

Natam

OFFICE, INDUSTRIAL AND INVESTMENT RESEARCH REPORT



**Natam Report
No. 45**

First Half of 2020

No. 45

Introduction	3
Survey of Office Market in Tel Aviv	4
Survey of Office Market in the Cities Around 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 and the Region	12
Survey of the Industrial and Logistics Buildings Market	13
The Income Bearing Real Estate Market	15

A Market Survey in the Shadow of the COVID-19 Pandemic

During the months of January and February of 2020, the positive trend in the real estate market, which was characterized by vibrant demand in the field of offices and logistics and by stability in the field of commerce, continued. Upon the outbreak of the COVID-19 pandemic in Israel in March, 2020, and the restrictions on social and business activity that were imposed as a result of the spread of the virus, a decline in activity was observed in most sectors in the country, also impacting the business real estate field.

After almost complete paralysis of real estate activity during the lock-down, the market resumed activity in the middle of April.

However, the work routine has changed due to the concern about face-to-face encounters and uncertainty regarding the pandemic's impact on the market in Israel, in general, and the business real estate field, in particular.

The COVID-19 pandemic, which is causing the current economic slowdown, is different from "traditional" factors that caused crises in the past, and therefore, in our opinion, it is premature at this stage to assess the pandemic's medium and long term effects on the real estate market.

Any attempt to predict the future would rely on factors with respect to which no experience has been accumulated.

It must be emphasized that in light of the relatively short period of time of coping with COVID-19, we still do not possess sufficient data in order to assess the impacts of the COVID-19 pandemic on office prices. The faster the economic and medical situation will stabilize, the more the negative trends will be moderated. In the current report we are witnessing declines in asking prices in the office market, and willingness to exhibit flexibility on the part of asset owners, which is expressed in granting months of "grace", renovations/adjustment budgets and postponing rent payments.

Introduction

Survey of Office Building Market

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.

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 of a lower standard than Class A buildings which are appropriate for tenants seeking a less expensive alternative.

General Trends

- During the months of May and June 2020 office rental transactions were made at a decline of between 5%-10% in rental prices compared to the prices at the beginning of the year. Additionally, the asset owners improved commercial terms for renters, including by granting "grace" months, renovation/adjustment budgets and postponing rent payments.
- The significant demand for storage areas in 2019 also continued during the first half of 2020. The demand for storage areas was "invigorated" along with and due to the consistent trend in recent years of increasing e-commerce, an increase which requires large scale storage and distribution areas.
- The level of returns on income-bearing logistics assets stabilized at approximately 5.5%-6% in "prime" locations, and at approximately 7%-7.5% in peripheral areas, depending on the type, quality and location of the assets.

Survey of Class A Office Buildings in Tel Aviv

The survey examined **59** Class A buildings in 7 central areas in Tel Aviv, which constitute a representative sample of all of the office areas located in this urban district. The total area of the surveyed buildings is **1,972,409 square meters**.

Summary of the Survey's Data

Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate Second Half of 2019	Occupancy rate First Half of 2020	Average Asking Price Second Half of 2019 (Shekel/sm)	Average Asking Price First Half of 2020 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Ramat Hahayal	10	209,106	95.92%	93%	79.62	79.50	19.80	690
M.Begin Corridor	15	704,573	98.58%	97.44%	117.33	114.07	21.47	1,126.67
City	5	104,204	98.65%	96.23%	130.60	128	22.10	1,310
Central Tel Aviv	2	29,850	100%	98.22%	117.50	117.50	22	1,300
Yigal Alon Corridor	10	416,048	98.68%	94.52%	127.50	119	17.57	975
Courthouse	6	134,624	95.41%	93.22%	111.67	111	21	1,140
Ramat Gan-Bourse	11	374,004	89.06%	96.15%	99.77	95.12	20.25	896.88
Total/ Average	59	1,972,409	96.26%	95.54%	112	109.17	20.60	1,062.65
The Change			-0.75% ↓		-2.52% ↓			

* Due to the characteristics of the area, the Bursa area was included as part of the survey of areas in Tel Aviv

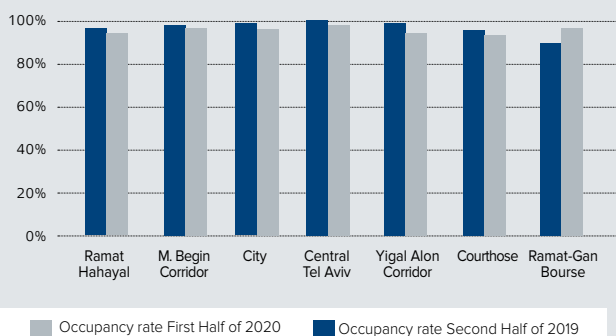
Data Analysis

- The occupancy rate in the Class A buildings office market in Tel Aviv is presenting a decline of 0.75% in occupancy rates. In all of the areas that were surveyed in this office market, there were declines in occupancy rates, except for the Bursa area, where an increase was demonstrated – due to rent transactions that were closed in the new towers that entered the market in the second half of 2019, and so the Bursa area stabilized and returned to the average occupancy rate it had in recent years – exceeding 95%.
- The average rental prices for offices in this market are averaging at approximately 109 NIS per square meter, presenting a decline of 2.52% compared to the second half of 2019. During the months of January-March, the rental prices maintained stability. Upon the outbreak of COVID-19 rental prices declined in most of the areas.

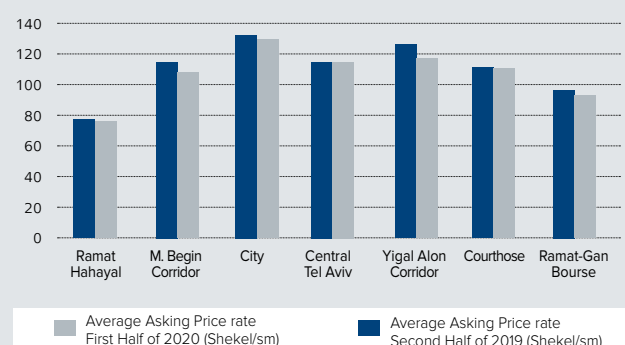
Forecast

- Following years when the Tel Aviv Class A office market benefited from increases in occupancy rates and rental prices, we are of the opinion that against the background of the spread of the COVID-19 pandemic, the level of asking prices in Class A buildings will decline, alongside maximum flexibility on the part of asset owners.
- The impacts of COVID-19, which, inter alia, are expressed in downsizing office space, while increasing partial work from home, and alongside companies relocating to new buildings, could make occupying vacant spaces and those that are becoming vacant in the near future, difficult.

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



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



Survey of Class B Office Buildings in Tel Aviv

The survey examined **43** Class B buildings in 7 central areas in Tel Aviv, which constitute a representative sample of all of the office areas located in this urban district. The total area of the surveyed buildings is **527,943 square meters**.

Summary of the Survey's Data

Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate Second Half of 2019	Occupancy rate First Half of 2020	Average Asking Price Second Half of 2019 (Shekel/sm)	Average Asking Price First Half of 2020 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Ramat Hahayal	8	84,700	91.51%	89.35%	67.63	67	19.69	612.50
M.Begin Corridor	12	129,656	94.92%	91.23%	69.32	67.92	20.33	737.50
City	3	53,210	94.91%	95.40%	81.67	80	22	983.33
Central Tel Aviv	3	35,836	97.21%	97.21%	86.67	85.67	22.33	950
Yigal Alon Corridor	7	100,975	94.18%	90.97%	71.17	67.83	18.46	625
Courthouse	2	25,400	90.11%	88.42%	95	95	21	1,350
Ramat Gan-Bourse	8	98,166	93.98%	95.35%	66	65	19.25	712.50
Total/ Average	43	527,943	93.98%	92.33%	76.78	75.49	20.44	852.93
			The Change		-1.76% ↓		-1.69% ↓	

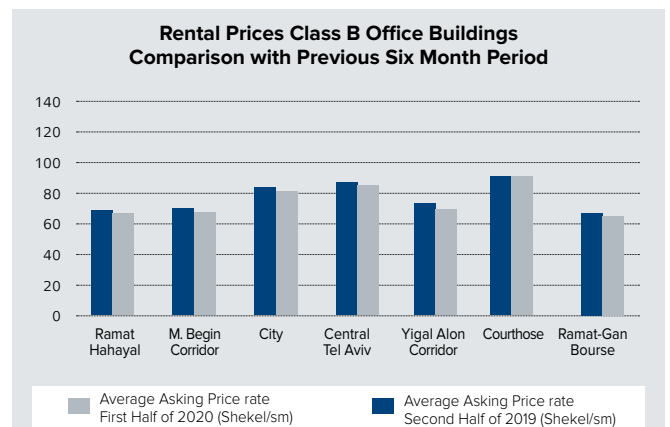
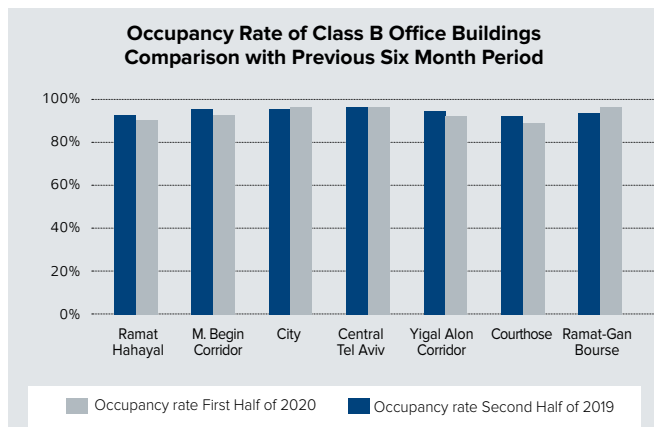
* Due to the characteristics of the area, the Bursa area was included as part of the survey of areas in Tel Aviv.

Data Analysis

- The occupancy rate in the Class B office building market in Tel Aviv declined by 1.76% compared to the previous six-month period. Having said that, the occupancy rate is high, exceeding 90% in most of the areas, headed by the Central Tel Aviv area which is maintaining a stable occupancy rate since the last six-month period, averaging at 97.21%.
- The rental prices in this office market declined by 1.69% compared to the previous six-month period. The Courthouse area continues to lead with the highest rental prices, averaging at 95 NIS per square meter.

Forecast

- The occupancy rate is expected to stabilize during the second half of 2020, in light of the relocation of companies (primarily service providers) from Class A buildings to this office market, in order to reduce costs.



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

The survey examined **84** 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 **1,964,565 square meters**.

Summary of the Survey's Data

Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate Second Half of 2019	Occupancy rate First Half of 2020	Average Asking Price Second Half of 2019 (Shekel/sm)	Average Asking Price First Half of 2020 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Herzliya Pituach	16	220,767	97.85%	96.27%	91.56	91.56	20.75	612.50
Modi'in and Ben Gurion Airport Area	9	155,170	94.23%	93.01%	69.38	69.34	17.56	505.56
Petach Tikva	17	266,375	83.06%	91.73%	71.51	71.73	18.62	512.35
Raanana	8	144,597	90.53%	87.85%	74.71	71.25	18.19	367.50
Netanya - Poleg	10	120,200	96.51%	94.17%	64	61.70	13.70	371
Rehovot – Ness Ziona	8	114,000	91.04%	90.57%	71.75	71.13	14.04	434.38
Kfar Saba / Hod Hasharon	5	72,336	98.38%	98.06%	73.75	72	16.80	470
Rosh Haayin	4	63,840	83.70%	83.51%	45.50	45.50	15.13	362.50
Bnei Brak	7	807,280	97.95%	94.10%	71	71.43	17.19	650
Total/ Average	84	1,964,565	92.62%	93.08%	70.22	69.58	16.92	476.39
The Change			+0.49% ↑		-0.91% ↓			

Data Analysis

- The Class A office building market in the cities around Tel Aviv maintained stability with an occupancy rate of 93.08% during this six-month period. The highest increase in occupancy rates occurred in Petach Tikva, due to the recent occupation of large areas of companies.
- The rental prices during this six-month period maintained stability, averaging at 69.58 NIS per square meter. The highest price per square meter was surveyed in Herzliya Pituach, 91.56 NIS per square meter, without any change compared to the previous six-month period.

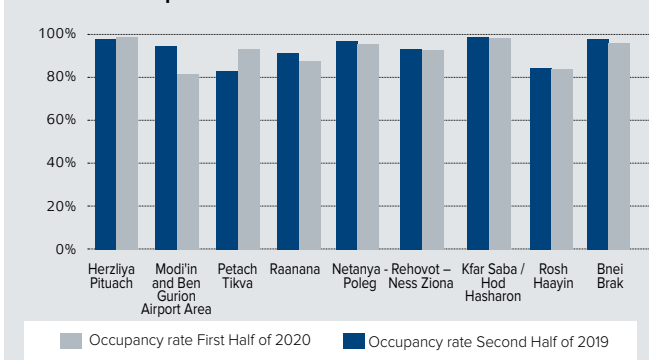
Forecast

- The office market in Herzliya during these COVID-19 times is operating with great caution. We are seeing large and leading

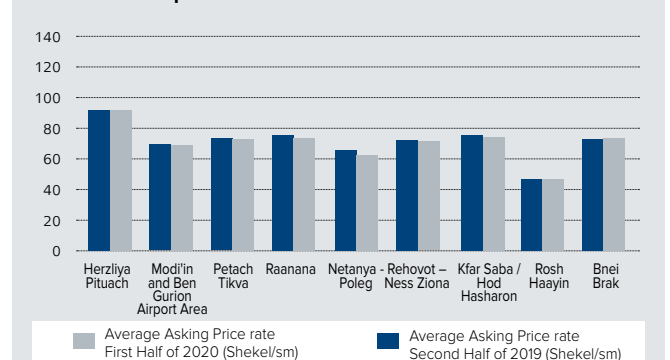
high-tech companies downsizing spaces, as part of their streamlining process, and transitioning to a format of partial work from home and looking for sub-lessees in the market. On the other hand, small bodies and companies in the services sector are "using" these times to improve their conditions and are seeking vacant offices in Class A and Class B buildings, which have small and medium sized spaces (up to 500 square meters). The rental prices in these areas have remained pre-COVID-19 prices and yet we are seeing willingness on the part of the asset owners, during negotiations, to reduce rental prices.

- A high level of competition is anticipated in the office market in Petach Tikva and Bnei Barak due to significant supply which is expected to be released to the market and to make the pace of occupancy difficult.

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



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



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

The survey examined **76** Class B buildings in 9 central areas located up to 30 kilometers from the center of Tel Aviv. The total area of the surveyed building is **795,669 square meters**.

Summary of the Survey's Data

Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate Second Half of 2019	Occupancy rate First Half of 2020	Average Asking Price Second Half of 2019 (Shekel/sm)	Average Asking Price First Half of 2020 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Herzliya Pituach	13	113,036	94.41%	89.96%	78.96	75.98	18.88	588.46
Modi'in and Ben Gurion Airport Area	9	76,295	91.50%	93.87%	60	60.67	13.94	394.33
Petach Tikva	8	106,750	94.80%	93.75%	61.25	59.75	15.09	462.50
Raanana	6	43,477	92.46%	88.30%	66.67	63.33	16.96	396.67
Netanya - Poleg	5	103,032	96.21%	93.98%	53.80	49.60	11.20	326
Rehovot – Ness Ziona	16	159,092	88.38%	90.28%	59.60	60.31	12.92	407.81
Kfar Saba / Hod Hasharon	9	76,564	99.02%	97.86%	66.11	64.44	16.22	450
Rosh Haayin	7	72,830	86.83%	91.45%	43.69	43.37	13.50	311.34
Bnei Brak	3	44,593	90.81%	88.56%	60	53.33	16.83	500
Total/ Average	76	795,669	92.68%	92.17%	60.79	58.98	15.06	426.35
The Change			-0.55% ↓		-2.98% ↓			

Data Analysis

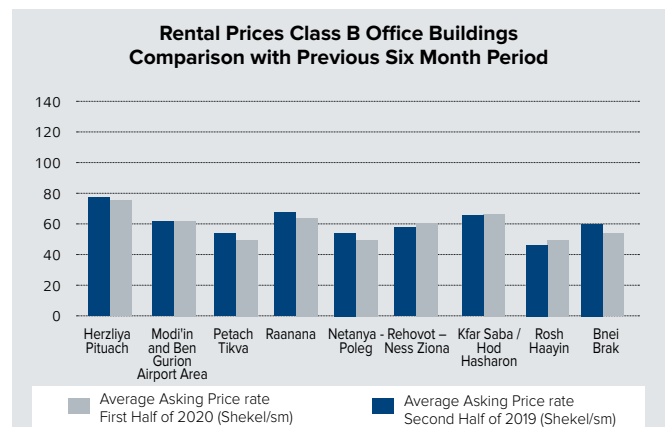
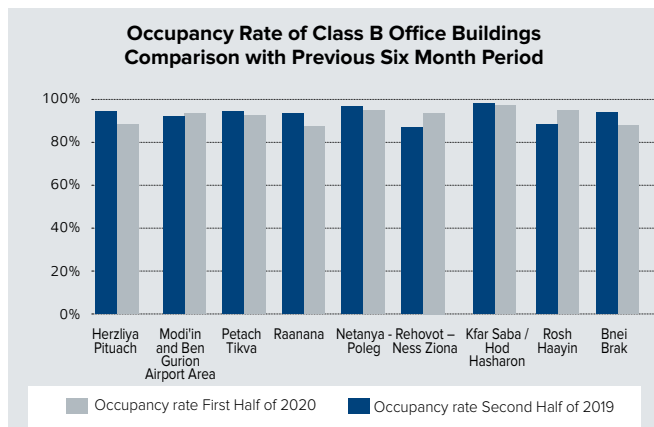
- The average occupancy rate in the Class B office market in the cities around Tel Aviv declined by 0.55% and is maintaining relative stability.
- Between the first half of 2019 and the second half of 2019, the average rental price in this office market demonstrated an increase of 2.46%. This increase was equally countered during this six-month period, with an average of 58.98 NIS – the lowest in the past year.

Forecast

- We anticipate that this office market will maintain similar occupancy rates during the upcoming six-month period.



Class A Office Building
SEA VIEW II, Herzliya Pituach
Managed and Maintained by Natam



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

The survey examined **15** Class A buildings located in 3 central areas in Haifa and the northern region. total area of the surveyed buildings is **204,170 square meters**.

Summary of the Survey's Data

Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate Second Half of 2019	Occupancy rate First Half of 2020	Average Asking Price Second Half of 2019 (Shekel/sm)	Average Asking Price First Half of 2020 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Haifa - City	3	38,700	96.51%	96.51%	57.41	57.41	15.47	450
Yoqneam	5	47,000	86.67%	75.74%	68.33	65.44	12	362
Matam Haifa	7	118,470	99.66%	99.66%	70	70	18.57	383.33
Total/ Average	15	204,170	96.93%	93.56%	65.25	64.28	15.36	398.44
The Change			-3.48% ↓		-1.49% ↓			

Data Analysis

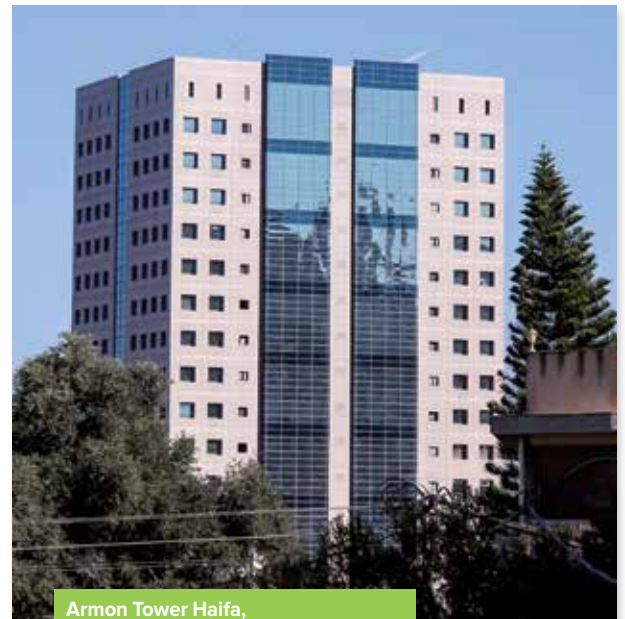
- The office market in Haifa is presenting a decline of 3.48% in the general occupancy rate which is currently 93.56%.

The MATAM area continues to maintain very high occupancy rates, averaging approximately 99%, with the Haifa region in its footsteps, with an average occupancy of 96.51%.

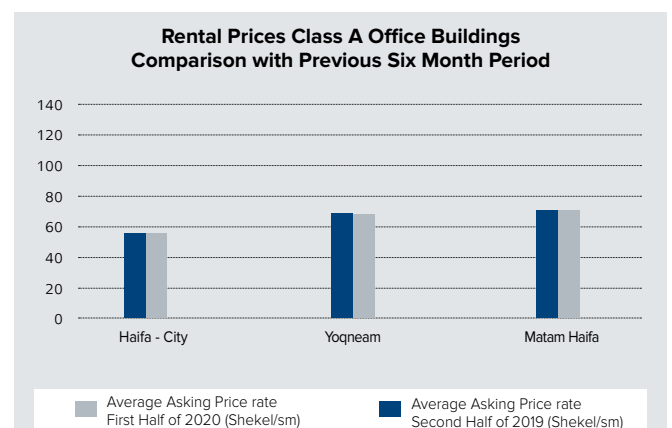
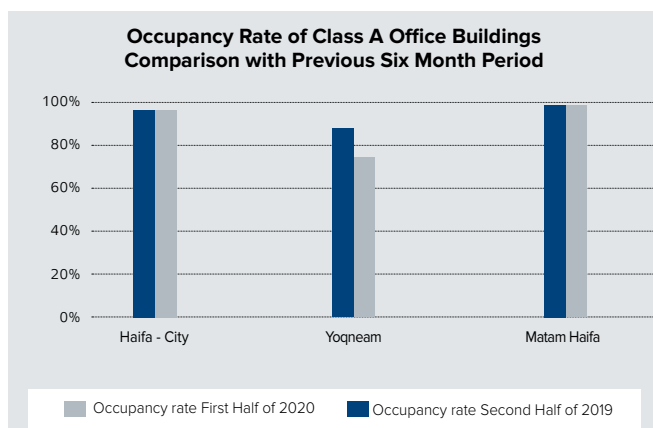
- The average rental prices declined by 1.49% compared to the previous six-month period and average at 64.28 NIS per square meter. Corresponding to the highest occupancy rates in the area, the highest rental prices were also surveyed in MATAM, averaging at 70 NIS per square meter.

Forecast

- This office market is expected to remain stable also during the second half of 2020, without sharp changes in the occupancy rates and the rental prices.



Armon Tower Haifa,
Managed and Maintained by Natam



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 2019	Occupancy rate First Half of 2020	Average Asking Price Second Half of 2019 (Shekel/sm)	Average Asking Price First Half of 2020 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Haifa - City	3	48,740	85.43%	84.20%	47.50	47.96	15	366.67
Yoqneam	4	41,500	90.19%	97.93%	57.50	56.25	13.25	362.50
Matam Haifa	4	47,352	98.84%	99.68%	62.50	63.75	20	387.50
Nesher / Chekpost	7	69,850	93.63%	95.70%	54.70	52.86	10	250
Total/ Average	18	207,442	92.21%	94.35%	55.55	55.22	14.56	337.50
The Change			+2.32% ↑		-0.59% ↓			

Data Analysis

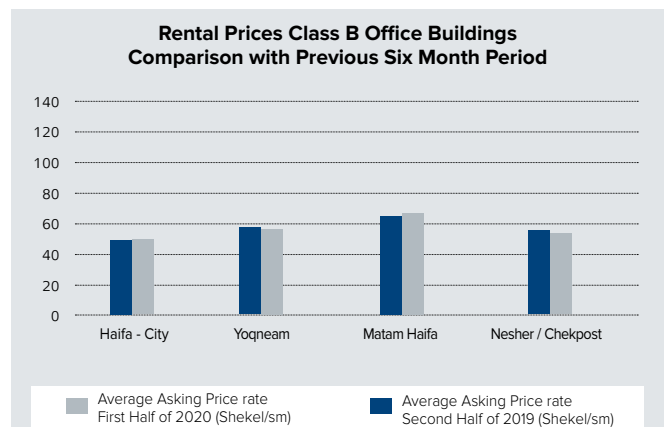
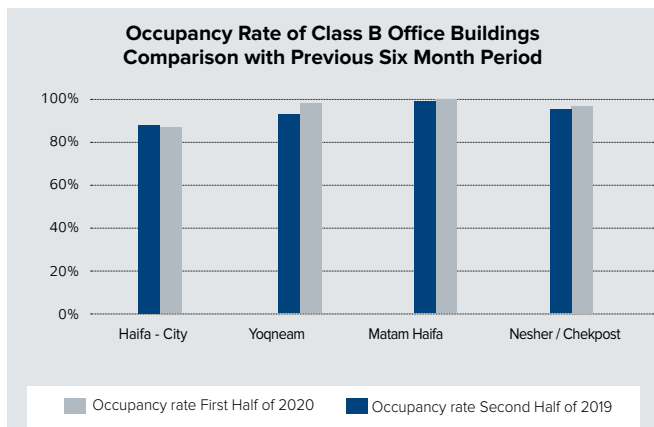
- The average occupancy rate in the Class B office building market in Haifa and the northern region continues to rise and averages at 94.35%. Similarly to the previous six-month period, and the trends in the Class A office market, the MATAM business park area continues to lead with the highest occupancy rate for the region, with little available space.
- The rental prices in this office market present a moderate decline of 0.59% and are currently 55.22 NIS per square meter.

Forecast

- This office market is expected to remain stable also during the second half of 2020.



Nesh'er Erco House,
Managed and Maintained by Natam



Survey of 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 **213,202 square meters**.

Summary of the Survey's Data

Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate Second Half of 2019	Occupancy rate First Half of 2020	Average Asking Price Second Half of 2019 (Shekel/sm)	Average Asking Price First Half of 2020 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Givat Shaul	5	68,552	99.71%	98.17%	83	81.60	16.80	540
Har Hotzvim	4	66,240	99.55%	98.93%	76.25	73.75	17.75	575
Central Jerusalem	4	35,250	98.30%	99.15%	84.25	83.25	16	545
Malha	1	20,000	99.70%	97.75%	85	90	19	450
Talpiot	4	23,160	99.10%	87.48%	90	91.25	13.50	562.50
Total/ Average	18	213,202	99.37%	97.37%	83.70	83.97	16.61	534.50
The Change			-2.01% ↓		+0.32% ↑			

* The Malcha area is not characterized by construction of Class A office buildings, and therefore only one building was surveyed in this area.

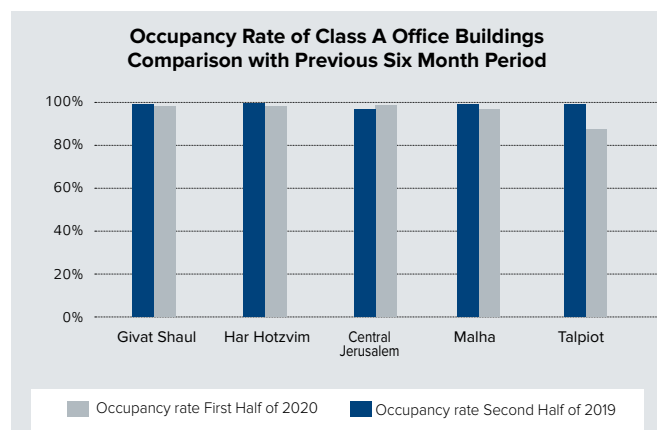
Data Analysis

- The Class A office market in Jerusalem is presenting declines in occupancy rates alongside stability in rental prices.
- The average occupancy rate is 97.37%, presenting a decline of approximately 2% compared to the previous six-month period. Despite the surveyed decline, in most of the areas in the city, the occupancy rate remained high – exceeding 97%.
- The rental prices in this office market are presenting stability in asking prices, with the average price being approximately 83 NIS per square meter.
- Despite the decline in the occupancy rate in the Malcha area, there is vibrant demand for office space which has led to an increase in the asking rental prices, which are currently 90 NIS per square meter in this area.

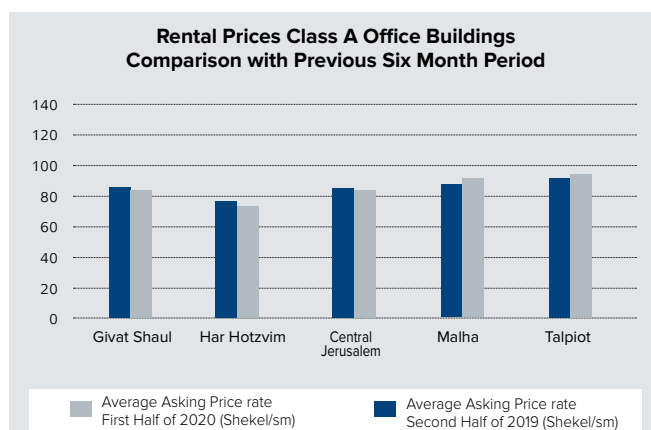
Forecast

- The construction of new projects at the entrance of the city continues, alongside the construction of new projects in the Talpiot area, and the relocation of industrial structures to Mishor Edumim and Atarot.
- A new road has opened at Har Hotzvim, which may ease traffic congestion and increase demand for office space in that area.

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



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



Survey of Class B Office Buildings in Jerusalem

The survey examined **27** Class B buildings located in 5 central areas in the Jerusalem region. The total area of the surveyed building is **290,719 square meters**.

Summary of the Survey's Data

Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate Second Half of 2019	Occupancy rate First Half of 2020	Average Asking Price Second Half of 2019 (Shekel/sm)	Average Asking Price First Half of 2020 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Givat Shaul	4	78,500	96.82%	98.27%	75	74.50	11.75	515
Har Hotzvim	6	71,486	99.88%	98.24%	68.33	67.83	14.33	525
Central Jerusalem	4	35,200	98.58%	99.78%	72	75	19.25	666.67
Malha	4	31,400	99.70%	97.58%	68.75	71.25	12	450
Talpiot	9	74,133	98.29%	98.39%	73.33	73.89	13	492.86
Total/ Average	27	290,719	98.47%	98.38%	72.08	72.49	14.07	529.91
The Change			-0.09% ↓		+0.57% ↑			

Data Analysis

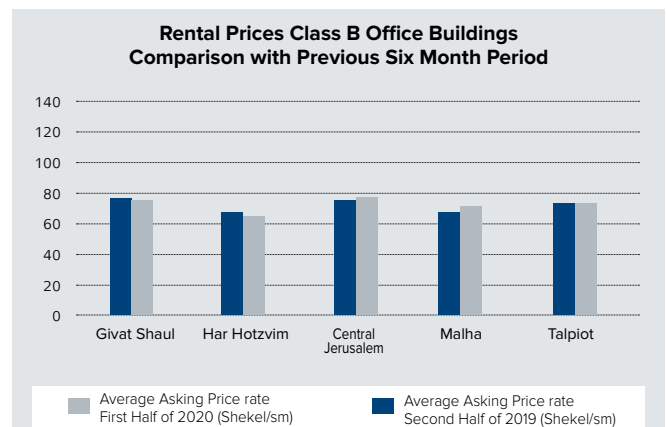
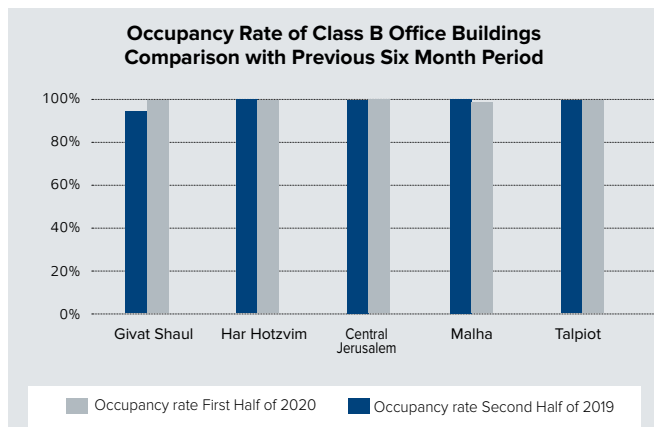
- The occupancy rate in this office market continues to be high and to maintain stability, averaging at 98.38%.
- The rental prices in this market are also maintaining stability, with an average price of 72.49 NIS per square meter. The Givat Shaul area is the area with the highest average price in the area, 74.50 NIS per square meter.

Forecast

- In light of the high occupancy rates, exceeding 97% in most of the areas, and the shortage of large available office spaces - we expect the market to remain stable and to even get stronger.



Hadarim House Har Hotzvim, Managed and Maintained by Natam



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 2019	Occupancy rate First Half of 2020	Average Asking Price Second Half of 2019 (Shekel/sm)	Average Asking Price First Half of 2020 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Gav-Yam Negev Park	3	48,000	98.75%	99.50%	65	65	20	-
The Change			+0.75% ↑		No change			

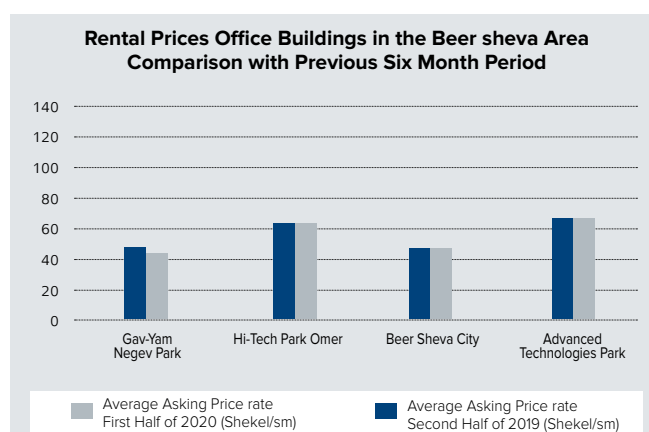
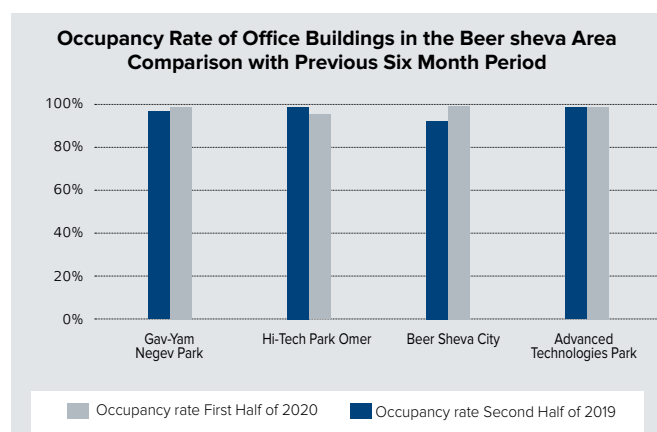
Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate Second Half of 2019	Occupancy rate First Half of 2020	Average Asking Price Second Half of 2019 (Shekel/sm)	Average Asking Price First Half of 2020 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Hi-Tech Park Omer	4	36,200	97.43%	99%	42.50	42.50	10	-
Beer Sheva City	4	66,975	99.66%	96.16%	61.25	63.75	14	357.50
Advanced Technologies Park	2	9,500	88.42%	99%	45	45	10.75	150
Total/ Average	10	112,675	97.99%	97.72%	49.58	50.42	11.58	253.75
The Change			-0.27% ↓		+1.69% ↑			

Data Analysis

- The Beer Sheva office market is maintaining stability in occupancy rates and in asking rental prices.
- The general occupancy rate in the areas of activity in the city is approximately 97%, with the city center being the most occupied area with an average occupancy rate of 99%.
- The rental prices in this market have increased by 1.69% since the last six-month period and average at approximately 50 NIS per square meter, while the average price per square meter in the Gav-Yam Park is 65 NIS.

Forecast

- The construction and development in the city are continuing in light of increasing demand.
- We expect rental prices in the city to remain stable also during this period, in light of the fact that existing supply does not correspond to demand.



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 and accessible for loading and unloading.

Class B Industrial Buildings:

Long standing industrial buildings, minimum 5m. height, operational area and 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	55 NIS per square meter	45 NIS per square meter
	Ramla	45 NIS per square meter	37 NIS per square meter
	Shoham	47 NIS per square meter	/
	Holon	55 NIS per square meter	45 NIS per square meter
	Rishon Lezion	55 NIS per square meter	45 NIS per square meter
Hasharon Area	Caesarea	42 NIS per square meter	35 NIS per square meter
	Emek Hefer	45 NIS per square meter	40 NIS per square meter
	Kfar Saba	50 NIS per square meter	45 NIS per square meter
	Kadima	/	43 NIS per square meter
	North Netanya	/	35 NIS per square meter
	South Netanya	45 NIS per square meter	40 NIS per square meter
Shfela Area	Modi'in	45 NIS per square meter	/
	Ashdod	45 NIS per square meter	35 NIS per square meter
	Kanot	42 NIS per square meter	33 NIS per square meter
	Yavne	42 NIS per square meter	35 NIS per square meter
Southern Area	Kiryat Gat	38 NIS per square meter	32 NIS per square meter
	Ashkelon	35 NIS per square meter	27 NIS per square meter
	Sderot / Netivot / Ofakim	30 NIS per square meter	20 NIS per square meter
	Beer Sheva	25 NIS per square meter	20 NIS per square meter
Jerusalem	Mishor Adumim	35 NIS per square meter	25 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	40 NIS per square meter	35 NIS per square meter
	Karmiel, Bar Lev, Misgav, Tefen	35 NIS per square meter	25–30 NIS per square meter
	Migdal HaEmek	30 NIS per square meter	25 NIS per square meter
	Acre	30 NIS per square meter	22–27 NIS per square meter
	Mevo Carmel	34–40 NIS per square meter	/

* Data refers to average rental prices of the ground floor

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

Central Area	Petach Tikva - Segula	7,000,000 NIS	Shfela Area	Modi'in - Yishpro	4,000,000 NIS
	Petach Tikva - Kiryat Arieh	7,000,000 NIS		Modi'in - Li Gad	3,200,000 NIS
	Shoam	4,500,000 - 5,000,000 NIS		Beer Tuvia	2,500,000 NIS
	Holon	6,500,000 - 7,000,000 NIS		Yavne	3,000,000 NIS
	Rishon Lezion	6,500,000 NIS		Ashdod	3,500,000 NIS
	Lod / Remla	4,000,000 NIS		Kanot	3,000,000 NIS
Hasharon Area	Emek Hefer	2,800,000 NIS	Southern Area	Kiryat Gat	2,200,000 NIS
	Caesarea	2,500,000 NIS		Beer Sheva	1,100,000 NIS
	North Netanya	2,700,000 NIS		Ashkelon	1,500,000 - 1,800,000 NIS
	South Netanya	4,000,000 - 5,000,000 NIS			
	Kfar Saba-Industrial Area	4,000,000 NIS			
	Kfar Saba 50	4,000,000 - 4,200,000 NIS			
Northern Area	Haifa Bay	2,500,000 NIS	Jerusalem Area	Beit Shemesh	1,800,000 - 2,000,000 NIS
	Tirat Carmel	2,000,000 NIS		Mishor Adumim	900,000 - 1,000,000 NIS
	Checkpost / Neshet	2,500,000 NIS			
	Carmel	2,000,000 NIS			



Hazorea 12, Beer Sheva, a NATAMINVEST project

Real Estate Transactions - A Review of the First Half of 2020

During the months of January and February of 2020, the positive trend in the real estate market, which was characterized by vibrant demand in the fields of logistics and offices and stability in the field of commerce, continued. Upon the outbreak of the COVID-19 pandemic in Israel in March 2020, and the restrictions on social and business activity that were imposed as a result of the spread of the pandemic, a decline in activity was observed in most sectors in the country, also impacting the business real estate field.

However, it can already be said that the COVID-19 pandemic is accelerating processes that had already started, regardless of the pandemic. In this context, we shall state two main processes:

1. The development of e-commerce and its implications (in opposite directions) for the fields of commerce and logistics.
2. Technological developments that enable working from home.

In addition to the direct impacts of the COVID-19 pandemic in Israel, the State of Israel is significantly impacted by developments in the global economy. Beyond the economic blow in most countries around the world as a result of COVID-19, Israel may be impacted by the increase in the level of risk to the global economy, deriving from trends of separatism, including an escalation in the trade war between the United States and China and Britain's exit from the European Union (the "Brexit").

Industry / Logistics

The significant demand for storage areas in 2019 also continued during the first half of 2020. The demand for storage areas was invigorated by the consistent trend in recent years of increasing e-commerce, which requires increasingly larger distribution and storage areas. An additional factor that impacts the demand for logistics areas derives from the demand for office and residential space in the center of the country, as well as the added building percentages that are being granted by the authorities in these areas. Consequently, there is a 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 and storage areas in the center of the country.

After witnessing a significant rise in rental prices for storage and industry in recent years, prices began stabilizing since the beginning from the second half of 2019, since the users are reaching the limit of their financial capability to cope with the climbing rental costs. The level of returns on income-bearing logistics assets stabilized at approximately 5.5%-6% in "prime" locations, and at approximately 7%-7.5% in the periphery areas, in accordance with the type, quality and location of the assets.

The rental prices for Class A industrial and logistics buildings stabilized at approximately NIS 45-55 per square meter in the central area, and at approximately NIS 35-40 per square meter in peripheral areas. The prices of logistics centers range between NIS 7,000 and NIS 8,000 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 anticipated population growth in Israel, along with the increase of e-commerce is expected to contribute to continued demand for logistics spaces. Additionally, we have recently seen significant growth in demand for cold and frozen storage and distribution centers throughout the country. The rental prices that are paid in this field are tens of percent higher than, and occasionally even double, the rental prices that are paid for ordinary logistics and distribution structures.

The Office Market

In the previous Natam report we assessed that two trends may impact the decline of office prices:

1. The multitude of office space that was purchased by purchase groups, and a consequent anticipation of an increase in the supply of small office spaces (up to approximately 300 square meters), both for sale and rent. The increase in supply is expected to lead to a decline in rental prices and in the prices of the small offices in the Gush Dan region, primarily in office buildings that are owned by a large number of investors.

2. A significant increase in construction starts of offices which has been noted since 2017, in 2018 was on the verge of one million square meters, and reached a similar scope in 2019, shall enter the market in the upcoming years, and may create excess supply and consequently lead to a decline in the occupancy rates and the sale and rental prices of offices.

The restrictions imposed on workplaces due to the COVID-19 pandemic and the transition to partial work from home are expected to reduce demand for offices, against the background of the aforesaid increase in supply.

During the months of May and June 2020 office rental transactions were made at a decline of between 5%-10% compared to the prices at the beginning of the year. Additionally, office owners granted tenants more generous benefits than in the past, including "grace" months and renovation/adjustment budgets.

It must be emphasized that in light of the relatively short period of time of coping with COVID-19, we still do not possess sufficient data in order to assess the impacts of the COVID-19 pandemic on office prices. The faster the economic and medical situation will stabilize, the more the negative trends mentioned above will be moderated.

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, has remained low. Two main factors led to this: First, the majority of the office buildings were built in the framework of purchase groups. Consequently, 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 were built by institutional entities or publicly-traded companies which hold these buildings as long-term income-bearing assets.

On the other hand, there is an increasingly growing supply of small office spaces that are being offered for sale, some of which is attributed to investors who purchased offices in the framework of purchase groups and are now interested in realizing their holdings.

Commerce

In light of technological developments and changes in e-commerce habits, the assessments 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 was already evident last year, before the COVID-19 outbreak, 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 and provide an accessible and efficient solution during times of social distancing restrictions. The prices of commercial assets reflect a return of approximately 5.5%-6.5% in central urban locations and in neighborhood centers, and a return of approximately 7% in secondary urban locations.

Natam

Head Office

53 Yigal Alon St. Tel Aviv
Telephone: 03-6894242 | Fax: 03-6894243
E-mail: info@natam.co.il

Sharon Branch

18 Abba Even Blvd., Herzliya

Haifa Branch

20 Hamesila, Haifa

Jerusalem Branch

22 Yafo, Jerusalem

Beer Sheva Branch

9 Hatzoref, Beer Sheva

www.natam.co.il



Research
Services



International
Real Estate
Services



Project
Marketing



Brokerage



Advisory
Services to
Companies



NatamInvest -
Investment
House



Property
Management



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

This research was performed by the research department of the Natam Group. Attention: This report should not be relied upon as a basis for business decisions, without receiving specific and 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 mistakes in the report. It is prohibited to copy or photograph the report without permission.