

Saudi Arabia Industrial And Logistics Market Review



H2 2024

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 continues to establish itself as a leading industrial hub in the Middle East, driven by strong e-commerce growth, strategic government initiatives, increased foreign and domestic investment, and ongoing infrastructure development. The logistics and warehousing sector's rapid expansion is crucial in this transformation, enhancing the Kingdom's role as a pivotal participant in global trade networks. Saudi Arabia's rising prominence in international commerce is also creating new opportunities in warehousing and advanced logistics services.

Economic growth and investment

In 2024, Saudi Arabia's inflation-adjusted non-oil sector grew by 4% to SAR 2.5 trillion (US\$ 679bn), providing 72% of total GDP. This growth was largely fuelled by fixed capital formation and increased consumer spending.

Saudi Arabia's industrial sector achieved significant growth in 2024, with 1,346 new industrial licences issued and capital investment in newly licensed factories totalling SAR 50bn.

Saudi Arabia has also made significant strides in global competitiveness, climbing 17 places to rank 38th on the World Bank's Logistics Performance Index (LPI) in 2023. This progress reflects the Kingdom's commitment to enhancing its logistics infrastructure and services. Saudi Arabia aims to rank among the index's top 10 countries by 2030.

Government initiatives driving the expansion

The National Industrial Development and Logistics Program (NIDLP) is a key driver of industrial growth. This aims to raise the transport and logistics sector's contribution to GDP to 10% by 2030 from 6% in 2021.

Substantial investments to improve and expand connectivity and trade infrastructure, along with regulatory reforms are helping transform Saudi Arabia into a logistics powerhouse.

Saudi Economic Zones (SEZs) such as the King Salman Automotive Cluster in King Abdullah Economic City (KAEC) and the Riyadh Integrated Special Logistics Zone are another important component of the country's logistics and supply chain development strategy. These zones operate under public-private partnerships, attracting international businesses and strengthening Saudi Arabia's position in global trade networks.

Foreign direct investment (FDI) reforms have created a more open and competitive market, encouraging foreign investors to establish and operate logistics businesses in Saudi Arabia. As a result, multinational corporations are increasingly forming strategic partnerships with local entities, securing major private sector agreements in 2024.

Strategic partnerships and key developments

- Kaden, a Saudi real estate and property development company, has partnered with DB Schenker, a global logistics provider, to expand logistics capabilities in the Kingdom.
- Bahrain's GFH Financial Group (GFH) announced a collaboration with Panattoni Saudi Arabia at the Future Investment Initiative to develop 500,000 sqm of premium logistics facilities.
- Arcapita Group Holdings and Saudi developer Rikaz are jointly developing a 3 million sqm logistics park in Riyadh, The Node, that will be home to regional and global companies. The first phase will include 400,000 sqm of new warehousing space.

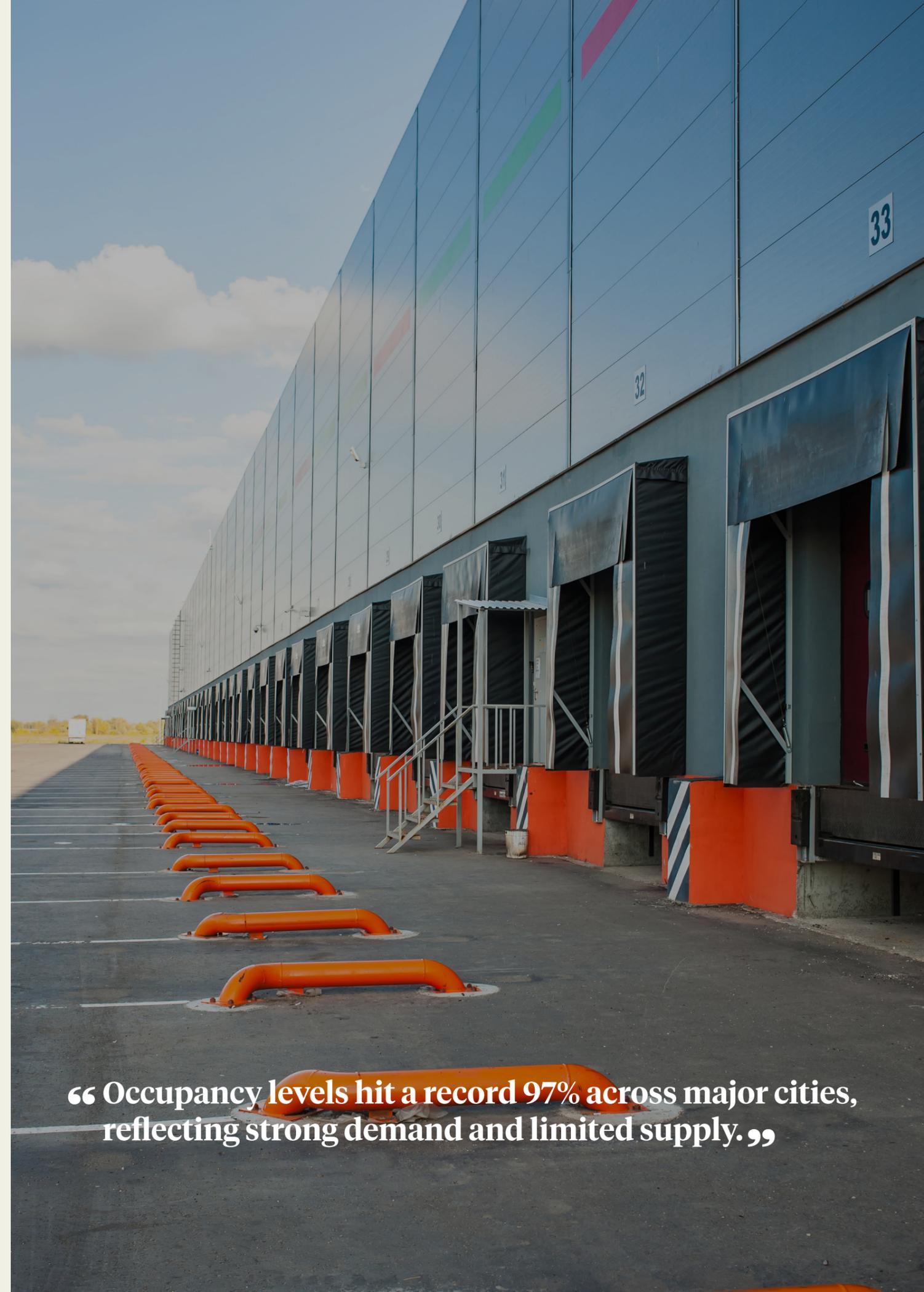
Supply overview

Over the past 12 months, there have been no significant completions in the warehouse and logistics sector. In Riyadh, most warehouse and light industrial developments have been concentrated in the Sulai District, bringing the capital's total stock to more than 28.9 million sqm. Warehouse and logistics space in Jeddah spans 19.8 million sqm, with no major new completions. Similarly, the Eastern Province has seen little change in supply.

Rising rents

Stable supply and rising demand for warehouse and industrial facilities caused a sharp increase in rental prices in 2024. In Riyadh these lease rates increased by rose 16% to SAR 208 psm, while Jeddah's has experienced more modest gains climbed 1.3% to SAR 235 psm. These rates represent the market average for light industrial units and Grade B warehouses, as availability of Grade A facilities is limited across Saudi Arabia.

Occupancy levels hit a record 97% across major cities, reflecting strong demand and limited supply. As Saudi Arabia advances its Vision 2030 strategy, the industrial sector is poised to play a pivotal role in economic diversification and resilience, with a heightened emphasis on sustainability, innovation, and global competitiveness.



“Occupancy levels hit a record 97% across major cities, reflecting strong demand and limited supply.”

Numbers you need to know

Saudi Arabia's industrial sector growth

12,895

Total number of licensed factories in Saudi Arabia

1,346

Number of new industrial licenses issued in 2024

1,075

Number of factories launching production in 2024

SAR 50bn

Total capital of new licensed factories during 2024

44,000

Expected workforce of new factories

39,000

Number of new employees starting work at new factories in 2024

927,000

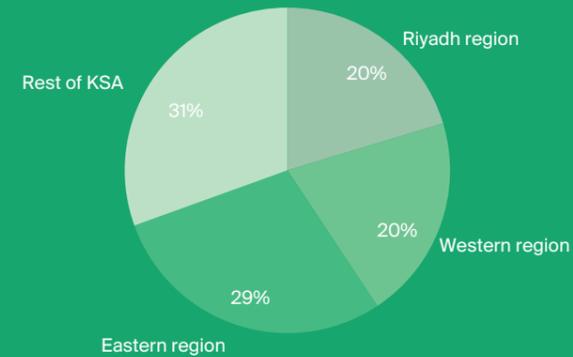
Existing workforce in licensed industrial factories

36,000

Projected number of factories in the Kingdom by 2035

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

Distribution of logistics centres across Saudi Arabia



Logistics expansion targets for 2030

59

Logistics centres

100

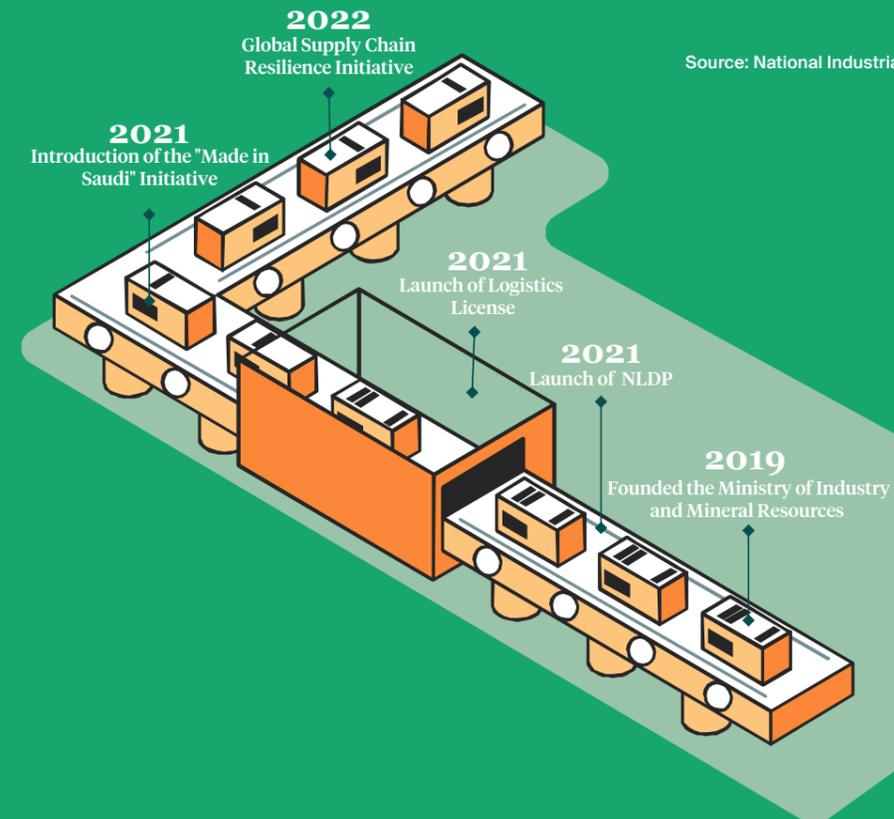
Million sqm earmarked for logistics

10th

Rank globally in the Logistics Performance Index.

Source: National Industrial Development and Logistics Program (NIDLP)

Key government initiatives



Riyadh

E-commerce growth and logistics expansion

Demographic shifts including rapid urbanisation, increased female workforce participation and a tech-savvy Gen Z and millennial consumer base are accelerating the growth of e-commerce sector. This in turn is fuelling demand for warehousing and logistics facilities. Simultaneously, Saudi Arabia's giga-projects and the localisation of manufacturing are anchors for the country's economic diversification efforts, which is increasing demand for modern storage and distribution facilities.

The 3-million-sqm Special Integrated Logistics Zone (SILZ) was launched to reinforce supply chain resilience. This strategic hub offers leasing opportunities for light industrial activities and has already attracted major retail and precious metal refining companies such as SHEIN, Valcambi, Ajlan & Bros and Apple Inc.

Saudi Arabia's deepening trade ties with China have led to the launch of the Sino-Saudi Logistics Zone, a special economic zone spanning 4 million sqm which, like SILZ, is located at Riyadh's King Salman International Airport. This initiative aims to strengthen cross-border investment and trade with China by integrating a light industrial park and a commercial park.

Growth in the logistics and industrial market

Government-backed entities such as MODON and various PIF-linked organisations continue to drive expansion across key industrial zones, fostering a growing interest and investment appetite among private sector players. While no major completions were recorded in 2024, several high-value agreements (detailed below), will enable a robust future expansion over the next four years. The sector is expected to be increasingly steered by built-to-suit developments, catering to the specialised requirements of high-growth industries.

In the southern Taibah area, we forecast a 50% increase in leasable supply over the next three years as developers respond to heightened demand in the region. The under-construction Tamer Logistics Park, a 200,000 sqm facility in Sulay district, is tailored towards the pharmaceutical and consumer goods sectors. The nearby Agility Logistics Park will add a further 100,000 sqm of Grade A logistics space to the market in 2025.

Investor interest is intensifying in eastern Riyadh, where Riyadh Development Company (ARDCO) and Kuwait's Agility Logistics Parks (ALP) have signed a strategic partnership to develop a 58,000 sqm state-of-the-art warehousing facility in Rimal District, benefiting from its strategic proximity to Riyadh's dry ports.

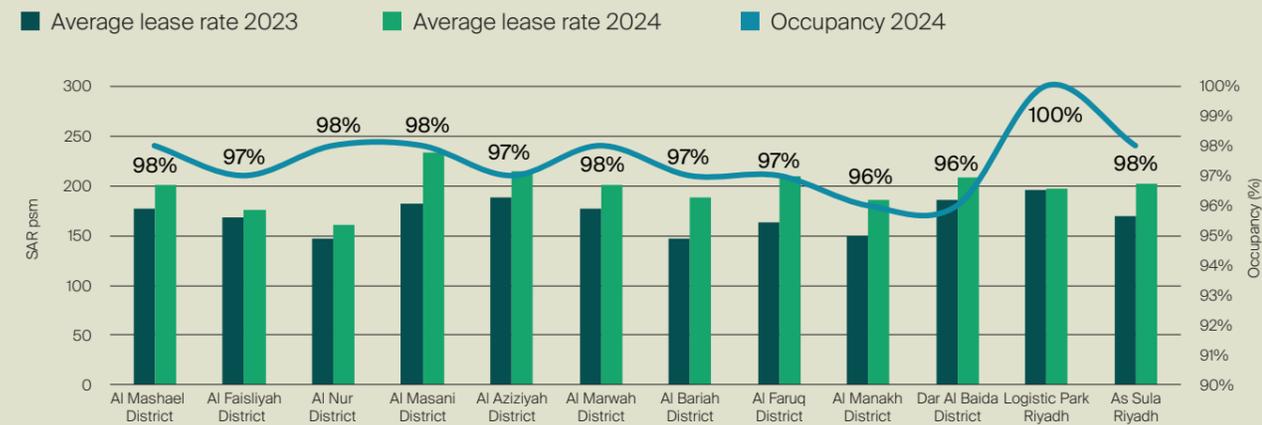
Leasing activity remains strong across most of Riyadh's submarkets, with supply expected to expand in the north and east in response. However, this influx of new stock is unlikely to offset rising rents in the south, where demand remains elevated.

Rising headline rents

Despite a slowdown in demand during the second half of the year, city-wide rental rates increased by 16% year-on-year, reaching SAR 208 psm, as overall occupancy reached 98%. Prime properties commanded premium rates exceeding SAR 250 psm, while lower-quality stock in Al Faisaliyyah and Al Noor recorded more subdued rental growth of 4-5%, as landlords prioritised filling vacant space.

Conversely, ready-built warehouses in Al Masani, Al Bariah, Al Faruq and Al Manakh achieved annual rental growth of over 20% in 2024, reflecting strong demand. Al Sulai, the largest warehouse market in Riyadh, also witnessed significant leasing activity, though rental growth was slightly below 20%, constrained by persistently high occupancy levels.

Riyadh - Lease rates and occupancy

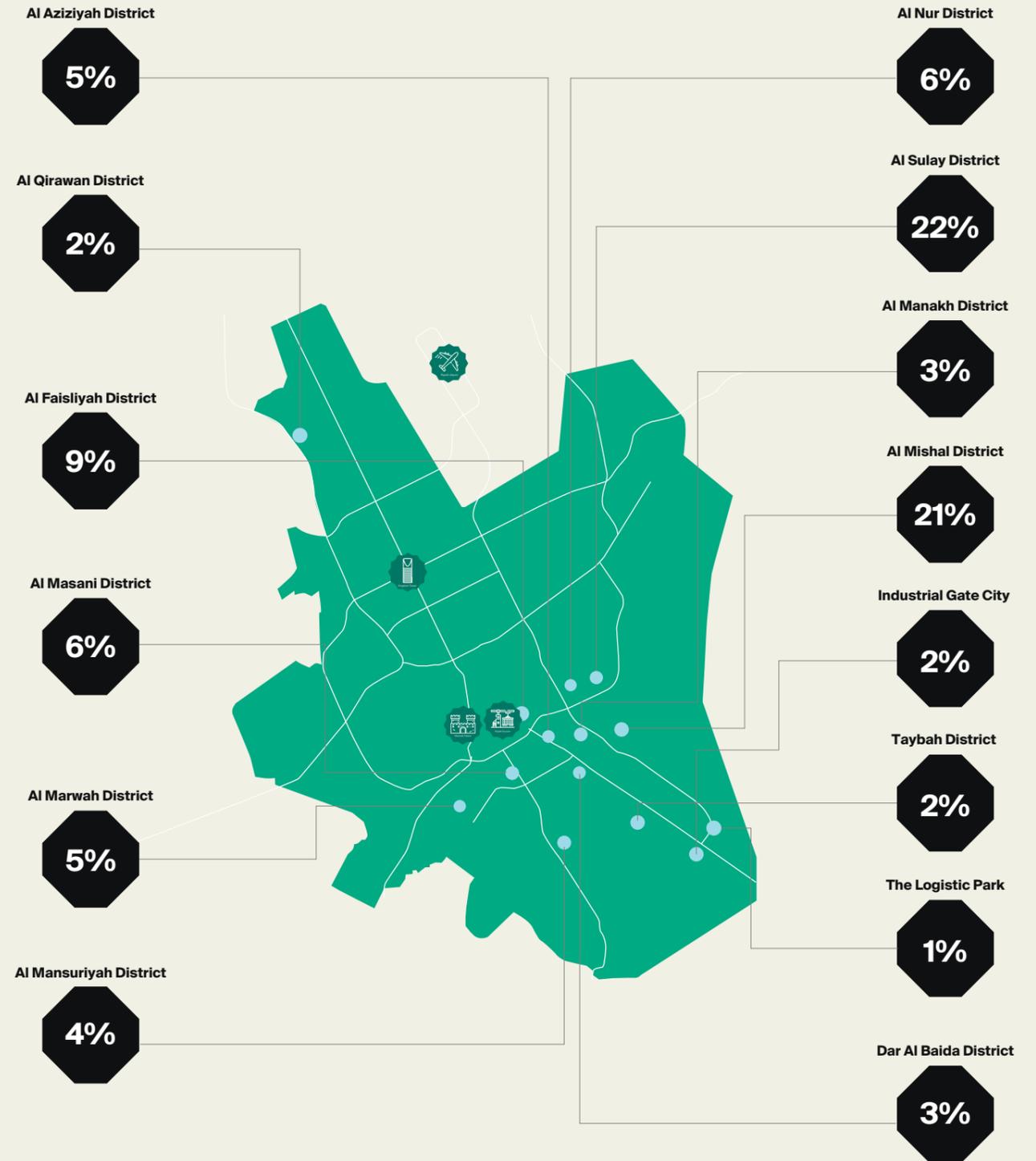


Source: Knight Frank

Overview of Riyadh's warehouse and logistics market

Total leasable area
28.9 million sqm

Population
7.7 million



Note: Bubbles indicate proportion of Riyadh's total industrial and logistics leasable space

Source: Knight Frank

Jeddah

Rising supply

Jeddah's strategic location along the Red Sea and proximity to key seaports continues to sustain strong warehouse demand, with an impressive 97% citywide occupancy rate. However, unlike Riyadh's rapid expansion, Jeddah's industrial and logistics sector has experienced more measured growth.

During H2 2024, warehouse and logistics supply in Jeddah remained at 19.8 million sqm, with no significant new completions recorded.

Despite the absence of major project completions over the past six months, the development pipeline is expected to drive a 15.5% increase in warehouse supply by 2030.

Jeddah's expanding logistics hub

A substantial portion of Jeddah's upcoming warehouse development is concentrated in Al Khomrah, where Jeddah Chamber of Commerce and Industry (CCI) and Mawani are spearheading a build-to-lease integrated logistics park spanning 1.6 million sqm, set for completion by 2026.

Meanwhile, Jeddah Islamic Port continues to attract large-scale investments, including Maersk's logistics park, designed to support trade efficiency, and LogiPoint's new facilities within Zahid Business Park, which features sustainable, energy-efficient infrastructure, including solar-powered warehouses.

The Al Khomrah district remains the city's dominant logistics hub, accounting for approximately 82% of Jeddah's total warehouse space. Smaller warehouse developments throughout 2024 have further reinforced Al Khomrah's role as the primary logistics corridor, benefiting from strategic connectivity to Jeddah's industrial zones and seaports.

Modern warehouses driving demand

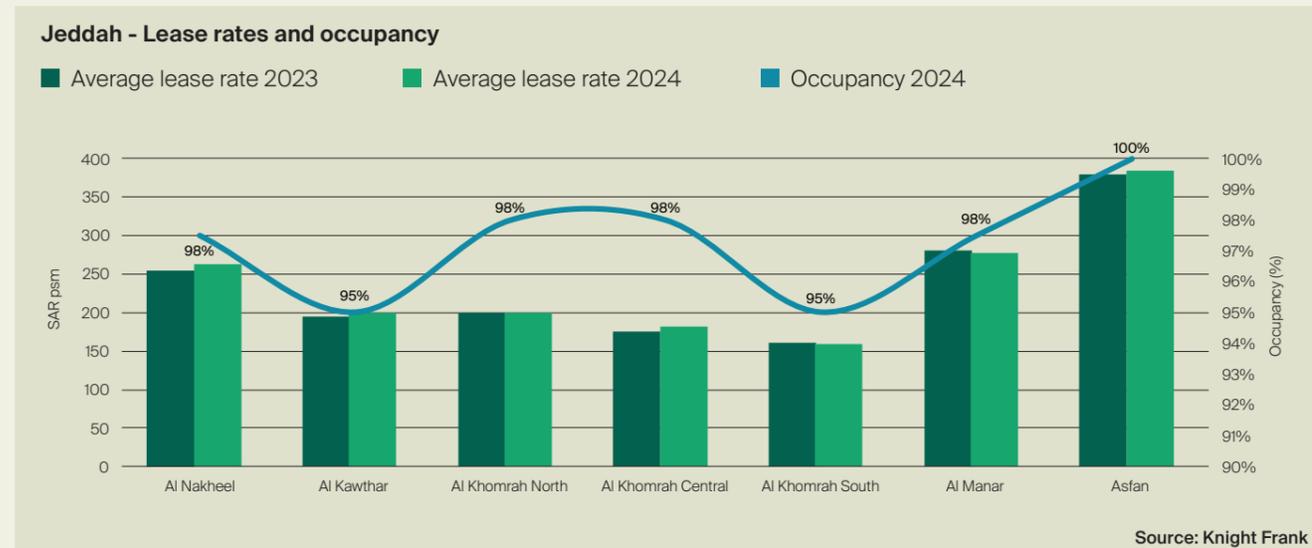
Jeddah's aging warehouse stock has traditionally been viewed as lower quality, with recent high-specification developments further reshaping the demand landscape. New facilities align with international standards, incorporating advanced racking systems, higher ceiling heights, and improved temperature-controlled environments, while attracting new demand.

This shift is attracting global logistics businesses, with companies such as Amazon establishing a fulfilment centre at Jeddah Islamic Port, for instance, signalling strong demand for modern infrastructure.

Rising lease rates and high occupancy levels

Jeddah's warehouse sector remains resilient, with lease rates for light industrial units and Grade B warehouse facilities increasing by 1.3% to SAR 238 psm in 2024, while maintaining a high occupancy rate of 97%.

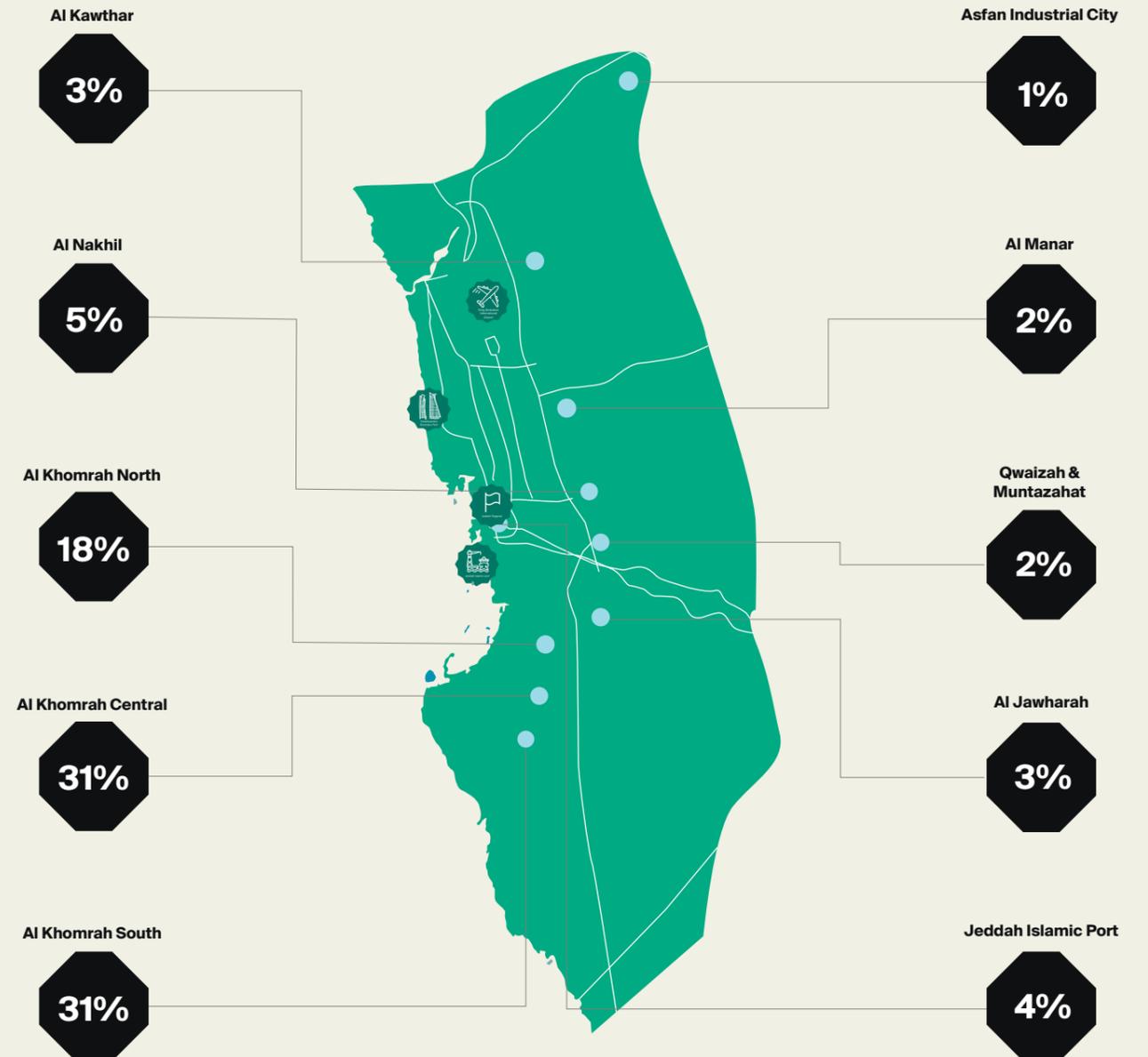
Al Khomrah continues to dominate as the city's primary logistics hub, with lease rates averaging SAR 179 psm. Asfan commands Jeddah's highest lease rates at SAR 387 psm, maintaining 100% occupancy, while Al Kawthar, with 95% occupancy, highlights sustained demand across the city.



Overview of Jeddah's warehouse and logistics market

Total leasable area
19.8 million sqm

Population
4.35 million



Note: Bubbles indicate proportion of Jeddah's total industrial and logistics leasable space

Source: Knight Frank

Dammam Metropolitan Area (DMA)

A shortage of supply

DMA remains a strategic logistics hub on the Kingdom's Arabian Gulf coast, benefiting from its proximity to major oil operations and King Abdulaziz Port, which plays a critical role in regional and international trade routes. Beyond logistics, DMA has also emerged as a major industrial centre, aligning with Saudi Arabia's economic diversification plans. Its industrial prominence is further reinforced by key developments such as King Salman Energy Park (SPARK).

Despite its growing importance, warehouse space in the Eastern Province remains in short supply, with demand consistently outpacing availability. This persistent shortage has been exacerbated by a cautious approach from landowners, who have been hesitant to engage in speculative development due to limited experience in delivering specialised assets tailored to market needs.

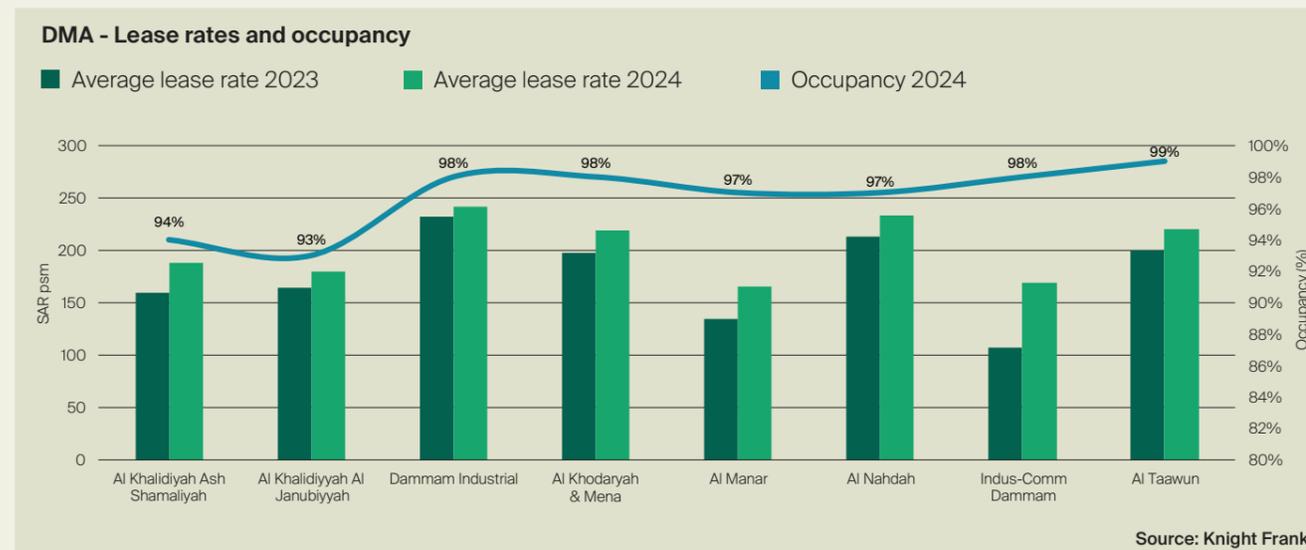
As of 2024, warehouse and logistics stock in DMA stood at nearly 8 million sqm. Master-planned projects such as Scope 1, Scope 2, Dhahran Warehouses Schemes A & B, and the Tanwea plans are set to introduce over 4 million sqm of investment-ready land, driving the emergence of new submarkets near Dammam's Second Industrial City.

Further bolstering the region's supply chain infrastructure, Mawani and the Sharqia Development Authority have announced investment deals ranging from SAR 35 million to SAR 150 million to develop logistics centres in and around King Abdulaziz Port. These projects will collectively add more than 8 million sqm of dedicated logistics space. Additionally, a 135,000 sqm full-service logistics park in Al Khalidiyyah Al Janubiyah is under development, featuring 28 industrial plots to accommodate growing demand.

Double digit rental growth

DMA has witnessed robust rental growth, driven by rising demand and constrained supply. In 2024, warehouse rents increased by 14.8% year-on-year to SAR 202 psm.

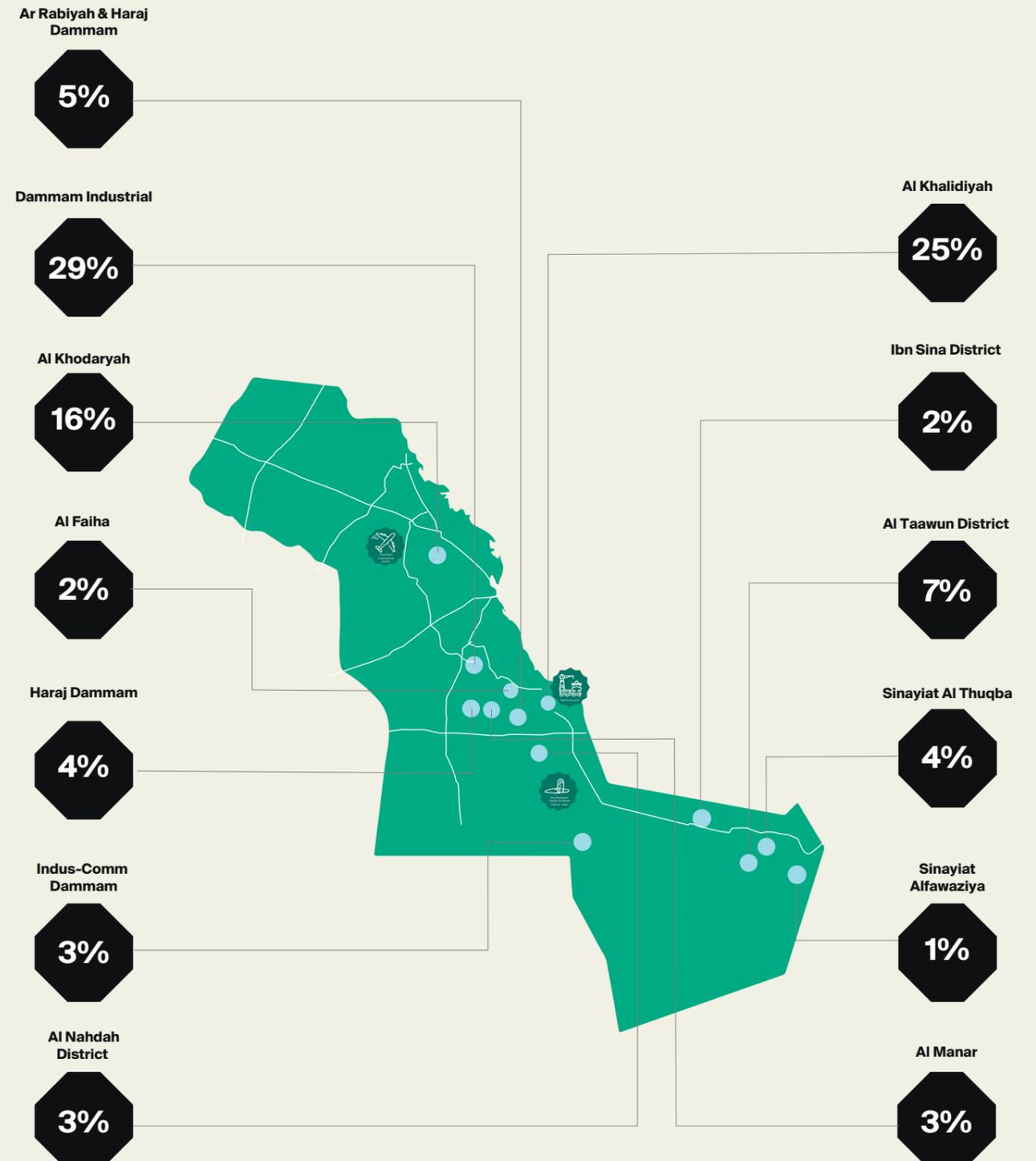
Occupancy rates also remained high at 97%. The shortage of high-quality logistics space has placed upward pressure on lease rates, particularly in premium districts located near major transport links and industrial zones.



Overview of DMA's warehouse and logistics market

Total leasable area
8.0 million sqm

Population
2.2 million



EXPERT INSIGHTS

Evolving opportunities in Saudi Arabia's industrial and logistics market

Saudi Arabia's industrial and logistics sector is evolving rapidly, driven by technological advancements, sustainability initiatives, and international collaborations. As the Kingdom pursues its Vision 2030 agenda, key trends such as build-to-let models, automation, and cross-border investments are shaping the market, unlocking new opportunities for growth.

Shifting towards build-to-let and 3PL solutions

The logistics sector is transitioning from owner-occupied warehouses to build-to-let and third-party (3P) solutions, as companies prioritise cost efficiency and operational flexibility. MODON is playing a key role in enabling this shift by supporting customized industrial spaces that cater to evolving business needs. This transition is improving supply chain resilience and enhancing overall market efficiency.

Sustainability and digital transformation

Sustainability has become a major market driver, with companies integrating on-site renewable energy, LEED and EDGE-certified buildings, and decarbonisation initiatives. Leading firms like Maersk and Agility Logistics are pioneering green infrastructure, leveraging solar power and energy-efficient warehousing to meet environmental goals.

The post-pandemic e-commerce boom has accelerated digital transformation, increasing the adoption of automation, robotics, and advanced inventory management software. These technologies are redefining Grade A warehouse standards, making them more competitive versus older facilities. Government initiatives such as the Future Factories Program and MODON's digitisation grants are further incentivising smart industrial development.

International investments reshaping the market

Public-Private Partnerships (PPPs) and international collaborations are bringing new technologies and raising industry standards. Recent investments include Saudi-India industrial partnerships, aimed at boosting cooperation in mining, manufacturing, and renewable energy. Additionally, Saudi Arabia has extended formal investment invitations to Chinese firms, strengthening its global trade footprint in electric vehicles, renewable energy, and industrial automation.

Building a skilled workforce

Workforce nationalisation is gaining traction, with programs such as the Saudi Logistics Academy ensuring that local talent is equipped with the necessary expertise to support the sector's growth. At the same time, companies are working closely with stakeholders to design and develop industrial assets that align with operational and brand requirements.

Saudi Arabia as a logistics leader

With sustained government backing, strong investor confidence, and a commitment to sustainability and innovation, Saudi Arabia is on track to become a regional logistics powerhouse. The integration of global expertise, modern infrastructure, and green initiatives will be critical to the Kingdom's long-term success in the industrial and logistics landscape.



Adam Wynne

Partner - Occupier/Landlord Strategy & Solutions



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