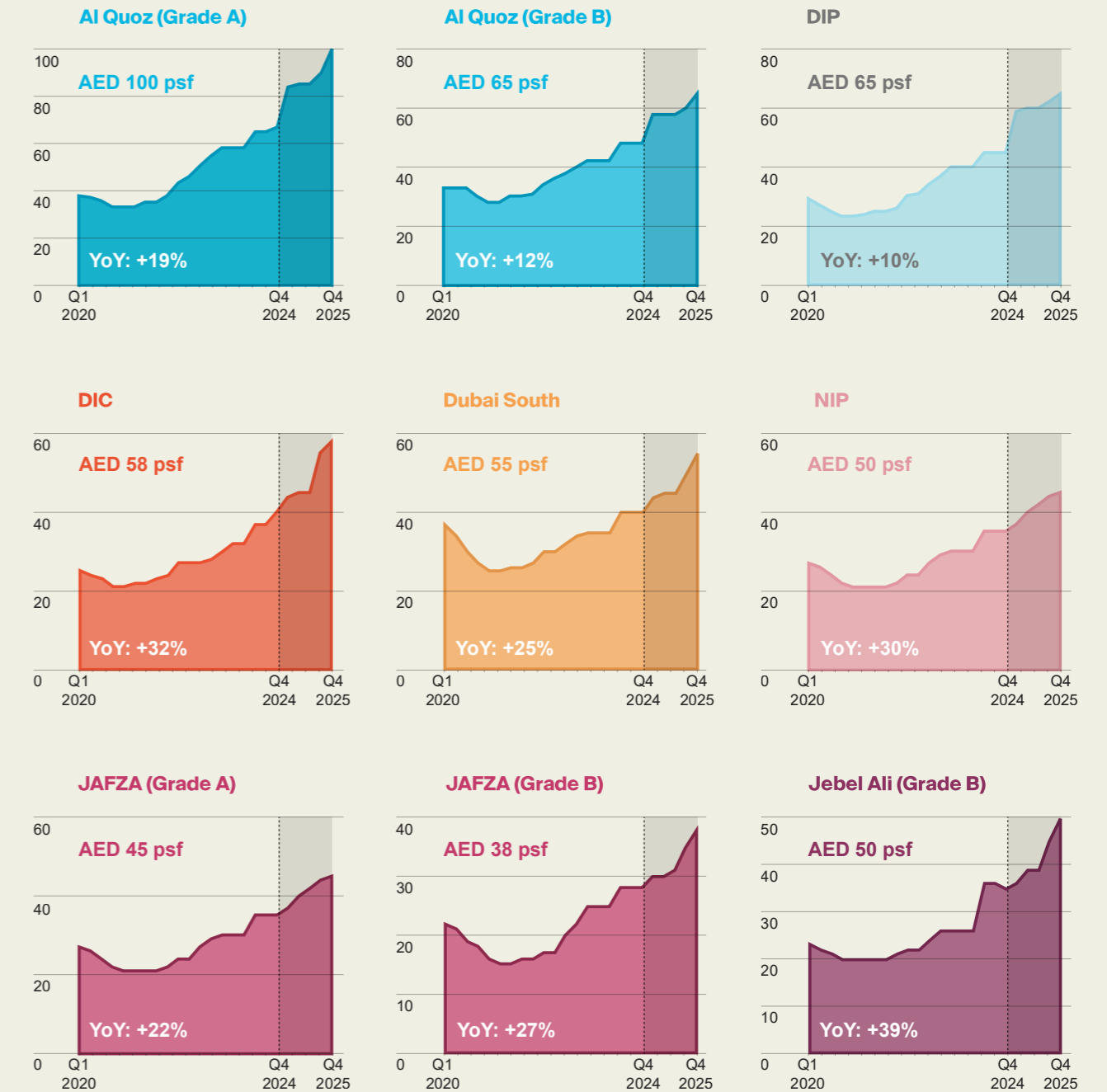
JAFZA Grade A assets also experienced strong rental increases in 2025, with rents in JAFZA North and South (AED 40-45 psf) rising by around 22% annually, while JAFZA Grade B stock traded in a wider band of AED (30-38 psf), reflecting the submarkets' more mixed asset quality.

Elsewhere, established inland locations such as National Industries Park (AED 42-52 psf) and Dubai Investment Park (AED 60-65 psf) experienced a broad stabilisation in rents, with pre-existing higher vacancy levels dampening any upward rental pressure from the wider markets' supply shortages.



Performance of industrial & logistics rents in Dubai 2020-2025

AED psf on Built Up Area (BUA)



SUPPLY IN DUBAI

Limited supply in 2026

We expect Dubai's upcoming industrial and logistics supply pipeline between 2026 and 2029 to remain relatively stable in the near term, before rising sharply toward the end of our forecast period, reinforcing near-term supply tightness across prime locations. Over our 4-year forecasting horizon 26.9 million sqft of new space is likely to be delivered.

New completions during 2026 are expected to be front-loaded, with several projects nearing completion and mostly due for delivery in Q1 and Q3. In 2026, we project the completion of 6.6 million sqft of new stock next year.

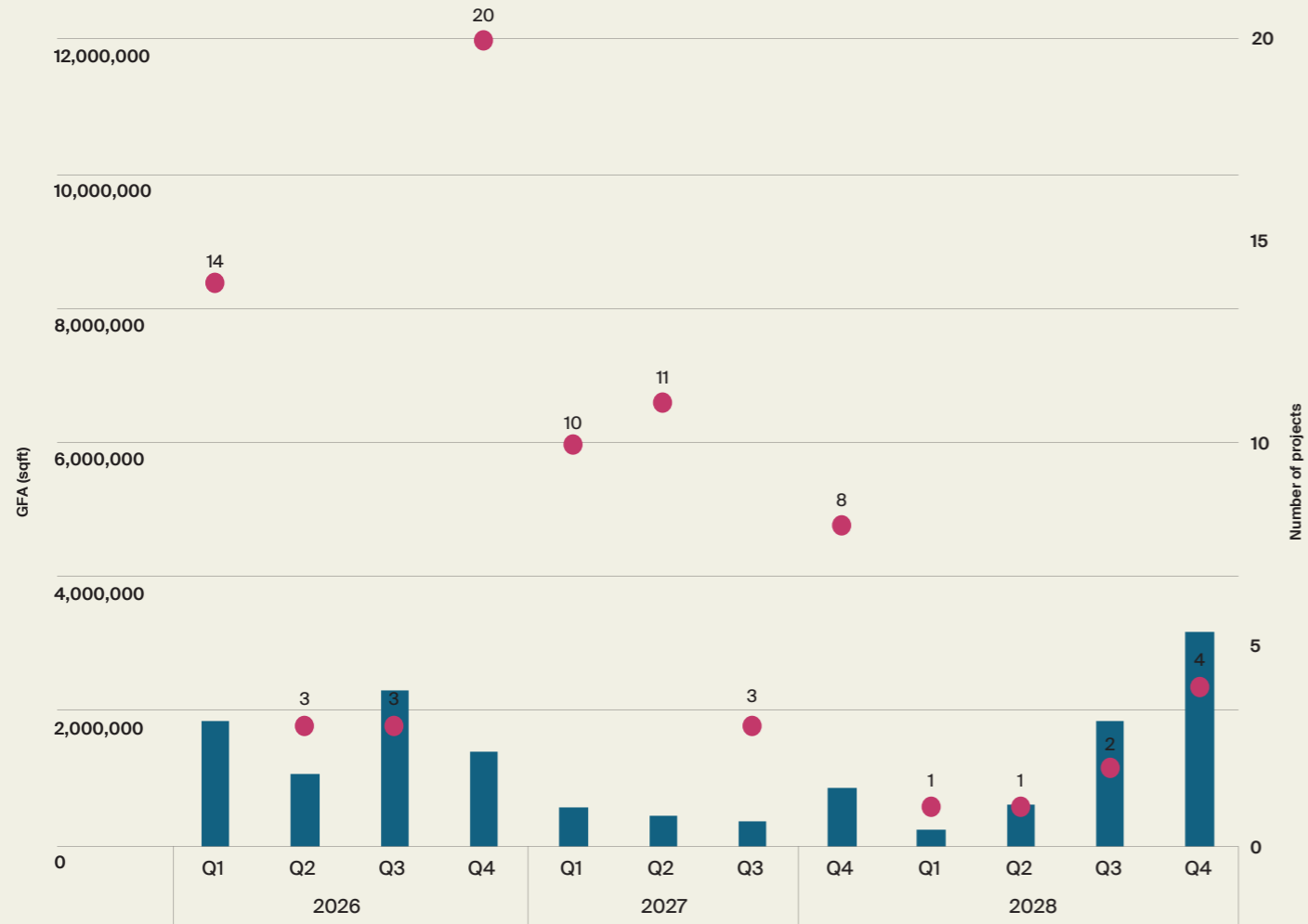
The pipeline of new completions will remain strong during 2027 and 2028, with approximately 2.2 million sqft and 5.9 million sqft, respectively, expected to be delivered.

The new supply should offer some relief to occupiers in the form of a stabilisation, or softening in rents in some locations, which we expect could begin towards the end of 2026.

Industrial & logistics supply forecast in Dubai in 2026-2029

GFA

■ GFA (LHS) ● Projects with awarded contracts (RHS)



Source: Knight Frank, MEED Projects



DEMAND IN DUBAI

Tech-driven occupiers underpinning demand

Sectoral requirements that we recorded in 2025 were led by logistics and manufacturing & industrial occupiers, each accounting for 21% of the total demand we recorded in Dubai, underscoring the emirate's well-established role as a global trading hub.

We also recorded strong demand from retailers and traders (14%) and technology-driven occupiers (12%), highlighting the growing importance of tech-enabled supply chains in the industrial and logistics sector.

Mid-sized warehouses in most demand

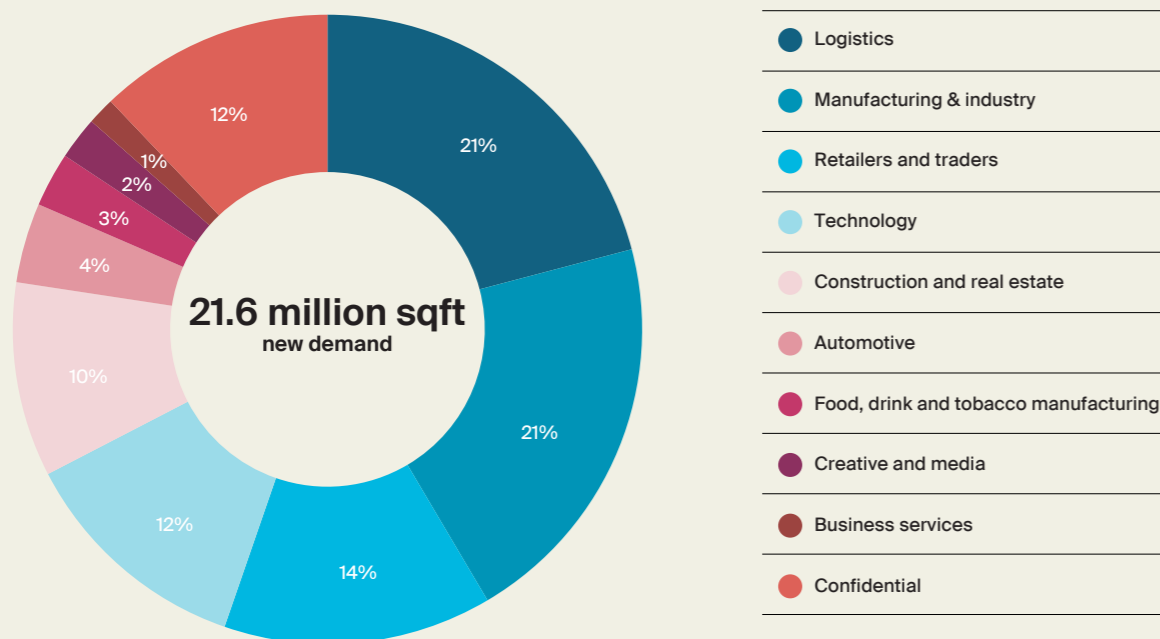
In terms of unit size, demand in H2 2025 was heavily skewed toward mid-sized warehouses (10,001-50,000 sqft), which accounted for 58.1% of requirements we recorded, reflecting occupiers' preference for flexible, scalable facilities.

Larger warehouse formats were the next most popular size requirement, with 22% of demand for units between 50,001-100,000 sqft. 'Mega-warehouses' (> 100,000 sqft), while also sought after, only accounted for 7.8% of new demand we registered in 2025.

Noting the ongoing supply squeeze in the market, we have noted a corresponding reduction in overall new requirements. In Q4 2024, for instance, we recorded 13.8 million sqft of new demand. This moderated last year from 6.3 million sqft in Q1, easing to 4 million sqft by the end of Q4 2025.

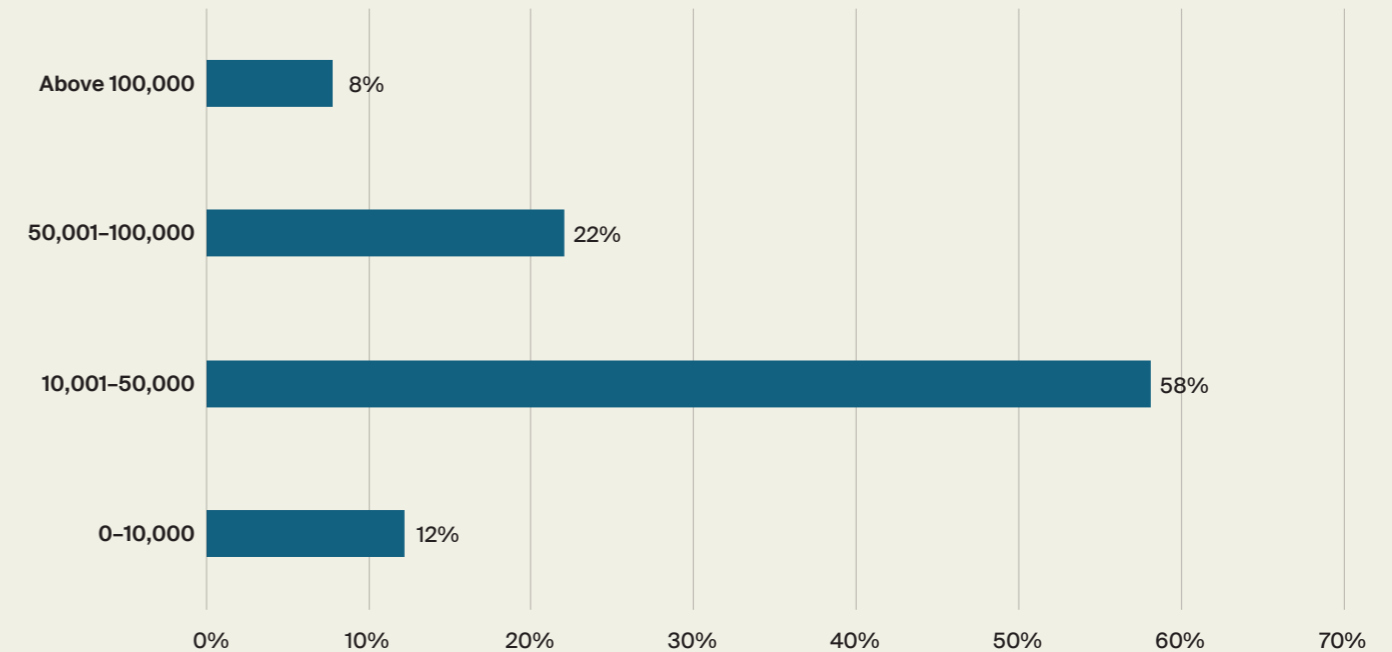
While a shortage of options has contributed to this, there are signs that occupiers, predictably, may be recalibrating, becoming more cost-conscious and space efficient, focusing on strategic locations within Dubai's core industrial and logistics clusters, rather than incurring higher rental costs.

Industrial & logistics requirements in Dubai during 2025 (by sector)



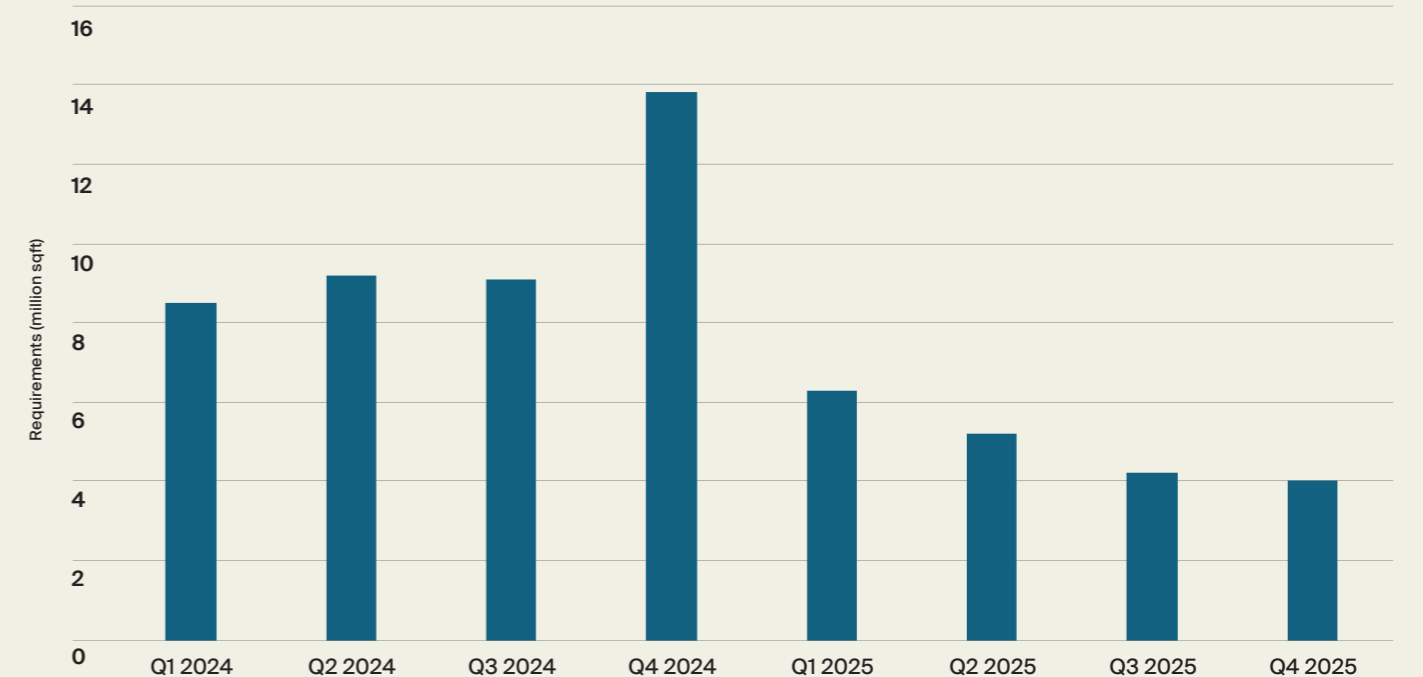
Source: Knight Frank

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



Source: Knight Frank

New industrial and logistics requirements in Dubai (2024 - 2025)



Source: Knight Frank

ABU DHABI INDUSTRIAL MARKET OVERVIEW

Abu Dhabi's industrial landscape

Abu Dhabi is assertively positioning itself at the forefront of the UAE's industrial sector, advancing a strategic vision focused on economic diversification and the establishment of a robust, sustainable industrial base.

Our analysis of the industrial projects landscape highlights a clear trend: while the UAE demonstrates strong industrial activity overall, Abu Dhabi's contribution is both substantial and pivotal in shaping the country's future industrial trajectory.

This is reflected in the consistently significant value of industrial projects awarded in the emirate, alongside a rapidly expanding project pipeline poised to transform the sector. Indeed, the total value of industrial contracts awarded in the UAE last year stood at US \$ 5bn, with 33% in Abu Dhabi itself (MEED Projects).

Leading national industrial performance

In Q1 2026, for example, Abu Dhabi's industrial project completions are forecast to exceed US \$ 1bn (MEED Projects), coinciding with a national peak of over US \$ 2.4bn, highlighting Abu Dhabi's role as a principal driver of UAE-wide industrial performance.

Looking ahead through to 2029 suggests Abu Dhabi will record another major peak in Q1 2029, with project values approaching US \$ 1.2bn (MEED Projects).

Sustained growth and future expansion

Our analysis also shows a steady and sustained increase in the cumulative number of industrial projects completed and awarded, rising from relatively low levels in the early 2000s to a projected 367 projects by 2029. This sustained expansion underscores the depth of investment and policy commitment by the authorities.

The value of pipeline projects in Abu Dhabi is set to increase sharply, with approximately US \$ 2.4bn forecast in 2026 alone, followed by a further US \$ 1.3bn by 2029 (MEED Projects). This influx of new developments is expected to significantly enhance Abu Dhabi's industrial capacity and output.

Economic zones

A key catalyst underpinning this expansion is the Abu Dhabi Industrial Strategy (ADIS), which aims to more than double the size of the manufacturing sector to AED 172bn (US \$ 46.8bn) by 2031. The strategy is structured around four core pillars, including the circular economy, industry 4.0 adoption, talent development, and ecosystem enablement.

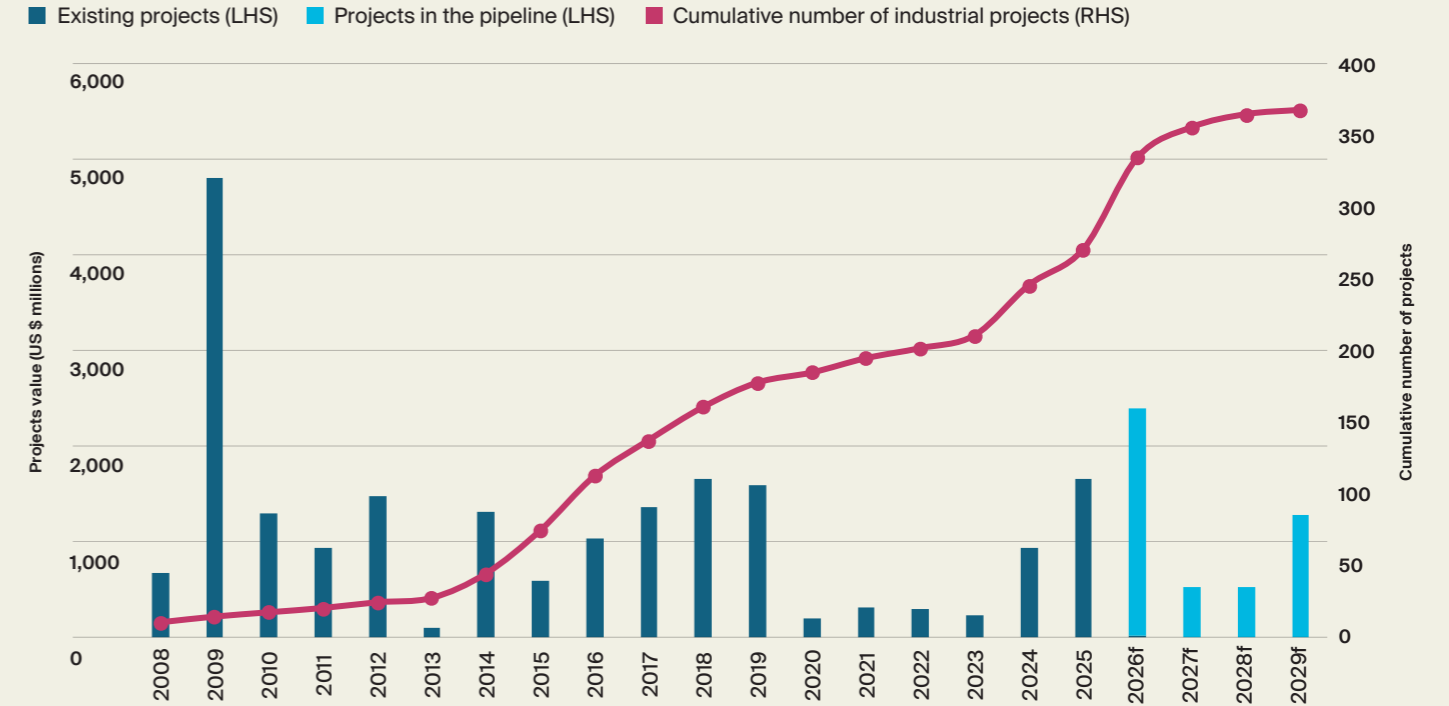
Particular emphasis is being placed on attracting foreign direct investment, while also supporting the growth of domestic industries across priority sectors such as chemicals, machinery, electronics, and pharmaceuticals.

The development of specialised economic zones, notably Khalifa Economic Zones Abu Dhabi (KEZAD), has also been instrumental in fostering an enabling environment for the industrial and logistics sector's growth.

These zones continue to provide world-class infrastructure, efficient regulatory frameworks, and competitive incentives, helping to attract both domestic and international investors and anchor long-term industrial activity.

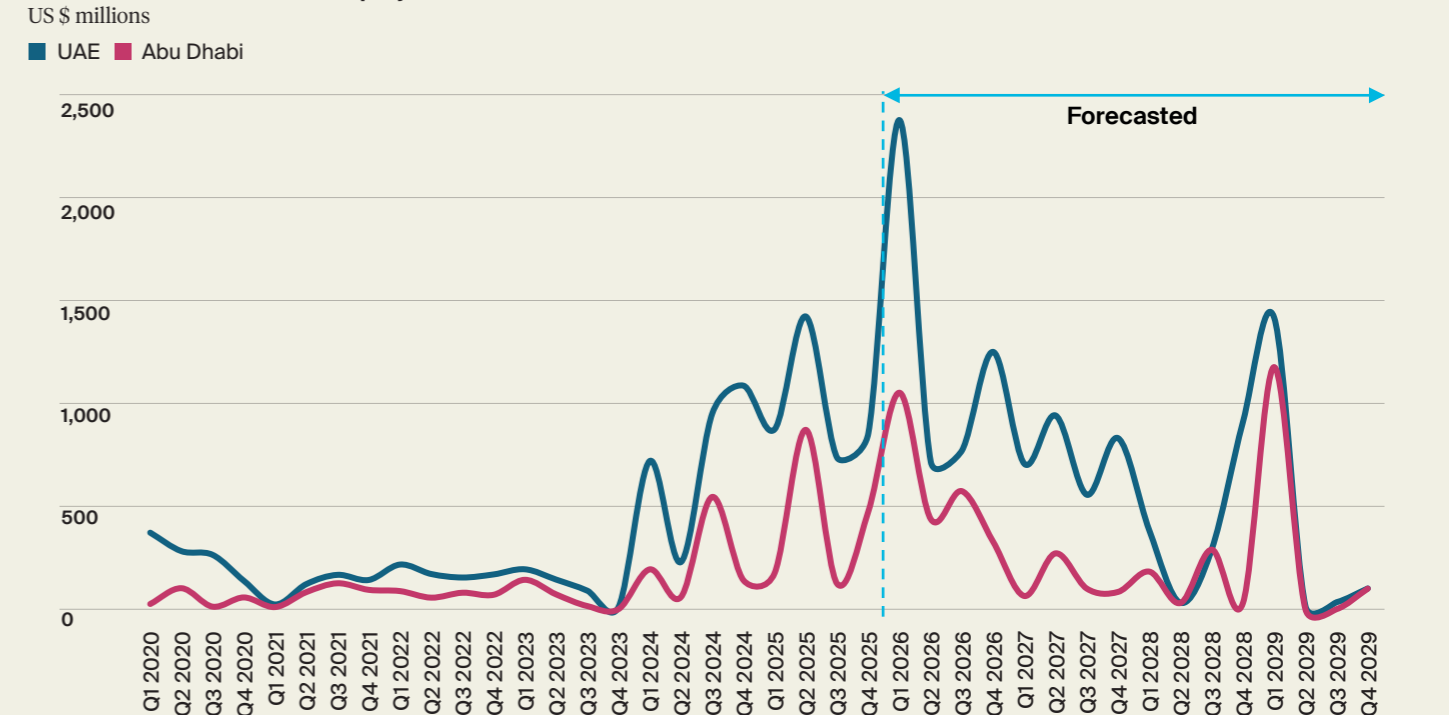
“ The value of pipeline industrial projects in Abu Dhabi is set to increase sharply, with approximately US \$ 2.4bn forecast in 2026 alone. ”

Abu Dhabi's industrial projects pipeline



*Projects in the pipeline are projects under construction or projects with awarded contracts Source: Knight Frank, MEED Projects

UAE vs. Abu Dhabi industrial projects' value



Source: Knight Frank, MEED Projects

RENTAL PERFORMANCE IN ABU DHABI

ADAFZ still the most expensive submarket

In the UAE capital, the performance of rents in the industrial and logistics sector was more subdued than that of Dubai during 2025, with a clear hierarchy driven by location, quality and proximity to strategic transport corridors.

ADAFZ (AED 625 psm), for instance, commands the highest average rents amongst the six submarkets we track, reflecting its free zone status, proximity to Abu Dhabi International Airport, and strong appeal to high-value logistics occupiers.

Etihad Rail corridor influencing demand

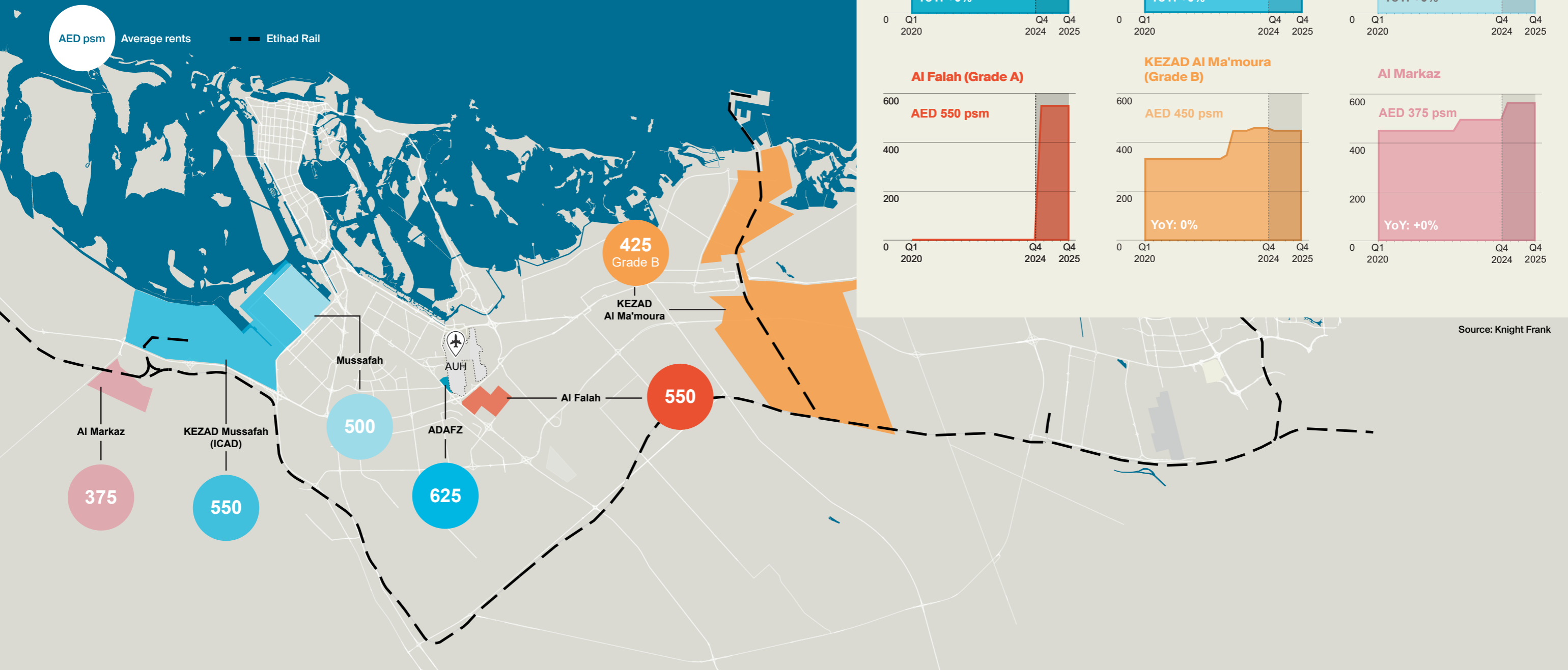
Meanwhile, KEZAD Mussafah (ICAD) and Al Falah, both averaged AED 550 psm as at the end of Q4 2025, with rents

supported by these submarkets' proximity to adjacent highways and the Etihad Rail corridor. Furthermore, enduring demand from manufacturing and regional distribution occupiers who want to be located in these areas has helped to keep occupancy levels at record highs.

Mussafah, at an average of AED 500 psm remains a core industrial hub and offers a range of options for occupiers, appealing in particular to cost-sensitive tenants seeking established infrastructure.

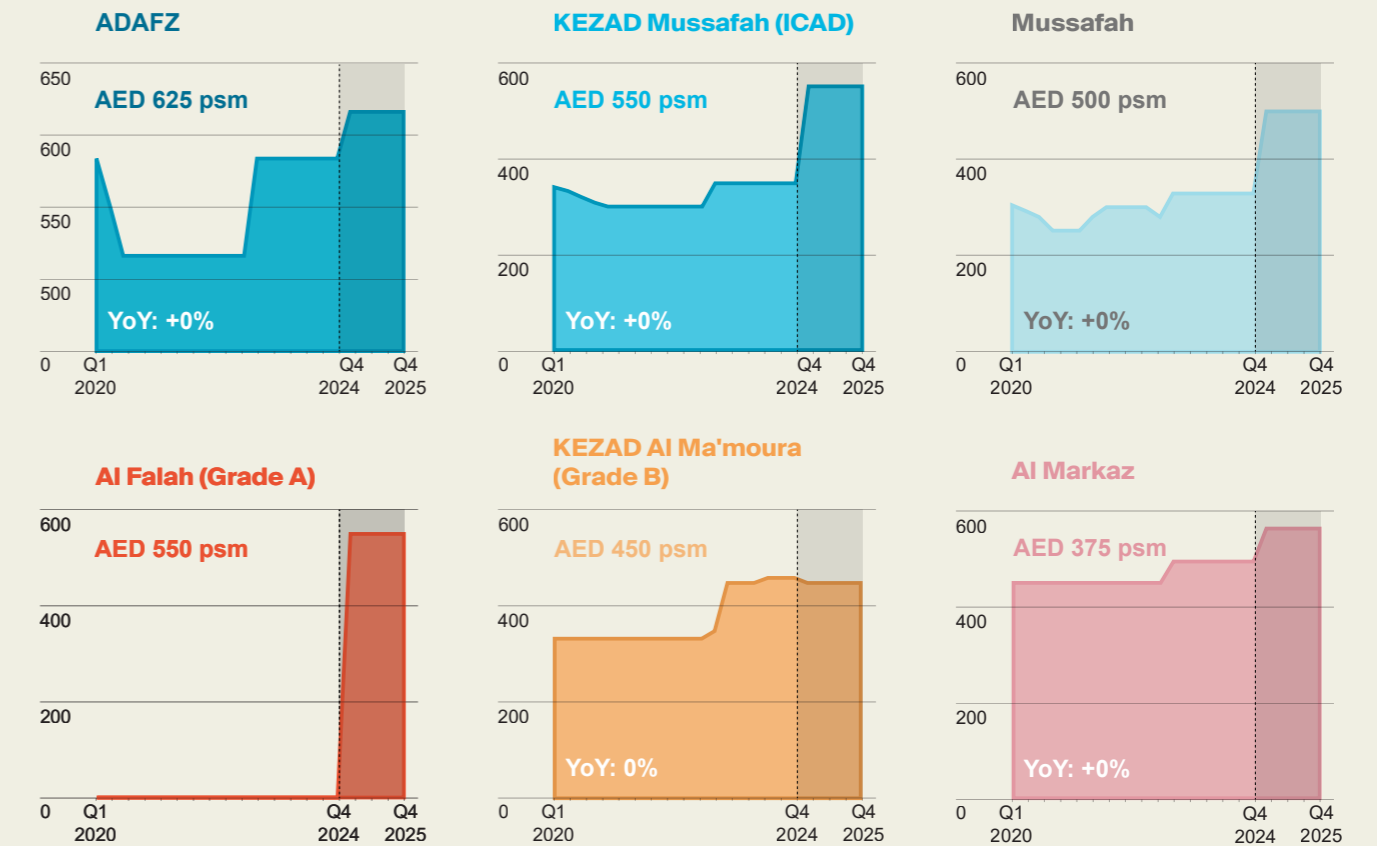
More affordable locations

At AED 425 psm and AED 375 psm, KEZAD Al Ma'moura (Grade B) and Al Markaz, respectively, cater to secondary logistics, storage, and light industrial occupiers who prioritise rental efficiency over prime specifications.



Performance of industrial & logistics rents in Abu Dhabi 2020-2025

AED psm



Source: Knight Frank

IN FOCUS: KEZAD GROUP: A SNAPSHOT OF A GROWING INDUSTRIAL ECOSYSTEM

Key metrics (as of Q3 2025)



550 km²

Total land bank for industrial development.



97% Warehouse occupancy rate

Across a portfolio of over 848,000 sqm under management.



2,262 Occupiers

Secured with long-term land lease agreements typically 25-50 years.

Sdeira Group



+32% y/y

Rise in staff accommodation leases.



85%

Razeen facilities' staff accommodation utilisation level (a new record).

Fueling growth & innovation



AED 1.5bn in new investments

During Q1-Q3 2025 from sectors such as renewable energy, food processing, and manufacturing.

Major deal

AED 50 million

StockSpace & Axione Development deal for 14,000 sqm facility catering to F&B and FMCG industries.



AED 200 million

Al Asmawi Group deal for 71,000 sqm facility focusing on the development of industrial real estate and retail units.

AED 455 million

Broaden Energy deal for 80,000 sqm facility delivering sustainable solutions utilising renewable sources of energy.

Developing specialised industry hubs



Metals



Automotive



Agricultural technology



Food

IN FOCUS: THE NORTHERN EMIRATES

A growing market

Marketed warehouse availability across the Northern Emirates has expanded in parallel to the growing dearth of supply in major industrial hubs such as Dubai and Abu Dhabi. Furthermore, the Northern Emirates offer a compelling cost advantage, which is helping to catalyse demand among some occupier groups.

Our analysis shows that the volume of live warehouse options has increased materially over the past year, with the most visible build-up in Ras Al Khaimah where 10 contracts awarded with US \$ 547 million in value (204% year-on-year increase in projects value).

This is significant because the Northern Emirates are no longer perceived as a lower-cost spillover market from Dubai by occupiers. The cities in the UAE's north are evolving into a sizeable, competing inventory base in their own right, offering greater choice, broader unit size ranges and, in some cases, genuinely more affordable occupational solutions.

Sharjah: the Northern Emirates' industrial and logistics hub

Sharjah remains the centre of gravity for industrial and logistics supply in the Northern Emirates, a position it has long-held, anchored by locations such as the Sharjah Industrial Area, Al Sajaa and areas surrounding Hamriyah Port and Free Zone.

Availability is heavily concentrated in Al Sajaa, which continues to function as the emirate's principal warehouse and industrial hub. The depth of stock here suggests that the market is not only absorbing demand displaced from Dubai, but also supporting a growing base of regional occupiers across the logistics, trading, light manufacturing and service sectors.

In the past, supply in all of the Northern Emirates combined was on average at par with the number of listings in Dubai. Today, however, Sharjah alone has more listings than Dubai and all the Northern Emirates combined have three times the number of listings in Dubai.

Despite the increase in available space, headline asking rents in Sharjah's core industrial areas remain relatively firm, indicating that landlords, as in Dubai, are firmly in the driving seat.

Ajman

Further up the coast still, Ajman presents a slightly different market dynamic. While it records a high volume of active listings, the stock profile is generally characterised by smaller unit sizes. This points to a market that is strongly oriented towards SMEs, traders and light industrial users, where speed of occupation and affordability are often more critical than building scale or specification.

Ajman's role within the Northern Emirates ecosystem is therefore less about headline rent arbitrage and more about providing depth and liquidity in the small-unit segment.

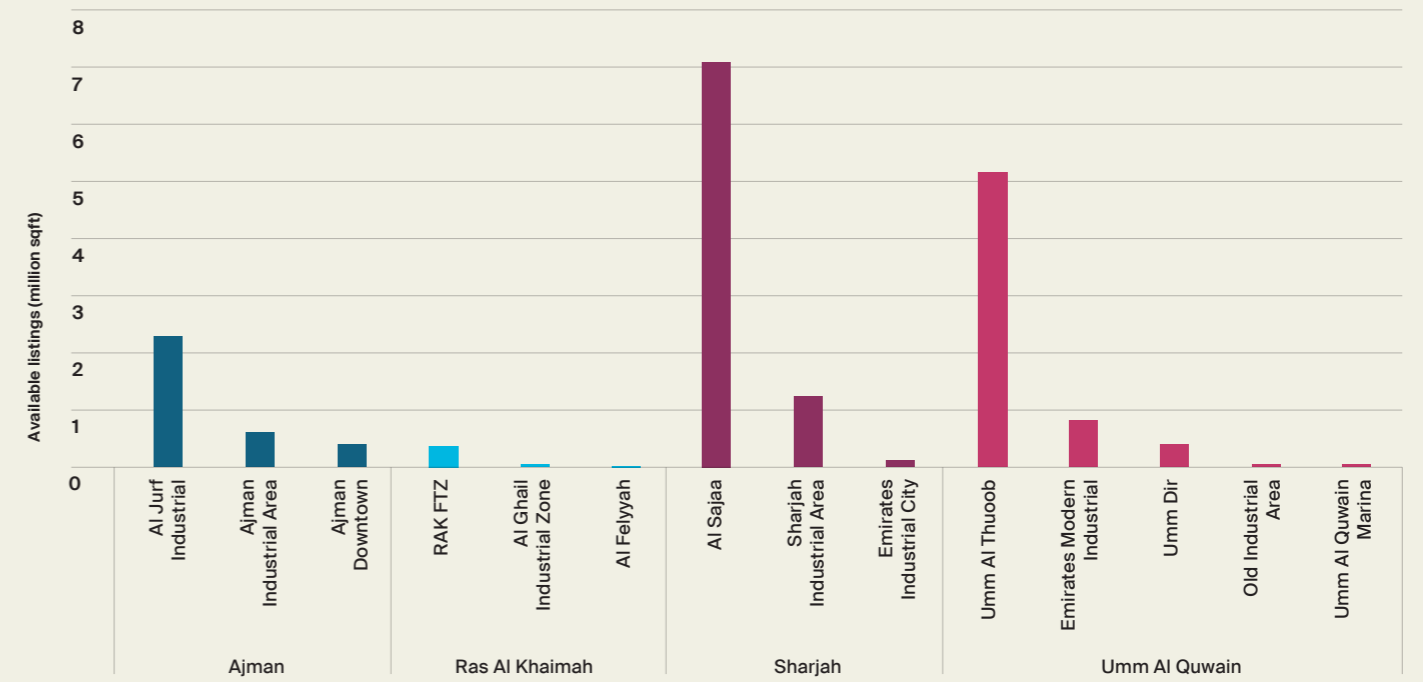
Umm Al Quwain

Elsewhere, Umm Al Quwain (UAQ) has become an increasingly important part of the regional supply landscape. The scale of availability, particularly in and around Umm Al Thuob, means that UAQ is no longer a niche alternative but a viable option for a wider range of occupiers, especially those prioritising space availability and cost efficiency over proximity to Dubai's urban core.

Our research highlights that some of the most affordable warehouse accommodation in the Northern Emirates can now be found in UAQ. While typical advertised levels in the main UAQ locations tend to sit in the high AED 30s to around AED 40 psf on BUA, achieved rents can be lower in practice, particularly where stock is more basic or landlords are willing to compete through incentives and flexible commercial terms.

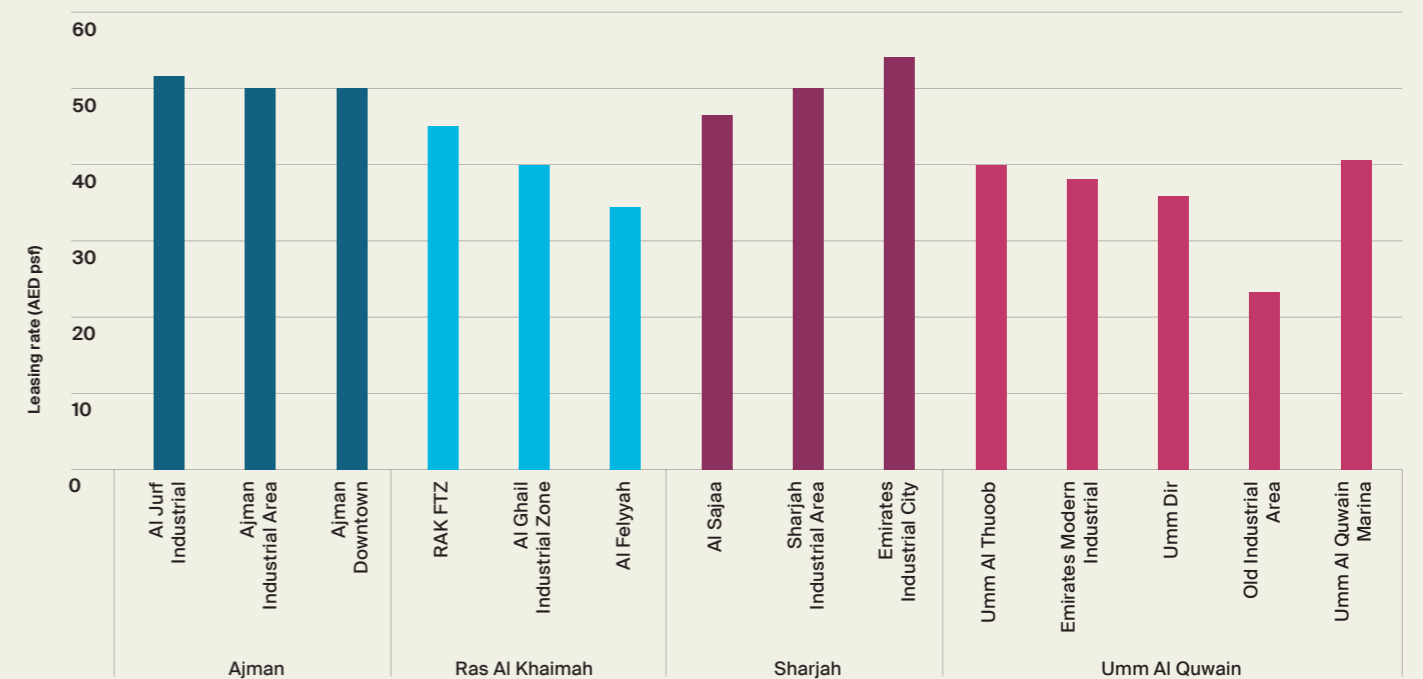
“ The Northern Emirates are no longer perceived as a lower-cost spillover market from Dubai by occupiers. ”

Northern Emirates total listed area in 2025
million sqft



Source: Knight Frank

Northern Emirates leasing rates in 2025
AED psf



Source: Knight Frank

IN FOCUS: THE NORTHERN EMIRATES

Industrial and logistics supply

Our analysis indicates that the marketed supply base in the Northern Emirates has now grown to a level that rivals, and in some respects exceeds, that seen in Dubai. Although this reflects advertised availability rather than true vacancy, it nonetheless signals a structural shift in occupier choice. Tenants now have a broader and more credible set of alternatives north of Dubai, strengthening their negotiating position, particularly for larger requirements, or for occupiers with flexibility on location.

The principal risk emerging from this expansion is the potential for oversupply in specific locations. Availability is highly concentrated in a limited number of industrial clusters, meaning overall market performance will be driven by absorption in these areas. Should new supply continue to come forward faster than demand can be absorbed, any correction is likely to first materialise in the form of longer void periods and increased incentives rather than immediate headline rental declines. Over time, this could lead to greater pricing dispersion, with well-specified, compliant assets outperforming secondary and functionally obsolete stock, mirroring the behaviour of more mature markets.

Overall, the Northern Emirates industrial and logistics market is entering a more competitive phase. For occupiers, this shift is broadly positive, offering greater choice, improved negotiating leverage and access to more cost-effective accommodation. For landlords and developers, the focus will increasingly need to be on differentiation through specification, functionality and operational efficiency.

Northern Emirates industrial projects pipeline

■ Existing projects (LHS) ■ Projects in the pipeline (LHS) ■ Growth (%) (RHS)



*Projects in the pipeline are projects under construction or projects with awarded contracts

Source: Knight Frank, MEED Projects



2026 OUTLOOK

A softening in rents?

Dubai's economic fundamentals are expected to remain comparatively strong, reflecting its position as the region's primary commercial and logistics centre. However, we expect the market to become increasingly polarised. Older, functionally constrained stock is likely to face softer pricing and longer voids as occupiers prioritise modern building standards, operational efficiency and location. In contrast, institutional-grade warehouses in established, well-served locations are expected to prove more defensive, with rents more likely to plateau than retrace materially, given the ongoing shortage of high-quality supply.

Jebel Ali Free Zone remains a notable area of opportunity. While several onshore submarkets have recorded substantial rental growth over recent years, JAFZA has, by comparison, been slower to reprice. With its strategic proximity to Jebel Ali Port and continued appeal to multinational occupiers, we anticipate scope for further rental growth.

In Abu Dhabi, conditions are likely to remain broadly stable through 2026. Demand remains anchored around the ICAD and KEZAD clusters, which continues to function as the emirate's principal industrial and manufacturing base. We expect prime assets to maintain high occupancy, supported by steady occupier requirements and limited frictional vacancy. A disciplined approach to land release and development activity remains a key stabilising influence, restricting excess supply and limiting volatility in rental performance.

Across the Northern Emirates, particularly Sharjah and Ajman, we expect near-term rental conditions to soften. Increased availability and ongoing speculative completions are easing the earlier supply imbalance, shifting negotiating leverage back towards occupiers. These markets should remain compelling for cost-sensitive operators, particularly those willing to compromise on specification in exchange for lower occupational costs.

Investment market

Investor appetite for industrial and logistics assets remains firm, focused on well-located, income-producing properties with modern specifications and resilient covenants. Competition for institutional-grade stock continues to strengthen, placing further downward pressure on prime yields towards sub-8% territory. This should support capital values, even as rental growth moderates in parts of the market, widening the performance differential between prime assets and secondary stock.

Development activity remains healthy, reflecting confidence in the sector's long-term outlook. However, the pipeline is constrained by limited availability of suitably positioned land in core locations and continuing restrictions around sub-leasing, which can weigh on the viability of multi-tenant strategies. These factors are expected to sustain the relative undersupply of modern, institutional-grade accommodation, supporting prime performance while placing additional pressure on less competitive legacy assets.

Overall, the UAE's industrial and logistics market is transitioning into a more mature stage of its cycle.

Outcomes will increasingly be determined at the asset level-location, specification, tenant quality and active management will matter more than scale alone. For owners and investors, this reinforces the importance of disciplined acquisition and proactive asset strategies.

For occupiers, the best-value opportunities are likely to be concentrated in secondary stock, while competition for well-located, high-quality space should remain firm. The medium- to long-term outlook remains positive, with occupiers expected to continue gravitating towards high specification and quality assets.



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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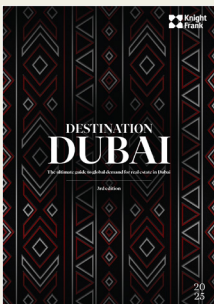
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