
Joint Venture Logistics Hub Saudi Arabia

GCC Supply Chain Infrastructure Investment

Sector: Logistics | Deal Type: Joint Venture

Location: Riyadh, Saudi Arabia

Investor: European Logistics Group

Report ID: GCI-2026-03-WTIDR8 | March 2026

STRICTLY CONFIDENTIAL

Investment Conviction Report | March 2026

Key Investment Metrics

SAR 85M	Month 20	38%	SAR 28M
INVESTMENT	BREAKEVEN	EBITDA MARGIN	YR3 EBITDA

PROCEED

SECTION 01**EXECUTIVE SUMMARY**

Gulf Capital Intelligence presents this conviction report on a proposed joint venture to establish a Class-A logistics and distribution hub in the Riyadh Industrial City (MODON Zone 2). The European logistics group will hold a 60% operating stake; the Saudi partner (a licensed MODON industrial developer) will contribute land and regulatory facilitation for a 40% equity position.

Saudi Vision 2030 has placed logistics infrastructure at the centre of its diversification agenda. NEOM, Red Sea Project, and giga-project supply chain demand is creating sustained structural demand for bonded warehousing, cold chain, and last-mile distribution capacity. The Riyadh Industrial Belt currently operates at 94% warehouse utilisation, creating immediate absorption potential for new Class-A supply.

SECTION 02

INVESTMENT OVERVIEW

The joint venture will develop and operate a 45,000 sqm Grade-A logistics facility on a 120,000 sqm land parcel in MODON Zone 2, Riyadh. Phase 1 (25,000 sqm) targets completion in Q3 2027. Phase 2 expansion is contingent on Phase 1 achieving 80% occupancy, expected within 12 months of opening.

Total JV investment: SAR 85M (Phase 1). European partner equity contribution: SAR 51M. Saudi partner contribution: land valued at SAR 34M (independent valuation). Funding structure: 40% equity, 60% SIDF-backed project finance at a blended rate of 4.2%. Revenue model: long-term anchor tenants (3-5 year leases) supplemented by short-term flex space and value-added services (customs clearance, cold chain, cross-docking).

SECTION 03**MARKET CONTEXT**

Saudi Arabia's logistics sector is projected to grow from SAR 60B in 2024 to SAR 95B by 2029 (CAGR 9.6%), driven by e-commerce penetration growth, giga-project construction logistics, and Vision 2030 industrial output targets. Grade-A warehouse supply in Riyadh totals approximately 3.2M sqm, with net absorption of 320,000 sqm annually over the past three years. Vacancy rates have compressed to 6% across the Riyadh industrial belt.

Anchor tenant interest has been confirmed in preliminary discussions with two multinational FMCG distributors, one e-commerce fulfilment operator, and one cold chain medical supplies company. Combined indicative space requirement from these four operators: 18,000-22,000 sqm, representing 72-88% of Phase 1 capacity. These discussions are non-binding but reflect genuine market demand.

SECTION 04**REGULATORY AND JV STRUCTURE**

Foreign investment in Saudi logistics and warehousing is permitted under the Ministry of Investment (MISA) general foreign investment licence. The JV structure (Saudi entity with foreign majority ownership) requires MISA approval, estimated 60-90 days from application. MODON industrial zone regulations permit the proposed land use without special dispensation.

The JV agreement must comply with Saudi Companies Law (Royal Decree M/3 of 2022). Key structural requirements: minimum 25% Saudi director representation on the board, Saudi nationals as statutory auditors, Zakat filing as a Saudi juridical entity. SIDF project finance requires environmental impact assessment and MODON zone compliance certification before drawdown. Both requirements are standard for Class-A industrial developments and do not represent novel regulatory risk.

SECTION 05**FINANCIAL MODEL**

Base case assumptions: 75% occupancy Phase 1 in year 1, 88% in year 2. Blended lease rate SAR 260/sqm/year (year 1) escalating at 4% annually. Value-added services contribution: 18% of total revenue. Year 1 revenue: SAR 38M. Year 3 revenue: SAR 58M. EBITDA margin 38% stabilised. IRR (European partner equity): 19% over 7-year hold.

Downside scenario (65% occupancy, SAR 240/sqm): IRR 13%, positive EBITDA from year 2, breakeven month 26. Upside (95% occupancy, SAR 280/sqm with anchor tenants): IRR 24%, breakeven month 16. SIDF financing covenant requires minimum 1.4x DSCR from year 2. Base case generates 1.85x DSCR, providing 32% headroom above the covenant threshold.

SECTION 06

RISK MATRIX

Risk Factor	Level	Assessment
Anchor tenant execution	HIGH	Preliminary discussions are non-binding. If two of four anchor prospects do not convert, occupancy in year 1 falls to 50%, pushing DSCR below covenant level. Mitigate with signed LOIs before construction start.
SIDF approval timeline	MEDIUM	SIDF project finance approval can extend to 4-6 months with technical review. Ensure equity bridge financing facility is in place before construction commitment.
Construction cost escalation	MEDIUM	Saudi construction cost inflation running at 7-9% annually. Fixed-price EPC contract with Saudi contractor is essential. Budget 12% contingency above base EPC estimate.
JV governance risk	LOW	40/60 split requires robust JV agreement on deadlock resolution, profit distribution, and exit mechanics. Engage Saudi legal counsel experienced in MISA-registered JVs.
Giga-project delay	LOW	Vision 2030 projects are subject to reprioritisation. However, the core e-commerce and FMCG demand base is project-independent and provides a floor on demand.

SECTION 07

DILIGENCE ACTIONS

- 1 Signed LOIs from anchor tenants:** Do not commit to construction start without signed letters of intent from at least two anchor tenants covering a minimum of 14,000 sqm. This de-risks the SIDF DSCR covenant from day one.
- 2 MISA licence application:** File the MISA foreign investment licence application immediately. 60-90 day approval timeline is the critical path item for the project schedule.
- 3 SIDF term sheet:** Obtain a SIDF indicative term sheet before finalising the JV agreement. Confirm DSCR covenant levels, drawdown conditions, and repayment schedule.
- 4 EPC contractor selection:** Issue tender to three Saudi-registered EPC contractors with Class-A logistics experience. Fixed-price contract with liquidated damages for delay is essential given the anchor tenant LOI timeline dependencies.

DISCLAIMER**Important Notices**

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All financial projections, return estimates, and market size figures are directional and based on assumptions stated within this report. Actual outcomes may differ materially from projections. Regulatory and tax positions described are based on publicly available information current as of the report date and require verification with qualified UAE and GCC advisors before any capital commitment.

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