

H1 2025 MARKET UPDATE

Demand moderates after a record year

Following a record-breaking 2024 – during which industrial and logistics space requirements in Dubai surged by 225% to reach 40.6 million sqft – activity in the first half of 2025 has moderated. We recorded 6.3 million sqft of new requirements in Q1 and 5.2 million in Q2, bringing the total to 11.5 million sqft for H1 2025. This represents a decline of nearly one-third compared to the same period last year, largely driven by constrained supply and elevated rental levels in Dubai. In essence, a lack of stock is curbing new enquiries.

Demand continues to be led by core sectors - logistics, manufacturing and industry, and retailers and traders remain the top three contributors to new requirements, together accounting for more than half of the total demand.

Occupiers with favourable lease terms secured in recent years are opting to remain in situ, often postponing expansion plans rather than facing a market with limited options and higher rental levels. Many are pausing to wait for new supply expected to come online over the next 2-4 years.

At the same time, others are actively exploring alternative emirates, such as Umm Al Quwain, as supply tightens in Dubai. As a knock-on effect, industrial and logistics rents in the Northern Emirates are rising rapidly – up by 40% year-on-year, from around roughly AED 25 to AED 40 psf.

Transactional activity remains resilient

Despite the slowdown in new requirements, H1 2025 saw robust transactional activity. In June, Knight Frank successfully leased a 362,830 sqft facility in the Jebel Ali Free Zone (JAFZA) on behalf of a global occupier – one of the largest brokered leases in the Middle East, with a total lease value exceeding AED 85 million.

Another notable transaction involved supporting Saint Vincent Group in securing a new distribution facility in National Industries Park (NIP). Knight Frank led them to a prime asset comprising an over 105,000 sqft plot, with 68,400 sqft of built-up-area (BUA). A key highlight is the facility's alignment with the client's ESG goals, supported by the presence of existing solar panel installations.

Another notable deal this year has been Haldiram's decision to open one of the region's largest saffron processing facilities in the GCC at JAFZA, with operations commencing in Q1. Haldiram joins the 770 F&B companies already operating out of JAFZA.

Abu Dhabi rents on the rise too

Abu Dhabi also witnessed significant activity during H1 2025. Aldar, for instance, recently acquired high-quality warehousing and light industrial assets from Waha Capital in a deal valued at AED 530 million. The freehold assets, located in Almarkaz Industrial Park, add 182,500 sqm of net leasable area to Aldar's logistics portfolio. According to Aldar, the newly acquired assets are nearly fully occupied, with a tenant mix comprising international, regional, and government-related entities – signalling continued growth potential in the sector.

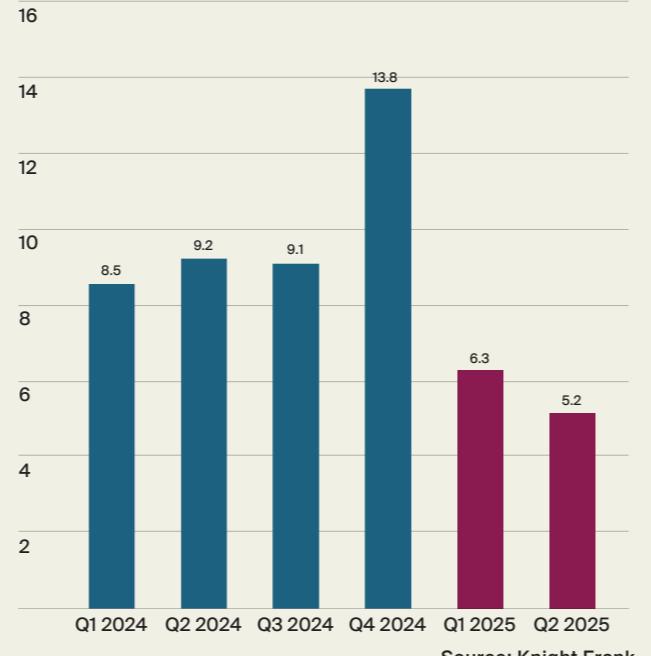
Mid-sized units in demand

Notably, occupiers are becoming more strategic, with a growing preference for mid-sized units: the 25,000-50,000 sqft band has now become the most sought-after, reflecting a shift from the larger spaces favoured in 2024.

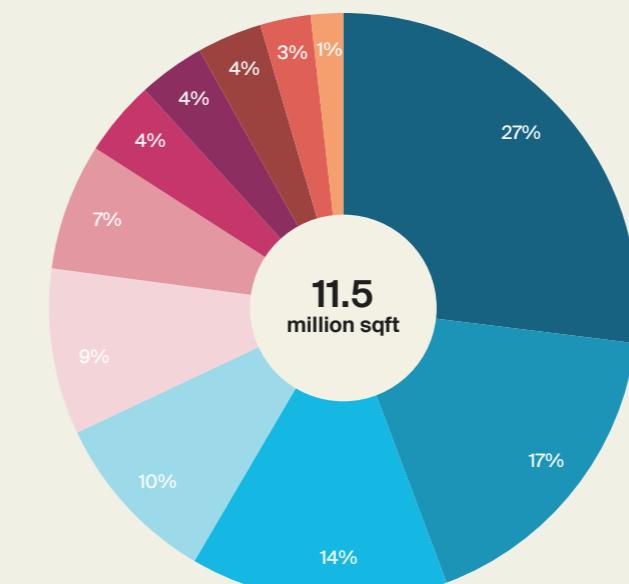
While the current tapering in demand reflects a recalibration after an extraordinary growth phase, the structural drivers for the sector remain intact. We expect demand to remain resilient, albeit more selective, in the coming quarters as the market adjusts to a new equilibrium, underpinned by a shortage of stock.

New industrial & logistics requirements in Dubai in 2024 - H1 2025

million sqft



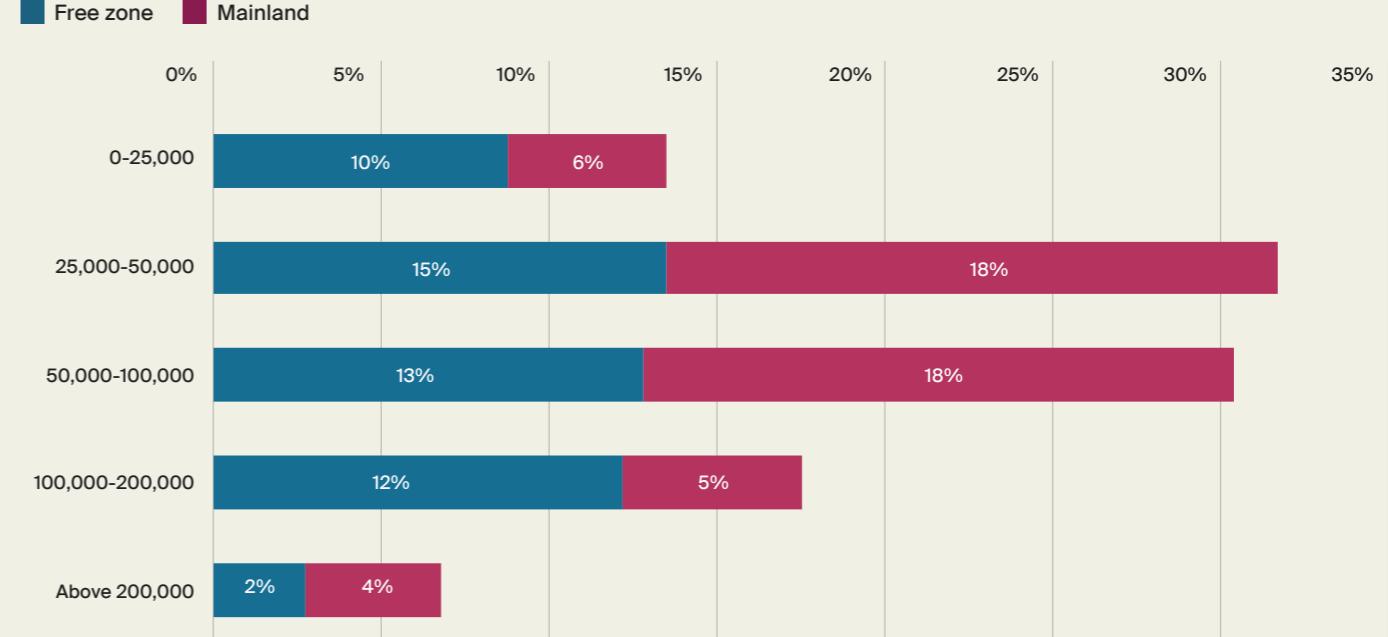
New industrial & logistics requirements in Dubai by sector during H1 2025



- Logistics
- Manufacturing & industry
- Retailers & traders
- Technology
- Business services
- Other
- Construction & real estate
- Confidential
- Creative & media
- Automotive
- Food, drink & tobacco manufacturing

Industrial space requirements in Dubai by size band

sqft



UPCOMING SUPPLY

Space shortage in Dubai persists

Vacant industrial and logistics space remains challenging to find across Dubai.

We do not expect an easing of the supply drought in the short term, with just 780,000 sqft of new speculative stock expected this year. Almost half of it will be provided by Radius Group, which is set to complete a 355,000 sqft development in Dubai Investments Park 2.

However, the medium-term prospects for supply have improved. After years of limited availability, developers are beginning to catch up with demand. While there is still very little vacant space as of mid-2025, this is expected to gradually improve from 2026.

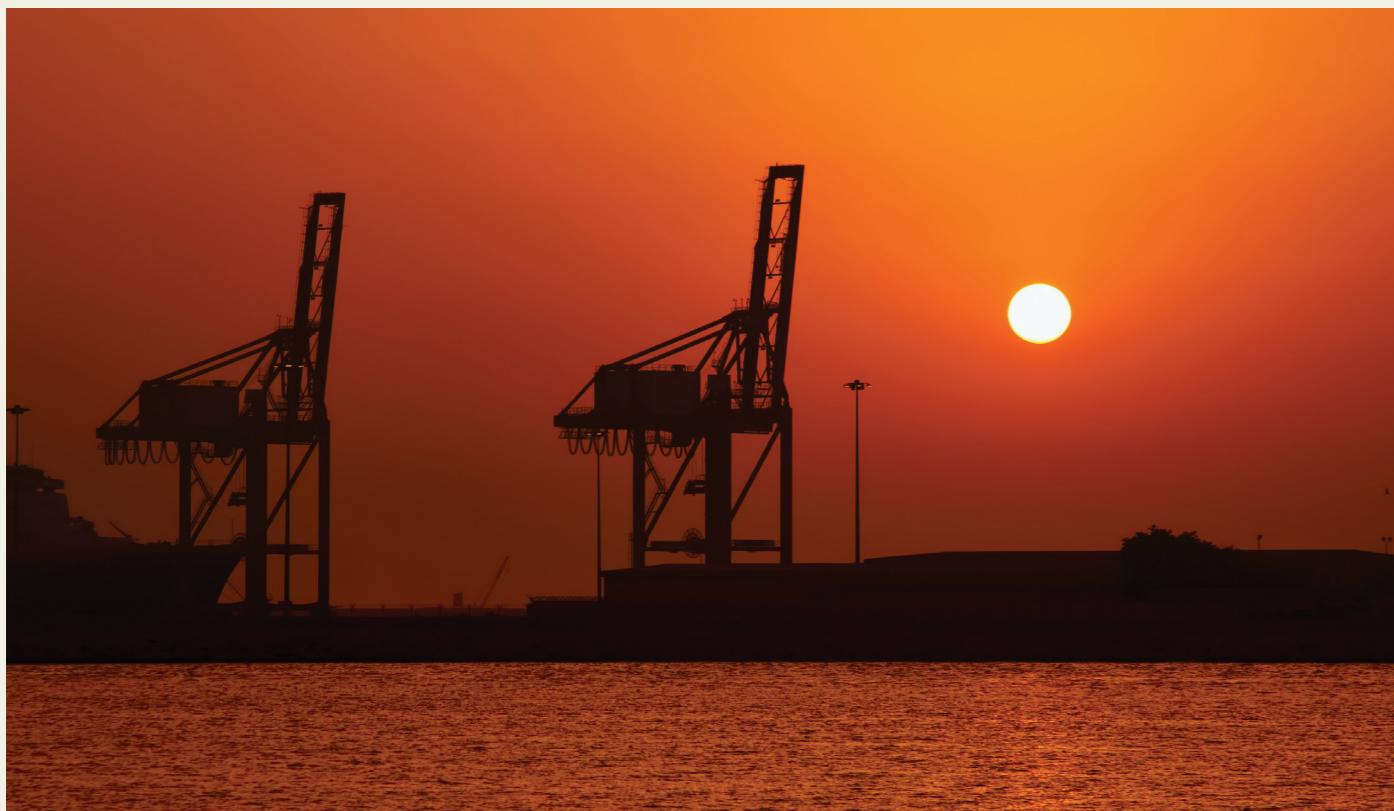
We are currently tracking around 7.2 million sqft of new industrial and logistics spaces coming to the Dubai market over the next four years. This marks a clear shift: more projects are now being delivered than in recent years.

This pipeline is a positive sign for the economy, supporting job creation, business expansion, and increased foreign direct investment (FDI).

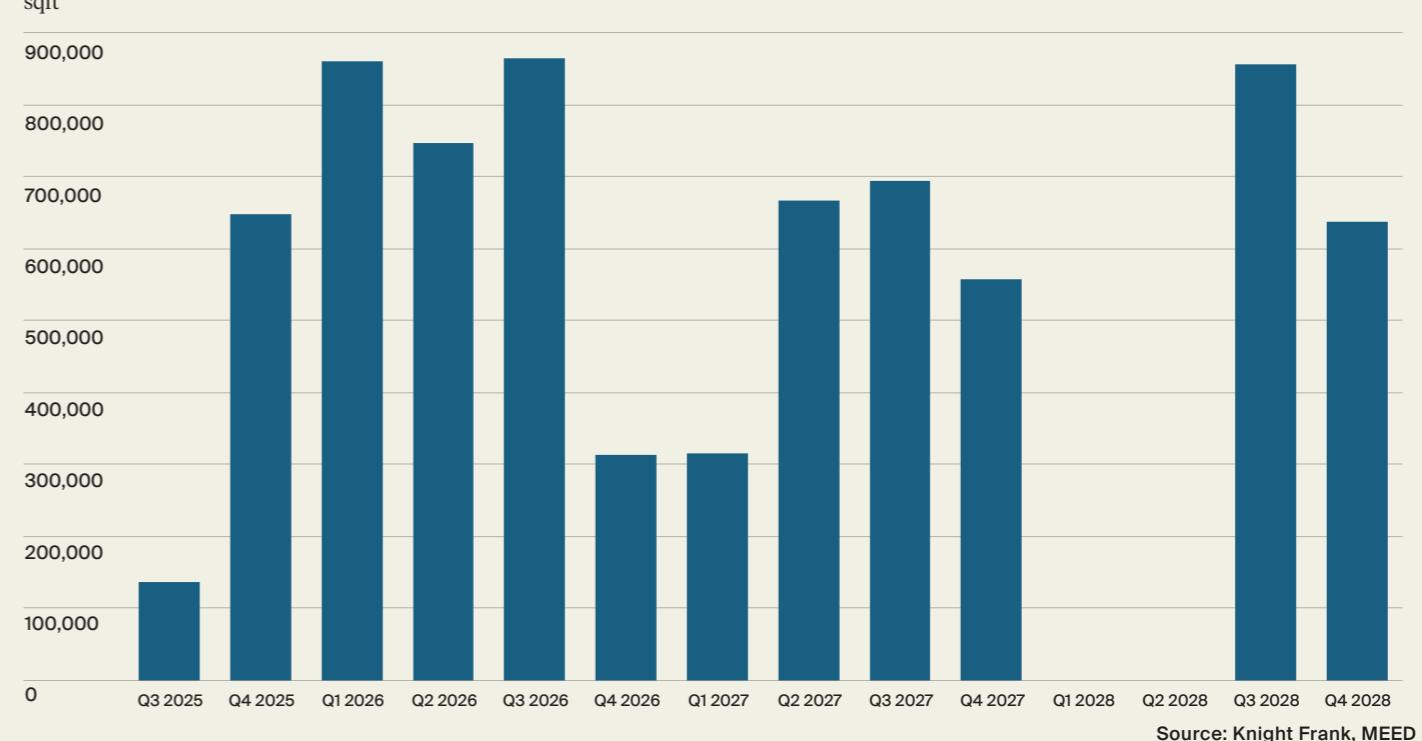
The biggest milestone will be in Q3 2026, with the completion of Phase 1 of Terralogix in Warsan – Dubai's largest private logistics park. This development will introduce much-needed scale and flexibility to the market, with 550,000 sqft due to be completed in Phase 1. The full project will be delivered in three phases, totalling 1.8 million sqft.

Another major milestone is the 1.55 million sqft development planned for NIP by 2028. The Grade A, LEED-certified logistics park will be delivered by Aldar in strategic partnership with DP World. The first phase, comprising 500,000 sqft, is expected to be completed by mid-2026.

As more stock becomes available, we expect the market to gradually shift from a landlord's market to a more balanced environment, giving occupiers more choice and improving pricing transparency.

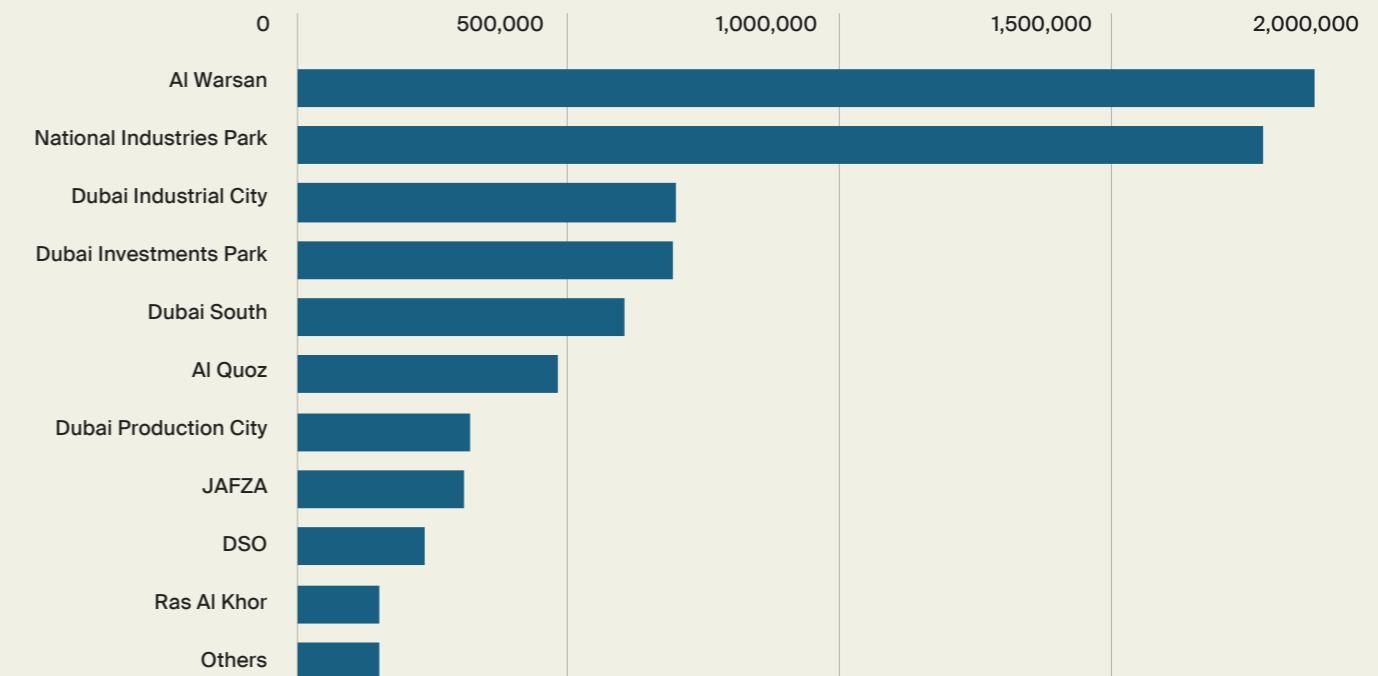


Upcoming market-facing industrial & logistics supply in Dubai in 2025-2029 (GFA)



Source: Knight Frank, MEED

Upcoming market-facing industrial & logistics supply by area in Dubai in 2025-2029 (GFA)



Source: Knight Frank, MEED

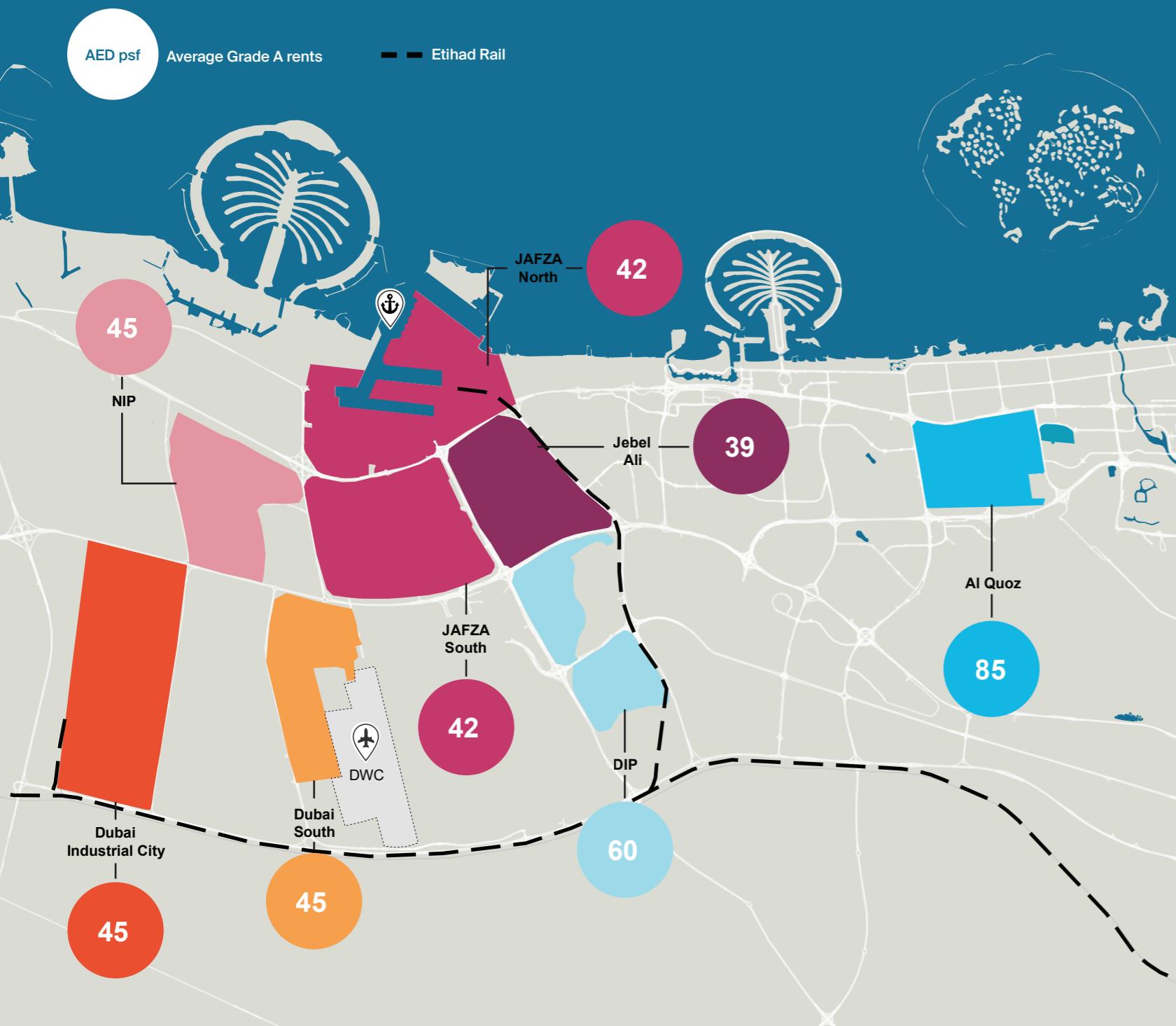
RENTAL PERFORMANCE IN DUBAI

After the sharp increases recorded throughout 2024, rental rates across Dubai's key industrial zones continued their upward trajectory in H1 2025.

Al Quoz remains the highest-priced location, with Grade A rents stable at AED 85 psf in Q2 2025, marking a 31% year-on-year increase. Grade B stock in the same area also held steady at AED 58 psf, up 21% year-on-year. These increases reflect strong occupier appetite for well-located stock and limited availability.

Dubai Investments Park (DIP) saw one of the steepest annual uplifts, with rates rising 33% over the year to AED 60 per sqft, underscoring its position as a key logistics and distribution hub.

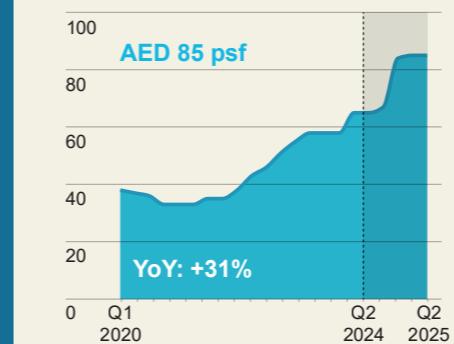
Overall, upward rental pressure remains high, especially in well-established submarkets.



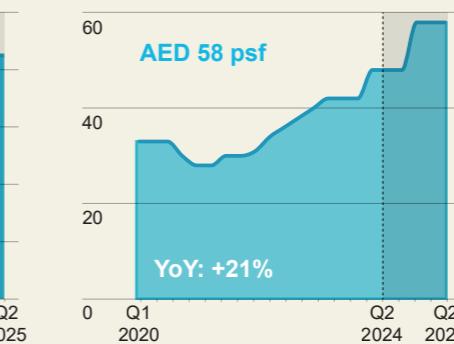
Performance of industrial & logistics rents in Dubai 2020-2025

AED psf

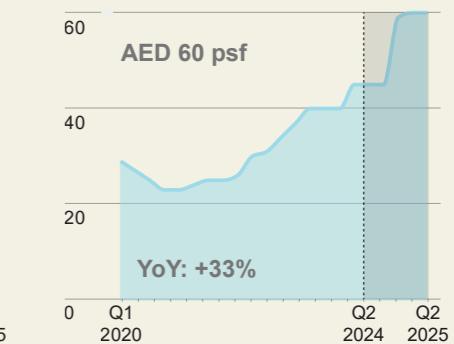
Al Quoz (Grade A)



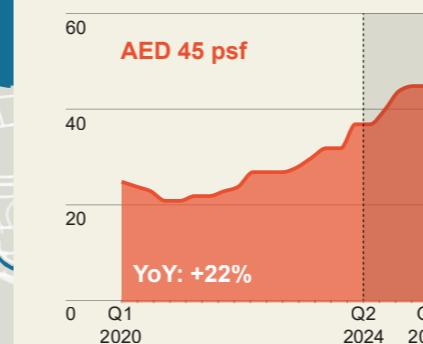
Al Quoz (Grade B)



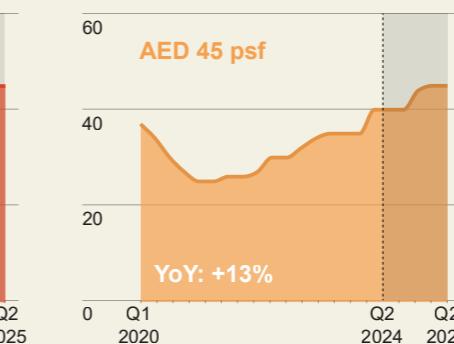
DIP



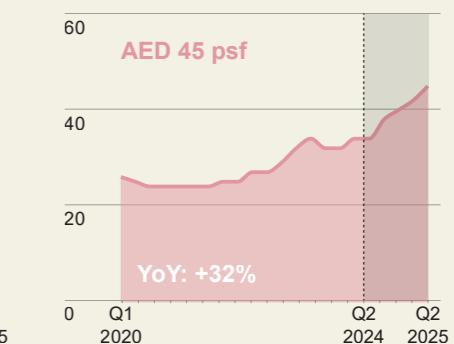
DIC



Dubai South



NIP



JAFZA (Grade A)



JAFZA (Grade B)



Jebel Ali (Grade B)

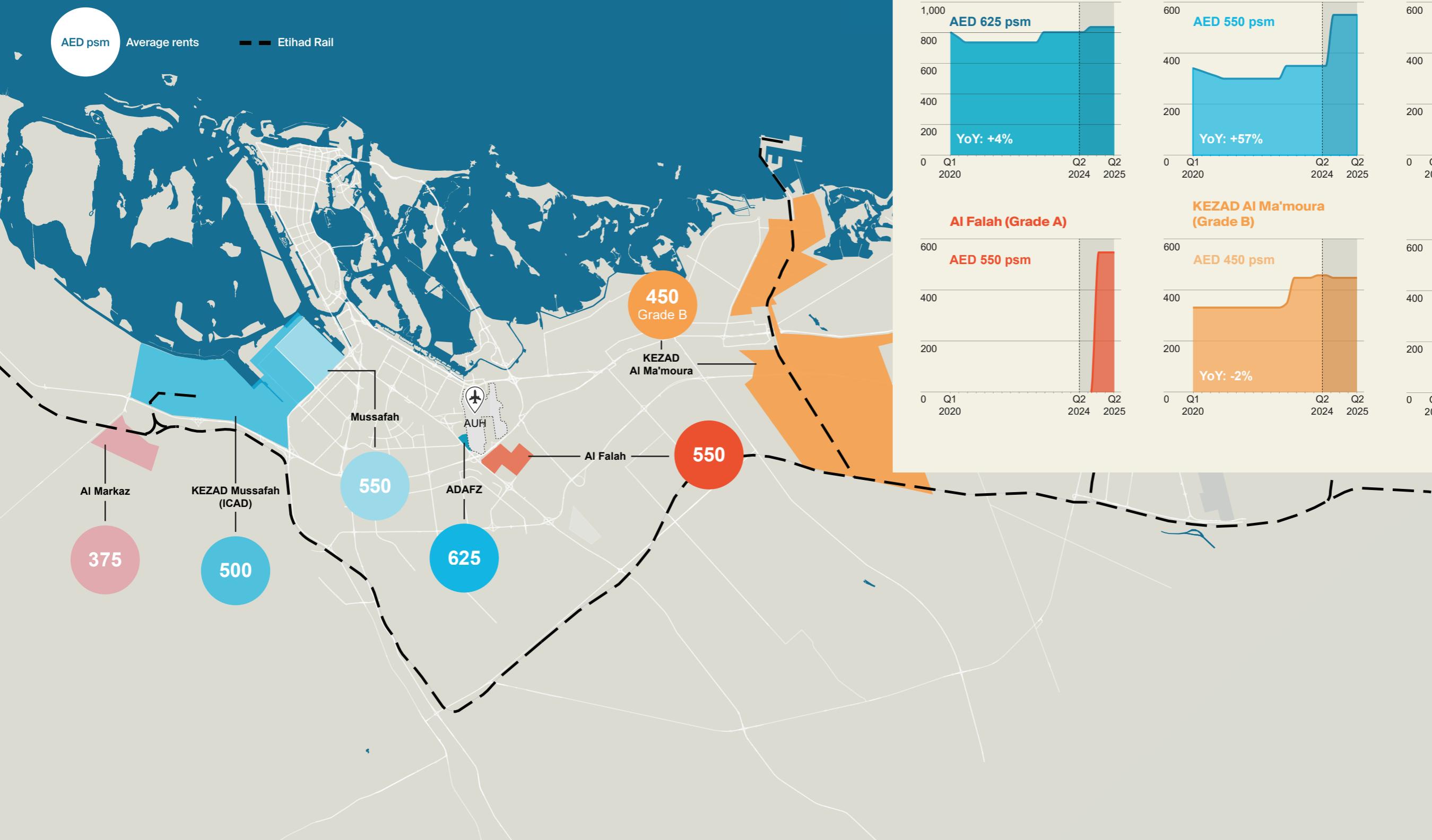


Source: Knight Frank

RENTAL PERFORMANCE IN ABU DHABI

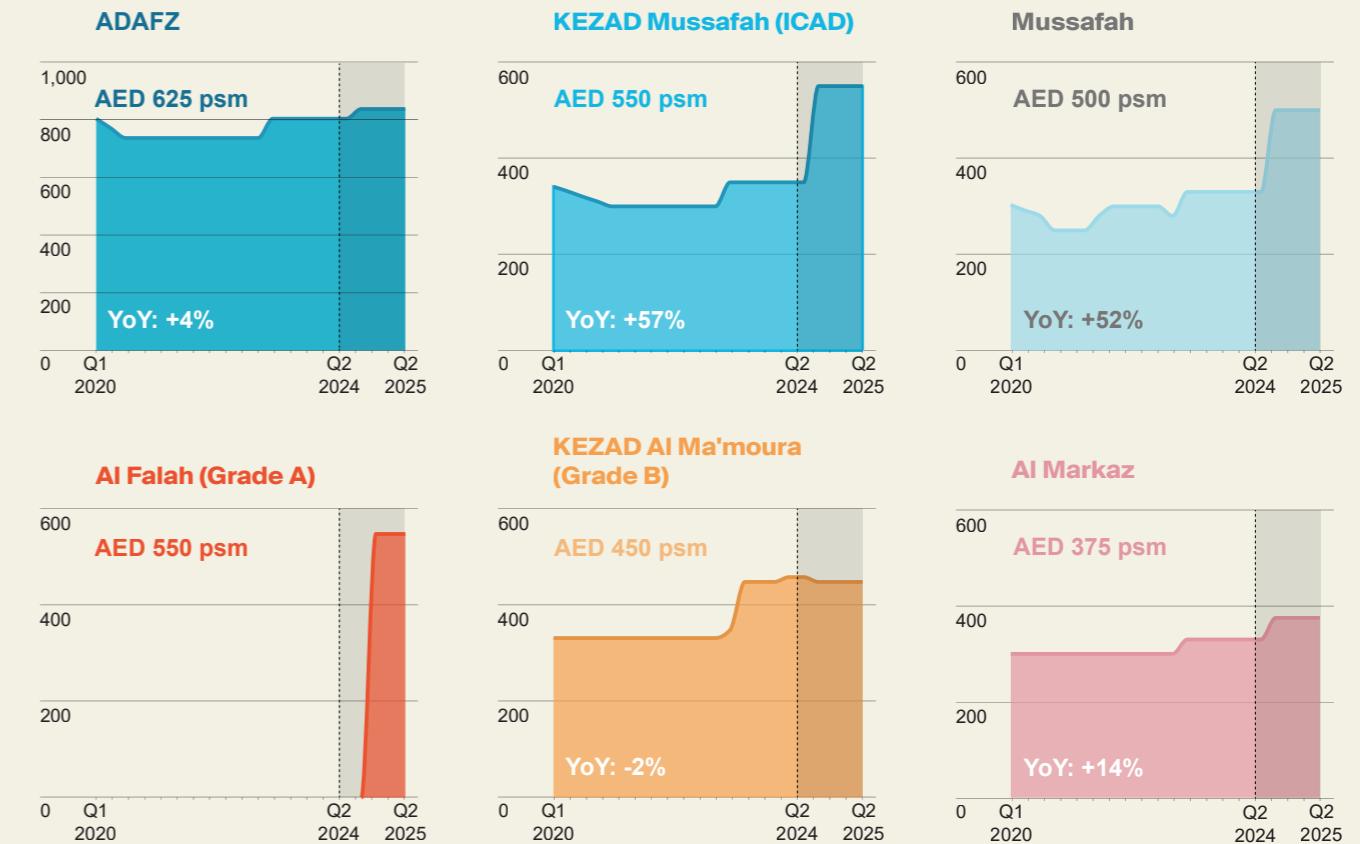
Rental rates across Abu Dhabi's key industrial hubs stabilised in H1 2025 following steep increases recorded during the latter half of 2024. While quarter-on-quarter changes were flat across all the submarkets we monitor, year-on-year growth remains substantial in several locations.

KEZAD Mussafah (ICAD) and Mussafah were standout performers, recording year-on-year rent increases of 57% and 52%, respectively. Al Markaz recorded a 14% year-on-year increase, with rents holding at AED 375 psm in Q2 2025, up from AED 330 psm one year earlier.



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

AED psm



Source: Knight Frank

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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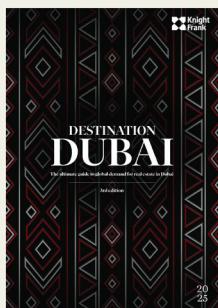
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