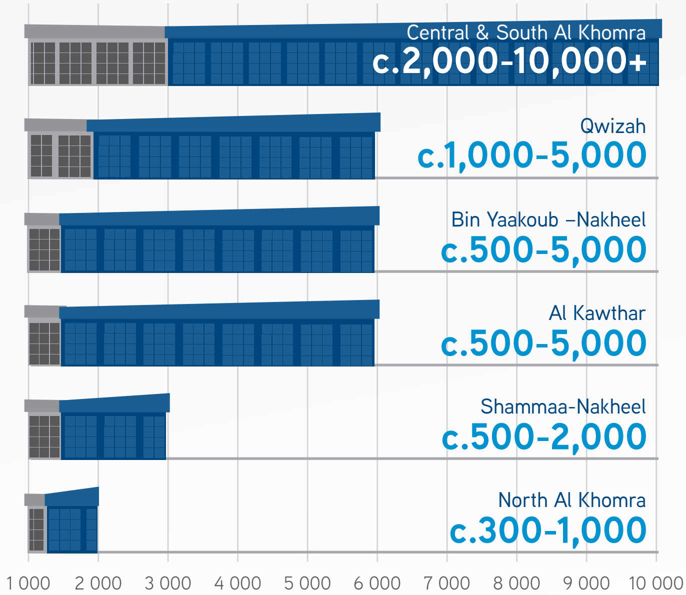
Prevailing Trends

Typical warehouse size by district (sqm)



Source: Colliers International, 2015

Trend Spotlight

"Districts concentrated on the southern outskirts of the city primarily feature large and mid-sized warehouses used by prominent commerce and trading companies as their central storage units. Conversely, industrial districts situated within close vicinity to population / work centres generally feature small warehouses catering mainly to demand generated by distributors, retailers, and workshop owners."

Sector Trends:

The construction, automotive, retail and public sectors are the major drivers of demand for warehouses and L&D (logistics & distribution) facilities in Jeddah as the majority of existing occupiers relate to these sectors.

Mixed-use warehouse developments that feature office-warehouse or retail-warehouse are very limited in Jeddah and are principally concentrated in the Nakheel submarket.

Unlike other major logistics hubs globally or regionally, warehouses in Jeddah offer limited options in terms of specifications, finishing quality, variety of offerings, support services, automation etc. However, it is considered more advanced and larger in size relative to other Saudi cities.

In recent years we have seen developers commence work on warehouse developments of a significant size, in contrast to the smaller warehouse projects that were typical in the past. However, these projects are mainly concentrated in the central and southern districts of Al Khomra due to availability of reasonably priced and large parcels of vacant land.

Speculative warehouses continue to dominate the market, where developers construct projects without securing a tenant. Built-to-suit and pre-let arrangements continue to be very limited, with the majority of supply comprising owner occupied premises.

Demand Drivers

Demand Drivers of Industrial & Warehouse Space

"The construction, retail, and automotive sectors will continue to account for the majority of demand for warehouse space and manufacturing land in Jeddah."

	FACTOR	IMPLICATION
RETAIL	› High purchasing power › Growing, young population › Positive consumer confidence	Drives demand for bulk and small warehouses and L&D facilities as well as manufacturing industrial land
AUTOMOTIVE	› Car sales expected to reach 1 million by 2020 › 65% of population fall under the age of 35 years › Low fuel cost	Stimulates demand for warehouses, open yards, and mixed-use featuring showrooms, storage (for spare parts) and workshops (for maintenance)
CONSTRUCTION	› Shortage in housing units › Several large-scale infrastructure & transportation projects	Increases demand for manufacturing industrial land and warehouses, workshops, and project support centres

Source: Colliers International, 2015

Future Trends

Short-term

Low quality warehouses are expected to receive less attention in the coming years as prospective tenants will likely favour better designed, sustainable, high quality premises.

Professional developers will likely target the industrial sector in Jeddah in the near term, as market activities in other real estate sectors, such as residential segment are currently slowing down, due to the recent tax imposed on white land.

Medium-term

As tenants increasingly opt for showrooms/warehouses with good access and visibility, it is anticipated that well located mixed-use development projects will drive demand in the medium-term.

It is also anticipated that there will be more developments of large-scale Built-to-suit (BTS) warehouse and L&D on a pre-let basis as this sector is currently undersupplied. This will likely create new opportunities for professional developers.

Long-term

The potential future growth of e-commerce is expected to become a major driver of change in the logistics sector. This fundamental shift will likely create a wave of demand for new types of logistics facilities. However, the Saudi e-commerce sector is still nascent and is expected to develop slowly.

Once King Abdullah Port reaches its targeted capacity and the Industrial Valley becomes fully operational and developed, King Abdullah Economic City will rival Jeddah as a prominent logistics base drawing demand for transhipment, export and re-export business as well as large-scale warehouse and logistics projects.

The landscape of the industrial sector in Jeddah will witness a structural change characterized by three stages.

1. Stage one will be characterized by the entry of professional developers to the market and tenants are expected to start favouring sustainable and higher quality products.

2. Stage two will see the emergence of mixed-use projects and large BTS logistics facilities.

3. Finally, in stage three, the e-commerce sector will emerge and KAEC will begin to rival Jeddah as a prominent logistics base. However, Jeddah Islamic Port is expected to continue leading in import and export trade given its proximity to a large customer and population base.

502 offices in
67 countries on
6 continents

$2.3 billion
in annual revenue

over **16,300**
professionals

5,700 brokers

$97 billion
in transaction volume across more than 84,000 sale and lease transactions

over **1.7 billion**
square feet under management (excluding residential properties)

For further information, please contact:

Ian Albert
Regional Director, Middle East
MAIN +971 4 453 7400
ian.albert@colliers.com

Imad Damrah
Managing Director, Saudi Arabia
MAIN +966 11 273 7775
MOBILE +966 50 417 2178
imad.damrah@colliers.com

Khalid Smadi
Director, KSA Western Region
MAIN +966 12 610 5900
MOBILE +966 55 999 7365
khalid.smadi@colliers.com

Mhd-Haydar Kouzbari
Associate Manager
MAIN +966 12 610 5900
MOBILE +966 50 7322277
haydar.kouzbari@colliers.com

Colliers International
P.O Box 5678
Riyadh 11432
Kingdom of Saudi Arabia

Colliers International Middle East

Colliers International has been providing leading advisory services in the Middle East and North Africa region since 1996, and in Saudi Arabia since 2004. Regarded as the largest and most experienced firm in the region, Colliers International's expertise covers Hospitality, Residential, Industrial, Commercial, Retail, Education and Healthcare sectors together with master planning solutions, serviced from the five regional offices.

Colliers Research Services Group is recognized as a knowledge leader in the real estate industry, providing clients with valuable market intelligence to support business decisions. Colliers' research analysts provide multi-level support across all property types, ranging from data collection to comprehensive market analysis.

www.colliers.com

Colliers INTERNATIONAL

Accelerating success.