

H1 2023

Market Outlook

REPORT

ISRAEL

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National Outlook

The Economic and Business Conditions in Israel

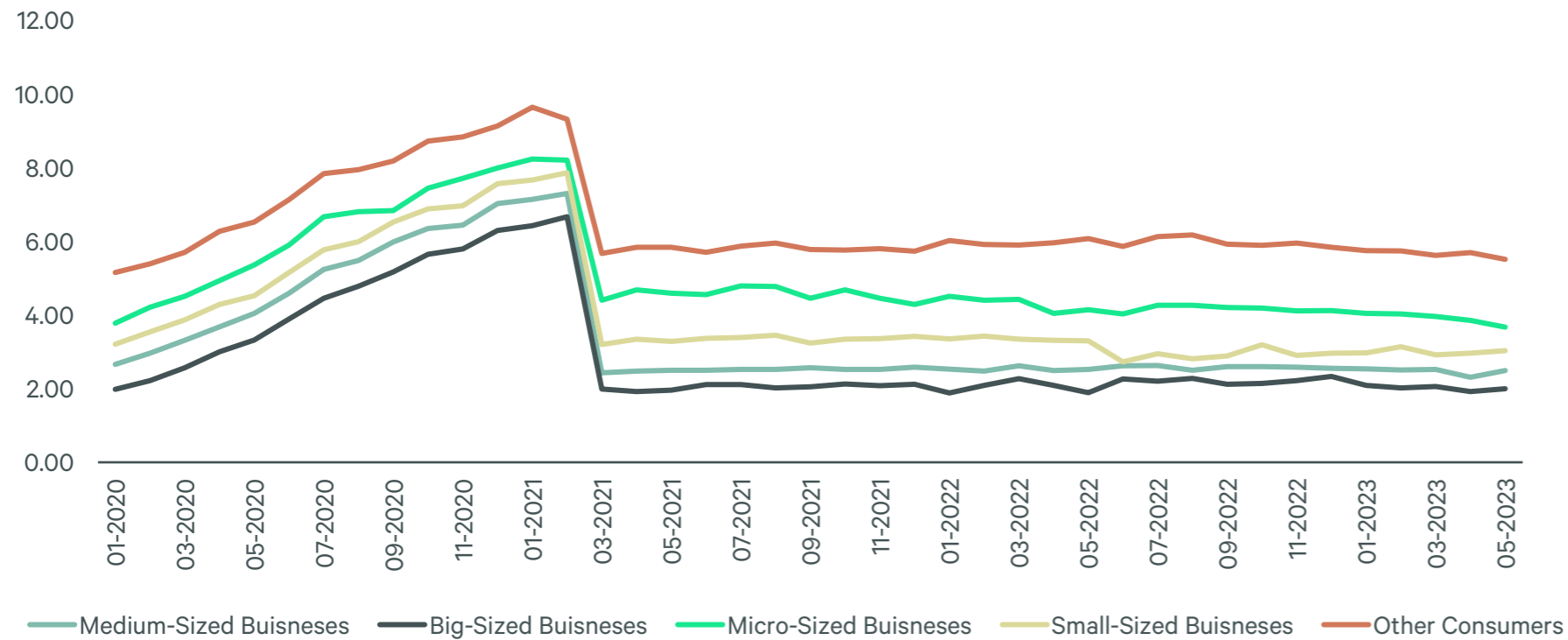
The Economic and Business Conditions in Israel

The Key Story: The Protest Against Judicial Reform

Throughout the first 6 months of 2023, a social protest against the Government's proposed judicial reform, has been taking place. This protest movement has produced a number of effects on macro conditions in Israel, for example: reports of a drop in the scope of investments by foreign investors, the transfer of money out of Israel, publication of warnings by credit rating agencies, regarding the possible consequences to the local economy and so forth.

During the first half of the year, the Israeli shekel weakened vis-à-vis the Dollar and the Euro, from a rate of 3.5 and 3.75 year end 2022 to the rate of 3.7 and 4.01 respectively in the month of July 2023 and foreign exchange trade in these currencies has been characterized by great volatility.

Change in the Average Interest Rate on Bank Credit - in the Unindexed Shekel Sector H1 2023 - 2020



Source: Bank of Israel

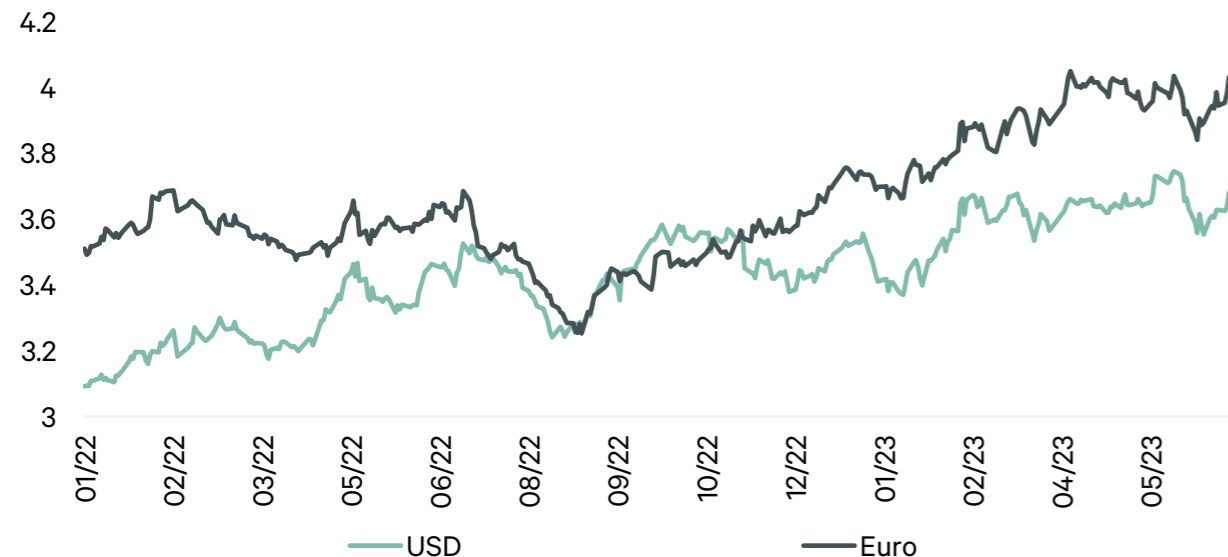


Stagnation in the Real Estate Market

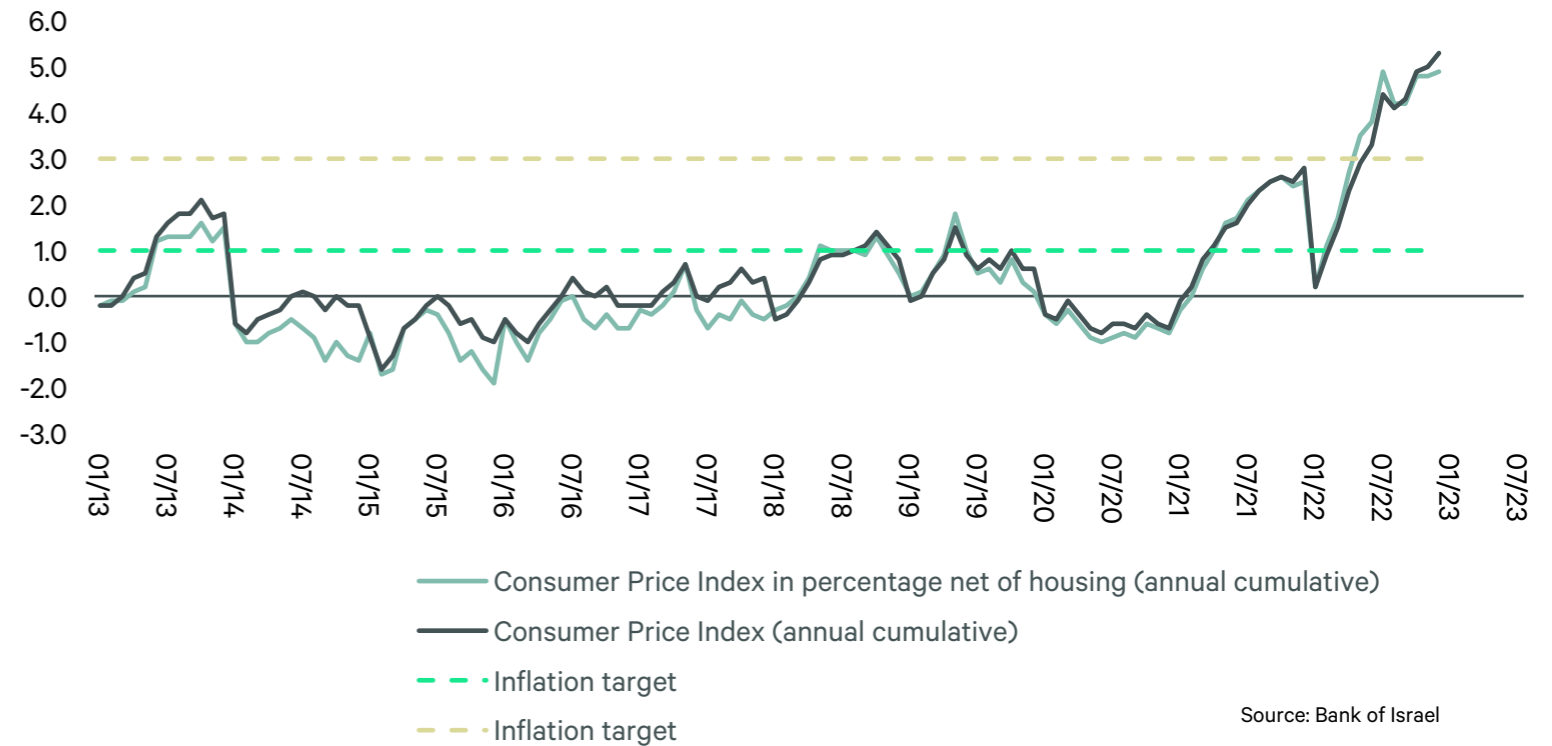
During the last months, we have also seen a substantial slowing down in the real estate market performance. This slowing down is illustrated by the absence of offers to purchase land (for all purposes) in the tenders published by the Israel Land Authority and by the low winning prices determined by the Israel Land Authority assessors. This phenomenon extended on the backdrop of the sharp increase of interest rates that led to the substantial increase in financing costs.

Another example of the position of the real estate market is illustrated by the residential real estate market - which is also suffering from a period of stagnation - with a slump in the purchases of apartments and the reduction in mortgage taking, after more than a decade of house price increases.

USD - Euro Rates



Consumer Price Index (general and Core CPI net of home prices), Annual Rate



Source: Bank of Israel

The price increase of apartments stopped, and in some markets, we see indications of the beginning of a reduction to the prices of apartments – especially in the prices of new builds. Alongside this, we see a reduction in building starts of residential projects and as a result of this, we can anticipate a reduction in the future supply of apartments for sale in Israel, which may, in turn, at a later stage, fuel an additional increase to prices of apartments.

During the first half of 2023, the trend of annual inflation increase continues, and with this, the Bank of Israel continues to tighten its monetary policy and to increase interest rates – similar to the policies of other central banks in the world. Inflation continues its trend upwards – during the first half of 2023 – the Consumer Price Index rose by approximately 2%, and 4 separate interest rate hikes were carried out – taking the interest rate from 3.75% to a rate of 4.75%.

However, at the beginning of July 2023, the Bank of Israel decided – for the first time after 10 continuous increases- to keep the interest rate at its present level, without further increase.

02

National Outlook

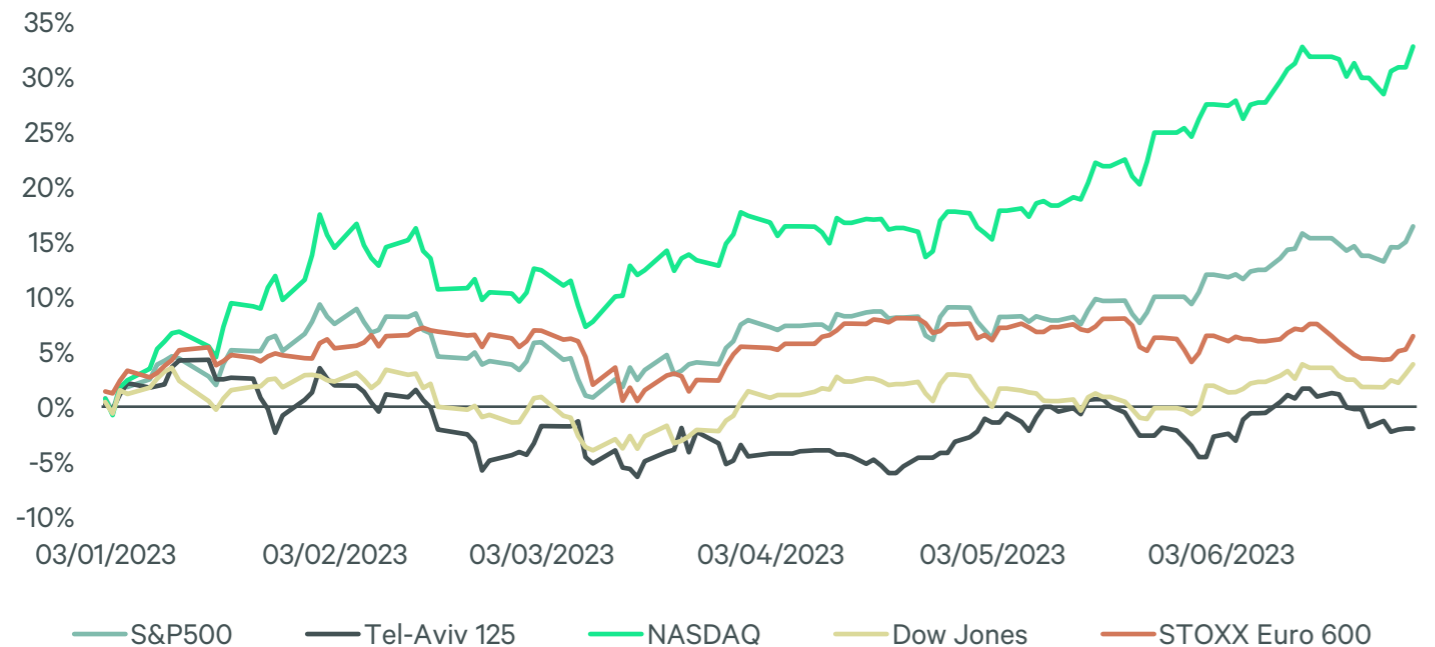
Capital Markets

Capital Markets

The first half of 2023 saw increases in the stock markets in the USA and Europe, assisted by the onset of a downward trend of inflation and a break in interest rate hikes by the Federal Bank. The markets show strong growth, assisted by the technology sector, in particular the Artificial Intelligence field, indicating that the fear of recession may be behind us.

NASDAQ rose by approximately 32%, S&P 500 index rose by approximately 16% and the Euro 600 index rose by approximately 9%. In Israel, with the backdrop of the judicial reform, and the accompanying social and political protests, the market has not recovered and presents a shortfall in performance with falls of between 2%-3% in the principal indexes of TA 35 and TA 125.

Performance of Key Indices From the Beginning of the Year to the End of the First Half of 2023 (Daily data)



Source: Bank of Israel

Comparison of Annual Returns, Leading Indices in Israel

	2017-2021	2020	2021	2022	H1 2023
Tel Aviv -35	28%	-11%	26%	-9%	-2.7%
Tel Aviv -90	150%	18%	29%	-18%	-0.6%
Tel Aviv -125	54%	-3%	26%	-12%	-2.1%
Tel Aviv - SME60	13%	16%	24%	-33%	0.3%
TA-Growth	53%	29%	6%	-33%	1.2%
Tel Aviv - Tech Elite	107%	39%	4%	-30%	9.8%
Tel Aviv - Technology	169%	38%	7%	-27%	9.8%
Tel Aviv Banks - 5	104%	-22%	58%	-4%	0.7%
Tel Aviv - Real Estate	165%	-5%	46%	26%	-4.6%

Source: Tel Aviv Stock Exchange



Companies' financials



Company	Gav Yam		Amot Investment		Azrieli Group		Sella Capital Nadlan		Melisron	
	Annual 2022	Q1 2023	Annual 2022	Q1 2023	Annual 2022	Q1 2023	Annual 2022	Q1 2023	Annual 2022	Q1 2023
Value of income-yielding assets (ILS)	9,837,000	10,100,000	16,623,000,000	16,649,000,000	26,000,000,000	25,100,000,000	5,130,000,000	5,160,000,000	19,595,000,000	19,947,000,000
Properties in development	16	14	3	3	15	15			17	17
Leverage rate	53.3%	54.9%	42%	43%	33%	35%	56%	60%	42.8%	43.6%
ALS Lease agreements without properties in development	4.40 Years	4.50 Years	5.50 Years	5.40 Years	6 Years	5.70 Years	4.85 Years	4.94 Years	3.65 Years	9.60 Years
Income-yielding spaces (Sqm)	1,090,000	1,100,000	1,150,000	1,150,000	1,377,000	1,377,000	524,000	524,000	800,000	812,000
Occupancy rate	98%	98%	94.4%	94.2%	98%	98%	96%	95%	98.7%	98.4%
Weighted average effective interest rate indexed to the CPI	1.30%	1.10%	1.61%	1.60%	1.90%	2%	1.69%	1.70%	2.05%	2.24%
Average capitalization rate for the value of income-yielding assets	6.30%	6.40%	6.20%	6.23%	6.83%	6.81%	6.71%	6.78%	6.95%	6.95%
NOI Annual (ILS)	555,000,000		931,000,000		1,953,000,000		288,300,000		1,224,000,000	
NOI Q1 (ILS)	133,000,000	155,000,000	219,000,000	247,000,000	456,000,000	525,000,000	66,000,000	79,600,000	292,000,000	325,000,000
FFO - Forecast for 2023 (ILS)	360,000,000		785,000,000				230,000,000		1,360,000,000	

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National Outlook

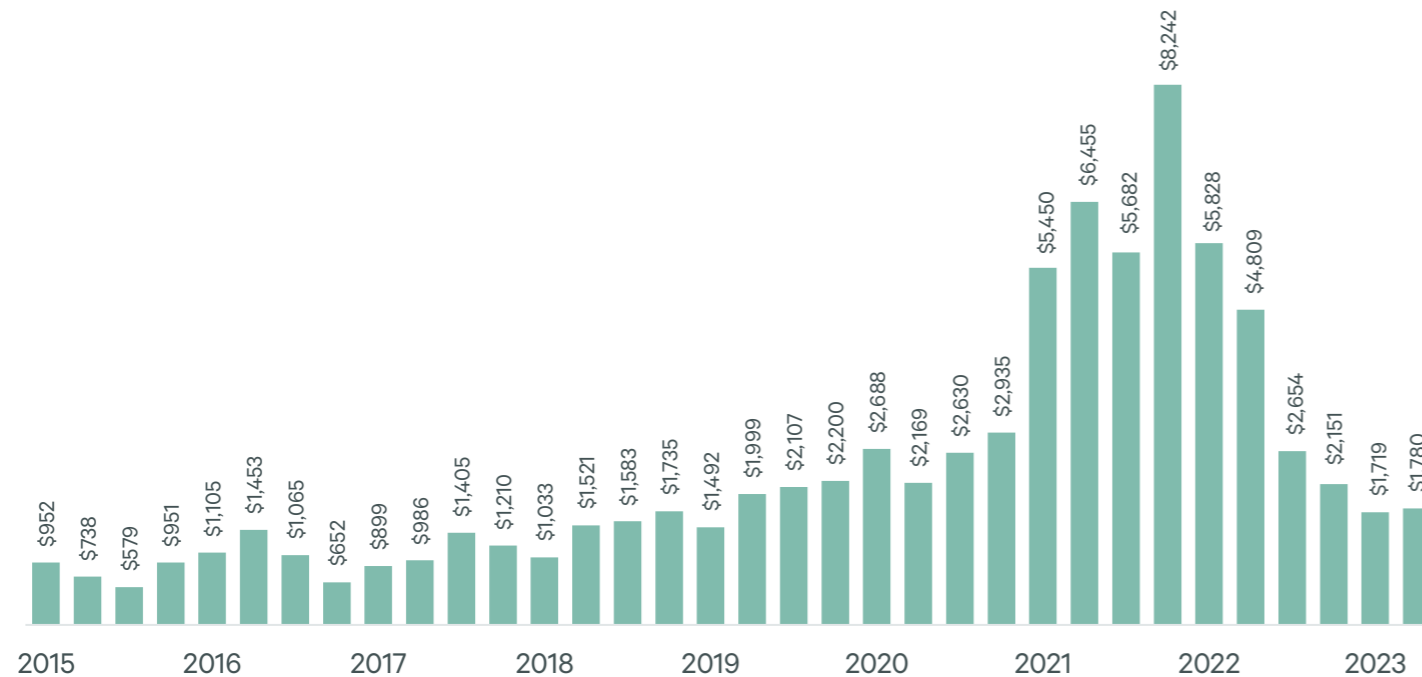
Hi-Tech Sector

The Hi-Tech Sector

The hi-tech sector has been characterized in the first half of 2023, by a downturn in activities as compared to 2022. On the backdrop of the worldwide crisis in this sector and the public struggle against the proposed judicial reforms in Israel, the total investment raised by Israeli hi-tech companies during the first half of 2023, dropped by 70% compared to the same period last year, with a 50% drop in the number of transactions.

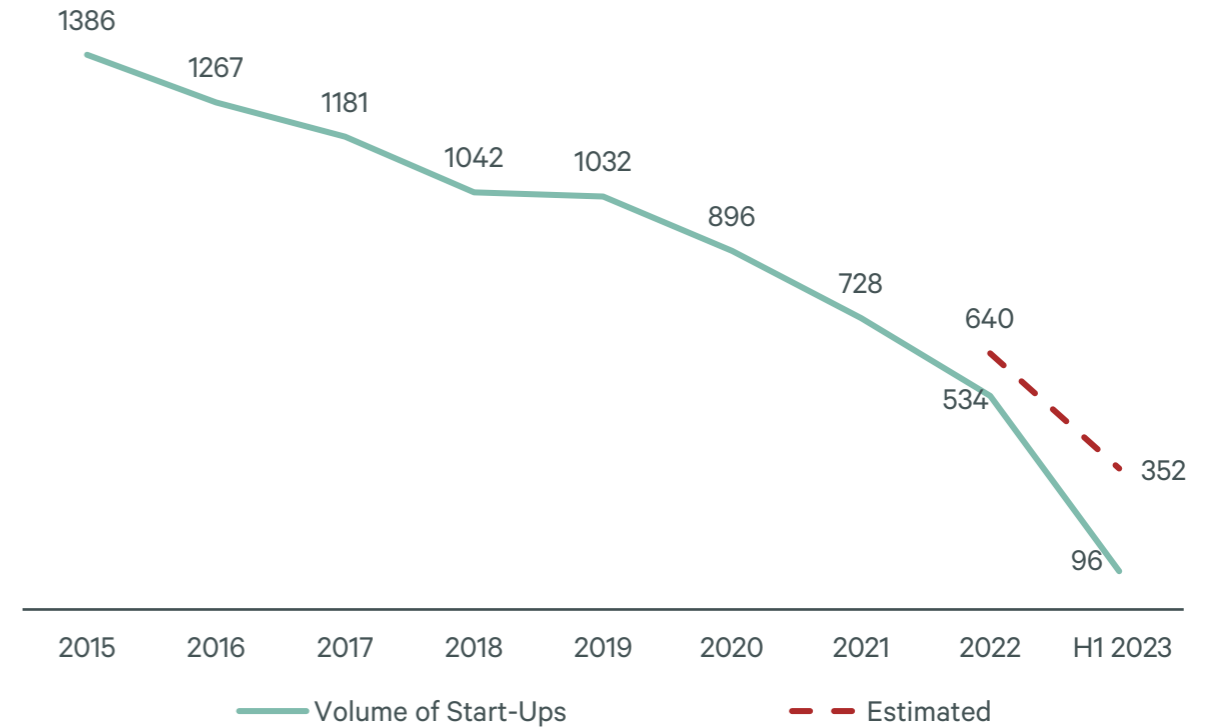
Compared to the first half of 2022 – when the downturn in the hi-tech sector was attributed to the general global situation (which also effected the hi-tech sector in the USA) – the first half of 2023 recorded an increase of approximately 30% in investments raised by US hi-tech companies.

The Volume of Capital Raised (in billions of \$) by Israeli Start-ups Between – H1 2023 - 2015



Source: IVC-LeumiTech Israeli Tech Review Q1/2023

Volume of Start-Ups Opened Between H1 2023 - 2015



Source: IVC-LeumiTech Israeli Tech Review Q2/2023

This fact teaches us that the social crisis in Israel, brought on by the judicial reform, has considerable effect on the local Israeli market.

The number of start up companies incorporated each year is also showing a steady decline – estimations state that in the first half of 2023, 352 companies began activities.

With respect to the employment data in the hi-tech sector – we see a stabilization and a reduction in redundancies, after the wave of extensive lay offs in the hi-tech sector during the second half of 2022.

04

National Outlook

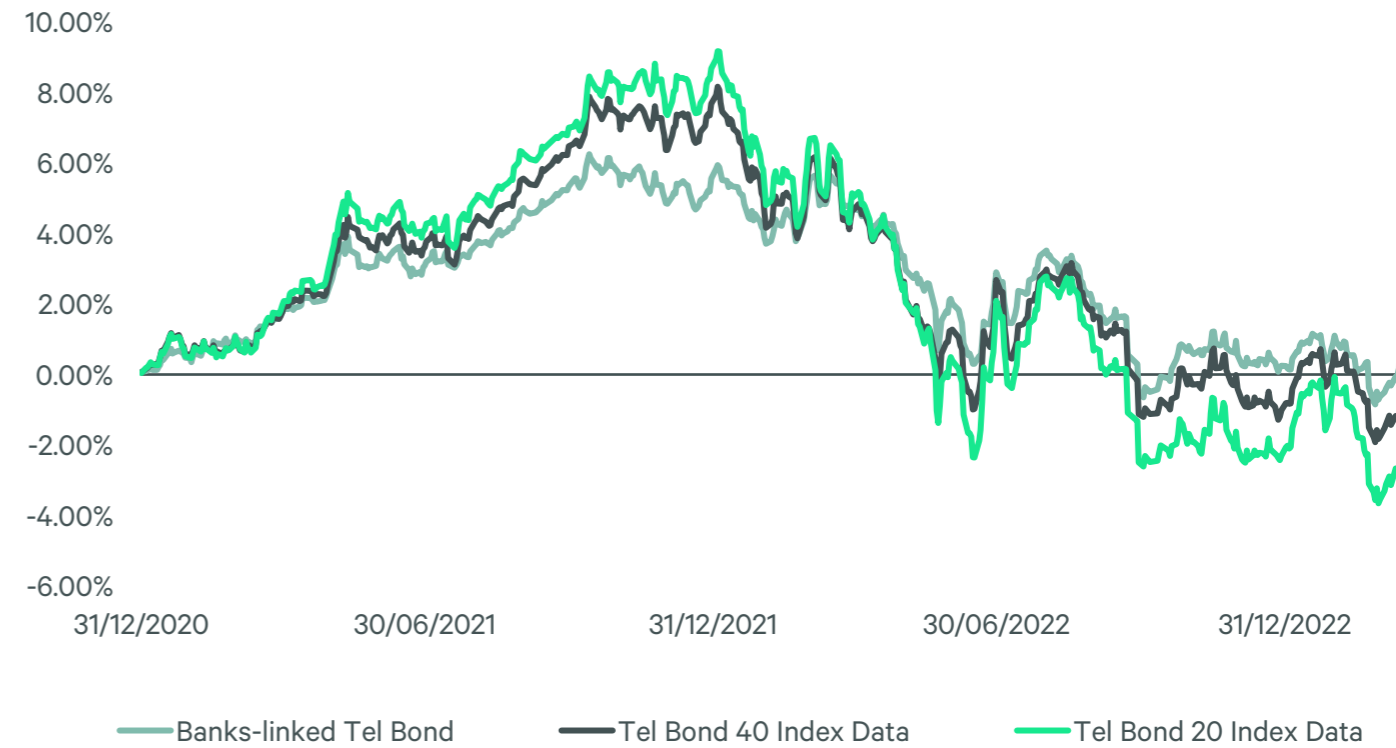
Income Producing Real Estate

Income Producing Real Estate

After 2022, when we saw a drop in the share prices of the Israeli income producing real estate companies (due to the hike in interest rates), during the first half of 2023, these income producing real estate companies show relative stability. However, following the interest rate hikes, inflation and downturn in the hi-tech sector, we can assume that the income producing real estate companies – which are already today reporting a downturn in demand and difficulties in tenant negotiations – will be effected in the second half of 2023 and will show a decrease in occupation and rental income, primarily in the office market. Today, the market is saturated with offices for rent, most of which have been put on the market by tenants themselves – seeking sub-tenants, so we will not see an overall reduction in actual occupancy rates.



Corporate Bond Yields Key Indices (daily data)



Source: Tel Aviv Stock Exchange

05

Overview of The Commercial Real Estate Market in Israel

The Office Market

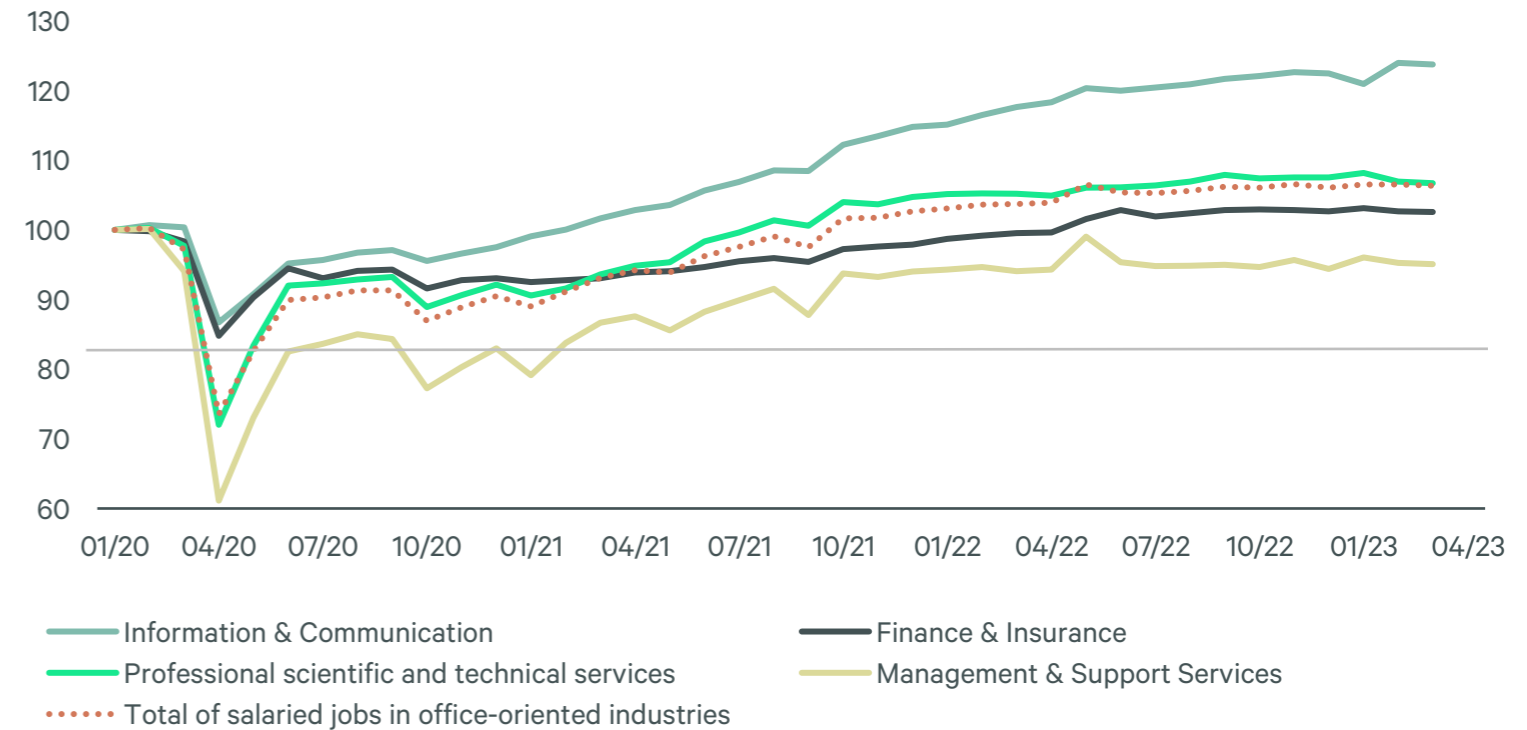
The Office Market

During the first half of 2023, the office market is showing effects of the vulnerability of the hi-tech sector – a reduction in investments in local companies and the transfer of money (company funds) outside of Israel, with the backdrop of the judicial reforms and the social crisis following these proposed reforms. The office market in Tel Aviv, favored by the leading hi-tech companies, is still not showing signs of widespread harm, but it is likely to suffer substantial difficulties in the upcoming period. We note a first indication of this downturn –Facebook left its offices in Azrieli Saron building, vacating approximately 30 thousand sqm of office space.

As of April 2023, the number of jobs in the economy (in all of the branches) stood at 3,963,300, comprising of an annual reduction of approximately 1.67% as compared to the number of jobs at the beginning of the year, and an increase of approximately 3.79% compared to the number of jobs in the economy immediately prior to the outbreak of COVID-19. An analysis of the number of jobs in the sectors of office staff shows a more moderate annual growth of approximately 2.15%, however compared to the number immediately prior to the outbreak of COVID-19, an increase of approximately 3.46%.



Number of employee vacancies in office-oriented industries since the outbreak of the Corona crisis, January 2020 index=100



Source: CBS

05

Regional Overview – Office Space

Tel Aviv

Ra'anana

Ramat Gan

Bnei Brak

Petach Tikva

Holon

Herzliya

Jerusalem

Tel Aviv

In the hi-tech capital of Israel, there are areas of employment that have transformed Tel Aviv into an international metropolis. This area is characterized by modern skyscrapers, primarily leased to leading hi-tech companies, large law offices and financial institutions.

The principal submarkets of office space can be found in the following areas – Sarona, Tel Aviv centre of Rothschild Blvd, city centre, Ygal Alon Street and the Menachem Begin axis.

Continuing the trend of past years, the city continues to develop southwards. Residential development began this momentum and now, the office sector has followed suit. The neighbourhoods of South Tel Aviv are developing and we can see an increased demand in those areas. This change is fuelled by scarcity of land in the city that is available for development and Tel Aviv 5000 City Plan which permits construction along the mass transport system. Tel Aviv continues to be developed alongside the construction of the light rail system and the substantial reduction in parking regulations.

Office Submarkets:

01

Menachem Begin Axis –

Employment zone that spans the length of Menachem Begin Way. This forms the striking sky line of Tel Aviv and is, today, the principal business centre of the city.

This business area is highly accessible via the Ayalon highway interchanges, railway stations and in the future light rail stations and the planned blue M1 metro line which will travel along the entire axis.

Tenant Mix in the Area:

This area is characterized by modern skyscrapers, primarily leased to leading hi-tech companies, large law offices and financial institutions.

Leading companies in the area: FBC & Co., Samsung, Deloitte, PWC, Nike

120 ILS

Average rents
(m²/offices)

97%

Average
occupancy rate

02

Sarona submarket –

Kaplan Street from the north, Menachem Begin Way from the east, Ibn Gabirol Blvd from the west and Hashmonaim Street from the south

The majority of the office buildings line both sides of Ha'Arba'a Street

Tenant Mix in the Area:

This area is characterized by modern skyscrapers, primarily leased to leading hi-tech companies, large law offices, freelancers, financial institutions and government agencies.

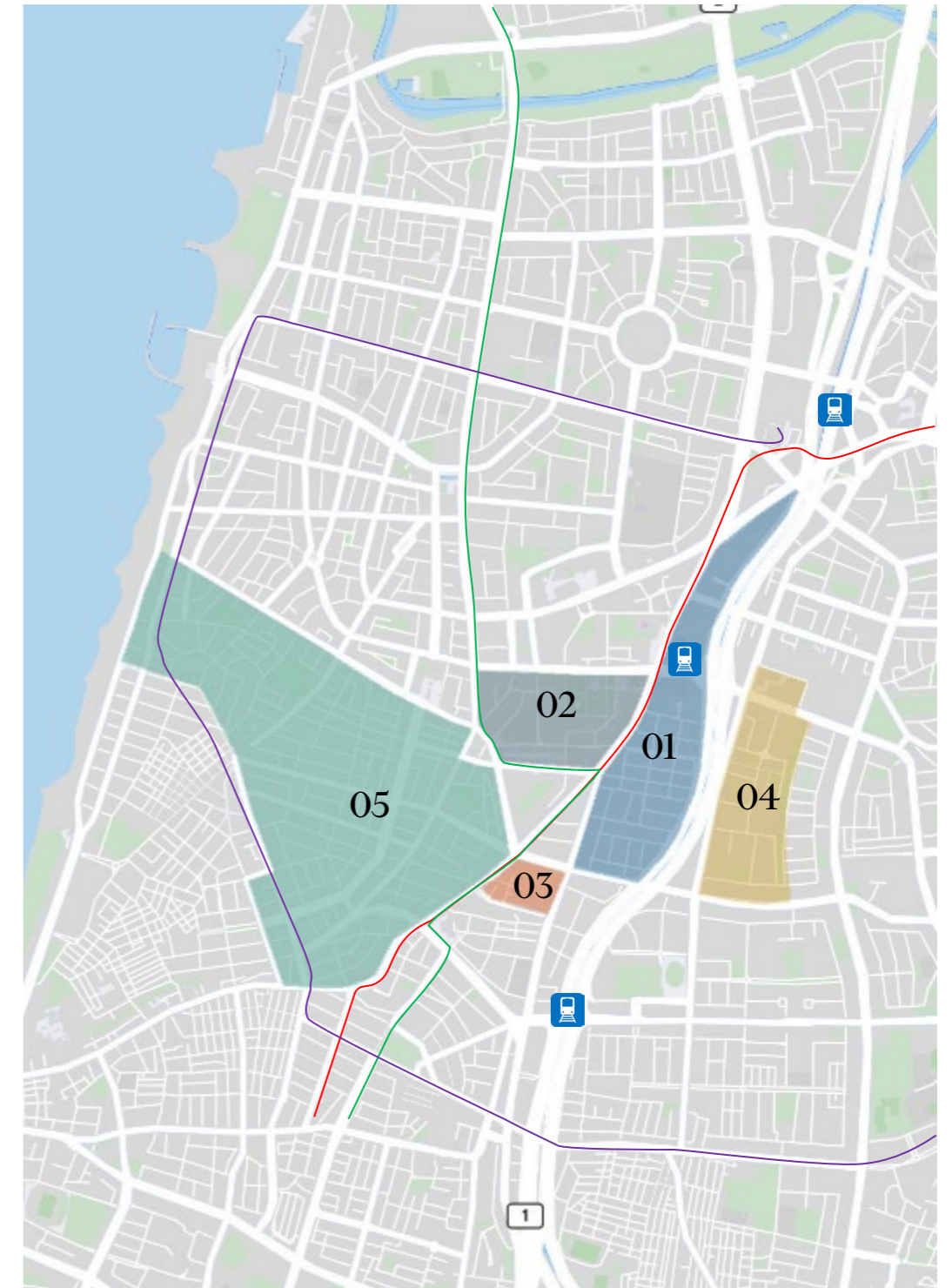
Leading companies in the area: Amazon, Facebook, KPMG, Cato Networks

140 ILS

Average rents
(m²/offices)

98%

Average
occupancy rate



*Prices are Core & Shell

Tel Aviv

03

Hassan Arfa Submarket –

located in the heart of the city of Tel Aviv, between Yitzhak Sadeh Street from the north, Menachem Begin Way from the west, HaMasger Street from the west and David Chachmi Street from the south. Today, part of this complex incorporates new office buildings and part can be found in a construction boom. The area is accessible and in the near future the red line of the light railway will pass through.

Tenant Mix in the Area:

This area is characterized by modern skyscrapers, primarily leased to leading hi-tech companies, large law offices and financial institutions.

Leading companies in the area: NVIDIA, Monday, Yotpo, HFN

100 ILS

Average rents
(m²/offices)

95%

Average
occupancy rate

04

Yigal Alon Submarket –

located along Yigal Alon Street, between Yigal Alon Street from the west, Aminadav Street from the south, Tozeret Haaretz from the north and Ha'askala Street from the east. In this submarket, we find new office buildings alongside old properties. This submarket is very accessible being located adjacent to Ayalon freeway junctions and will be close to future metro stations (M2, M1) and the light rail purple line.

Tenant Mix in the Area: This area is characterized by modern skyscrapers, primarily leased to leading hi-tech companies, large law offices, financial institutions and advertising agencies.

Leading companies in the area: Google, PayPal, Motorola, Check Point, Palo Alto

110 ILS

Average rents
(m²/offices)

98%

Average
occupancy rate

05

Rothschild Blvd Submarket (heart of the city) -

Tel Aviv city centre southwards and to the west reaching Neve Zedek neighborhood and the beachfront. A variety of architectural styles of buildings can be found in this submarket, reflecting the different periods of development of the city of Tel Aviv. This area is accessible and will be served by the red line of the light railway.

Tenant Mix in the Area: This area is characterized by modern skyscrapers, some of which are mixed use, alongside buildings for historic preservation and older office buildings. The tenants in this area are primarily start up companies, financial institutions and companies involved in capital markets.

Leading companies in the area: Facebook, Soluto, Visa, Artlist

125 ILS

Average rents
(m²/offices)

98%

Average
occupancy rate



*Prices are Core & Shell

Ramat Gan

The majority of office space in Ramat Gan is located in the Diamond Exchange complex. The Diamond Exchange is the prime business area of Ramat Gan, due to its strategic location boundaries of 3 cities – namely, Ramat Gan, Givatyim and Tel Aviv. Many deem Ramat Gan to even be an “extension” of Tel Aviv. The complex is undergoing substantial development following approval of the Outline Plan RG/1800 that increases building rights and encourages urban renewal and the construction of high-rise buildings. In parallel, we observe the increased construction standards in the new towers in the complex. During the first half of 2023, an agreement was signed for the construction of approximately 250,000 sqm comprising of between 90-100 floors – Mega Project – the companies partnering in this project are Ayalon, Valor Byron and B.S.R.

01

The Diamond Exchange Complex –

This area is situated between the axis of Jabotinsky Street from the south, Bialik Street from the north, Aba Hillel Way from the east and the Ayalon freeway from the west. The area is very accessible via Ayalon freeway and the Savidor Central train station. In addition, metro lines M1 and M2 and the light rail red line are intended to pass through this area. There is a large supply of Class B type office buildings, as well as high occupancy rates in the Class A type office buildings.

Tenant Mix in the Area:

This area is characterized by skyscrapers. The tenants in this area are primarily financial institutions, large law offices and hi-tech companies.

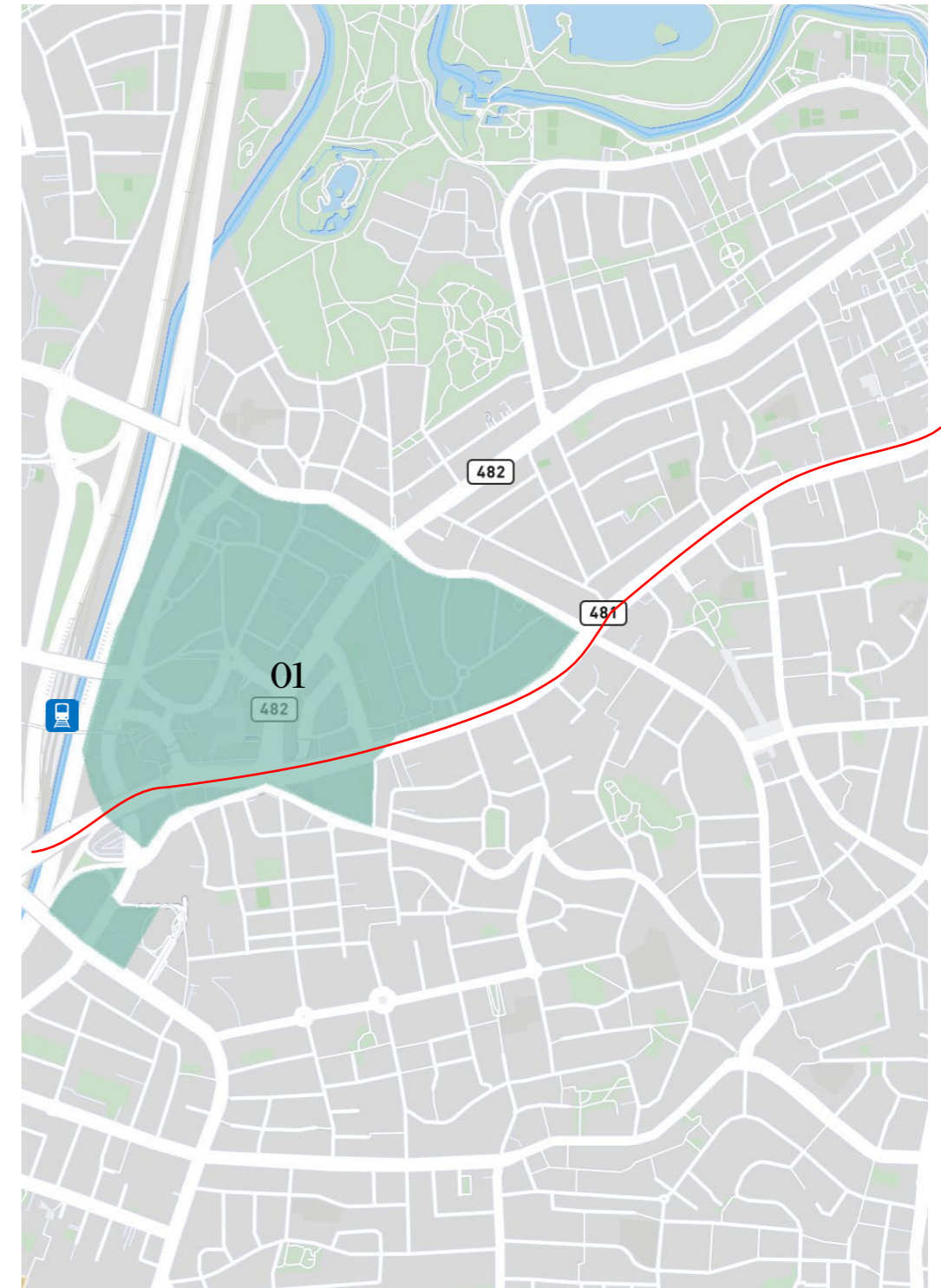
Leading companies in the area: HSBC, Mobileye, F5, Taboola

100 ILS

Average rents
(m²/offices)

98%

Average
occupancy rate



*Prices are Core & Shell

Petach Tikva

The majority of office space in Ramat Gan is located in the Diamond Exchange complex. The Diamond Exchange is the prime business area of Ramat Gan, due to its strategic location boundaries of 3 cities – namely, Ramat Gan, Givatyim and Tel Aviv. Many deem Ramat Gan to even be an “extension” of Tel Aviv. The complex is undergoing substantial development following approval of the Outline Plan RG/1800 that increases building rights and encourages urban renewal and the construction of high-rise buildings. In parallel, we observe the increased construction standards in the new towers in the complex. During the first half of 2023, an agreement was signed for the construction of approximately 250,000 sqm comprising of between 90-100 floors – Mega Project – the companies partnering in this project are Ayalon, Valor Byron and B.S.R.

The Three Principal Business Areas of Petach Tikva:

01

Kiryat Arie – The upcoming commencement of passenger services by the red line of the light railway is expected to provide a real boost to the development of the employment areas in Petach Tikvah. Many new projects are commencing and tens of thousands of sqm will come into market in this area. The area is easily accessed, due to the proximity of main transport systems, the proximity of the train station (close to the football stadium) and in the future, the red line of the light rail system which will operate through the area. Jabotinsky axis delimits the area from the south, Route 4 from the west and the train tracks from the north.

Tenant Mix in the Area:

This area, which in the past was characterized as a traditional industrial zone, over the years has been transformed into a leading area comprising of office complexes, featuring prominent hi-tech companies. Much of the traditional industrial areas continue to work and over time, some are developed, renewed and convert into new projects.

Leading companies in the area: Intel, Marvell, CyberArk, Payoneer, IBM, Intuit

02

Sivim Industrial Area – located at the western area of Petach Tikvah; an industrial area characterized primarily by industrial buildings and older office buildings alongside new construction

Tenant Mix in the Area: older buildings alongside new builds, hi-tech companies, freelancers, insurance companies.

Leading companies in the area: AIG, Align Technologies, Ribbon, Docusign, TATA

03

Segula Area – An industrial area, also known by the name of Yarkon Business Park, located in the north east part of the city. In this area, factories for heavy industry are located, large commercial areas (Power Centre), halls and event complexes. Class A type office buildings are NOT located in this area.

Tenant Mix in the Area: older buildings alongside new builds, hi-tech companies, freelancers, insurance companies.

Leading companies in the area: Airobotics, Isotopia Molecular, Compart, Tadiran

55 ILS

Average rents (m²/offices)

90%

Average occupancy rate

45 ILS

Average rents (m²/offices)

60%

Average occupancy rate

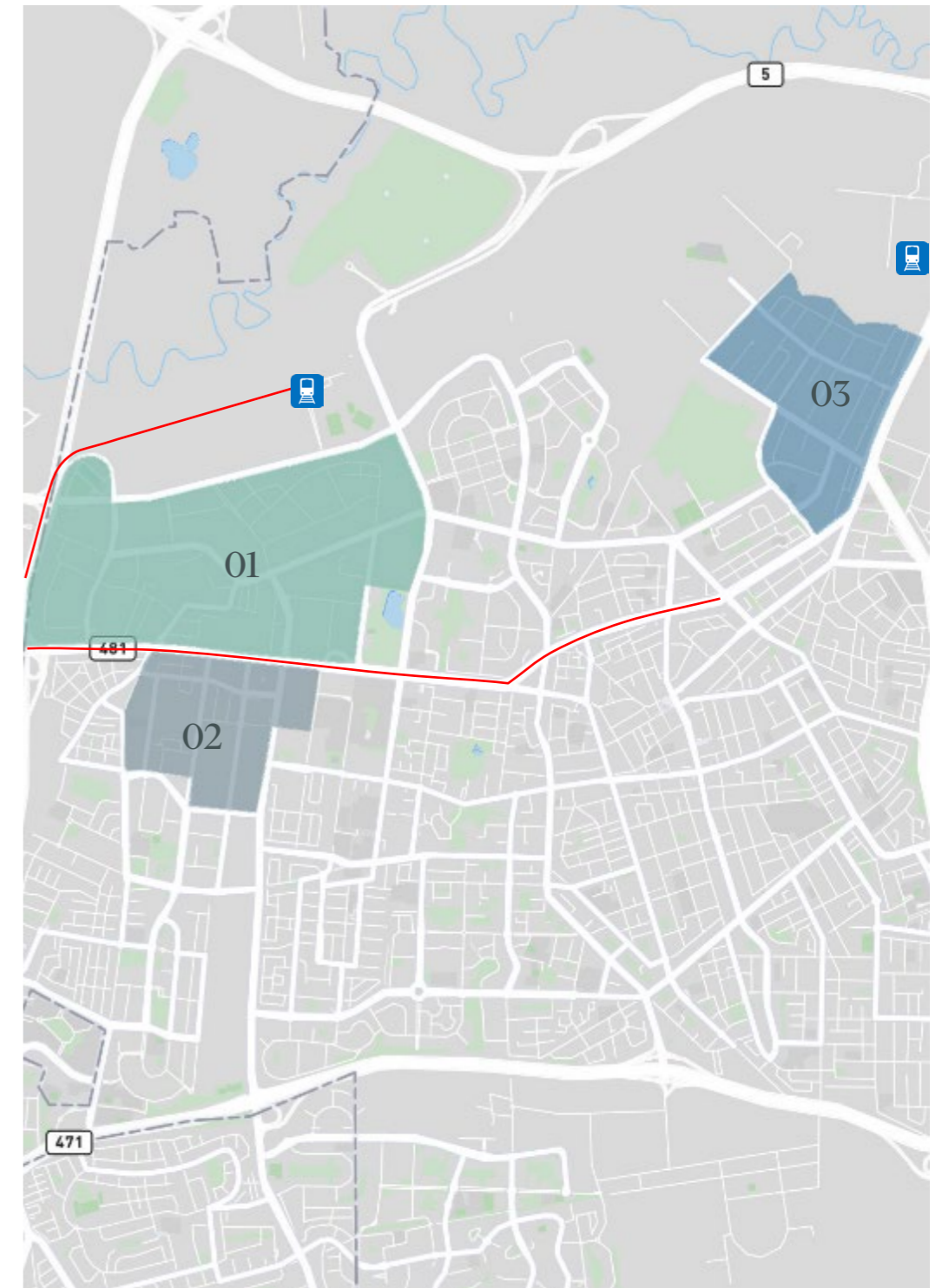
40 ILS

Average rents (m²/offices)

90%

Average occupancy rate

*Prices are Core & Shell



Herzliya

In March 2023, objections were filed against Outline Plan HR/2440 – which plan provides for the renewal of the industrial area of Herzilya Pituach. Most of these objections were not accepted – and the plan, that increases building rights by approximately two million sqm for employment purposes – continues with the approval process. Alongside approximately 300,000 sqm for retail and entertainment purposes and approximately 200,000 sqm for tourism, the plan provides for a substantial change to the character of the industrial area- transitioning the area to one being densely populated with high rise towers.

01

The business area of Herzliya Pituach –

is situated in the south western portion of the city and is recognized as the prime business centre of the city.

The area extends for 850 dunam, it is easily accessed – the main entry is via the Shira junction, a train station is situated in close proximity and the area is built out, alongside Route 2. The light rail green line is expected to run through this area.

Tenant Mix in the Area:

The area is characterized by new designated office complexes for hi-tech companies alongside old buildings.

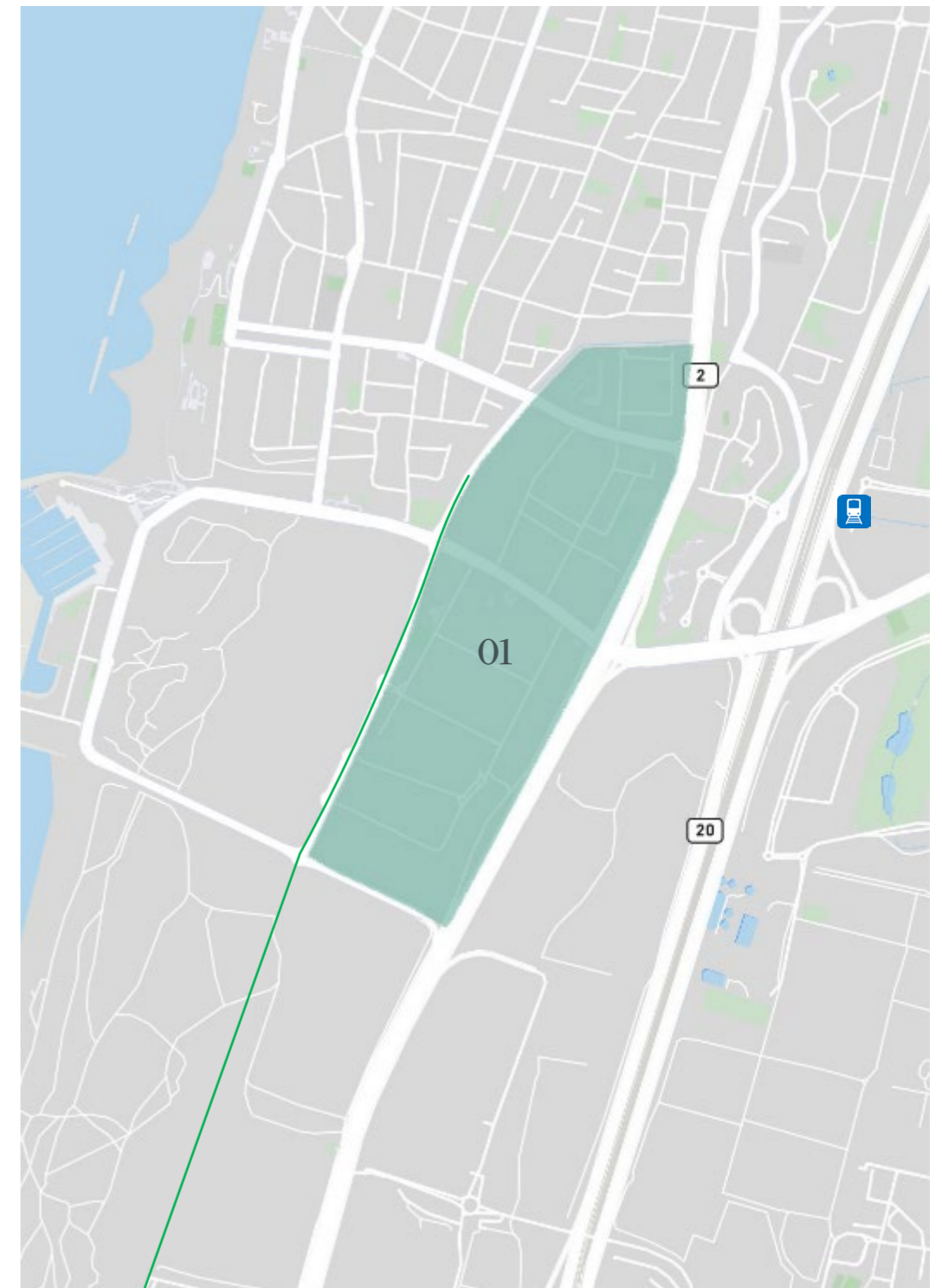
Leading companies in the area: SolarEdge, Apple, GM, Pfizer, Microsoft, Matrix, J.P. Morgan, AppsFlyer

90 ILS

Average rents
(m²/offices)

96%

Average
occupancy rate



*Prices are Core & Shell

Ra'anana

The city of Ra'anana provides an alternative for hi-tech companies that wish to locate their offices in the Sharon area. Route 531 and the railway have considerably improved accessibility to the city.

The Principal Business Areas in Ra'anana are divided into the following 2 locations:

01

Kiryat Etgarim –

the industrial area of Kiryat Etgarim is located in the north eastern area of the city, extending 900 dunam. Kiryat Etgarim is the prime business centre of the city. Presently, Kiryat Etgarim is accessible via the Kfar Saba-Ra'anana North junction and in the future via the north Ra'anana ring road and the M1 metro line. Weizman Blvd provides the southern boundary, Keren Hayesod Blvd from the west and agricultural land from the north.

Tenant Mix in the Area:

The area is under constant development and is characterized by built to suit office buildings for hi-tech companies, older office buildings alongside traditional (and old) industrial structures.

Leading companies in the area: Amdocs, Elbit, SAP, DriveNets, NVIDIA, NCR

60 ILS

Average rents
(m²/offices)

90%

Average
occupancy rate

02

South Ra'anana Junction –

business area located by South Ra'anana Junction adjacent to the city of Kfar Saba. There are many pharmaceutical companies and hi-tech companies located in this area.

Tenant Mix in the Area: hi-tech companies, older office buildings alongside modern office buildings.

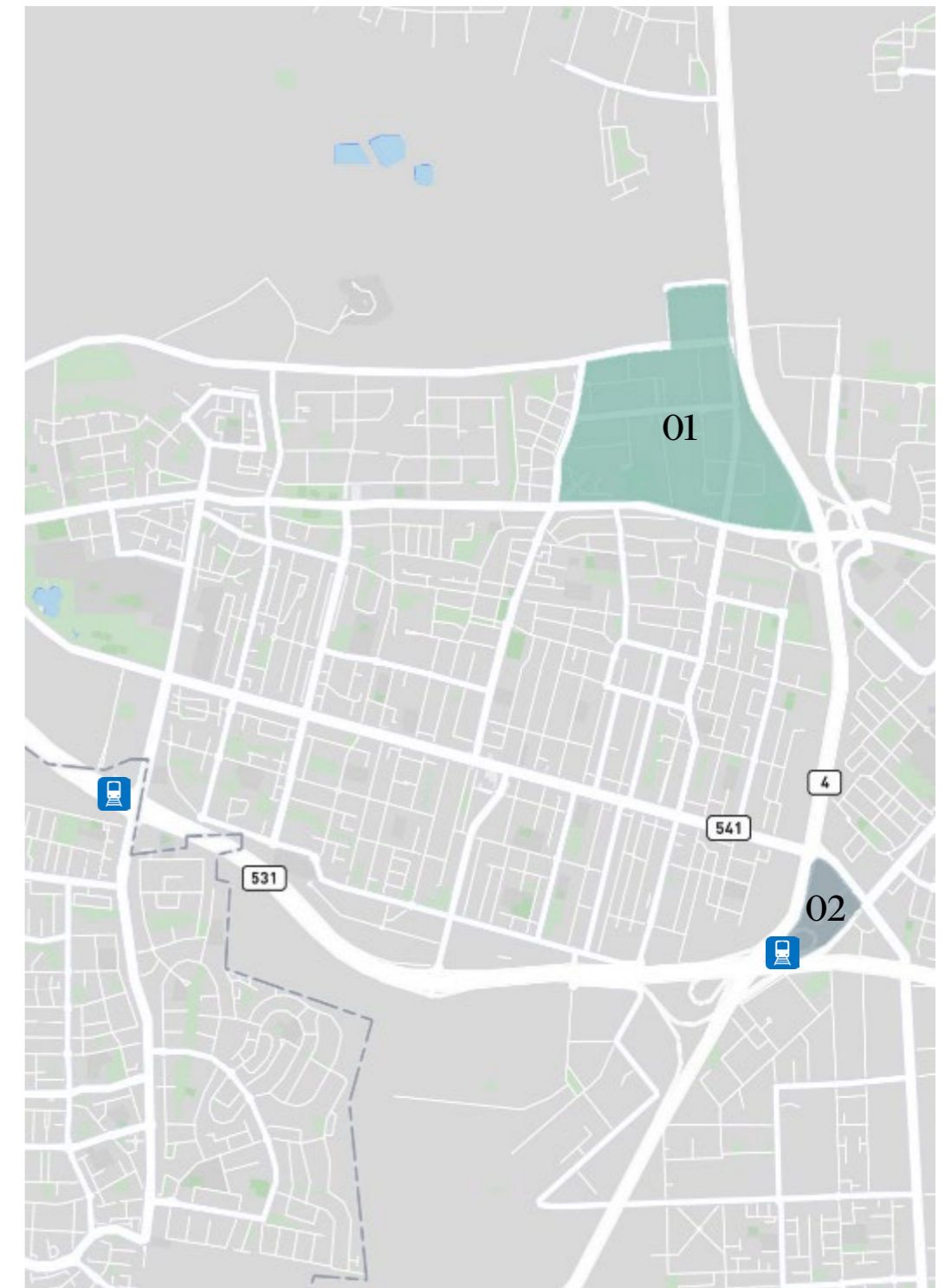
Leading companies in the area: Red Hat, Ness Technologies, Zoom Info

60 ILS

Average rents
(m²/offices)

92%

Average
occupancy rate



*Prices are Core & Shell

Bnei Brak

Bnei Brak was previously known for the multiple “Buyer’s Group” projects located in the city; today it is known for its new towers with a higher standard of finishings. These towers are often developed by financial institutions (which own majority rights in these assets) thus permitting, with greater ease, the lease of large floor plates to anchor tenants. The LYFE Project, owned by Ashtrom and Dan Real Estate, populated the first two towers and construction of the third tower is expected to commence. The Hachsharat HaYishiv complex is in advanced stages of population, the construction of the BBC Tower is expected to end this year; in parallel, the commencement of passenger services by the red line of the light railway is anticipated, along the nearby Jabotinsky axis.

01

The BBC area is the principal business are of Bnei Brak –

BBC is the central business area of the city, located in the north west area of the city, forming a boundary along 3 cities – Bnei Brak, Ramat Gan and Tel Aviv.

The BBC area extends for approximately 900 dunam. The area is bound by Jabotinsky axis to the south, northwards – Sheshet Hayamim Way and Aba Hillel and Ben Gurion Way from the west.

This business area is characterized by modern office buildings.

The area is easily accessible, in the future the red line of the light railway will also serve the area and a station of the railway is located close by.

Tenant Mix in the Area: The majority of the office space is leased to freelancers.

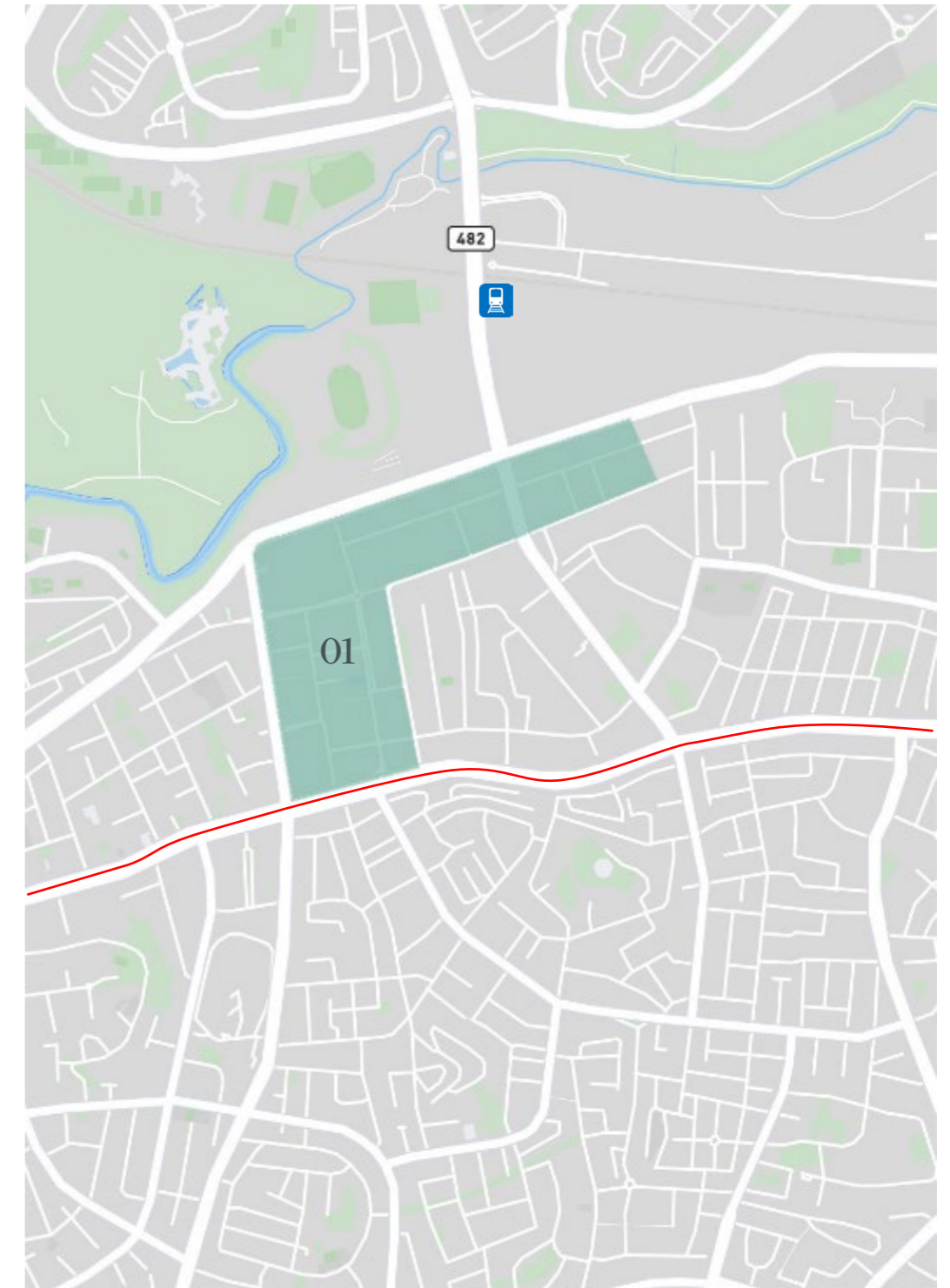
Leading companies in the area: Comax, Kaltura, Max, eToro, Powerball

55 ILS

Average rents
(m²/offices)

85%

Average
occupancy rate



*Prices are Core & Shell

Holon

Over the last few years, Holon became a significant focus for business activities. Due to the new transportation facilities – connecting of Route 4 junctions and stops of the future green line of the light railway – this area has been transformed from an industrial zone to an area full of office buildings.

The Holon Business Area is enjoying a development boom:

01

Industrial Zone C –

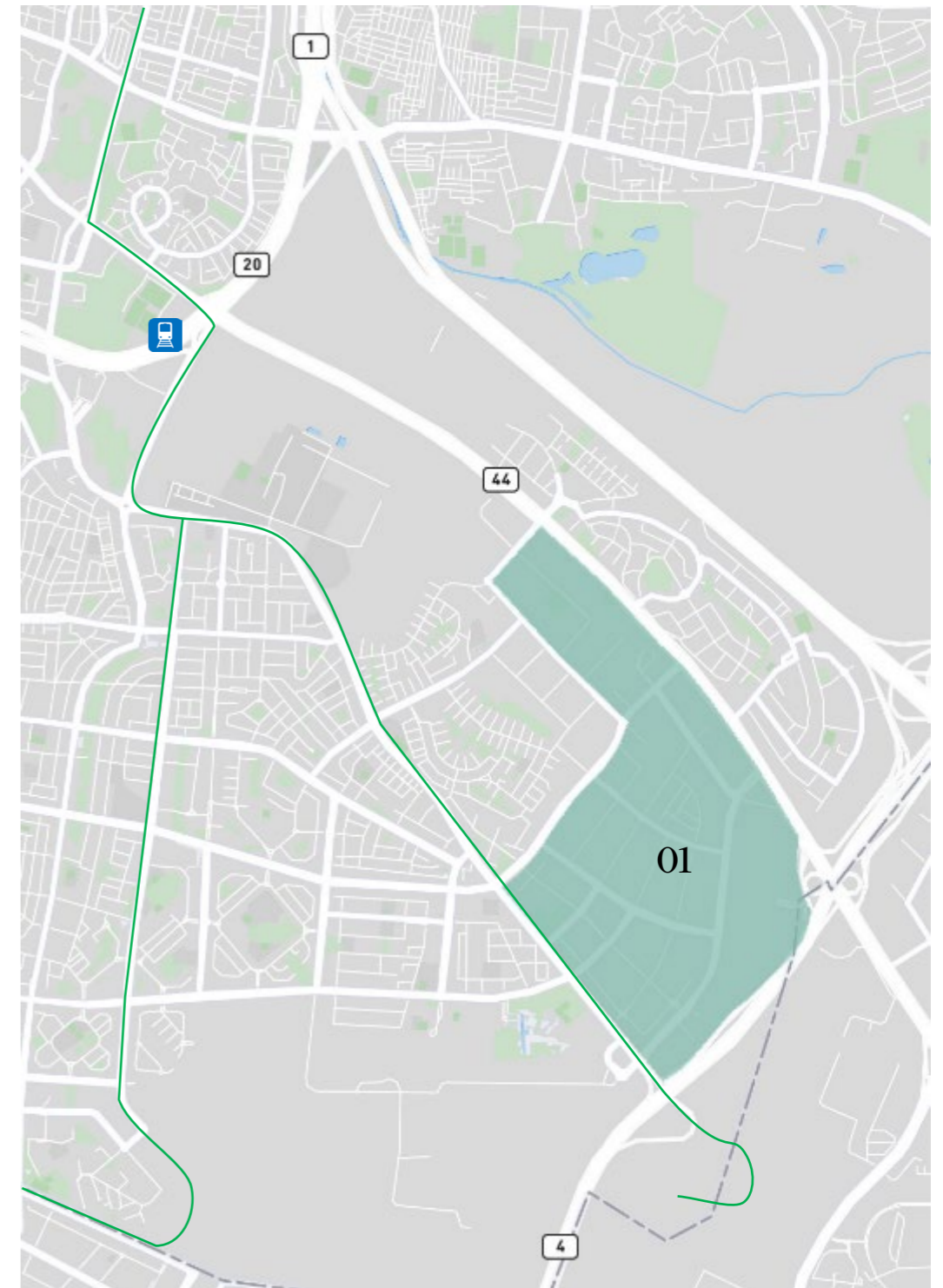
located in the eastern area of the city and is, in fact, the only modern business area of Holon. This area extends for approximately 700 dunam; it is easily accessed – the principal entry point is via the East Holon junction. The area’s boundaries are Route 4 and from the south – Yerushalim Blvd. Presently, this area is seeing a development and construction boom. The green line of the light railway will serve this area.

Tenant Mix in the Area: The majority of the office space in this area, is leased to freelancers and to financial institutions.

Leading companies in the area: Perion, Sapiens, Bezeq ,Halman-Aldubi, Taldor, Compugen

50 ILS
Average rents
(m²/offices)

70%
Average
occupancy rate



*Prices are Core & Shell

Jerusalem

Jerusalem is the most highly populated city in Israel, with a variety of industrial areas, employment zones and advanced hi-tech parks. The City Entrance submarket is gaining prominence with the granting of the first building permit for a tower (the Marom Tower) comprising of 40 floors – 80,000 sqm for employment and retail purposes. This is the first building out of twenty towers that are planned for this submarket, adjacent to the Yitzhak Navon train station and 3 lines of the light railway.

The Principal Business Areas in the Capital of Israel are:

01 Har Hotzvim– This industrial area is located in the north eastern area of Jerusalem and is presently deemed to be prime, central business area of the city. The industrial area of Har Hotzvim extends for approximately 530 dunam and is easily accessed – the Golda Meir Junction creates the south eastern border of the industrial area, Begin Way from the north west and route 1 is also close by. The blue line of the light rail will also serve this area.

Tenant Mix in the Area: This area is characterized by older office buildings that are mostly leased to hi-tech companies, government offices, freelancers and manufacturing facilities.
Leading companies in the area: Mobileye, Siemens, NDS, Matrix, Intel, Beck-Tech

02 Givat Shaul – located in the west of Jerusalem. This business area is characterized by traditional industrial facilities and various government offices, alongside many new builds due to the recent construction boom. The green line of the light rail system in Jerusalem has recently commenced infrastructure works for its establishment. The green line will serve this industrial area and connect it to the centre of the city.

Tenant Mix in the Area: freelancers, manufacturing facilities and government offices
Leading companies in the area: Barlev Development, Registrar legacies, Ministry of Finance

03 City Entrance Submarket – Initial establishment stage, located adjacent to the iconic Chords Bridge and the Yitzhak Navon train station. This area will compete with Har Hotzvim industrial area for the title of the prime business location of Jerusalem. The area will comprise of a significant number of buildings for mixed-use – business, retail, residential and hotels.

04 Talpiot – The Talpiot industrial area is located in south eastern Jerusalem. The traditional industrial spaces that previously characterized this area have been transformed, over the years to mostly retail and office space.

70 ILS
 Average rents (m²/offices)

92%
 Average occupancy rate

70 ILS
 Average rents (m²/offices)

90%
 Average occupancy rate

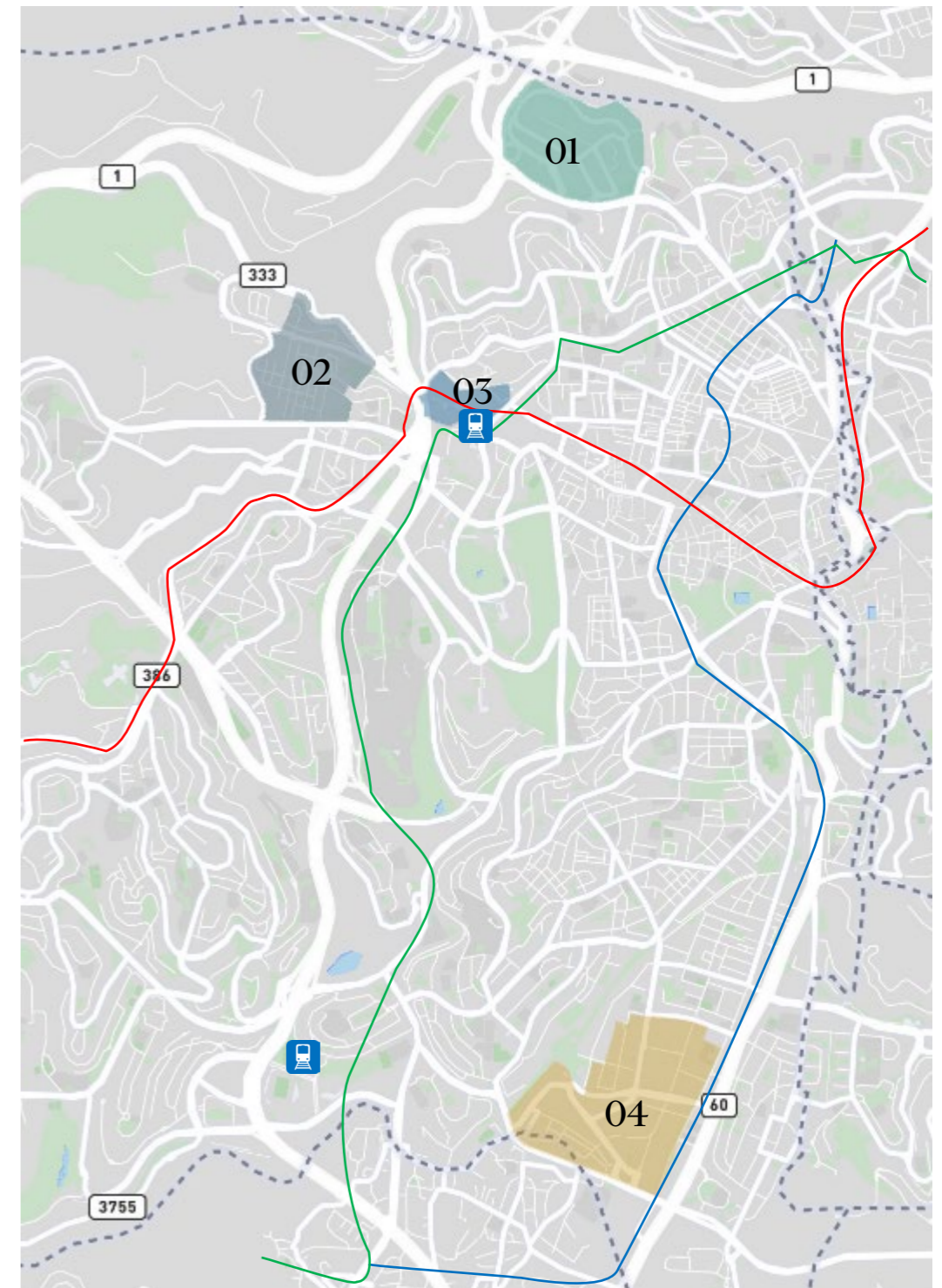
80 ILS
 Average rents (m²/offices)

90%
 Average occupancy rate

70 ILS
 Average rents (m²/offices)

90%
 Average occupancy rate

*Prices are Core & Shell



06

Overview of The Commercial Real Estate Market on Israel

Storage and Logistics

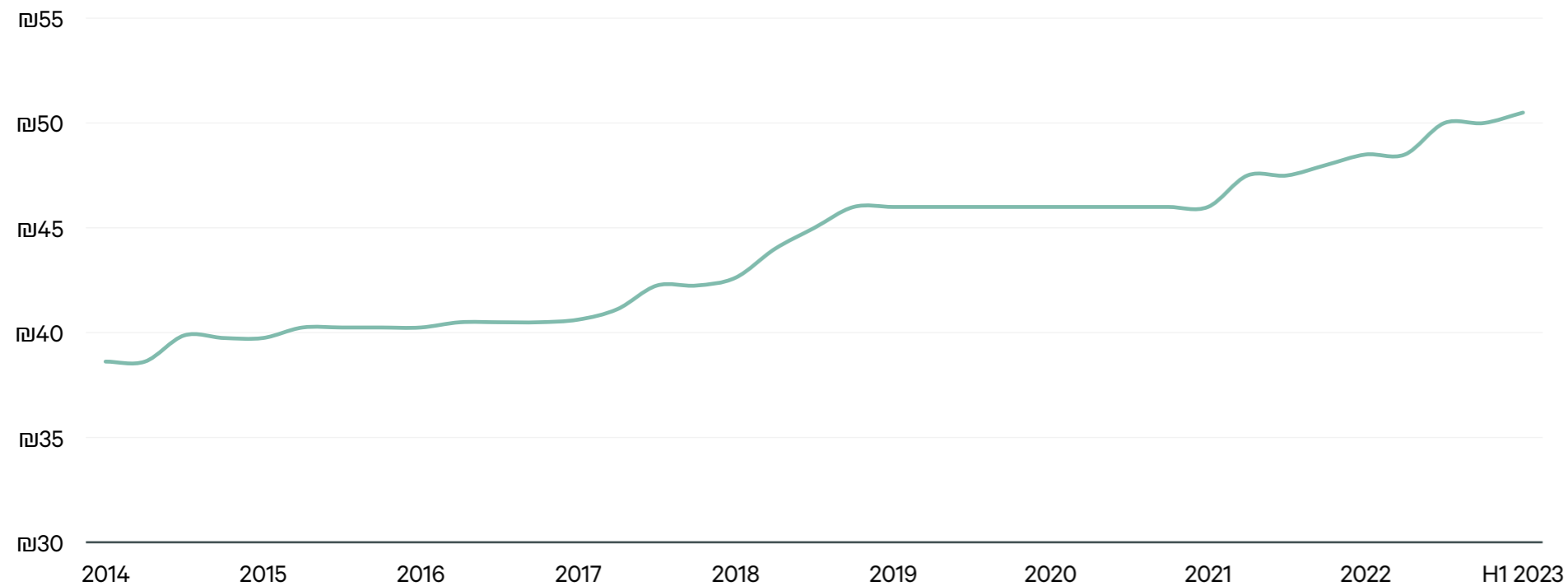
Storage and Logistics

Overview of The Present Situation of The Logistics' Market

During the first half of 2023, with the backdrop of the continued interest rate hikes by the Bank of Israel, the logistics' market is characterized by a scarcity of actual transactions alongside a stop of the trend of rising prices for land for logistical purposes. In the popular areas found along Route 6, surrounding the Israeli ports and alongside wide highways – the price of land remains high, however, we have not observed price increases compared to those prices recorded in the second half of 2022. The rate of increase to rental prices for logistic buildings and open storage areas has also slowed down, and with it the trend of erosion to the yield in the market.

Accordingly, we are likely to see the entry of financial institutions to this market, for example – insurance companies will seek to partner in development projects in the logistics market.

Average rent for logistics in Israel H1 2023- 2015 (ILS/m²)



06

Regional Overview – Logistics

Ashdod

Modiin/Shoham

Caesarea

Haifa

Regional Overview – Logistics

01 Ashdod

The proximity to the two Ashdod ports constitutes the principal pulling factor for the storage and logistics' activities in the Ashdod area. We note a scarcity of transactions during the first half of 2023, alongside the continuing development and growth of the new port, which is experiencing a very partial scope of container movement and a low level of activity as compared to that which had been expected.

To the rear of the port, a corner stone was laid evidencing the establishment by Ewave, of the largest automatic logistical centre in the country. It is estimated that this centre requires an investment of approximately 1 billion NIS.

Tenant Mix in the Area: This area is characterized by logistical companies that are active in the port, bond warehouses, and bonded facilities, storage of open containers.

Leading companies in the area: Ewave, Fridenson

02 Modiin/Shoham

The proximity of this park to Route 6, the Ben Gurion International Airport and its central location between the central Dan Region, Jerusalem, north and South of Israel – constitutes the principal reason attracting many companies to the area.

Tenant Mix in the Area: This area is characterized by companies operating independent central logistic facilities for their national activities.

Leading companies in the area: Yohananoff, Tnuva, Shufersal, Teva - SLE

03 Caesarea

The industrial area of Caesarea is characterized by storage facilities for manufacturing companies alongside importers and distributors and joint ventures with the Caesarea Assets Corporation.

Tenant Mix in the Area: This area is characterized by storage facilities for companies involved with the import, distribution and retail, and industrial companies.

Leading companies in the area: Diplomat, Decathlon, Fritz, Caesarea Assets Corporation

04 Haifa

The proximity to the 2 ports in Haifa and the Haifa airport constitutes the principal pulling factor for the storage and logistical activities in the Haifa area. We note a scarcity of transactions during the first half of 2023, alongside the continuing development and growth of the new port, which is experiencing a very partial scope of container movement and a low level of activity as compared to that expected.

Tenant Mix in the Area: This area is characterized by logistical companies that are active in the port, bond warehouses, and bonded facilities, storage of open containers and chemical companies.

Leading companies in the area: Fridenson, Overseas

City	Average (Price/1,000 m ²)	Average rent (m ² /storage)
Ashdod	7.5 Million ILS	55 ILS
Modiin/Shoham	6.5 Million ILS	50 ILS
Caesarea	4.0 Million ILS	45 ILS
Haifa	3.5 Million ILS	40 ILS

*New logistics centers Class A

07

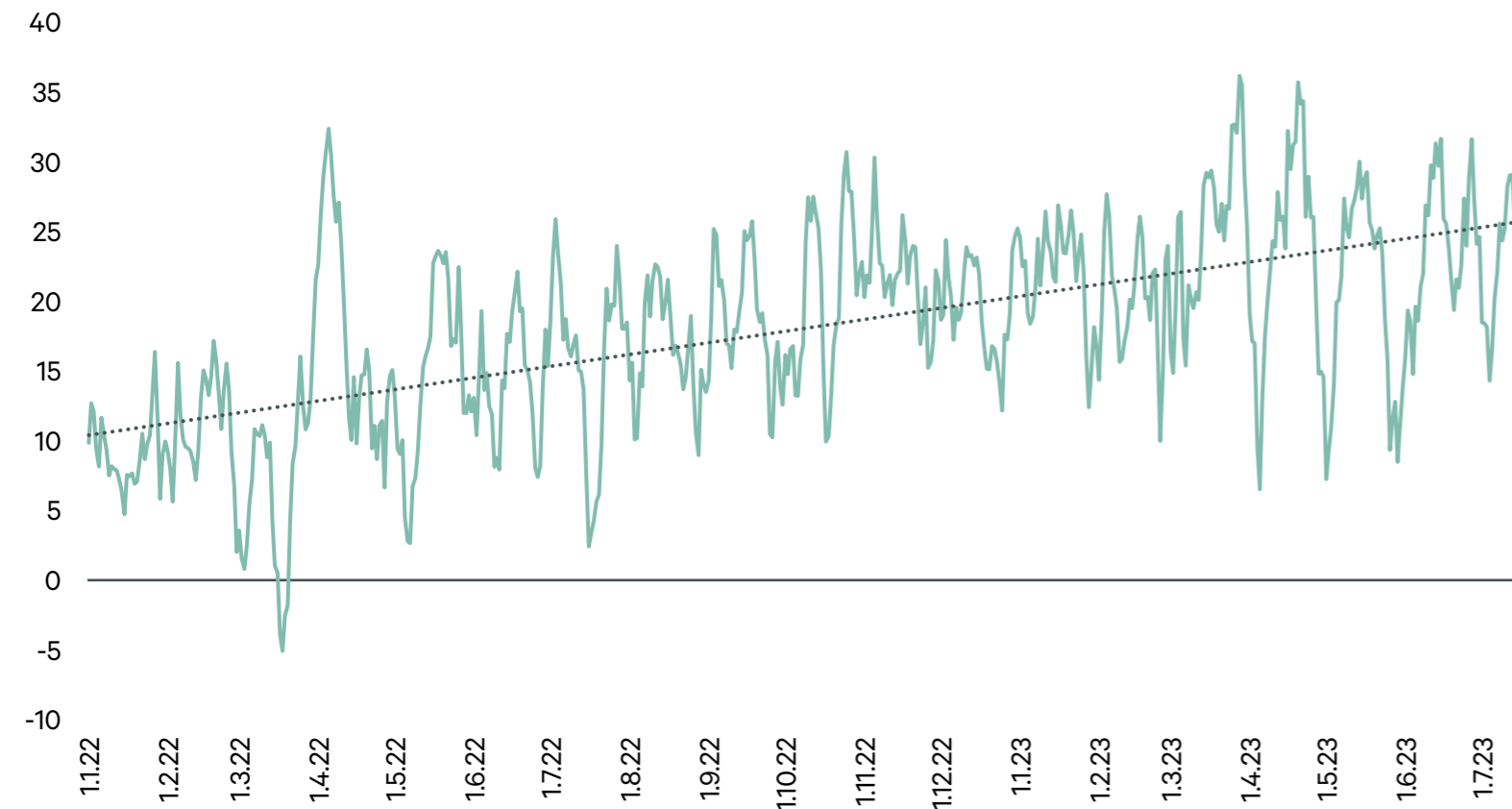
Overview Of The Commercial Real Estate Market In Israel

The Retail Market

Retail Market

The first half of 2023 shows steady trade in the shopping malls and retails centres, and also online shopping (supported by increase in credit card purchases). The increase that we saw during 2022 continues during the first half of 2023, however with a more moderate increase, on the backdrop of inflation and recession fears, which may reverse this trend by year end.

The Change in the Composition of Credit Card Purchases



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