

Natam

Office, Industrial and Investment Research Report



Natam Report - First half of 2019 | No. 43

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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 NIS 2,500 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.

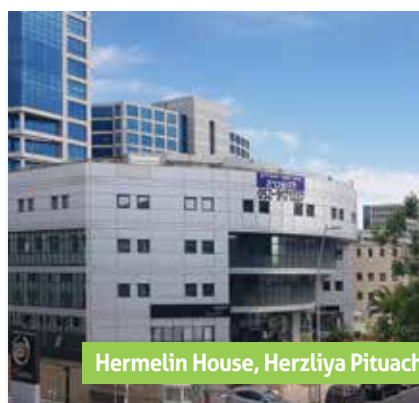
General Trends

- There is a demonstrated increase in average rental prices and occupancy rates in Class A office buildings in the Tel Aviv area – and this trend is expected to also continue during the second half of 2019.
- The high occupancy rates in the new buildings is expected to result in an increase in demand for offices and in an increase in rental prices in this market, for Class B office buildings in the Tel Aviv area.
- 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 the second half of 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 Spaces Marketed by Natam:



Florma House, Kfar Saba 50



Hermelin House, Herzliya Pituach



Office Complex, Gaash

Survey of Class A Office Buildings in the Tel Aviv Area

The survey examined **57** Class A buildings in 7 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 **1,894,765 square meters**.

Summary of the Survey's Data

Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate Second Half of 2018	Occupancy rate First Half of 2019	Average Asking Price Second Half of 2018 (Shekel/sm)	Average Asking Price First Half of 2019 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Ramat Hahayal	13	244,186	94.71%	93.78%	80.62	79.08	19.58	700
M.Begin Corridor	14	704,573	95.29%	96%	115.67	116	21.73	1,140
City	5	104,204	96.19%	97.68%	126	130.60	22.10	1,300
Central Tel Aviv	2	29,850	99.51%	97.39%	117.93	117.31	22.5	1,300
Yigal Alon Corridor	8	370,268	96.43%	98.08%	110.88	112	17.20	975
Courthouse	5	127,680	95.64%	96.53%	108.33	111.71	22.20	1,270
Ramat Gan-Bourse	10	314,004	95%	94.13%	84	98.24	19.18	867.65
Total/ Average	57	1,894,765	95.79%	95.96%	98.54	109.28	20.64	1,078.95
The Change			+0.17% ↑		+10.89% ↑			

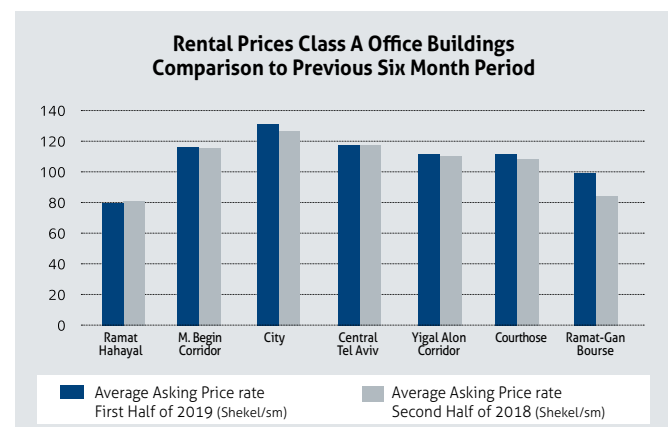
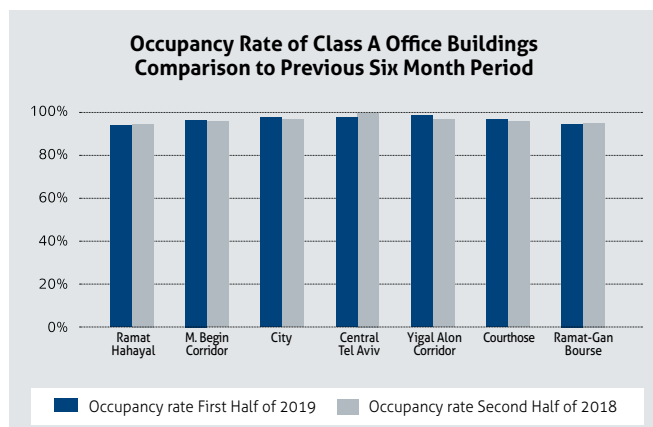
Data Analysis

- The occupancy rate in the Class A office buildings remains high at 95.96% and continues to climb, albeit moderately. The Igal Alon area continues to maintain the highest occupancy rates compared to the other surveyed areas.
- The average rental prices for offices in this market are averaging at NIS 109.28 per square meter*. The "City" area continues in this six-month period as well to maintain the highest asking rental price in the Tel Aviv area. The average price per square meter in the Ramat Hachayal business area is the lowest among the surveyed areas. During the first half of 2019 there was an accumulation of large available spaces in Ramat Hachayal and this also impacted the decline in rental prices.

Forecast

- Both the occupancy rates in the Class A buildings in Tel Aviv and the rental prices are expected to remain high. High demand for large office spaces was evident during this six-month period and this demand is expected to also continue during the second half of 2019, despite the limited supply of spaces. The supply is expected to increase upon the completion of the construction of the office buildings along the Menachem Begin axis, in the Hassan Arafa complex and along the Igal Alon axis.

* Changes were made in this survey in the buildings that were surveyed, due to new office buildings and spaces entering the market, which have impacted the average asking rental price per square meter.



Survey of Class B Office Buildings in the Tel Aviv Area

The survey examined **42** Class B buildings in 7 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 **522,343 square meters**.

Summary of the Survey's Data

Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate Second Half of 2018	Occupancy rate First Half of 2019	Average Asking Price Second Half of 2018 (Shekel/sm)	Average Asking Price First Half of 2019 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Ramat Hahayal	8	84,700	95.87%	94.26%	69.28	68.81	18.90	581.25
M.Begin Corridor	11	124,056	91.94%	93.18%	69.58	66.45	20.64	697.73
City	3	53,210	94%	95.31%	78.30	80	22	983.33
Central Tel Aviv	3	35,836	95.81%	96.58%	86.67	86.67	22.33	950
Yigal Alon Corridor	6	93,975	94.23%	94.34%	67.14	68.67	18	667
Courthouse	3	32,400	98.04%	96.21%	92.50	93.33	21.67	1,283
Ramat Gan-Bourse	8	98,166	89%	92.50%	69	66.75	19.63	656.25
Total/ Average	42	522,343	92.55%	94.07%	72.18	75.81	20.45	831.22
The Change			+1.64% ↑		+5.02% ↑			

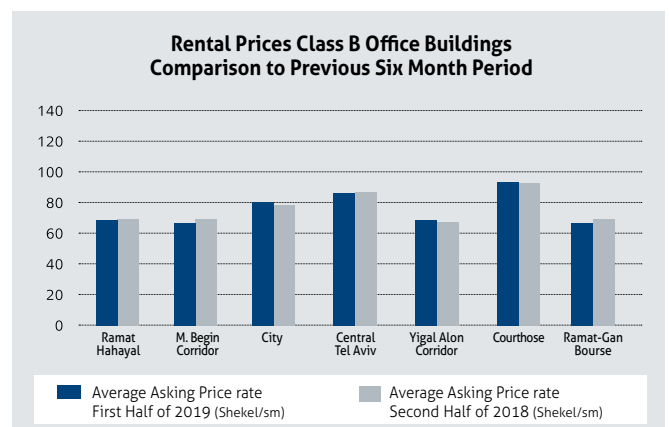
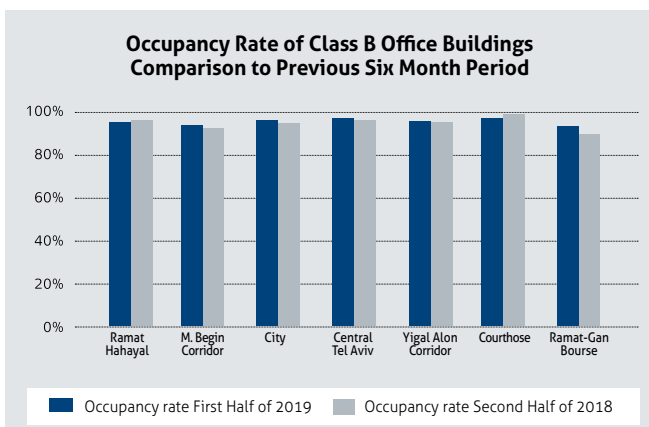
Data Analysis

- The average occupancy rate in this market continues to rise, similarly to the previous six-month period, and at the end of the first of half of the year was 94.07%. The city center has the highest occupancy rate in Class B buildings in the Tel Aviv area, with almost 97% occupancy.
- The average rental prices in this market increased by approximately 5% compared to the previous six-month period. The office space in the Courthouse area continues to be the most expensive in the area, with an average price of NIS 93.33 per square meter.

Forecast

- The upward trend of asking rental prices in Class B office buildings in the Tel Aviv area is expected to continue also during the next half of 2019. The high occupancy rates in the new towers in Tel Aviv, which were completed in 2018, are expected to increase the demand for office space in Class B buildings, which may impact rental prices in this market.

* Changes were made in this survey in the buildings that were surveyed, due to new office buildings and spaces entering the market, which have impacted the average asking rental price per square meter.



Survey of Class A Office Buildings in the Cities Around Tel Aviv

The survey examined **79** Class A buildings in 9 central areas located up to 30 kilometers from the center of Tel Aviv. The total area of the surveyed building is **1,387,895 square meters**.

Summary of the Survey's Data

Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate Second Half of 2018	Occupancy rate First Half of 2019	Average Asking Price Second Half of 2018 (Shekel/sm)	Average Asking Price First Half of 2019 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Herzliya Pituach	16	220,767	94.87%	96.46%	94	94	19.75	656.25
Modi'in and Ben Gurion Airport Area	8	156,000	95.56%	91.63%	70	70	17.88	500
Petach Tikva	17	266,375	85.61%	88.15%	70.92	71.23	19.44	481.76
Raanana	8	144,597	94.32%	90.77%	73.57	75	19	550
Netanya - Poleg	10	120,200	98.41%	95.42%	57.50	62.50	13	350
Rehovot – Ness Ziona	7	100,500	90%	91.04%	69.33	70.57	14.14	432.14
Kfar Saba / Hod Hasharon	4	52,336	97%	98%	75	73.75	18	425
Rosh Haayin	4	63,840	86.90%	83.70%	46.75	50	14.50	350
Bnei Brak	5	263,280	97.90%	97.87%	73.4	72.80	17.50	685
Total/ Average	79	1,387,895	92.50%	92.98%	69.63	71.09	17.02	492.24
The Change			+0.58% ↑		+2.09% ↑			

Data Analysis

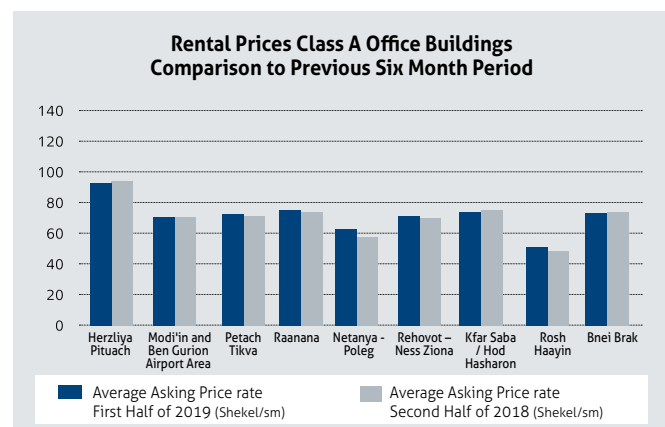
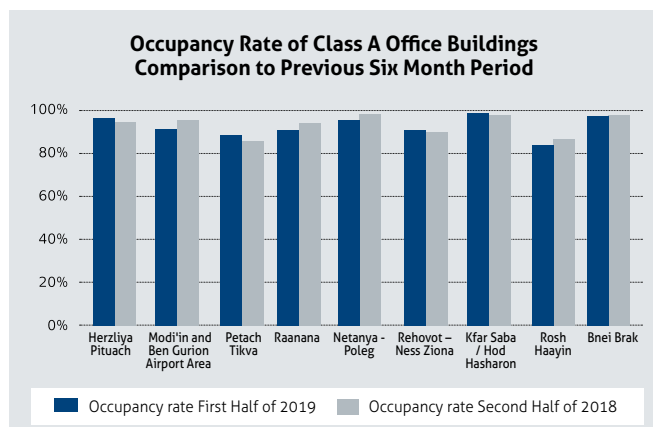
- The average occupancy rate in the Class A office building market in the cities around Tel Aviv is maintaining stability with a moderate increase of 0.58% compared to the previous six-month period. The rental prices increased by 2.09% in this area and average at NIS 71.09.
- The Bnei Barak area, which in the previous six-month period was surveyed as part of the Class A Tel Aviv area market, was added in this survey to this office building market. The occupancy rate and rental prices in Bnei Barak also maintain relative stability, respective to the area.

- The office market in Petach Tikva is demonstrating stable rental prices, despite the accelerated construction in the area during the past six-month period

Forecast

- Occupancy rates in Herzliya and Ra'anana are expected to remain high in the Class A office market in the upcoming years due to the fact that established companies are upgrading their working environment from Class B buildings to Class A buildings.
- The Class A office market is expected to maintain stability also during the second half of 2019.

* Changes were made in this survey in the buildings that were surveyed, due to new office buildings and spaces entering the market, which have impacted the average asking rental price per square meter and the occupancy rates.



Survey of Class B Office Buildings in the Cities Around Tel Aviv

The survey examined **74** Class A buildings in 9 central areas located up to 30 kilometers from the center of Tel Aviv. The total area of the surveyed building is **767,419 square meters**.

Summary of the Survey's Data

Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate Second Half of 2018	Occupancy rate First Half of 2019	Average Asking Price Second Half of 2018 (Shekel/sm)	Average Asking Price First Half of 2019 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Herzliya Pituach	13	113,036	91.92%	91.25%	79.46	79.46	18.69	615.38
Modi'in and Ben Gurion Airport Area	9	76,295	93.83%	90.48%	59	60.67	13.90	394.44
Petach Tikva	7	90,500	92.71%	94.58%	53.50	53	13.57	418.57
Raanana	6	43,477	94%	93%	66.66	66.66	17.17	516.67
Netanya - Poleg	5	97,032	91.57%	93.03%	47.34	47.92	9	296
Rehovot – Ness Ziona	15	153,092	97%	88.83%	60.23	59.60	12.88	415
Kfar Saba / Hod Hasharon	9	76,564	97.67%	98.32%	65.63	66.11	18	401
Rosh Haayin	7	72,830	92.63%	86.83%	41.63	43.69	13.71	335.72
Bnei Brak	3	44,593	94.30%	90.24%	58.33	56.67	16	500
Total/ Average	74	767,419	93.73%	91.52%	59.18	59.31	14.77	432.53
The Change			-2.36% ↓		+0.22% ↑			

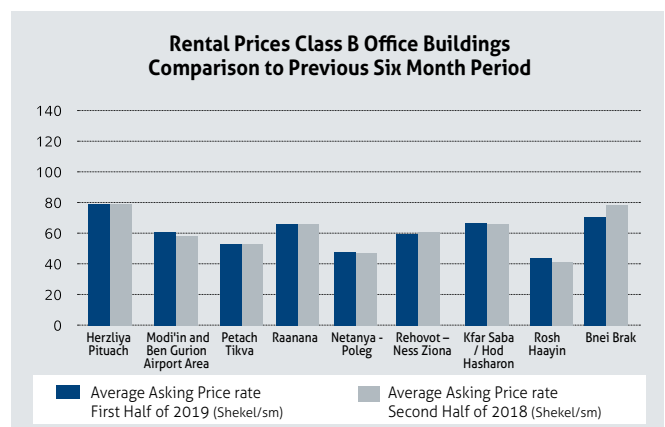
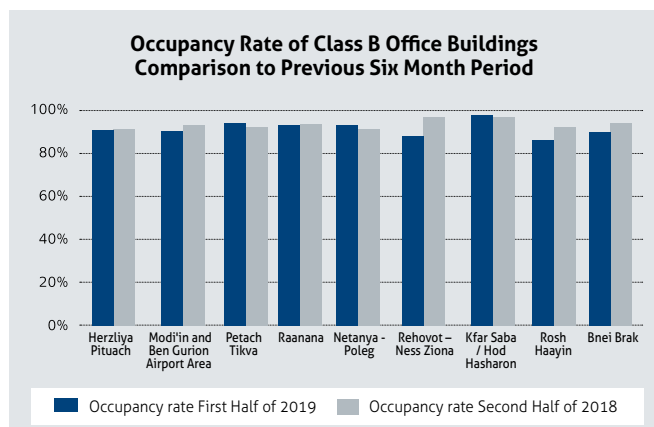
Data Analysis

- The average occupancy rate in the Class B office market in the cities around Tel Aviv declined by 2.36% compared to the previous six-month period and averages at 91.52%.
- The average rental price per square meter in this office market remained stable with a slight increase of 0.22% compared to the previous six-month period, and currently averages at NIS 59.31 per square meter.

Forecast

- The asset owners in this area wish to maintain stability in the rental prices and to reduce, to the extent possible, relocation of companies from this office market to the Class A office market.

* The Class B office market is expected to maintain stability also during the second 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

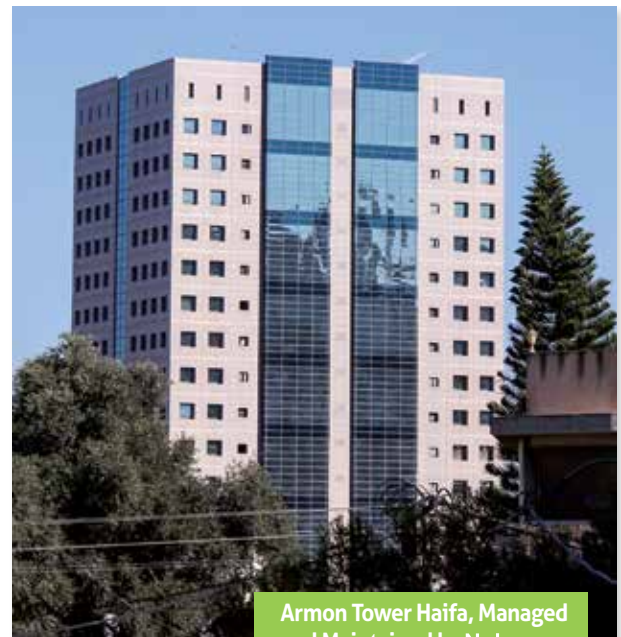
Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate Second Half of 2018	Occupancy rate First Half of 2019	Average Asking Price Second Half of 2018 (Shekel/sm)	Average Asking Price First Half of 2019 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Haifa - City	3	38,700	93.67%	93.39%	59.59	59.11	15.50	450
Yoqneam	3	30,000	95.33%	95.33%	68.57	68.57	11.67	350
Matam Haifa	6	106,470	98.17%	99.62%	65.41	67.50	19.17	383.33
Total/ Average	12	175,170	96.69%	97.51%	64.52	65.06	15.45	394.44
The Change			+0.85% ↑		+0.84% ↑			

Data Analysis

- Following a significant increase in occupancy rates in the previous six-month period, the Haifa and northern region currently maintain relative stability, with a 0.85% increase to the current occupancy rate.
- Corresponding to the increase in the occupancy rate, the rental prices in this area also increased moderately, with an 0.84% increase. Yokneam continues to lead with the highest price per square meter in the area, NIS 68.57 per square meter.

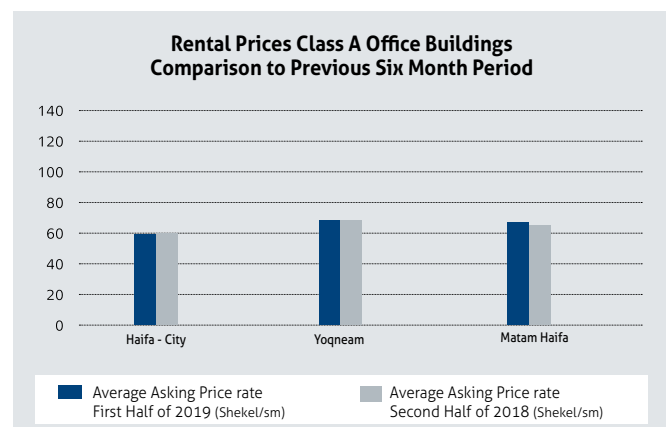
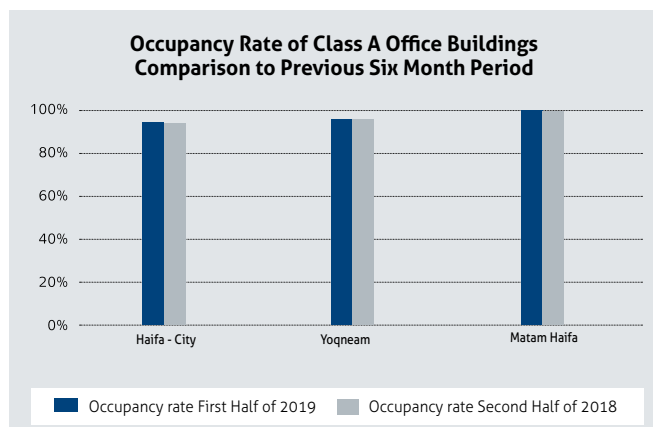
Forecast

- There are plans to build a number of new office building projects in the area of Tirat Hacarmel, to build the MATAM 2 Park in the Checkpost area, and to develop offices in the Mevo Carmel Park. Such construction will serve as an opportunity to improve terms and conditions in the new buildings and will provide new options to purchase and rent offices.



Armon Tower Haifa, Managed and Maintained by Natam

* Changes were made in this survey in the buildings that were surveyed, due to new office buildings and spaces entering the market, which have impacted the average asking rental price per square meter.



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

The survey examined **18** Class B 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 Second Half of 2018	Occupancy rate First Half of 2019	Average Asking Price Second Half of 2018 (Shekel/sm)	Average Asking Price First Half of 2019 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Haifa - City	3	48,740	79.83%	86.44%	45.33	46.11	16	366.70
Yoqneam	4	41,500	99.28%	83.61%	58.75	58.75	13.50	271.25
Matam Haifa	4	47,352	100%	100%	58.77	62.50	20	387.50
Nesher / Chekpost	7	69,850	93.06%	93.27%	54.70	54.70	10.10	264.30
Total/ Average	18	207,442	92.78%	91.27%	54.38	55.52	14.90	322.44
The Change			-1.63% ↓		+2.09% ↑			

Data Analysis

- The average occupancy rate in the Class B office building market in Haifa and the northern region declined by 1.63%, following an increase in the previous six-month period, and averages at 91.27%.
- The average rental price per square meter during this six-month period increased by 2.09% and currently averages at NIS 55.52 per square meter. Similarly to the previous six-month period, the MATAM business park continues to lead with the highest price per square meter in the Haifa and Northern region, currently averaging at NIS 62.50 per square meter and 100% occupancy.

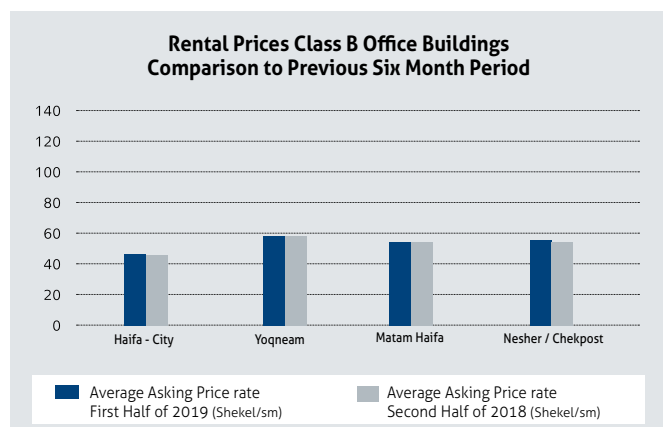
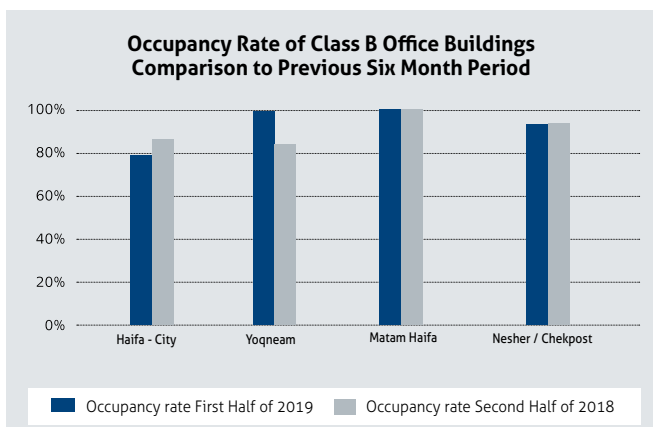
Forecast

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



Neshor Erco House, Managed and Maintained by Natam

* Changes were made in this survey in the buildings that were surveyed, due to new office buildings and spaces entering the market, which have impacted the average asking rental price per square meter.



Class A Office Buildings in Jerusalem

The survey examined **18** Class A buildings located in 5 central areas in the Jerusalem region. The total area of the surveyed building is **201,202 square meters**.

Summary of the Survey's Data

Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate Second Half of 2018	Occupancy rate First Half of 2019	Average Asking Price Second Half of 2018 (Shekel/sm)	Average Asking Price First Half of 2019 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Givat Shaul	5	68,552	99.58%	99.87%	83	83	16.80	520
Har Hotzvim	4	66,240	98.64%	97.13%	76.82	76.25	19.50	575
Central Jerusalem	4	35,250	95.65%	99.15%	85	82.50	16.50	787.50
Malha	1	20,000	100%	100%	85	85	20	500
Talpiot	4	11,160	100%	99.10%	85	90	15.50	512.50
Total/ Average	18	201,202	99%	98.81%	82.96	83.35	17.66	579
The Change			-0.19% ↓		+0.47% ↑			

Data Analysis

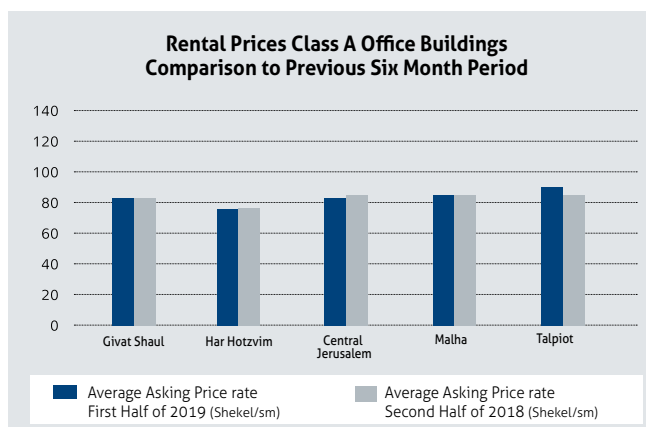
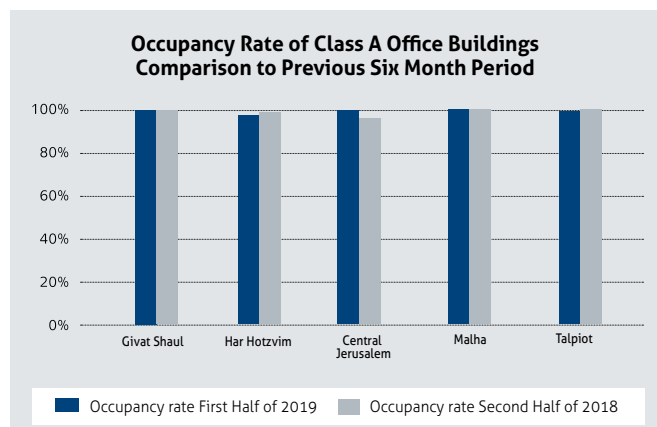
- The occupancy rate in the Jerusalem area Class A office market is maintaining relative stability, with a moderate decline of 0.19% during the first half of 2019, compared to the previous six-month period, averaging at 98.81%.
- The average rental price for the office market in the Jerusalem area is NIS 83.35 per square meter, representing an increase of 0.47% compared to the previous six-month period. The average rental price in the Talpiot area continues to be highest in the Jerusalem area, averaging at NIS 90 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 add approximately 700,000 square meters.



* Changes were made in this survey in the buildings that were surveyed, due to new office buildings and spaces entering the market, which have impacted the average asking rental price per square meter and the occupancy rates.



Class B Office Buildings in Jerusalem

The survey examined **20** Class B 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 Second Half of 2018	Occupancy rate First Half of 2019	Average Asking Price Second Half of 2018 (Shekel/sm)	Average Asking Price First Half of 2019 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Givat Shaul	3	31,500	88.25%	86.83%	78.33	75	13.33	520
Har Hotzvim	5	67,586	99.56%	97.17%	70	67	14	560
Central Jerusalem	2	25,200	98.73%	97.62%	72.50	72.50	18	750
Malha	4	31,400	100%	100%	66.25	68.75	11.50	462.50
Talpiot	6	40,933	95.48%	99.58%	70	70	9.50	405
Total/ Average	20	196,619	96.86%	96.53%	71.42	70.65	13.27	539.50
The Change			-0.34% ↓		-1.07% ↓			

Data Analysis

- The average occupancy rate in the Class B office market in Jerusalem declined by 0.34%. The occupancy rates declined in most of the office areas that were surveyed, except in the Talpiot area, where a 4.24% increase was demonstrated in the occupancy rate which currently averages at 99.58%.
- Following an increase in rental prices in the previous six-month period, the rental prices in the Jerusalem area are showing a decline of 1.07%. The average rental price in the Givat Shaul area continues to be the highest in this office market, averaging at NIS 75 per square meter.

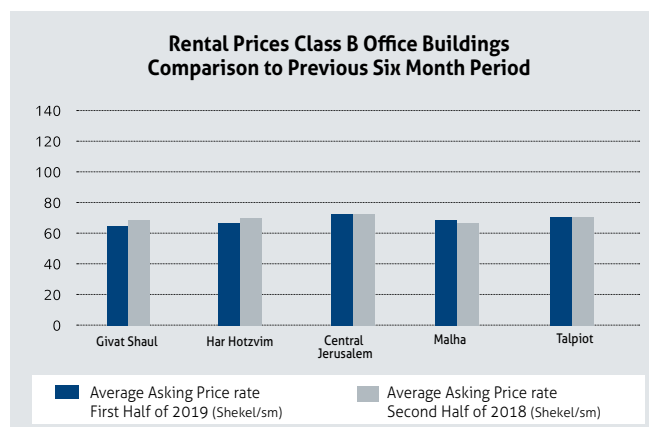
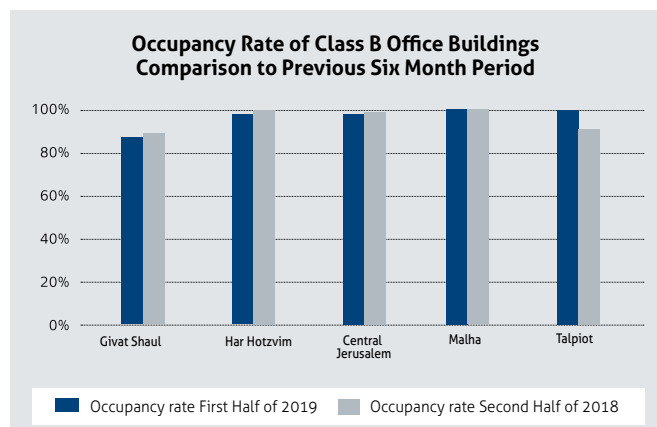
Forecast

- 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

* Changes were made in this survey in the buildings that were surveyed, due to new office buildings and spaces entering the market, which have impacted the average asking rental price per square meter and the occupancy rates.



Survey of Office Buildings in the Beer Sheva Area

The survey examined **13** buildings located in central areas in the Beer Sheva area. The total area of the surveyed buildings is **160,675 square meters**.

Summary of the Survey's Data

Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate Second Half of 2018	Occupancy rate First Half of 2019	Average Asking Price Second Half of 2018 (Shekel/sm)	Average Asking Price First Half of 2019 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Gav-Yam Negev Park	3	48,000	97%	98.75%	65	65	20	-
The Change			+1.80% ↑		No Change			

Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate Second Half of 2018	Occupancy rate First Half of 2019	Average Asking Price Second Half of 2018 (Shekel/sm)	Average Asking Price First Half of 2019 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Hi-Tech Park Omer	4	36,200	89.36%	97.43%	43.90	45	10.25	-
Beer Sheva City	4	66,975	96.89%	99.66%	62.50	61.25	14	357.50
Advanced Technologies Park	2	9,500	85.26%	88.42%	45	45	10.75	150
Total/ Average	10	112,675	93.49%	97.99%	50.47	50.42	11.67	253.75
The Change			+4.81% ↑		-0.09% ↓			

Data Analysis

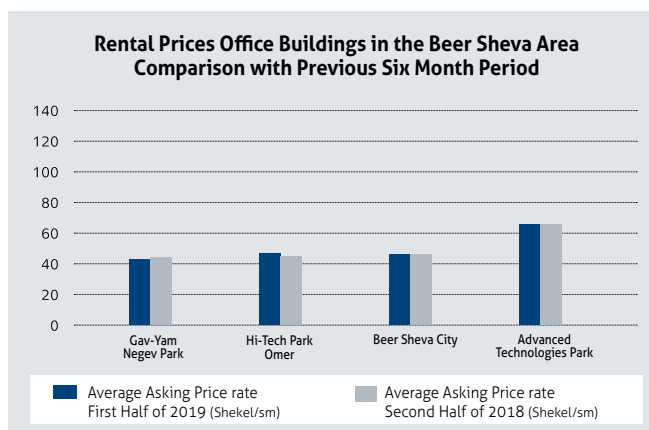
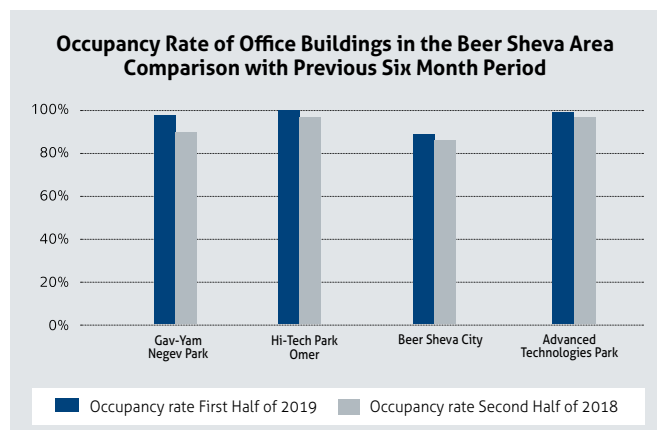
- During the first half of 2019, approximately 30,000 square meters of office space were added to the Gav-Yam Negev Park, following the completion of the construction of a new building. The majority of these areas is already occupied and the park is maintaining high occupancy rates, with an increase of approximately 1.8% compared to the previous six-month period. The asking rental price in the park has remained unchanged.
- There has been an increase of approximately 4.81% in the average occupancy rate in the Beer Sheva area, while the average rental

price remains stable. The city center area maintains a high occupancy rate and there was also an increase of approximately 9% in the occupancy level at the Omer High-Tech Park.

Forecast

- During the first half of 2019, increase demand for office space for government offices was evident, and this is expected to continue throughout the year and result in increased demand for space in the city center.

* Changes were made in this survey in the buildings that were surveyed, due to new office buildings and spaces entering the market, which have impacted the average asking rental price per square meter.



Industrial and Logistics Buildings Market

The significant demand for storage area during the first half of 2019 contributed to the continued upward trend of rental prices. Having said that, the upward trend of rental prices is expected to be curbed since users are reaching the limit of their financial capability to cope with the climbing rental costs. An additional significant increase in rental prices is expected to occur for those storage areas which will offer higher utilization of land, such as storage and logistics areas at heights that are 14 meters or more which will integrate innovative automation technologies.

In addition, as a result of the high demand for office and residential space in the center of the country, and as a result of the added building percentages that are being granted by the authorities, there is an evident trend of factories and storage areas relocating from the center of the country to the peripheral areas, for the benefit of residential and office buildings which are taking over the factory areas in the center of the country.

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	Petach Tikva	50–55 NIS per square meter	40–45 NIS per square meter
	Ramla	42 NIS per square meter	37 NIS per square meter
	Shoham	50 NIS per square meter	–
	Holon, Rishon Lezion	50–55 NIS per square meter	45–50 NIS per square meter
Hasharon Area	Caesarea	42 NIS per square meter	38 NIS per square meter
	Emek Hefer	48 NIS per square meter	45 NIS per square meter
	Kfar Saba	45 NIS per square meter	40 NIS per square meter
	Kadima	50 NIS per square meter	45 NIS per square meter
	North Netanya	40 NIS per square meter	35 NIS per square meter
	South Netanya	40–45 NIS per square meter	35–40 NIS per square meter
Shfela Area	Modi'in	43–45 NIS per square meter	–
	Ashdod / Kanot / Yavne	40–42 NIS per square meter	35 NIS per square meter
Southern Area	Kiryat Gat	38 NIS per square meter	32–33 NIS per square meter
	Ashkelon	35 NIS per square meter	29 NIS per square meter
	Sderot / Netivot / Ofakim	25 NIS per square meter	20 NIS per square meter
	Beer Sheva	20–25 NIS per square meter	17–20 NIS per square meter
Jerusalem Area	Mishor Adumim	35 NIS per square meter	30 NIS per square meter
	Atarot	45 NIS per square meter	32 NIS per square meter
	Beit-Shemesh, Har Tov, Tzora	35–37 NIS per square meter	30 NIS per square meter
Northern Area	Haifa and the Northern Region	30 NIS per square meter	25 NIS per square meter

Survey of Average Asking Prices per 1,000 Square Meter for Purchasing Industrial and Logistics Lots

Central Area	Petach Tikva - Segula	5,000,000 – 5,500,000 NIS	Shfela Area	Modi'in - Yishpro	3,500,000 NIS
	Petach Tikva – Kiryat Arieh	5,500,000 – 6,000,000 NIS		Modi'in – Li Gad	3,000,000 NIS
	Shoam	4,500,000 – 5,000,000 NIS		Beer Tuvia	2,500,000 – 2,700,000 NIS
	Holon	5,500,000 – 6,000,000 NIS		Yavne	3,000,000 NIS
	Rishon Lezion	5,500,000 – 6,000,000 NIS		Ashdod	4,000,000 NIS
	Lod / Remla	3,500,000 – 4,000,000 NIS		Kanot	3,000,000 NIS
Hasharon Area	Emek Hefer	2,500,000 NIS	Southern Area	Kiryat Gat	2,000,000 NIS
	Caesarea	2,000,000 NIS		Beer Sheva	1,100,000 NIS
	North Netanya	2,500,000 – 3,000,000 NIS		Ashkelon	1,500,000 – 1,700,000 NIS
	South Netanya	4,000,000 – 5,000,000 NIS	Jerusalem Area	Mishor Adumim	700,000 NIS
	Kfar Saba-Industrial Area	4,000,000 NIS		Beit Shemesh	1,700,000 – 2,000,000 NIS
	Kfar Saba 50	4,000,000 NIS			
Northern Area	Haifa Bay	2,000,000 NIS			
	Tirat Carmel	2,000,000 NIS			
	Checkpoint / Nesher	1,800,000 – 2,000,000 NIS			
	Carmel	1,800,000 – 2,000,000 NIS			

Data Analysis

- The upward trend of prices for lots primarily in the high-demand areas – the port areas and near the Cross-Israel Highway (Route 6) – continues. The trend is expected to continue, in light of the expansion and enhancement of logistics activity.
- Continued increase in rental prices in the high-demand areas is expected in light of the increase of the prices of the lots in the market and in the Israel Land Administration's tenders, and the increase of demand.



Tzora Park, Logistics and Industrial Spaces for Rent, Marketed by Natam

Real Estate Purchase Transactions - A Review of the First Half of 2019

The first half of 2019 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 the continued upward trend of asset prices. The continued increase in prices, and the corresponding decline in returns from income bearing assets, result in a decline in the financial spread for investors financing their investment through loans. Additionally, the recent increase in the risk spread on loans and debentures, which is a result of the market fluctuations, narrows the profit spread for investors in income bearing real estate.

As a result of the decreased financial spread, the cash flow received from the financed asset, after repayment of the loan's principal and interest, is low and even negligible, depending on the interest and the terms of the loan. Therefore, the scope of transactions made by investors has declined compared to:

1. Transactions made by end-users, since end-users have additional considerations when purchasing assets, aside from the return on investment.
2. Transactions involving income-bearing assets with a potential for improvement, since the investor/entrepreneur sees potential compensation for the low return on investment.
3. Transactions by institutional entities that are made with equity and without financing.

Industry / Logistics

In the industrial and logistics field the downward trend for returns continued at levels of 6.0%-7.5% in the first half of 2019, in accordance with the type, quality and location of the assets. The rental prices for Class A industrial and logistics buildings increased to approximately NIS 45-55 per square meter in the central area, and to approximately NIS 35-40 per square meter in the periphery. The prices of logistics centers range between NIS 6,000 and NIS 7,000 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 NIS 3,500 to NIS 4,500 per square meter for Class B buildings in secondary locations.

Looking forward: The increase of e-commerce is expected to contribute to continued demand for logistics spaces. However, the prices of the logistics assets are expected to come closer to the point of equilibrium.

The Office Market

The office market has been characterized by significant demand from the high-tech sector and the rental prices have maintained their level since the end of 2018. Despite the continued trend of demands for income-bearing real estate also at the beginning of 2019, it appears that new development projects that are in progress, amounting to hundreds of thousands of square meters, are expected to contribute to moderating the prices in the medium term.

Sale prices in Tel Aviv ranged between NIS 17,000 and NIS 20,000 per square meter (shell and core level) for new offices (Class A) in prime locations. These price levels reflect a return that is lower than 6.5% compared to the rent fee payments.

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 cities around greater Tel Aviv (Ra'anana, Kfar Saba, Netanya, Petach Tikva, Rechovot) ranged between NIS 8,500 and NIS 10,500 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. This is a result of the distribution of ownership. 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). The remainder of the office buildings were 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 buildings 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. This increase is expected to lead to a decline in rental prices 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 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.

Commerce

In light of technological developments and changes in e-commerce habits, NATAM predicts that there will be a decline in rental prices in commercial centers, which shall lead to a decline in the prices of the assets, have 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 commercial centers. However, stability is expected in neighborhood commercial 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.

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The Natam Group, together with the "Shutfaf" non-profit organization, founded the "Julio Schutz Fund", which supports integration of children with special needs in the community.

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