News Release

Knight Frank: Dubai industrial demand rises to 12.3 million sq ft during H1 2026 as UAE market begins to rebalance

- **Manufacturing and industry became the largest source of demand in Dubai, accounting for 35.1% of all new requirements**
- **Demand for facilities exceeding 100,000 sq ft rose to 27%, from 7.8% in H2 2025 in Dubai**
- **Dubai South recorded the strongest rental growth in Dubai, rising by 22% year-on-year**
- **More than 10 million sq ft of warehouse space was available across the Northern Emirates**

Dubai, UAE | 29 July 2026: Dubai recorded 12.3 million sq ft of new industrial and logistics requirements during H1 2026, up from 11.5 million sq ft during the same period last year, according to global property consultancy Knight Frank's UAE Industrial and Logistics Market Review – H1 2026.

The increase comes as the UAE's industrial and logistics market begins to move towards a healthier supply-demand balance. Newly completed stock is providing occupiers with greater choice, while rental performance is becoming increasingly differentiated by location and asset quality.

Activity remained strong during January and February, before the start of the regional conflict, which slowed decision-making from March onwards. While transactions already underway continued to complete, some new requirements have been deferred as occupiers reassess costs, supply chains and expansion plans.

Faisal Durrani, Partner – Head of Research, MENA, said: *"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.*

"Rental performance is becoming increasingly fragmented across the UAE's industrial and logistics markets. This reflects a market where occupiers are more selective and where location, specification and value are playing a greater role in determining rental performance. This divergence shows that occupiers are becoming more sensitive to location, building quality and value, with rental performance increasingly determined by the individual characteristics of each submarket.

MANUFACTURING LEADS DEMAND

Manufacturing and industry emerged as the largest source of demand in Dubai during H1 2026, accounting for 35.1% of total requirements. Logistics occupiers represented a further 15.5%, meaning the two sectors collectively accounted for half of all demand.

Demand also shifted towards larger facilities. Warehouses measuring between 10,001 and 50,000 sq ft accounted for 35.5% of requirements, while units between 50,001 and 100,000 sq ft represented 32.2%. A further 27% of occupiers were seeking facilities exceeding 100,000 sq ft, up from 7.8% during H2 2025.

Adam Wynne MRICS, Partner – Head of Commercial Agency, UAE, said: *"The 12.3 million sq ft of new requirements recorded during the first half of the year demonstrates that the market's underlying fundamentals remain strong. However, occupiers are becoming more selective, prioritising efficient, modern facilities in strategic locations while carefully assessing costs and the wider impact of regional disruption.*

"The increase in requirements for facilities exceeding 100,000 sq ft also demonstrates that demand from major manufacturers and logistics operators remains resilient, underscoring the resilience and attractiveness of the UAE's base fundamentals for industrial and logistics operators, despite the ongoing regional hostilities."

RENTAL PERFORMANCE BECOMES MIXED

Rental performance across Dubai varied during H1 2026, with some submarkets continuing to record strong growth while others eased from their late 2025 peaks, according to Knight Frank. Al Quoz remained Dubai's most expensive industrial location, with Grade A rents averaging AED 90 psf, up 6% year-on-year. Dubai South recorded the strongest annual rental growth, rising by 22% to AED 55 psf, while rents in Dubai Industrial City increased by 16%.

In Abu Dhabi, KEZAD Mussafah (ICAD) remained the emirate's most expensive industrial and logistics submarket, with average rents rising by 15% year-on-year to AED 630 psm. Rents in Al Markaz increased by 7% to AED 400 psm.

Knight Frank also recorded more than 10 million sq ft of marketed warehouse availability across the Northern Emirates. Umm Al Thuoob in Umm Al Quwain accounted for 5.2 million sq ft, placing downward pressure on rents, which declined by 18.5% over the last 12 months.

OCCUPIERS REASSESS SUPPLY CHAINS

Disruption to shipping through the Strait of Hormuz has prompted businesses to reassess their supply chains and explore alternative ports and trade routes.

Some businesses are making greater use of ports including Fujairah, Khor Fakkan and Salalah before transporting goods by road into Dubai and Abu Dhabi. Demand for air freight has also increased, particularly among businesses transporting high-value or time-sensitive goods.

SUPPLY SUPPORTS GRADUAL REBALANCING

Dubai's upcoming industrial and logistics supply remains concentrated in 2026, with completions expected to moderate significantly during 2027 and 2028. Longer construction timelines and strong pre-leasing activity are also expected to restrict the volume of immediately available Grade A space.

Knight Frank expects industrial rents in Dubai to find a floor within the next 12 months, with prime rents potentially stabilising during the second half of 2027, assuming the regional conflict is concluded before then.

Maxim Talmatchi MRICS, Partner – Head of Industrial and Logistics, ME, concluded: *"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 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 they have not enjoyed since 2021.*

"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'."

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