Saudi Arabia Industrial Market Review Report

Knight Frank

Autumn 2025

A biannual review of key trends and the performance of Saudi Arabia's industrial and logistics market

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BACKDROP

An industrial powerhouse in the making

Saudi Arabia's industrial market is undergoing rapid expansion as the Kingdom accelerates efforts to diversify its economy under Vision 2030. Large-scale projects such as Oxagon in NEOM, billed as the world's first fully integrated and automated port and industrial city, and King Salman Energy Park (SPARK) in Dammam, are at the forefront of this transformation. Alongside these developments, Riyadh continues to cement its position as the Kingdom's primary hub for warehousing and logistics activity.

Policy and government initiatives

Vision 2030 has been the defining catalyst for reshaping the industrial landscape. Early reforms, particularly updates to investment laws, have laid the foundation for greater openness to international investment. Flagship programs such as the National Industrial Development and Logistics Program (NIDLP), integrating industry, mining, energy, and logistics, have reinforced Saudi Arabia's position as a global logistics hub.

Complementary measures, including the rollout of Special Economic Zones and sweeping logistics reforms, have driven modernisation of customs processes and infrastructure upgrades, while also enhancing connectivity across ports, airports, and land transport corridors in the Kingdom.

The National Strategy for Industry, unveiled in October 2022, set ambitious benchmarks: tripling industrial GDP and doubling the value of industrial exports to SAR 557bn by 2030. Meanwhile, the logistics sector is expected to account for 10% of GDP by 2030, up from 6% today. Building on this momentum, the launch of the second phase of the Standardised Industrial Incentives Program in June 2025 further expanded the suite of grants and benefits available to attract high-value investment.

In addition, the Kingdom has strengthened its land-use regulations through a major amendment to the White Land Tax (WLT) framework. The tax, which previously applied a 2.5% annual levy on undeveloped residential land, has now been expanded in scope and raised to 10% annually. The new framework extends coverage to undeveloped industrial and commercial plots, particularly within designated growth zones, with the aim of reducing land banking, increasing the supply of serviced plots, and encouraging faster development of industrial and logistics facilities.

Collectively, these initiatives are strengthening the Kingdom's industrial capacity, stimulating export growth, and creating a more resilient and competitive economic base.

Foreign partnerships and strategic investment

As a result of these initiatives, foreign direct investment is increasingly focused on large-scale industrial clusters and digitally enabled logistics platforms, with data centres emerging as a particular growth segment. Leading international firms, including Oracle, Google, and Huawei, have expanded operations in Saudi Arabia, underscoring the Kingdom's ambition to become the region's hub for digital infrastructure and advanced supply chains.

The focus of multinational partnerships has also shifted. Beyond market entry, companies are embedding advanced technologies, integrating sustainability principles, and building specialised infrastructure. This evolution highlights a maturing industrial ecosystem centred on long-term value creation.

Key developments in 2025 include:

- February – Aramco Digital, Armada, and Microsoft: Agreed to expand cloud-based industrial IoT platforms, enabling predictive maintenance and supply chain optimisation.
- May – PIF and Hyundai: Broke ground on Hyundai's first Middle East vehicle plant in King Abdullah Economic City, with capacity for 50,000 units annually, slated to begin production in late 2026.
- May – Ma'aden and MP Materials: Formed a strategic partnership to build a rare earth supply chain in the Kingdom, advancing Saudi Arabia's goal of becoming a global critical minerals hub.
- August – ACWA Power, Technica's Reunidas, and Sinopec: Awarded the FEED contract for the Yanbu Green Hydrogen Project, targeting 400,000 tons of hydrogen and 2.5 million tons of ammonia annually by 2030.

Supply overview

Warehouse and industrial supply across Saudi Arabia's three major cities continued to expand in H1 2025, with 1.3 million sqm of new warehouse space delivered during the first six months of the year. Riyadh reinforced its position as the Kingdom's leading logistics hub, with warehouse stock increasing by 3.5% to reach 28.9 million sqm, while industrial and manufacturing facilities rose by 1.4% to 16.2 million sqm. Jeddah also recorded steady growth, with total warehouse supply rising by 1.4% to 20.1 million sqm, supported by its strategic role as the country's primary Red Sea gateway. Meanwhile, the Dammam Metropolitan Area saw a more modest expansion, with warehouse stock edging up by 0.7% to 8 million sqm.

In addition to the existing supply, a substantial pipeline of serviced industrial land within logistics masterplans signals continued expansion ahead. Importantly, zoned land availability still exceeds current built stock, underscoring the significant capacity for future growth across the Kingdom's industrial landscape.

NUMBERS YOU NEED TO KNOW

Saudi Arabia's industrial sector growth

12,840	Total number of licensed factories in Saudi Arabia
591	Number of new industrial licenses issued in H1 2025
585	Number of factories launching production in H1 2025
SAR 13.5bn	Total capital of new licensed factories during H1 2025
10,392	Expected workforce of new factories
12,302	Number of new employees starting work at new factories in H1 2025
36,000	Projected number of factories in the Kingdom by 2035

Source: Ministry of Industry and Mineral Resources (MIM), Argaam

EXPERT INSIGHT

Saudi Arabia's industrial and logistics sector is entering a defining phase shaped by Vision 2030 and accelerating private sector participation. Demand for modern warehousing and high-quality logistics facilities is at an all-time high, particularly in Riyadh, where limited availability is driving rents to record levels.

While 2024 witnessed relatively few new completions, strong development momentum is expected over the next four years as developers respond to rising occupier requirements."

Dammam's position on the Gulf continues to underline its importance within regional supply chains. Improved connectivity through the rail link and ongoing port expansion are expected to unlock significant potential, drawing in a new generation of better-quality industrial and logistics assets to cater to demand. The market is steadily shifting towards modern, purpose-built facilities that meet the evolving requirements of occupiers.

Looking ahead, we expect specifications to continue increasing: higher clear heights, improved loading, enhanced fire and HSE standards, ESG features such as rooftop solar, EV charging, grey-water systems creating more efficient assets. Demand for temperature-controlled and pharma-grade space is also broadening as F&B and healthcare supply chains scale, while e-commerce and 3PLs drive the need for cross-dock and last-mile facilities close to major population centres.

"Dammam's position on the Gulf continues to underline its importance within regional supply chains. Improved connectivity through the rail link and ongoing port expansion are expected to unlock significant potential.

Adam Wynne
Partner – Occupier/landlord Strategy and Solutions, ME

RIYADH

E-commerce growth and logistics expansion

Riyadh's industrial and logistics market is being reshaped by strong demand fundamentals. Demographic shifts, rapid urbanisation, rising female workforce participation, and a tech-savvy Gen Z and millennial consumer base are accelerating the growth of the e-commerce sector. This, in turn, is driving demand for modern warehousing and distribution facilities. At the same time, the localisation of manufacturing and the scale of Saudi Arabia's giga-projects are reinforcing the need for high-quality storage and logistics infrastructure to support the Kingdom's economic diversification agenda.

Beyond traditional warehousing, demand in Riyadh is increasingly being driven by the need for specialised logistics facilities. Cold storage facilities are gaining traction, underpinned by growth in the pharmaceutical and food supply chain sectors, for instance, increased capacity requirements from vaccine distribution networks and major food retailers such as Almarai. Meanwhile, the expansion of data centres and cloud infrastructure is being fuelled by rising foreign direct investment into the Kingdom's technology sector, with global players such as Google Cloud, Oracle, and Huawei announcing or establishing data centre projects in Riyadh to support the rapid digital transformation of the Saudi economy.

Strategic hubs and specialised zones

The government has introduced major strategic zones to bolster Riyadh's logistics ecosystem. The 3 million sqm Special Integrated Logistics Zone (SILZ) at King Salman International Airport, for instance, is a key initiative aimed at reinforcing supply chain resilience. Targeting light industrial activities, SILZ has already attracted international names including SHEIN, Valcambi, Ajlan & Bros, and Apple Inc.

In parallel, Saudi Arabia's deepening trade relations with China have led to the launch of the Sino-Saudi Logistics Zone, a 4 million sqm special economic zone also located at King Salman International Airport. Integrating a light industrial park and a commercial park, the project is designed to strengthen cross-border trade and investment flows between Saudi Arabia and China.

Growth and supply expansion

While 2024 saw limited new completions, momentum is building for significant expansion over the next four years, supported by government-backed entities such as MODON and PIF-linked organisations. Built-to-suit developments are expected to dominate future supply as industries seek customised facilities to match their operational needs.

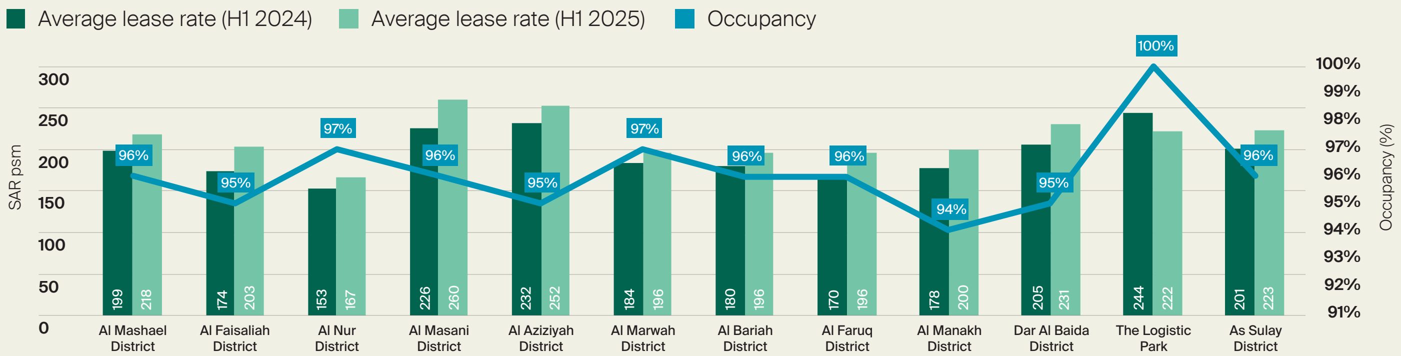
- In Taibah (south Riyadh), supply is forecast to grow by 50% over the next three years in response to strong demand.
- The Tamer Logistics Park in Sulay district, a 200,000 sqm facility under construction, will cater to the pharmaceutical and consumer goods sectors.
- Nearby, Agility Logistics Park is set to deliver an additional 100,000 sqm of Grade A space by the end of the year.

Investor activity is also intensifying in eastern Riyadh, with a strategic partnership between Riyadh Development Company (ARDCO) and Agility Logistics Parks (ALP) to deliver a 58,000 sqm state-of-the-art warehousing facility in Rimal District, leveraging its proximity to Riyadh's dry ports.

Rising headline rents

Demand held firm through the first half of the year, driving a 16% year-on-year increase in citywide rental rates to SAR 208 psm, with overall occupancy reaching 98%. Prime assets achieved rates above SAR 250 psm, underscoring the scarcity of high-quality space. Lower-grade warehouses in Al Faisaliah and Al Noor registered more modest rental growth of 4–5% as landlords focused on reducing vacancies. In contrast, ready-built facilities in Al Masani, Al Bariah, Al Faruq, and Al Manakh saw rental growth surpass 20% in 2024. Meanwhile, Al Sulai, Riyadh's largest warehouse submarket, also experienced strong leasing momentum, though rental growth remained just below 20%, mainly due to persistently high occupancy.

Riyadh - lease rates and occupancy

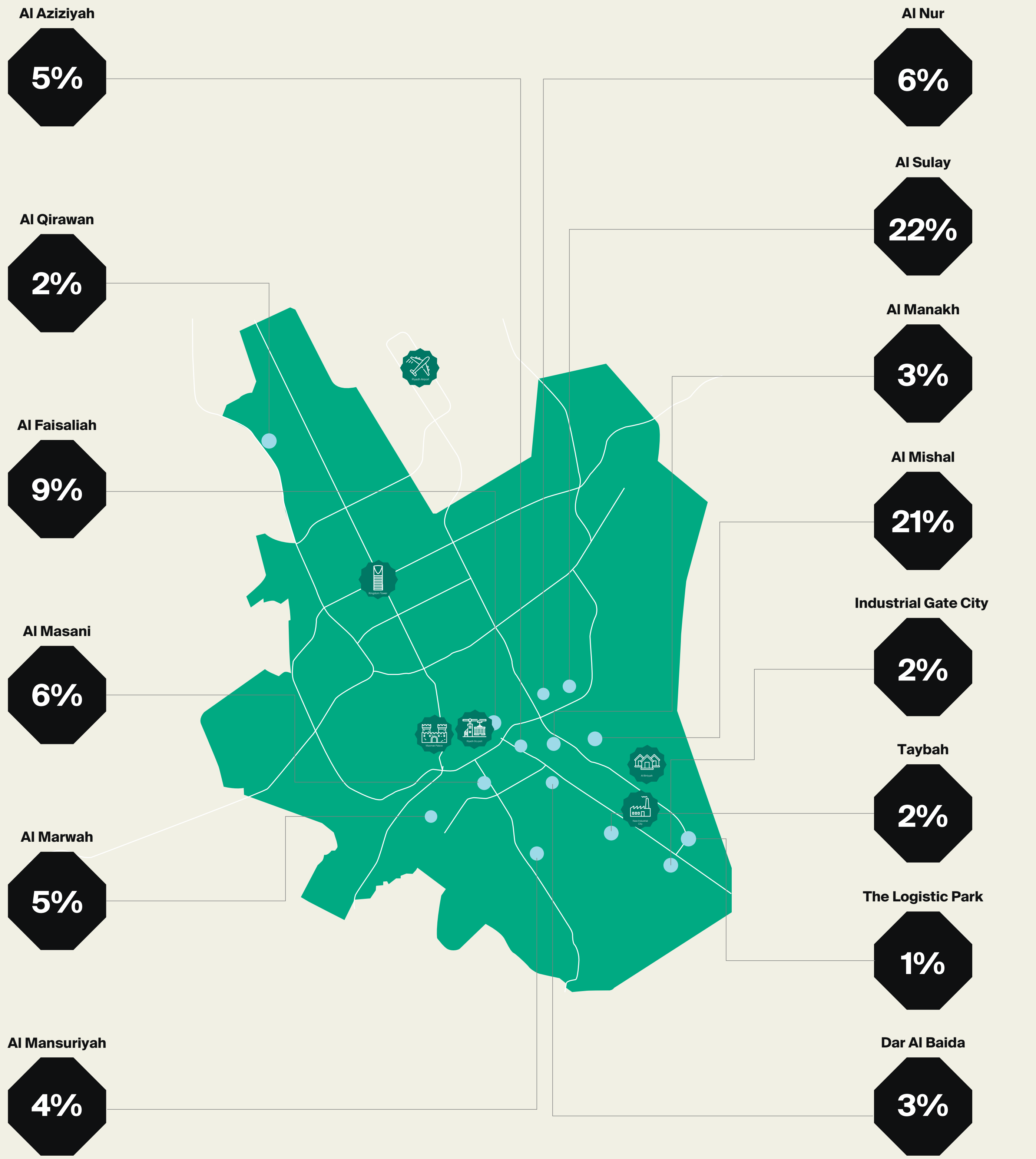


Source: Knight Frank, Paseetah

Overview of Riyadh's warehouse and logistics market

Total leasable area
28.9 million sqm

Population
7.7 million



*Percentages represent rent increase change

Source: Knight Frank

JEDDAH

Strategic role

Jeddah continues to serve as the logistics backbone of western Saudi Arabia, functioning both as the Kingdom's primary Red Sea gateway and the central supply hub for Makkah and the western region. Its role is reinforced by the city's expanding population, the three giga-projects in Makkah (Rua Al Madinah, Masar Makkah, and Jabal Omar), and the year-round movement of millions of Hajj and Umrah pilgrims. This combination of trade and religious tourism logistics generates consistent demand for warehousing, storage, and distribution facilities.

Supply and occupancy

At the end of H1 2025, Jeddah's warehouse and logistics stock stood at 20.2 million sqm, with Al Khumra dominating at 79% of the total supply. Within Khumra, both the central and southern submarkets account for nearly a third of the city's stock. Between H1 2024 and H1 2025, supply increased by 370,000 sqm, with more than 80% of this delivered in Khumra and South Khumra alone.

Despite this strong pipeline, Jeddah maintains a 97% occupancy rate, highlighting its ability to absorb new supply in the face of strong demand. Similarly, occupancy remained near full-capacity across major submarkets, with Al Nakheel at 99% and Asfan at 100%, for instance.

Rental performance

Jeddah's logistics sector maintained strong momentum in H1 2025, with average warehouse rents increasing by 8% year-on-year and citywide occupancy holding steady at 97%, despite the delivery of new supply. Rental growth was led by Al Kawthar and Al Nakheel, which posted double-digit gains of 18% and 16%, respectively, reflecting strong demand for well-connected, high-quality stock.

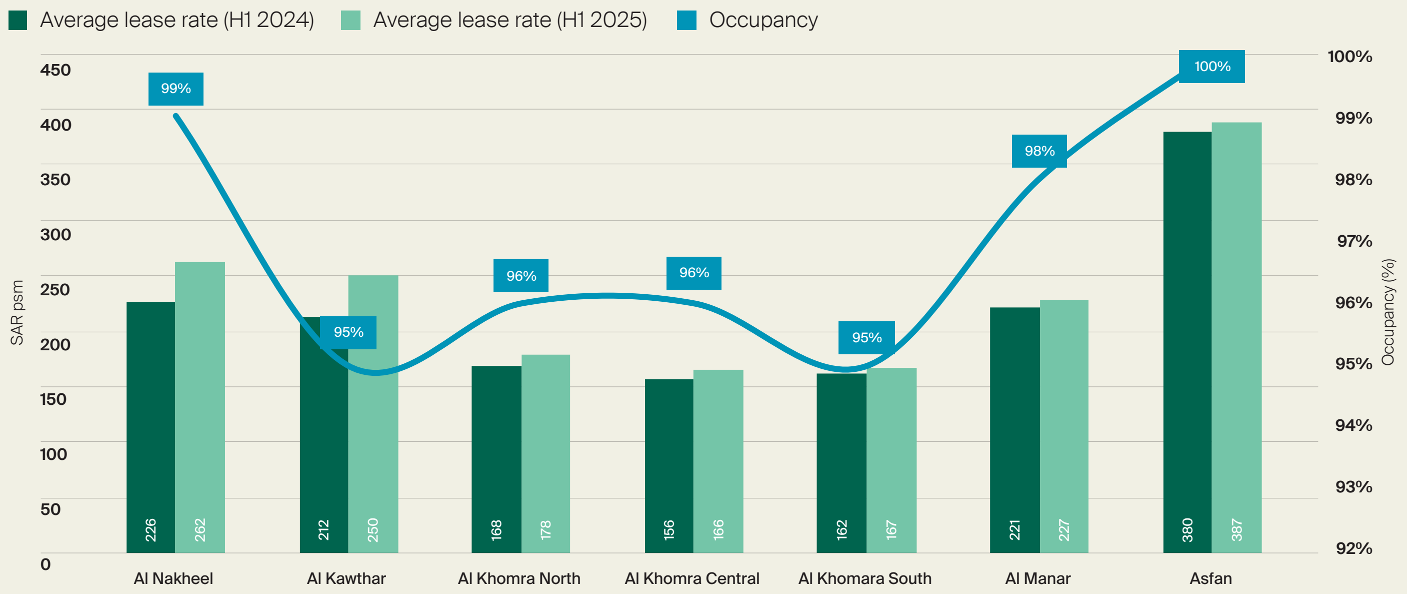
Al Khumra North and Central recorded moderate rental increases, while South Khumra remained the city's most competitively priced hub, absorbing much of the new demand.

Port developments

Large-scale upgrades at Jeddah Islamic Port are enhancing its role as the Kingdom's western trade hub. DP World's SAR 3bn investment in the South Container Terminal doubled its handling capacity to 4 million TEUs, while the Red Sea Gateway Terminal expansion has lifted overall capacity to 6.2 million containers. Deeper shipping channels now accommodate ultra-large vessels, and Mawani's infrastructure improvements, including road widening and circulation upgrades, are streamlining freight flows. In parallel, green initiatives such as the adoption of LNG-powered vessels are advancing the port's sustainability profile.

With supply growth led by Al Khumra, consistently high occupancy, rising rents, and major port upgrades, Jeddah is firmly positioned as the industrial and logistics hub of western Saudi Arabia. Its dual function as a commercial gateway and a religious tourism and logistics hub is sustaining demand and anchoring its long-term role in the Kingdom's industrial and logistics network.

Jeddah - lease rates and occupancy

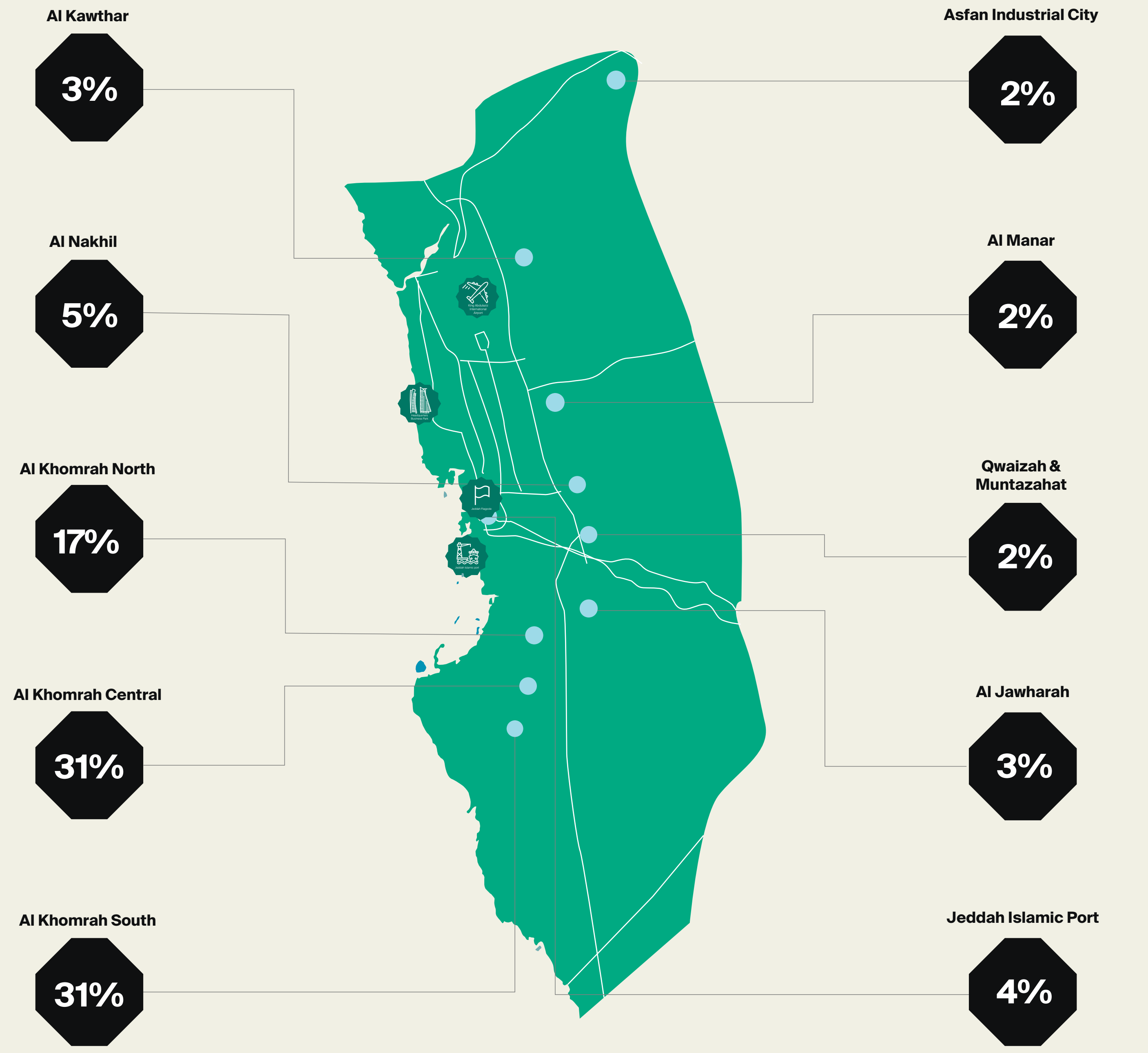


Source: Knight Frank, Paseetah

Overview of Jeddah's warehouse and logistics market

Total leasable area
20.2 million sqm

Population
4.3 million



*Percentages represent rent increase change

Source: Knight Frank

DAMMAM METROPOLITAN AREA (DMA)

Supply shortages persist

DMA continues to reinforce its role as a strategic logistics hub on Saudi Arabia's Arabian Gulf coast, anchored by King Abdulaziz Port, which, in H1 2025, delivered the single largest new addition of leasable logistics space in the Kingdom with the completion of Abyat Warehouse (36,000 sqm). Despite this growth in supply, warehouse availability continues to lag well behind demand, pushing vacancy levels lower across most submarkets.

We estimate total warehouse and logistics stock in DMA at over 8.1 million sqm, yet occupier requirements remain far ahead of new deliveries, keeping rents under sustained upward pressure.

Expanding the pipeline

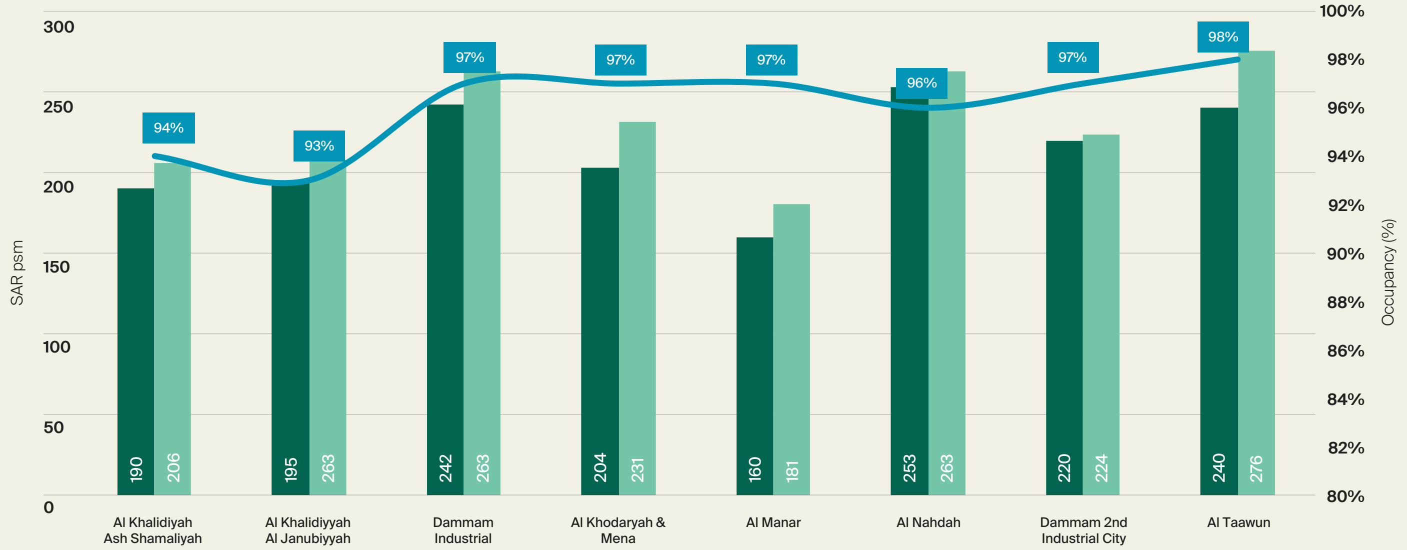
The long-term supply pipeline is being shaped by government-backed entities, primarily the Saudi Ports Authority (Mawani) and the Saudi Authority for Industrial Cities and Technology Zones (MODON). Collectively, Mawani and MODON are driving the next phase of DMA's logistics infrastructure with around 2.4 million sqm of land earmarked for development and planned investments of approximately SAR 2.25bn.

MODON is progressing with several large-scale initiatives, most notably an 850,000 sqm logistics zone in Dammam's Second Industrial City under a public-private partnership framework. The scheme also features an off-plan development of 900 light industrial units, ranging in size from 900 sqm to 1,500 sqm, with delivery targeted by the end of December 2025. At the same time, Mawani is leading the development of new port-related logistics zones at King Abdulaziz Port. These projects underline the government's commitment to strengthening Saudi Arabia's logistics capabilities under Vision 2030 and to positioning DMA as a central regional distribution hub. However, the majority of this new capacity will only come online in the medium to long term, leaving supply constrained in the near term and ensuring tight market conditions through 2025.

Rental growth and occupancy

Market fundamentals remain strong, with average lease rates rising by 9% year-on-year in H1 2025 to SAR 231 psm, compared to SAR 213 psm at the end of H1 2024. This sustained rental growth reflects the continued shortage of high-quality logistics space amid robust occupier demand. The supply/demand imbalance is also reflected in occupancy levels of 96%. Despite the significant pipeline of projects led by Mawani and MODON, immediate supply additions remain limited, suggesting that tight market conditions will persist in the near term.

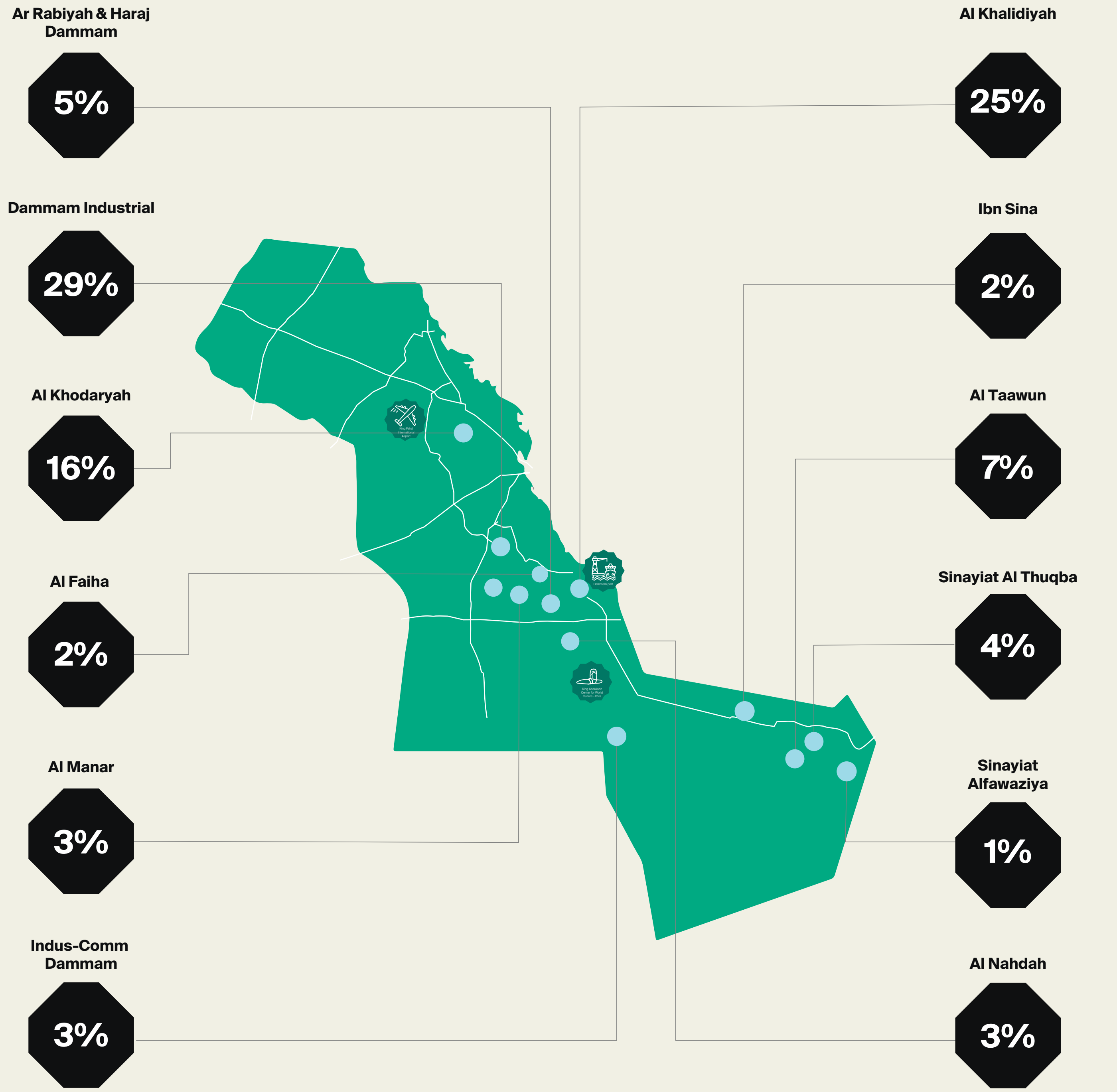
DMA - lease rates and occupancy



Source: Knight Frank, Paseetah

Overview of DMA's warehouse and logistics market

Total leasable area	Population
8 million sqm	2.2 million



*Percentages represent rent increase change

Source: Knight Frank

EXPERT INSIGHT

Saudi Arabia's industrial and logistics sector is entering a defining phase shaped by Vision 2030 and accelerating private sector participation. Demand for modern warehouses and high-quality logistics facilities is at unprecedented levels, particularly in Riyadh where scarcity is driving rents to record highs. Jeddah, as the Red Sea gateway, continues to absorb new supply while maintaining near-full occupancy, benefiting from both trade flows and the unique logistics demands of Hajj and Umrah. Meanwhile, Dammam's Gulf-facing position ensures it remains critical for regional supply chains, but persistent undersupply is pushing rents upward and creating sustained pressure on occupiers.

Looking ahead, the market will be influenced by two key dynamics:

1. Government policy and investment: Strategic zones, port expansions, and digital infrastructure are cementing Saudi Arabia's role as a regional hub.
2. White land regulations: The extension of the "white land" tax into industrial zones is likely to accelerate development, unlocking dormant plots and expanding future supply.

Overall, the market is transitioning into a more mature, globally competitive ecosystem—balancing strong demand fundamentals with regulatory reforms and investment-led growth. This evolution will continue to attract international capital, reinforce Saudi Arabia's position in global supply chains, and create a long-term platform for sustainable industrial growth.

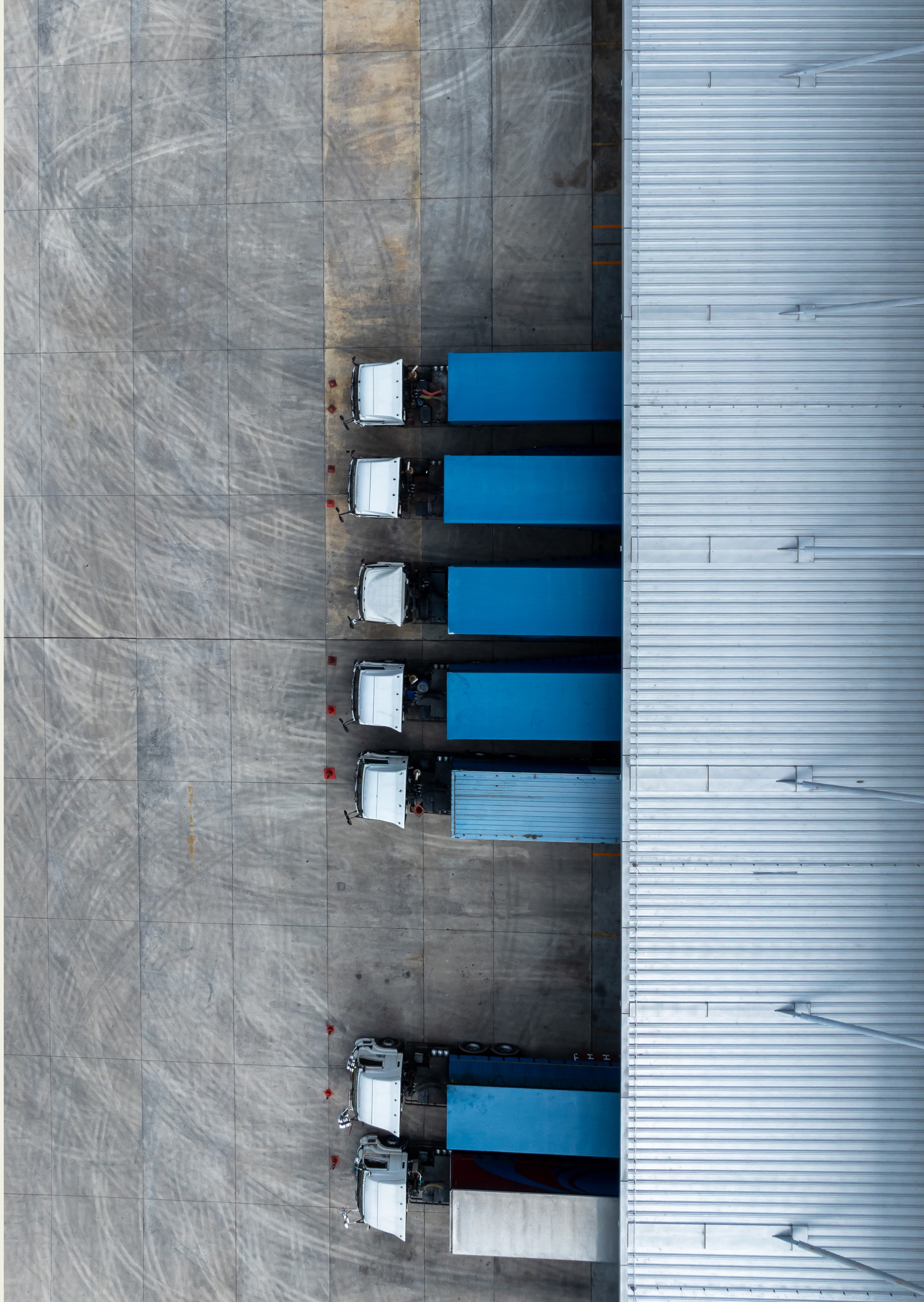
Muhsen Tutongy
Manager - ME Capital Markets, Industrial & Logistics, KSA

The amount of new development taking place across the Kingdom is impressive, with many projects nearing completion and others still in the early stages of construction. This level of activity reflects both the ambition of developers and the strength of market demand.

The market is gradually evolving, with more modern warehousing and logistics facilities being delivered; however, there remains a shortage of true Grade A assets that fully meet international occupier standards for design, quality, and operational efficiency.

Leading developers are gauging tenant interest for large-scale logistics parks in key locations such as Riyadh, Jeddah, and Dammam. As more international occupiers enter the market, it is essential that new facilities are developed to true Grade A standards with the appropriate height, loading access, flooring, and power capacity to meet global operational requirements and ensure the building does not become obsolete.

Ahmed AlSuhail
Manager – Industrial & Logistics, KSA



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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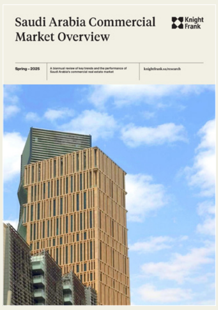

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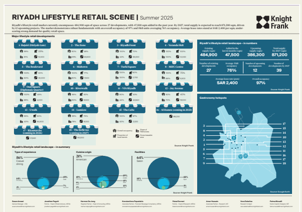

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