



No. 42 | Second Half of 2018

# NATAM REPORT

Offices, Industrial / Logistics, Retail, Investments

**Natam**

# No. 42

Introduction .....	3
Survey of Office Market in the Tel Aviv Area .....	4
Survey of Office Market in the Periphery of Tel Aviv .....	6
Survey of Office Market in Haifa and the Northern Region .....	8
Survey of Office Market in Jerusalem .....	10
Survey of Office Market in Beer Sheva .....	12
Survey of Industrial and Logistics Buildings .....	13
Survey of Income Bearing Real Estate Market - A view towards 2019 .....	14

# Introduction

## Principles of the Survey:

The Natam report surveys office and industrial properties in various regions in Israel and provides a representative sample for comparing rental prices and occupancy rates. In this survey we refer to 2 classes of office buildings: Class A and Class B, in light of the quality and price differences between them. All of the surveyed office space is available for occupancy within 6 months.

## The buildings included in the survey meet the following criteria:

### Class A:

- At least 10,000 square meters of built space above the ground floor.
- Full central air-conditioning systems and multiple elevators.
- High standard internal finishing in the public spaces.
- Maintained by a professional management company.
- Asking rental prices reflect new offices that include landlord contribution towards finishing of 2,500 NIS per gross square meter (as of the date of the survey).

### Class B:

- At least 5,000 square meters of built space above ground floor.
- Good / Reasonable standard of internal finishing in the public spaces.
- Buildings which are perceived as lower quality than Class A buildings and are appropriate for tenants seeking a less expensive alternative.

## Economic Trends

- The supply of offices that entered the office market in Tel Aviv during the second half of 2018 shall continue to impact the office market also during 2019.  
Large office spaces are expected to be ready for occupancy along the Yigal Alon corridor during the first half of 2019.
- The average occupancy rate in Class A office buildings in the area of Tel Aviv and its vicinity has increased, and the rental prices have maintained stability, without significant changes from the previous six month period. It is expected that this trend shall also continue during the next six month period.
- The upward trend of prices of industrial and logistics lots in the areas of high demand also continued during this six month period. We expect this trend to also continue during 2019, primarily due to the quick growth of E-commerce and distribution companies, and as a result of the recent technological changes and improvements in the field of logistics.

## Office Space Marketed by NATAM:



Italy House, Yakum Park



Hacarmel Gate (Sha'ar Hacarmel), Haifa



Ga'ash Office Complex

## Survey of Class A Office Buildings in the Tel Aviv Area

The survey examined **66** Class A buildings in 9 central areas in the Tel Aviv area, which constitute a representative sample of all of the office areas located in this urban district. The total area of the surveyed buildings is **2,183,726 square meters**.

### Summary of the Survey's Data

Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate First Half of 2018	Occupancy rate Second Half of 2018	Average Asking price First Half of 2018 (Shekel/sm)	Average Asking price Second Half of 2018 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Ramat Hahayal	13	244,186	94.05%	94.71%	80.62	80.62	19.42	696.15
M.Begin Corridor	15	704,573	90.83%	95.29%	113.91	115.67	21.10	1046.67
City	5	104,204	97%	96.19%	124.77	126	22.70	1,230
Central Tel Aviv	2	29,850	98.44%	99.51%	115	117.931	20.50	1,000
Manshia	2	45,287	91.42%	92.06%	70	70	19.25	600
Yigal Alon Corridor	8	370,268	90.97%	96.43%	106	110.88	18.88	956.25
Courthouse	6	134,624	94.46%	95.64%	110	108.33	22.67	1,358
Bnei Brak	5	263,280	97.78%	97.90%	73.40	73.40	17.50	685
Ramat Gan-Bourse	10	287,454	94.96%	95%	96.42	84	20	866.67
<b>Total/ Average</b>	<b>66</b>	<b>2,183,726</b>	<b>93.39%</b>	<b>95.79%</b>	<b>98.90</b>	<b>98.54</b>	<b>20.22</b>	<b>937.67</b>
<b>The Change</b>				<b>↑ +2.57%</b>		<b>↓ -0.36%</b>		

### Data Analysis

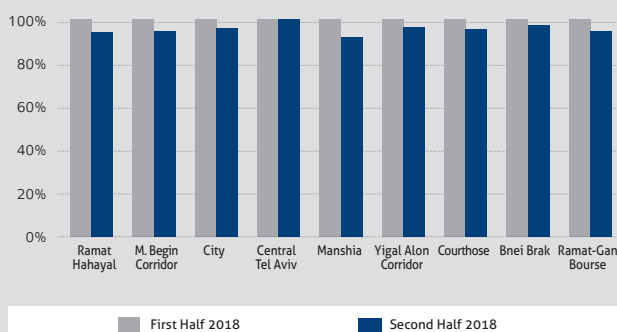
- The average occupancy rate in the Tel Aviv area Class A office buildings increased during the second half of 2018 by approximately 2.57% compared to the previous six month period. This increase can be attributed to the supply of office space that entered the Tel Aviv office market, which began becoming occupied during the first half the year and also continued during this six month period.
- The Yigal Alon corridor continues to lead with high occupancy levels and an increase of approximately 6% compared to the previous six month period (and a total increase of approximately 15% in occupancy levels over the past year). The Menachem Begin corridor also continues with the same trend, with an increase of approximately 5% in occupancy levels compared to the previous six month period.
- The average rental asking prices for offices in this market are maintaining general stability. There was an increase in the Yigal Alon and Menachem Begin corridor office areas, while a decline

in prices was surveyed in the "Bursa" area in Ramat Gan. This decline can be attributed to the increase in the supply of offices in Tel Aviv (the Yigal Alon area and the Menachem Begin corridor area which are close to the "Bursa" area) – which constituted an alternative in terms of price, location and quality.

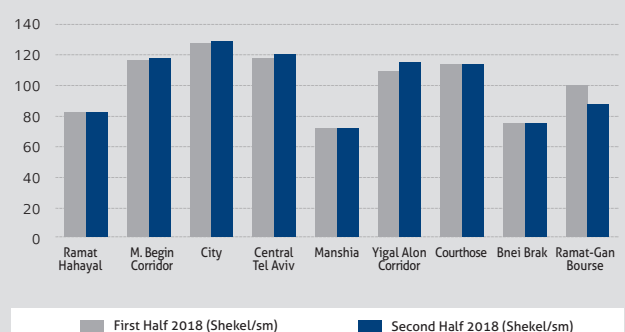
### Forecast

- This office market is expected to maintain high occupancy rates also during the upcoming six month period, however more moderately. Companies from the high-tech and technology fields and primarily the collaborative workspace companies, will continue to be significant anchor tenants in this market.
- The rental prices are expected to maintain stability and remain high. However, as stated in the previous six month period, a continued moderate decline in prices is anticipated in the office buildings that are characterized by multiple owners and in the buildings in the "Bursa" area and in Bnei Brak.

Occupancy Rate of Class A Office Buildings Comparison to Previous Six Month Period



Rental Prices Class A Office Buildings Comparison to Previous Six Month Period



# Survey of Class B Office Buildings in the Tel Aviv Area

The survey examined **51** Class B buildings in 9 central areas in the Tel Aviv area, which constitute a representative sample of all of the office areas located in this urban district. The total area of the surveyed buildings is **637,326 square meters**.

## Summary of the Survey's Data

Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate First Half of 2018	Occupancy rate Second Half of 2018	Average Asking price First Half of 2018 (Shekel/sm)	Average Asking price Second Half of 2018 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Ramat Hahayal	9	92,455	94.07%	95.87%	67.76	69.28	19	583
M.Begin Corridor	12	129,656	85.88%	91.94%	72.96	69.58	20	729.17
City	3	53,210	91.92%	94%	75	78.30	18.83	916.67
Central Tel Aviv	3	35,836	96.14%	95.81%	91.67	86.67	22	800
Manshia	4	57,035	95.16%	95.97%	58.75	58.75	21.75	600
Yigal Alon Corridor	7	100,975	92.80%	94.23%	69.71	67.14	18.57	636
Courthouse	2	25,400	94.82%	98.04%	92.50	92.50	22	1,300
Bnei Brak	3	44,593	94%	94.30%	58	58.33	16	500
Ramat Gan-Bourse	8	98,166	90.33%	89%	68.50	69	19.11	611.11
<b>Total/ Average</b>	<b>51</b>	<b>637,326</b>	<b>91.71%</b>	<b>92.55%</b>	<b>72.76</b>	<b>72.18</b>	<b>19.70</b>	<b>741.74</b>
<b>The Change</b>			<b>↑ +0.91%</b>		<b>↓ -0.79%</b>			

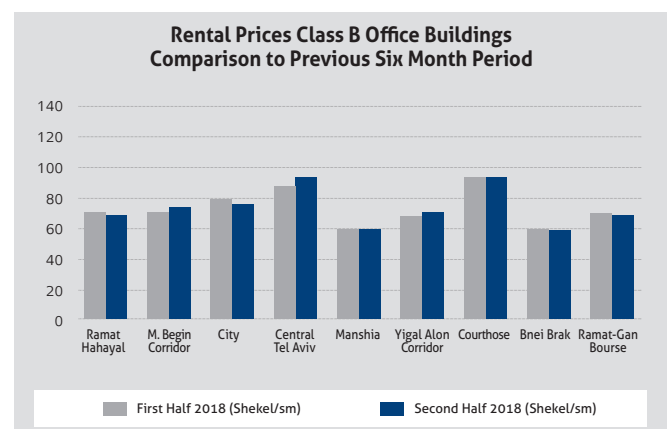
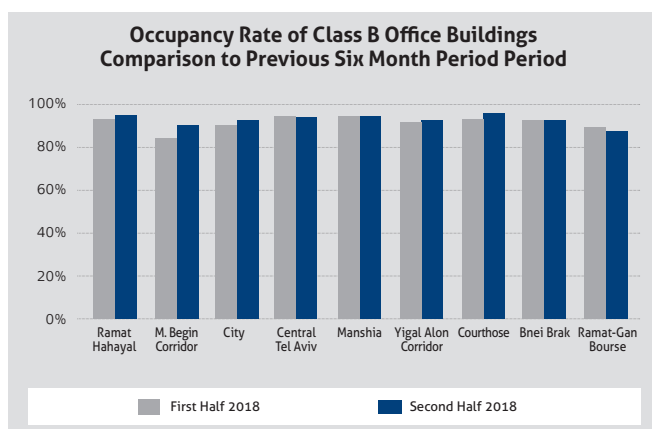
## Data Analysis

- The average occupancy rate in Class B office buildings in the area of Tel Aviv and its vicinity increased moderately compared to the previous six month period. The sharpest increase was surveyed in buildings in the Menachem Begin corridor area, and it primarily derives from the entry into the market of many collaborative workspace companies, which have rented large office spaces in this area.
- The rental prices in this market have remained stable in most of the areas that were surveyed and average at 72.18 NIS (a decline of less than a percent compared to the last six month period). The average rental prices in the area of the center of Tel Aviv and in the Courthouse area have remained the highest in this office market, despite the decline of approximately 5% in prices in the central

Tel Aviv area compared to the previous six month period.

## Forecast

- It is expected that the moderate decline in rental prices shall also continue during the first half of 2019. The asset owners in this area wish to maintain high occupancy rates in the assets and to reduce, to the extent possible, relocation of companies from this office market to the Class A office market.



## Survey of Class A Office Buildings in the Periphery of Tel Aviv

The survey examined **65** Class A buildings in 8 central areas located up to 30 kilometers from the center of Tel Aviv. The total area of the surveyed building is **972,093 square meters**.

### Summary of the Survey's Data

Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate First Half of 2018	Occupancy rate Second Half of 2018	Average Asking price First Half of 2018 (Shekel/sm)	Average Asking price Second Half of 2018 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Herzliya Pituach	16	220,767	95.67%	94.87%	94.5	94	19.75	656.25
Modi'in, Ben Gurion Airport Area	7	133,000	89.92%	95.56%	67.86	70	20.14	507
Petach Tikva	13	204,475	90.67%	85.61%	69.77	70.92	19	457
Ra'anana	7	120,475	97.01%	94.32%	73.57	73.57	19	550
Netanya - Poleg	8	93,700	98.21%	98.41%	57.50	57.50	13	339
Rehovot - Ness Ziona	6	83,500	82.92%	90.00%	70.40	69.33	14	425
Kfar Saba / Hod Hasharon	4	52,336	95.64%	97.00%	75	75	18	425
Rosh Haayin	4	63,840	81.78%	86.90%	46.75	46.75	14.50	350
<b>Total/ Average</b>	<b>65</b>	<b>972,093</b>	<b>92.30%</b>	<b>92.50%</b>	<b>69.42</b>	<b>69.63</b>	<b>17.17</b>	<b>463.66</b>
<b>The Change</b>			↑ <b>+0.22%</b>		↑ <b>+0.3%</b>			

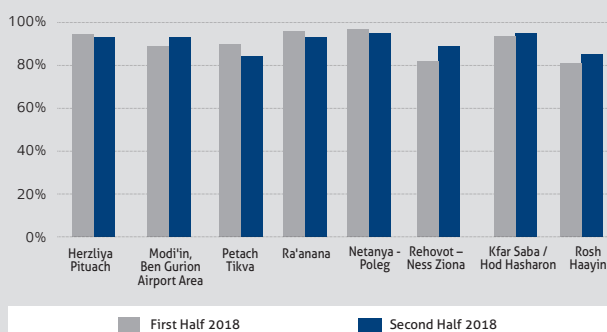
### Data Analysis

- The average occupancy rate in the Class A office building market in the Tel Aviv periphery increased by 0.22%. The occupancy rates increased in most of the office areas that were surveyed, except in Petach Tikva, where the decline derived from the high supply of spaces in the area.
- The average rental price in the office market in this area is 69.63 NIS per square meter, without a significant change compared to the previous six month period. The average rental price in Herzliya Pituach remains the highest in the area, averaging at 94 NIS per square meter.
- The office market in Netanya is also maintaining high occupancy levels. New buildings that were built in recent years have raised the standard of construction in the city and therefore many old buildings were renovated and adjusted in order to meet the requested standard.

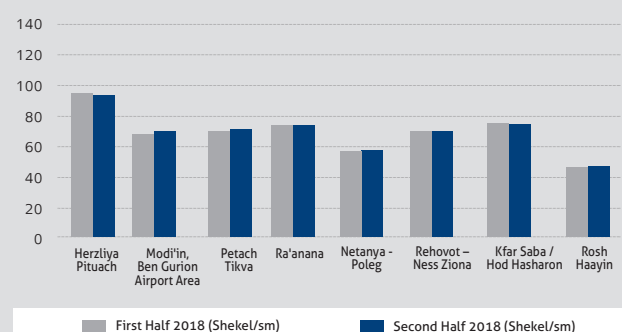
### Forecast

- Occupancy rates in Herzliya and Ra'anana are expected to remain high in the Class A office building market in the Tel Aviv periphery in the upcoming years, due to the fact that established companies are upgrading their working environment from Class B buildings to Class A buildings.
- In Herzliya Pituach, following a long period of limited supply of large office spaces, approximately 6,000 square meters are about to be released to the market during 2019, inter alia due to Microsoft vacating space. The company's process of vacating the space is expected to end in 2021, and Microsoft will relocate to the new campus; it is expected that at such time there will be an additional 12,000 square meters of available space (negotiations are already being conducted with various companies regarding some of the space).
- The rental prices in this office market are expected to maintain stability also in the upcoming six month period.

Occupancy Rate of Class A Office Buildings  
Comparison to Previous Six Month Period



Rental Prices Class A Office Buildings  
Comparison to Previous Six Month Period



# Survey of Class B Office Buildings in the Periphery of Tel Aviv

The survey examined **64** Class B buildings in 8 central areas located up to 30 kilometers from the center of Tel Aviv. The total area of the surveyed building is **646,086 square meters**.

## Summary of the Survey's Data

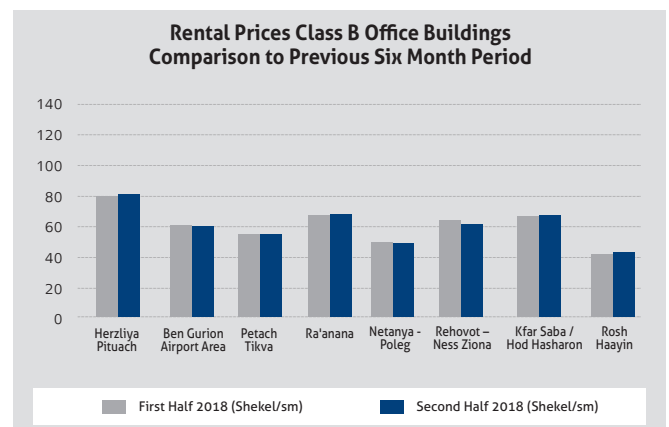
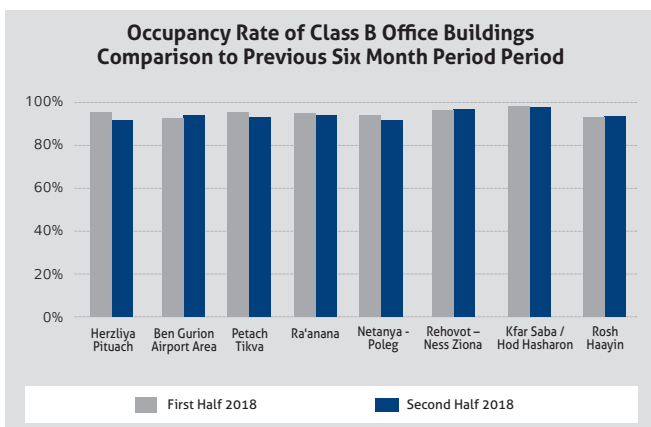
Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate First Half of 2018	Occupancy rate Second Half of 2018	Average Asking price First Half of 2018 (Shekel/sm)	Average Asking price Second Half of 2018 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Herzliya Pituach	13	113,036	95.45%	91.92%	78.38	79.46	18.69	615.38
Ben Gurion Airport Area	10	82,295	92.92%	93.83%	59.45	59	14.6	393.18
Petach Tikva	8	95,900	95.10%	92.71%	53.13	53.50	12	406
Ra'anana	6	43,477	94.71%	94%	65.83	66.66	17.17	516.67
Netanya - Poleg	4	83,232	93.56%	91.57%	48	47.34	10	275
Rehovot - Ness Ziona	8	82,192	96.31%	97%	62.83	60.23	12.06	415.63
Kfar Saba / Hod Hasharon	8	73,124	98.16%	97.67%	65	65.63	19	383
Rosh Haayin	7	72,830	92.56%	92.63%	40.83	41.63	13.71	335.71
<b>Total/ Average</b>	<b>64</b>	<b>646,086</b>	<b>94.90%</b>	<b>93.73%</b>	<b>59.18</b>	<b>59.18</b>	<b>14.66</b>	<b>417.57</b>
<b>The Change</b>			↓ <b>-1.23%</b>		<b>0.00%</b>			

## Data Analysis

- The average occupancy rate in the Class B office market in the periphery of Tel Aviv declined by 1.23% during the second half of 2018 compared to the previous six month period. In most of the areas of the survey, there were minor declines in the occupancy rates, so it can be determined that the market is maintaining stability.
- The average rental price did not change compared to the previous report and remains approximately 59 NIS per square meter.

## Forecast

- The Class B office market is expected to maintain stability also during the first half of 2019. The asset owners in this area wish to maintain high occupancy levels in the assets and to reduce, to the extent possible, relocation of companies from this office market to the Class A office market.



## Survey of Class A Office Buildings in Haifa and the Northern Region

The survey examined **12** Class A buildings located in 3 central areas in Haifa and the northern region. The total area of the surveyed buildings is **175,170 square meters**.

### Summary of the Survey's Data

Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate First Half of 2018	Occupancy rate Second Half of 2018	Average Asking price First Half of 2018 (Shekel/sm)	Average Asking price Second Half of 2018 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Haifa - City	3	38,700	89.08%	93.67%	59.33	59.59	15.50	450
Yoqneam	3	30,000	71%	95.33%	70	68.57	11.67	350
Matam Haifa	6	106,470	98.12%	98.17%	63.40	65.41	17.83	350
<b>Total/ Average</b>	<b>12</b>	<b>175,170</b>	<b>91.55%</b>	<b>96.69%</b>	<b>64.24</b>	<b>64.52</b>	<b>15</b>	<b>388.333</b>
<b>The Change</b>			↑ <b>+5.61%</b>		↑ <b>+0.45%</b>			

### Data Analysis

- The average occupancy rate in the Class A office market in the Haifa and northern region increased by 5.61% compared to the previous six month period. The sharpest increase was surveyed in Yokneam, where the majority of the new buildings were occupied. Concurrently, the MATAM park continues to maintain the highest occupancy level – 98.17%.
- The average price in the area remained stable compared to the previous six month period, at 64.52 NIS per square meter. Yokneam continues to lead with the highest price per square meter, 68.57 NIS per square meter.

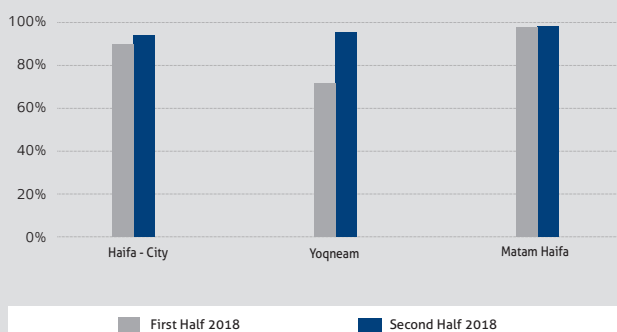
### Forecast

- This office market is expected to maintain stability and to maintain high occupancy rates in all the office areas. The construction of a number of projects in the city near the MATAM park, such as the second stage of the Sha'ar Hacarmel (The Carmel Gate) Ofer Park and the Mivneh Group's Life Sciences Park in the Haifa industrial zone, are expected to solve the existing shortage of space.

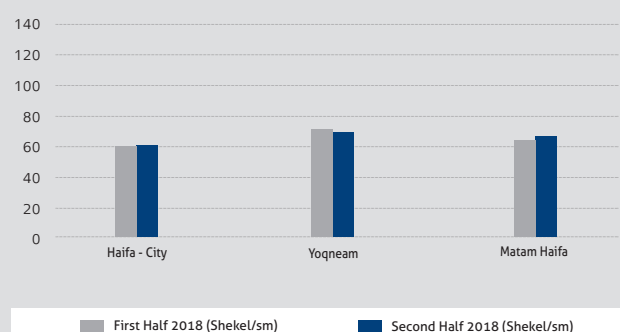


Armon Tower, Haifa,  
Managed and Maintained  
by Natam

Occupancy Rate of Class A Office Buildings  
Comparison to Previous Six Month Period



Rental Prices Class A Office Buildings  
Comparison to Previous Six Month Period





# Survey of Class B Office Buildings in Haifa and the Northern Region

The survey examined **18** Class B office buildings located in 4 central areas in Haifa and the northern region. The total area of the surveyed buildings is **207,442 square meters**.

## Summary of the Survey's Data

Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate First Half of 2018	Occupancy rate Second Half of 2018	Average Asking price First Half of 2018 (Shekel/sm)	Average Asking price Second Half of 2018 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Haifa - City	3	48,740	70.89%	79.83%	45.19	45.33	16	366.70
Yoqneam	4	41,500	98.84%	99.28%	58.75	58.75	13.5	271.25
Matam Haifa	4	47,352	98.73%	100%	60	58.77	20	350
Nesher / Chekpost	7	69,850	94.85%	93.06%	54.9	54.7	10.1	264.30
<b>Total/ Average</b>	<b>18</b>	<b>207,442</b>	<b>90.90%</b>	<b>92.78%</b>	<b>54.70</b>	<b>54.38</b>	<b>14.90</b>	<b>313.06</b>
<b>The Change</b>			↑ <b>+2.06%</b>		↓ <b>-0.59%</b>			

## Data Analysis

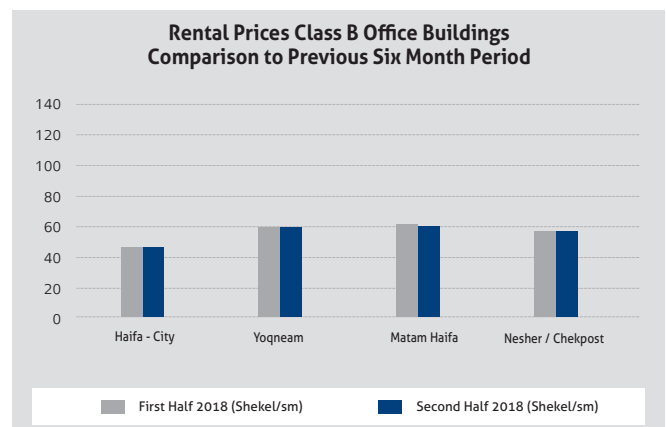
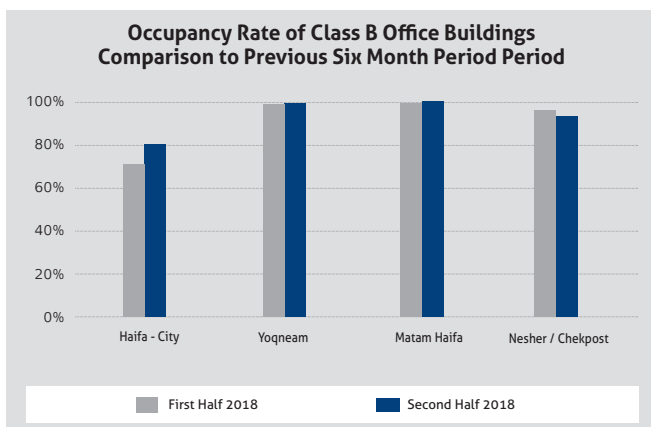
- The average occupancy rate in the Class B office building market in Haifa and the northern region increased by 2.06%, following a decline in the previous six month period. This sharpest increase was surveyed in the Yokneam area, similarly to the Class A office market.
- The average rental price per square meter during this six month period slightly declined compared to the previous six month period and is currently 54.38 NIS per square meter. The highest average rental price in this office market is at the MATAM business park, with 100% occupancy.

## Forecast

- This office market is expected to remain stable also during the first half of 2019, without sharp changes in the occupancy rates or the rental prices.



Erco Nesher House, Managed and Maintained by Natam



## Class A Office Buildings in Jerusalem

The survey examined **13** Class A buildings located in 5 central areas in the Jerusalem region. The total area of the surveyed building is **168,852 square meters**.

### Summary of the Survey's Data

Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate First Half of 2018	Occupancy rate Second Half of 2018	Average Asking price First Half of 2018 (Shekel/sm)	Average Asking price Second Half of 2018 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Givat Shaul	5	68,552	99.64%	99.58%	84	83	16.80	520
Har Hotzvim	4	66,240	99.55%	98.64%	78	76.82	20	575
Central Jerusalem	2	11,500	98.26%	95.65%	80	85	17	725
Malha	1	20,000	86.50%	100%	85	85	20	500
Talpiot	1	2,560	100%	100%	85	85	22	550
<b>Total/ Average</b>	<b>13</b>	<b>168,852</b>	<b>97.96%</b>	<b>99%</b>	<b>82.40</b>	<b>82.96</b>	<b>19.16</b>	<b>574</b>
<b>The Change</b>			↑ <b>+1.06%</b>		↑ <b>+0.68%</b>			

### Data Analysis

- The occupancy rate in the Jerusalem area Class A office market is high in all of the areas, with 100% occupancy in the areas of Malcha and Talpiot. In the other areas in this market, the occupancy rates exceed 95%.
- The average rental prices have maintained stability compared to the previous six month period and average at 82.96 NIS per square meter.

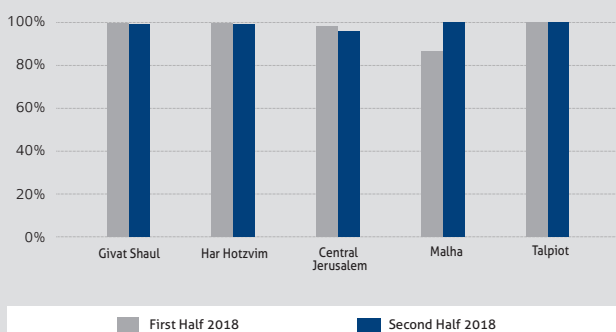
### Forecast

- In light of the shortage of large office spaces that are immediately available for rent, new construction in the city is being accelerated and is expected to address these demands. Among these projects, the "City Gate" ("Sha'ar Ha'ir") project, which shall combine offices, hotels and commerce, is expected to be built in a scope of approximately 700,000 square meters.

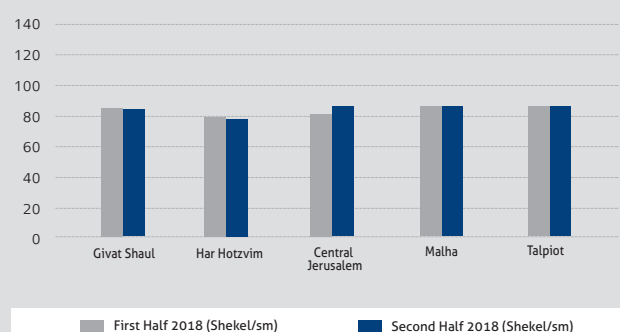


Hadar Nechasim House,  
Managed and Maintained  
by Natam

Occupancy Rate of Class A Office Buildings  
Comparison to Previous Six Month Period



Rental Prices Class A Office Buildings  
Comparison to Previous Six Month Period



## Class B Office Buildings in Jerusalem

The survey examined **20** Class B office buildings located in 5 central areas in the Jerusalem region. The total area of the surveyed building is **196,619 square meters**.

### Summary of the Survey's Data

Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate First Half of 2018	Occupancy rate Second Half of 2018	Average Asking price First Half of 2018 (Shekel/sm)	Average Asking price Second Half of 2018 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Givat Shaul	3	31,500	87.62%	88.25%	77.33	78.33	14	503.33
Har Hotzvim	5	67,586	98.22%	99.56%	65	70	16	600
Central Jerusalem	2	25,200	97.42%	98.73%	67.50	72.50	17.5	800
Malha	4	31,400	92.68%	100%	66.73	66.25	11.25	462.50
Talpiot	6	40,933	94.45%	95.48%	69.16	70	9.50	405
<b>Total/ Average</b>	<b>20</b>	<b>196,619</b>	<b>94.75%</b>	<b>96.86%</b>	<b>69.15</b>	<b>71.42</b>	<b>13.72</b>	<b>554.17</b>
<b>The Change</b>			↑ <b>+2.23%</b>		↑ <b>+3.28%</b>			

### Data Analysis

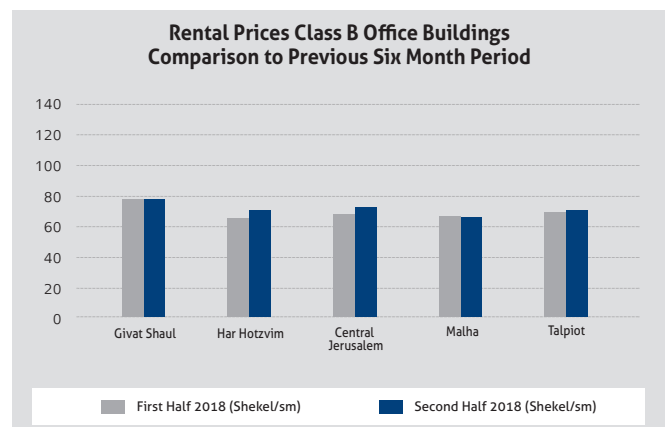
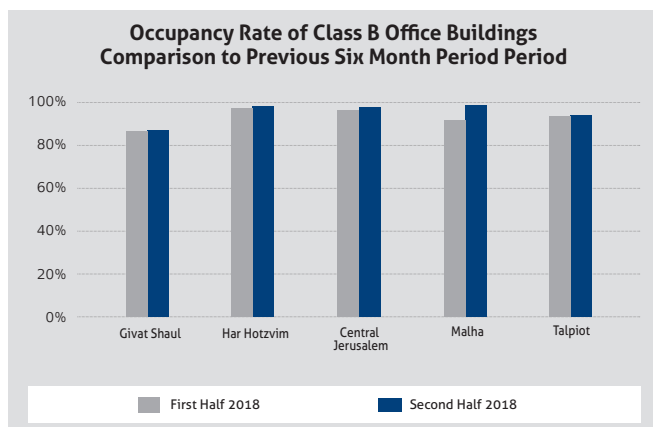
- Following a decline in occupancy rates in the previous six month period, the general occupancy rate has increased and is currently approximately 97%.
- The asking rental prices increased in all of the areas of demand. The highest price continues to be in Givat Shaul, where the average per square meter is approximately 79 NIS.

### Forecast

- In light of shortage of large office spaces in the Class A office market, this office market is expected to maintain stability until large significant supply enters the market and allows companies which wish to upgrade their working environment, to do so.



Hadarim House, Har Hotzvim, Managed and Maintained by Natam



## Survey of Office Buildings in the Beer Sheva Area

The survey examined **11** buildings located in central areas in the Beer Sheva area. The total area of the surveyed buildings is **130,675 square meters**.

### Summary of the Survey's Data

Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate First Half of 2018	Occupancy rate Second Half of 2018	Average Asking price First Half of 2018 (Shekel/sm)	Average Asking price Second Half of 2018 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Gav-Yam Negev Park	1	18,000	100%	96.67%	65	65	20	-

The Change

↓ -3.33%

No change

Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate First Half of 2018	Occupancy rate Second Half of 2018	Average Asking price First Half of 2018 (Shekel/sm)	Average Asking price Second Half of 2018 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Hi-Tech Park Omer	4	36,200	97.65%	89.36%	44	43.9	10.25	0
Beer Sheva City	4	66,975	98.73%	96.89%	62.50	62.50	15	262.5
Advanced Technologies Park	2	9,500	79.47%	85.26%	42.50	45	10.25	145
<b>Total/ Average</b>	<b>10</b>	<b>112,675</b>	<b>96.76%</b>	<b>93.49%</b>	<b>49.67</b>	<b>50.47</b>	<b>11.83</b>	<b>203.75</b>

The Change

↓ -3.38%

↑ +1.61%

### Data Analysis

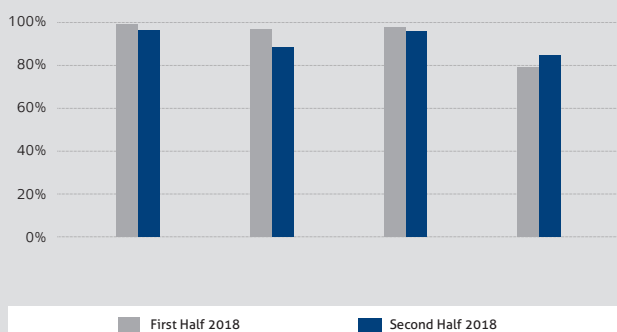
- The Gav-Yam Negev Park continues to maintain a high occupancy rate. The completion of the construction of the fourth building in the park is expected to add approximately 15,000 square meter of office space.
- The occupancy rates in Beer Sheva and its vicinity declined by 3.38% compared to the previous six month period and is currently 93.49%. The occupancy rate in the high-tech complex increased, and continued increase is expected in the area in light of advanced occupancy of new buildings.
- The average rental prices have remained relatively stable compared to the previous six month period, averaging at 50.47 NIS per square meter.

### Forecast

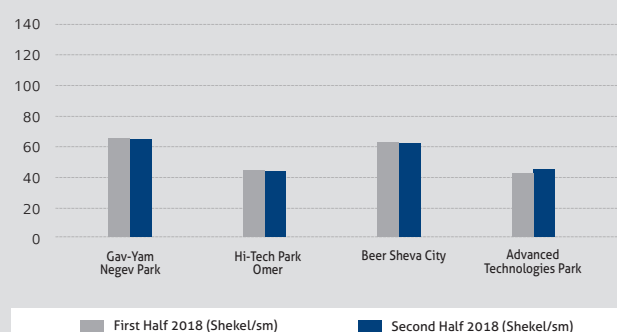
- Due to increasing demand for large office space by high-quality lessees, from within the city and from outside of the city, there is accelerated construction in the city.
- The collaborative workspace market is identifying the great potential in the city and companies from this field are beginning to rent large office spaces.



Occupancy Rate of Office Buildings in the Beer Sheva Area Comparison with Previous Six Month Period



Rental Prices Office Buildings in the Beer Sheva Area Comparison with Previous Six Month Period



# Survey of Industrial and Logistics Buildings Market

## Principles of the Survey:

The Natam report surveys a number of industrial areas in various regions in Israel and provides a representative sample for comparing rental prices and sale prices in these regions. In this survey we refer to 2 classes of industrial buildings: Class A and Class B.

### Class A Industrial Buildings

Modern industrial buildings, minimum 12m. height, sprinklers, dock levelers, operational area accessible for loading and unloading.

### Class B Industrial Buildings

Long standing industrial buildings, minimum 5m. height, operational area accessible for loading and unloading.

## Survey of Average Asking Rental Prices per Square Meter – Industrial/Logistics Buildings

		Class A	Class B
Central Area	Ramla / Lod	42 NIS per square meter	37 NIS per square meter
	Modin, Shoham	45 NIS per square meter	–
	Holon / Rishon Lezion / Bat Yam	45 NIS per square meter	25 NIS per square meter
Hasharon Area	Caesarea	42 NIS per square meter	38 NIS per square meter
	Emek Hefer	45 NIS per square meter	37 NIS per square meter
	Kfar Saba / Kadima	50 NIS per square meter	38 NIS per square meter
	North Netanya	35 NIS per square meter	30 NIS per square meter
	South Netanya	35–40 NIS per square meter	40–45 NIS per square meter
Shfela Area	Ashdod / Kanot / Yavne	40–42 NIS per square meter	35 NIS per square meter
Southern Area	Kiryat Gat	38–40 NIS per square meter	32–33 NIS per square meter
	Ashkelon	35 NIS per square meter	28 NIS per square meter
	Sderot / Netivot / Ofakim	25 NIS per square meter	20 NIS per square meter
	Beer Sheva	22–28 NIS per square meter	20–25 NIS per square meter
Jerusalem Area	Mishor Adumim	35 NIS per square meter	30 NIS per square meter
	Atarot	45 NIS per square meter	35 NIS per square meter
	Beit-Shemesh, Har Tov, Tzora	37–40 NIS per square meter	32 NIS per square meter
Northern Area	Haifa and the Northern Region	30 NIS per square meter	25 NIS per square meter

\* The figures relate to the average rental prices of the ground floor.



Tzora Park, Industrial and Logistics Areas. For Rent, Marketed by Natam

## Survey of Average Asking Prices per Dunam for Purchasing Industrial and Logistics Lots

Central Area	Petach Tikva - Segula	3,500,000 – 4,000,000 NIS	Shfela Area	Shoham	3,000,000 NIS
	Petach Tikva – Kiryat Arie	4,000,000 NIS		Modi'in - Yishpro	3,000,000 NIS
	Holon	4,500,000 – 5,000,000 NIS		Modi'in – Li Gad	2,700,000 NIS
	Rishon Lezion	4,000,000 – 5,000,000 NIS		Beer Tuvia	2,800,000–2,500,000 NIS
	Lod / Remla	3,000,000 NIS		Yavne	3,000,000 NIS
Sharon Area	Emek Hefer	2,300,000 NIS	Ashdod	3,500,000 NIS	
	Caesarea	2,000,000 NIS	Kanot	3,000,000 NIS	
	North Netanya	2,000,000 – 2,500,000 NIS	Shfela Area	Kiryat Gat	2,000,000 NIS
	South Netanya	4,000,000 – 5,000,000 NIS		Beer Sheva	1,000,000 NIS
	Kfar Saba - Industrial Area	4,000,000 NIS		Ashkelon	2,000,000 NIS
	Kfar Saba 50	4,000,000 NIS		Jerusalem Area	Mishor Adumim
	Paradis Junction	1,800,000 NIS	Beit Shemesh		2,000,000–2,300,000 NIS
Northern Area	Haifa Bay	2,000,000 NIS			
	Tirat Carmel	2,000,000 NIS			
	Checkpoint / Neshar Carmel	1,800,000 – 2,000,000 NIS			
	Carmel	1,600,000 NIS			

### Data Analysis

An increase in demand for tailor-made, modern and advanced (Class A) industrial buildings is evident.

- Due to tax incentives that are granted to factories in the south of the country, a number of industrial zones have opened that are attracting huge factories (Idan Hanegev, Park Noam, Tzomet Shocket, Ofakim, and more).
- The upward trend of prices for industrial and logistics lots is expected to also continue during the first half of the 2019.

## The Income Bearing Real Estate Market - A View Towards 2019

2018 was characterized by continued significant demand for investments in income bearing real estate, particularly in the fields of logistics and offices. On the other hand, the supply of income bearing real estate was relatively limited, thus contributing to significant increases in the prices of the assets during the first half of 2018.

The trend of price increase was moderated during the second half of 2018.

An additional factor that contributed to the increase of real estate prices is the increase in rental fees, primarily in the offices and logistics fields, which derived from strong demand in the high-tech sector and as a result of the growth of on-line purchasing of products.

Despite the continued trend of demand for income bearing real estate also in the beginning of 2019, it appears that the prices and the rentals shall stabilize, for two main reasons:

There is a limit to the ability of the end-users – the lessees – to absorb the increase of rental prices.

The increase in recent weeks, of both interest and the spread on loans and debentures, due to the upheaval in the markets, narrows the profit spread of the investors in income bearing real estate.

Additionally, entrepreneurial projects in scopes of hundreds of thousands of square meters, primarily in the offices field, are also expected to contribute to the moderation of prices in the mid-term.

## The Office Market

Over the past year the construction of office buildings in greater Tel Aviv, in a scope exceeding 100,000 square meters, has been completed. Sale prices in Tel Aviv ranged between 17,000 NIS and 20,000 NIS per square meter (shell and core level) for new offices (Class A) in prime locations. These price levels reflect a capital return rate that is lower than 6.5%.

Stability with a slight inclination towards increases in rental prices for Class A offices was evident in other cities in the Gush Dan region, alongside stability with an inclination towards declines in the rental prices of offices in Class B buildings.

The asking prices per square meter in the greater Tel Aviv periphery area (Ra'anana, Kfar Saba, Netanya, Petach Tikva, Rechovot) ranged between 8,500 NIS and 10,500 NIS per square meter, depending on the location and quality of the asset.

Despite the significant scope of construction of new office buildings in the Gush Dan region, the scope of purchase transactions of independent office buildings, as an income-bearing asset, was low. Two main factors led to this phenomenon: first, the majority of the office buildings were built in the framework of purchase groups. Therefore, there is a limited number of office buildings that are owned by a single owner (or by a limited number of partners). Second, the remainder of the office buildings was built by institutional entities or publicly-traded companies which hold these buildings as long-term income-bearing assets.

Looking forward: Due to the multitude of office areas that were purchased by purchase groups, an increase in the supply of small office spaces (up to approximately 300 square meters), for both sale and rent, is expected, and this shall, in our opinion, lead to a decline in rental fees and in the office prices in the Gush Dan region, primarily in office buildings that are owned by a large number of investors.

In the Jerusalem and Beer Sheva regions, a moderate increase in the prices of offices is expected, due to a shortage of new construction. A number of office buildings that are in advanced stages of planning are expected to become available for rent only in 2-3 years. The Beit Shemesh area may, in our opinion, become a point of interest in the offices field due to the accelerated growth of the city's population, which is not accompanied by new construction of offices.

---

## Industry / Logistics

During 2018 the income bearing real estate market was characterized by significant demand for industrial and logistics buildings. The downward trend for returns continued to levels of 6.0%-7.5%, in accordance with the type, quality and location of the assets.

The rental fees for Class A industrial and logistics buildings increased to approximately 40-50 NIS per square meter. The prices of logistics centers range between 5,000 NIS and 6,000 NIS per square meter on the ground floor in a new building in the center of the country and near the main North-South roads, and between 3,500 NIS to 4,500 NIS per square meter for Class B buildings in secondary locations.

Looking forward: The prices of the logistics assets, have, in our opinion, reached a point of equilibrium, however it is reasonable that we shall see continued increases in especially tall assets (16 meters and higher), which shall integrate innovative automation technologies.

---

## Retail

In light of technological developments and changes in e-commerce habits, the assessments that there will be a decline in rental prices in retail centers, which shall lead to a decline in the prices of the assets, are enhanced. This trend is already evident in the past year in the form of a decline in the prices of the shares of publicly-traded companies that focus on maintenance and management of retail centers.

However, stability is expected in neighborhood retail centers and in discount stores, which are perceived to be immune to the growing e-commerce trend. The prices of commercial assets reflect a return of approximately 6.0%-6.5% in central urban locations and in neighborhood centers, and a return of 7%-7.5% in secondary urban locations.

# Natam Group

Comprehensive real estate services  
to the commercial real estate market.

For more than 30 years Natam has been leading the Israeli commercial real estate market, offering its clients unique experience, knowledge, and uncompromising professionalism.

## All Services - One Choice



# Natam

**Head Office:** 53 Yigal Alon St. Tel Aviv  
Telephone: 03-6894242 | E-mail: info@natam.co.il

**Offices Throughout the Country**  
Herzliya | Haifa | Jerusalem | Beer Sheva

..... The report was prepared by Natam Research Department .....



The Julio Shutz Fund, founded by the Natam Property Group in cooperation with "Shutaf", supports inclusion for children with special needs in the community.

**Disclaimer:** This report should not be relied upon as a basis for entering into transactions without seeking specific, qualified, professional advice. Whilst facts have been rigorously checked, our company is not responsible for any damage and/or loss suffered as a result of any errors in the report. The report cannot be copied or photographed without receiving approval.