

CBRE

2023

Israel

Market Outlook

REPORT

CBRE RESEARCH
June 2024



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Introduction



Chaim Agi

Managing Director
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The year 2023 will be remembered as a challenging year characterized by fluctuations in the global markets and the Israeli market. The main factors for this are the changes in the inflation rate and the interest policy of central banks in the world, including the Bank of Israel and the War of Iron Swords.

The hi-tech industry, which continued to be a major engine in the local economy, encountered challenges, but also saw successes. We were privileged to know positive trends such as a record in construction starts in the logistics industry, stability in occupancy rates, and redemptions in the commercial real estate industries.

As of the end of 2023, we understand that the challenges we faced in 2022 continue to accompany us, but we believe that the resilience shown by the Israeli economy will allow it to continue to grow.

Our prayer for the freedom of the kidnapped and for the safe return of all the soldiers to their families.

01

Macro National Overview

The Economic and Business Conditions in Israel

The Economic and Business Conditions in Israel

The Key Story: The Economic Effects of the “Iron Swords” War

2023 included 2 major events – legislation for the change to the legal system and the social crisis that ensued thereafter, and the “Iron Swords” war that erupted following the horrendous terror attacks of October 7th – the most devastating attack in the history of the State of Israel. Following these terror attacks, the Israel Defense Forces went to war against Hamas in Gaza and against Hezbollah on the border with Lebanon; settlements bordering these areas in the South and the North were evacuated and these citizens have yet to be allowed to return to their homes.

The entirety of the cost of this war will only be understood in due course, however we can expect a deep economic cost and anticipated national debt due to the continued warfare and the evacuation of hundreds of thousands of citizens over such a long period of time.

The war impacted both on the demand and supply of the workforce. Many employees have been absent from work due to the wide-scale call up for reserve duty, closure of the education system, directives of the Home Front and reduction of foreign workers.

As a result of the war, ~1,000 Palestinian workers in the construction industry were not permitted to enter Israel – comprising of one third of the workforce in this industry. With the outbreak of the war, building sites were closed and at year end, one third of the sites were still closed. This shortage in manpower in the industry brought about a marked increase to execution costs countrywide.

Figure 2: Monthly Change (%) in the Consumer Price Index (general and Core CPI Net of Home Prices), Annual Rate

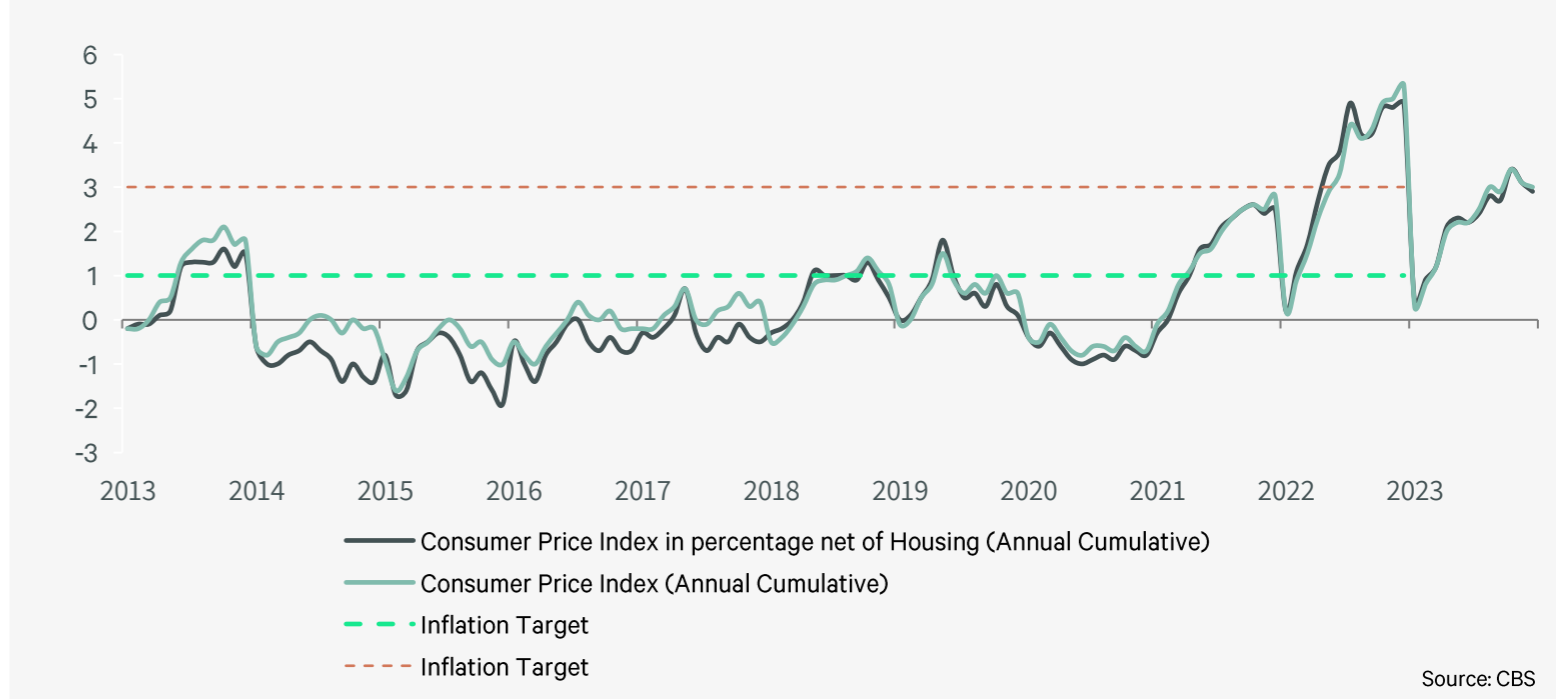


Figure 1: Annual change in the Consumer Price Index ,2013 - 2023 (%)

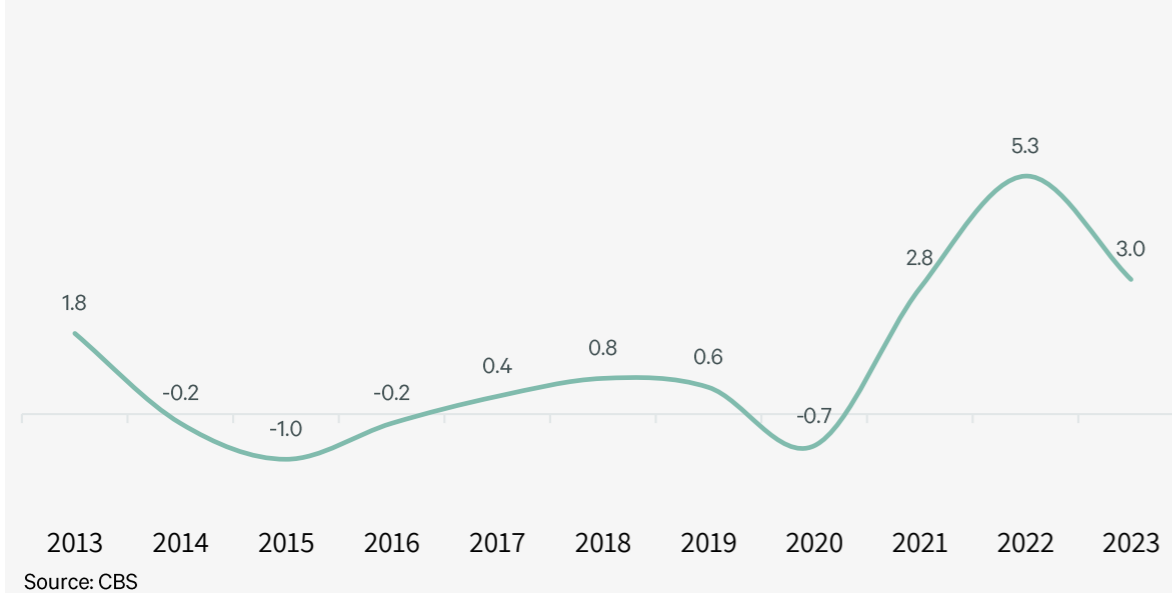
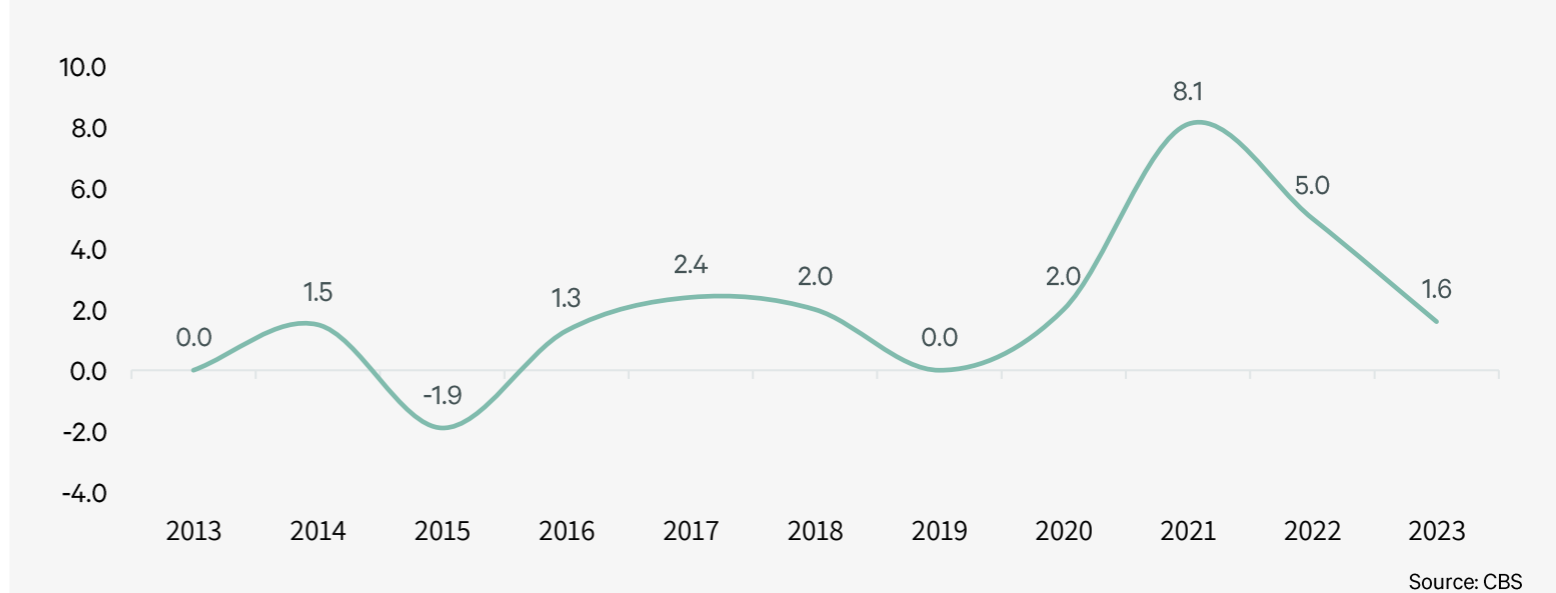


Figure 3: The Annual Change in the Input Price Index in Retail and Office Construction, 2013-2023 (%)



The Economic and Business Conditions in Israel

The attacks by Yemen's Houthi Rebels on shipping vessels in the Red Sea and Gulf of Aden have led many shipping companies to avoid passageway through the Suez Canal, causing a substantial increase in the length of the routes and sailing duration from Asia to the West. The consequence of which being an increase to the cost of importing commodities in general and building material in particular.

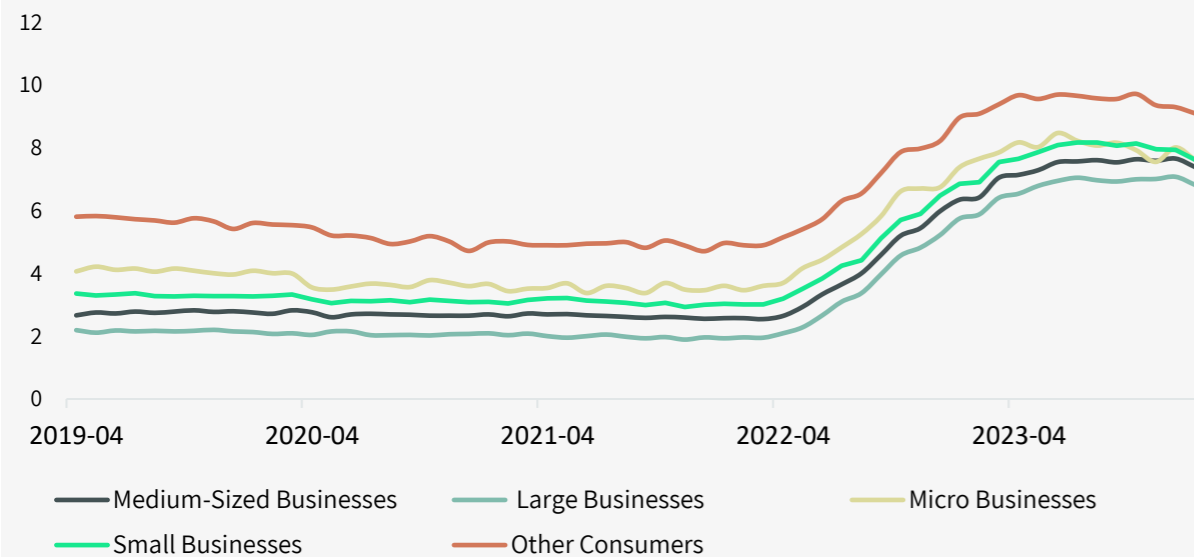
As of year end 2023, the Construction Inputs Index rose by ~2%, the Consumer Price Index rose by ~3%, at the edge of the inflation target rate of the government (1%-3%).

Annual growth reached only 2% as compared to the forecast of 3.4% and an average of ~4% experienced over the last decade – following a dramatic drop of 20% in production during the fourth quarter of the year, in the shadow of the war. If one takes into account the increase in the population – in fact Israel experienced a negative growth of -0.1% per person.

During the year, until the breakout of the "Iron Swords" war, the Bank of Israel increased interest rates from 3.75% to 4.75%, in an attempt to control inflation and return same to its target rate.

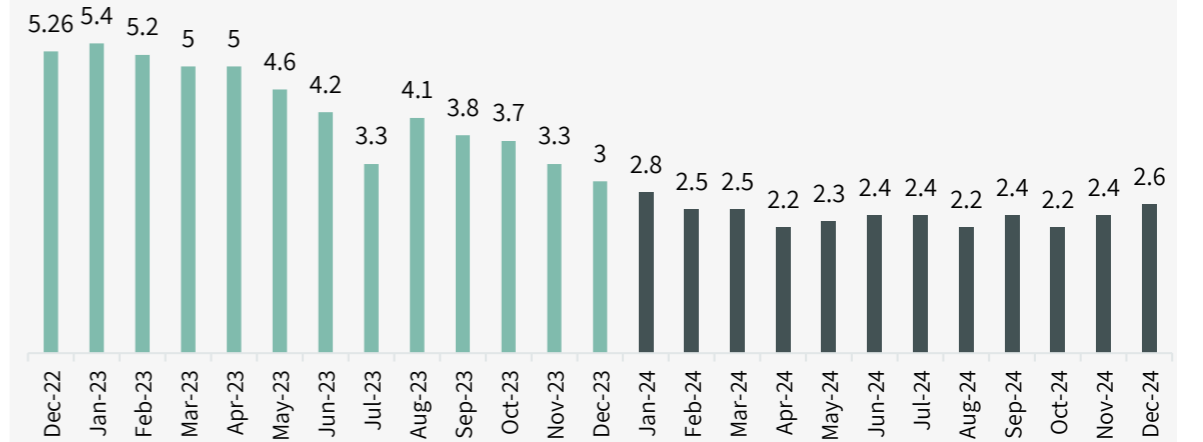
As it appears, the raises to the interest rates are behind us, and the Bank of Israel (as too the Federal Bank) is taking a cautious approach of gradual interest rate decreases.

Figure 4: Change in the Average Interest Rate on Bank Credit - in the Unindexed ILS Sector 2019-2023 (%)



Source: Bank of Israel

Figure 5: Inflation in 12 Months - Actual indicators and its Expected Development According to Forecasters' Estimate

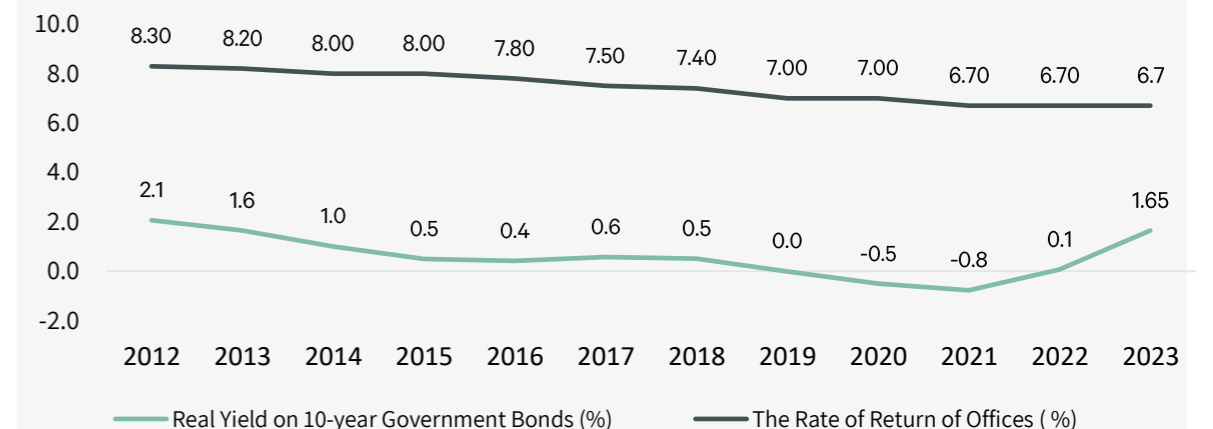


Source: Presentation by the Governor of the Bank of Israel to the Finance Committee 2024

According to the Bank of Israel forecast for 2024, the annual inflation rate is expected to moderate and level off at 2.7% in 2024, 2.3% in 2025 and **the interest rate is expected to reach an average of 3.75% in Q1 of 2025.**

Despite the increase to the interest rate, the difference between the yield from government bonds and the yield from commercial real estate remains high. **(Figure 6)**

Figure 6: The Gap Between Yield of Bonds and Yield of Offices



Source: Bank of Israel Data Processing and Government Appraiser Review



Data from the employment market indicates a very tight market with a full employment environment; as of year-end – the unemployment rate in Israel dropped to 3.2% - to its Pre-COVID levels. **(Figure 10)**

As of year-end, the overall job market was 3,886,200 (all sectors) – an annual decrease of ~ 2.98%, as compared to the number of jobs at the beginning of the year, and an increase of 2.78%, compared to the number of jobs in the market just prior to the break out of the “Iron Swords” war.

An analysis of the jobs in the “office using” sectors, presents a more moderate annual decrease of ~ 1.47%, however, compared to just prior to the beginning of the pandemic – we see an increase of 8.53%.

Looking at the employment division in the construction sector immediately prior to the “Iron Swords” war, Palestinians (from both the Territories and Gaza) comprised of ~ 30% of those employed in the sector, including those employed illegally – for a total of ~ 100,000 people – today absent in the sector. **(Figure 9)**

According to the Bank of Israel forecast for years 2024-2025, unemployment rate in Israel is expected to increase above 5% and thereafter to drop to 3%, whilst the inflation rate is expected to open gradually and will reach an annual rate of 2%.

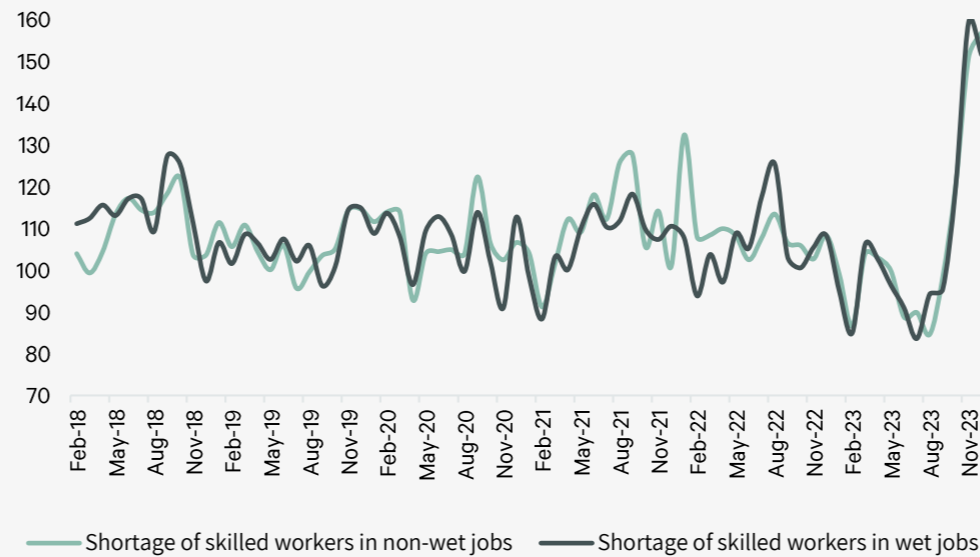
The forecast of public debt in Israel immediately prior to the “Iron Swords” war was expected to continue its downward trend (gross debt). The broadening of benefits approved with the outbreak of the war brought the debt back up to the levels of 2020-2021, and according to Bank of Israel scenarios, we must expect a substantial increase to the public debt until 2030. **(Figure 8)**

The updated forecast of the research division at the Bank of Israel for the years 2024-2025

	2023	2024	2025
Growth rate	2.0%	2.0%	5.0%
Exports	0.0%	0.5%	5.0%
Broad unemployment	4.5%	5.3%	3.2%
Debt to GDP ratio	62.0%	66.0%	66.0%
Inflation	3.3%	2.4%	2.0%

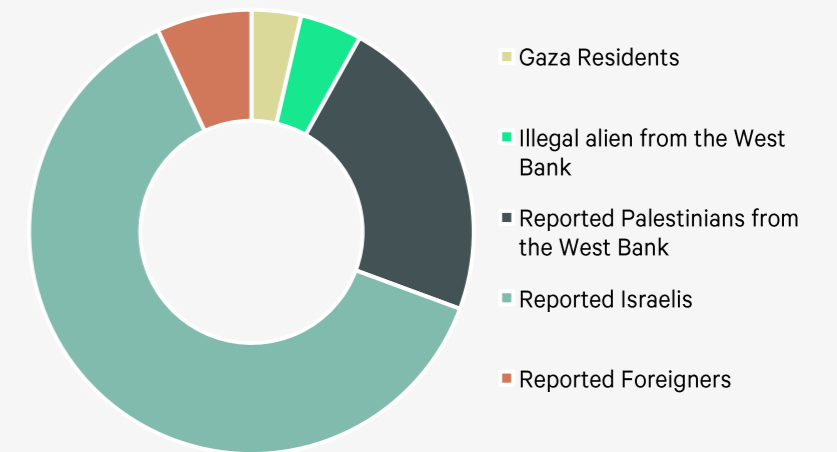
Source: Presentation by the Governor of the Bank of Israel to the Finance Committee 2024

Figure 7: Construction Restrictions, February 2018 to December 2023



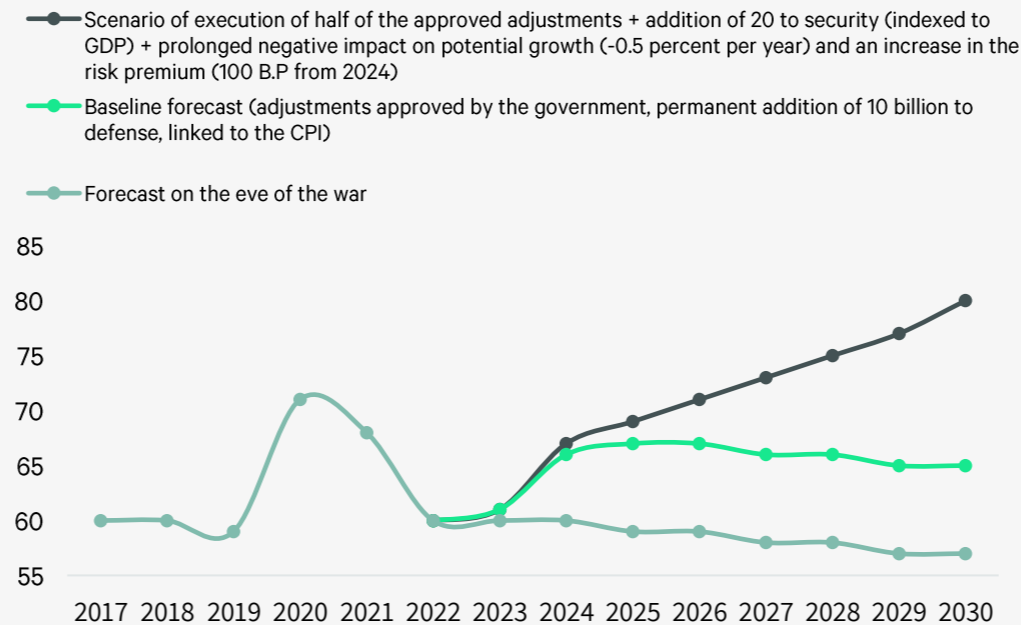
Source: CBS, calculated by limit weight multiplied by percentage of respondents

Figure 9: Reported and Unreported Employment in the Construction industry (Thousands of Employees, year 2023)



Source: Presentation by the Governor of the Bank of Israel to the Finance Committee 2024

Figure 8: Simulations of the Development of Gross Public Debt (% of GDP)



Source: CBS, calculated by limit weight multiplied by percentage of respondents

Figure 10: Unemployment Rate 2012-2023 (%)



Source: CBS

02

Macro National Overview

Capital Markets

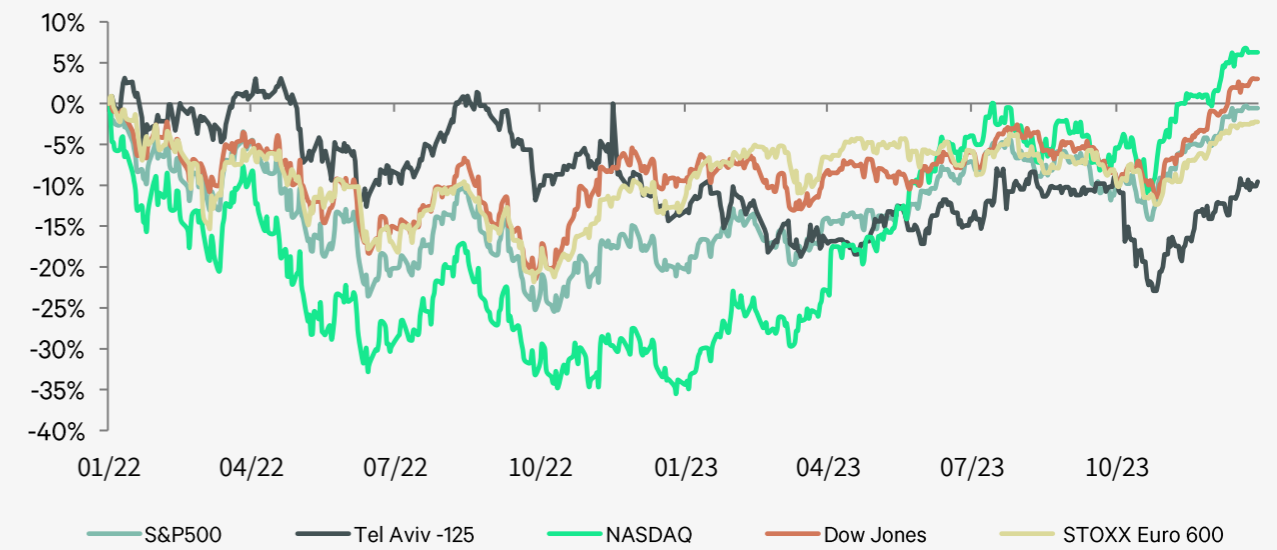
Capital Markets

The concern of a worldwide recession in 2023 did not materialize, and even though the US stock exchanges opened the year to high volatility, this was replaced by a continuous positive trend with impressive results, led by the technology companies, and with the backdrop of cessation of the trend of interest rate increases and notification by the Federal Bank of an expected decrease to interest rates during 2024. After both the NASDAQ index and the S&P 500 index in 2022, broke negative records and lost more than 35% and 20% (respectively) from previous equal weighted records, these indexes jumped during 2023 by 26% and 44% (respectively). **(Figure 11)**

The US dollar concludes its worst year since 2020, from the beginning to year end, the representative rate of the USD compared to that of the EURO weakened by ~3%. The largest drop was recorded in the last quarter of the year, and this was parallel to the Federal Bank indicating its revision of the trend in interest rates. During 2023, the USD grew in strength vis a vis the ILS by ~6%, in volatile trading. During the first 3 quarters of the year, the ILS began to depreciate against the USD, principally around the dates of the legislation aimed at reforming the judicial system. At the beginning of the fourth quarter, immediately after the terror attacks of 7th of October, the USD jumped against the ILS; the Bank of Israel responded with a comprehensive plan to sell foreign currency and thus stabilized the exchange rate. At a later stage, world trends took a lead – foremost indications given by the Fed regarding reduction in interest rates, weakening of the USD and as a consequence the strengthening of the ILS to bring it close to the rate of the beginning of the year. **(Figure 12)**

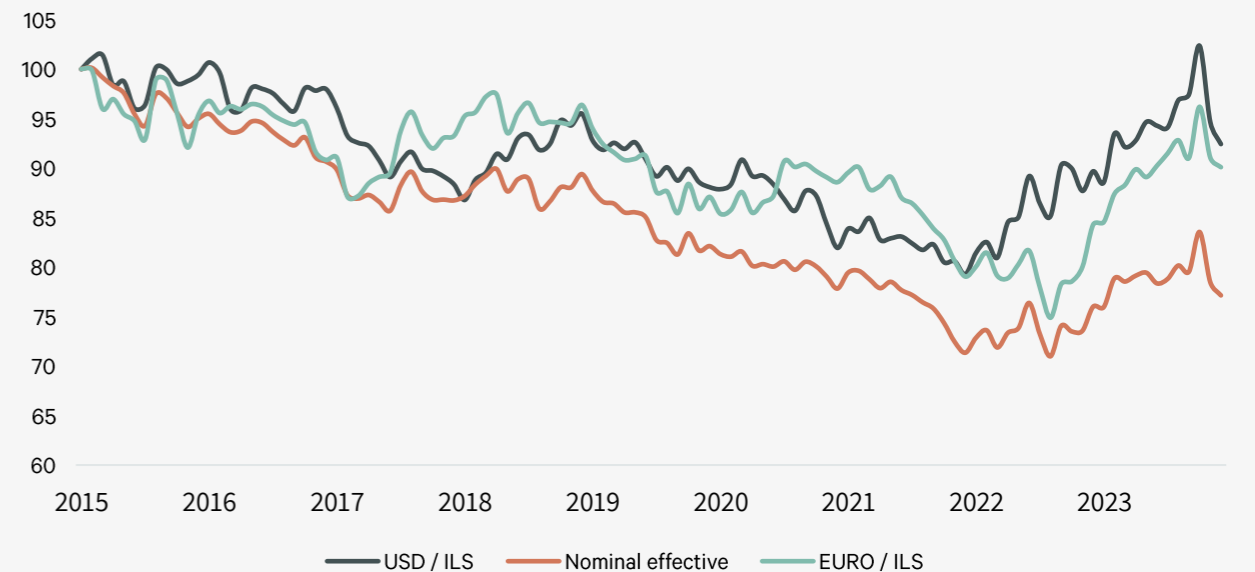


Figure 11: Performance of Key Indices from the Beginning of 2022 to the End of the Second Half of 2023 (daily)



Source: Bank of Israel

Figure 12: USD/ILS, EUR/ILS Indices and the Nominal Effective Exchange Rate, 2015-2023



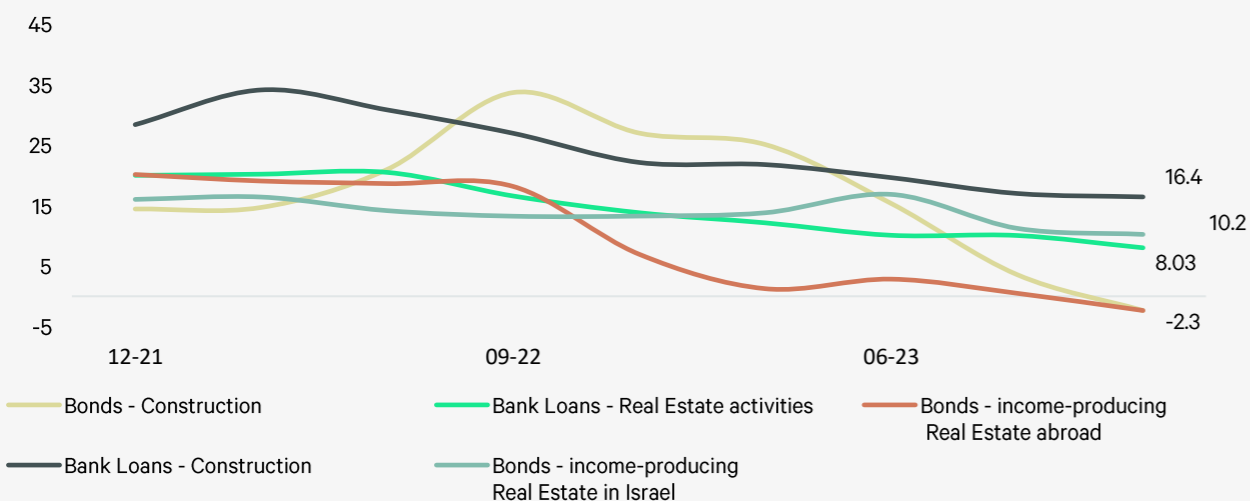
Source: Bank of Israel

Following the sharp drops in the world stock exchanges in 2022, the leading indexes conclude 2023 with a double figure increases, the NASDAQ 100 leads with an increase of 44.2% and rounds out its best year since 2003; along side is the Dow Jones Index and the S&P 500 Index which reached all time highs. The common factor in these impressive increases is the significance of the large technological companies – notably NVIDIA (+ 239%), META (+198%), Tesla (+106%), alongside Amazon (+83%), Alphabet (+49%) and Apple (+49%).

On the other hand, the local stock exchange experienced trouble during the first 3 quarters of the year, in the shadow of the attempts to reform the judiciary and accordingly, did not benefit from global increases, and, with the outbreak of the war in October – the market responded with drastic decreases until the army entered Gaza. From that point onwards, we can see a return of confidence in the markets and an increase in the Tel Aviv indices, which concluded the year with an overall annual increase of 3.8%.

The rapid growth in bank loans taken by the Israeli real estate companies over the last few years halted in 2023, whilst during the year, the rate of outstanding debt was reduced – the growth rate was cut in half, for both the construction companies and real estate activities. Since these debt balances comprise of ~ one third of the total debt of the business sector of Israel, the slow-down in growth is expected to have a broad effect: ~ two thirds of the debt of the construction and real estate companies originate from bank loans, the remainder originate from traded debenture notes in Israel.

Figure 13: The debt of the construction industries and real estate activities in the channels of bank loans and negotiable bonds in Israel, the rate of change, (%)



Source: Bank of Israel

Comparison of Annual Returns of Leading Global Indices vs. Israel

	2020	2021	2022	2023
New York S&P 500	16.3%	27.0%	19.7%-	26.3%
New York NASDAQ 100	43.6%	21.4%	33.1%-	44.2%
Europe EURO STOXX 50	5.1%-	22.2%	0.2%	14.5%
London FTSE 100	14.3%-	14.3%	0.9%	3.8%
Frankfort DAX 30	3.5%	15.8%	1.9%-	20.3%
Tokyo NIKKEI 225	16.0%	4.9%	9.4%-	28.2%
Tel-Aviv 35	11.0%-	26.0%	9.2%-	3.8%

Comparison of Annual Returns, Leading Indices in Israel

	2020	2021	2022	2023
Tel Aviv -35	11%-	26%	9%-	3.8%
Tel Aviv -90	18%	29%	18%-	4.3%
Tel Aviv -125	3%-	26%	12%-	4.1%
Tel Aviv - SME60	16%	24%	33%-	8.9%
TA-Growth	29%	6%	33%-	4.8%
Tel Aviv - Tech Elite	39%	4%	30%-	14.0%
Tel Aviv - Technology	38%	7%	27%-	17.0%
Tel Aviv Banks - 5	22%-	58%	4%-	11.4%
Tel Aviv - Real Estate	5%-	46%	26%	7.8%

Source: Bank of Israel



Companies Financials*



Company	Gav Yam		Amot Investment		Azrieli Group		Sella Capital Nadlan		Melisron	
	Annual 2022	Annual 2023	Annual 2022	Annual 2023	Annual 2022	Annual 2023	Annual 2022	Annual 2023	Annual 2022	Annual 2023
Value of income-yielding assets (ILS)	9,837,000	11,000,000,000	16,623,000,000	19,700,000,000	26,000,000,000	30,040,000,000	5,130,000,000	5,700,000,000	19,595,000,000	23,960,000,000
Properties in development	16	16	3	9	15	15	-	-	17	12
Leverage rate	53.3%	55.6%	42%	44%	33%	33%	56%	60%	42.8%	43.3%
ALS Lease agreements without properties in development	4.40 Years	4.8 Years	5.50 Years	5 Years	6 Years	5.5 Years	4.85 Years	4.4 Years	3.65 Years	3.1 Years
Income-yielding spaces (Sqm)	1,090,000	1,200,000	1,150,000	1,150,000	1,377,000	1,381,000	524,000	-	800,000	822,000
Occupancy rate	98%	98%	94.4%	93.4%	98%	98%	96%	-	98.7%	98%
Weighted average effective interest rate indexed to the CPI	1.30%	1.50%	1.61%	1.70%	1.90%	2.10%	1.69%	1.70%	2.05%	2.23%
Average capitalization rate for the value of income-yielding assets	6.30%	6.60%	6.20%	6.30%	6.83%	6.97%	6.71%	6.80%	6.95%	7.00%
NOI Annual (ILS)	555,000,000	657,000,000	931,000,000	1,004,000,000	1,953,000,000	2,113,000,000	288,300,000	321,000,000	1,224,000,000	1,326,000,000
FFO - Forecast for 2023 (ILS)	360,000,000	405,000,000	785,000,000	805,000,000	-	-	230,000,000	253,000,000	1,360,000,000	1,455,000,000

*Based on the reports of public companies in their annual financial statements as reported on the Israel Securities Authority website

03

Macro National Overview

The Hi-Tech Sector

Hi-Tech Sector

The trend of a downturn in activities of this sector in Israel continued in 2023 – during the months of the social struggle against the judicial reform in Israel and even more following the outbreak of the war. As of the second half of 2022, total investments in the hi-tech sector were found to be decreasing and this peaked during the last quarter of 2023. Investor confidence was substantially damaged as a result of a combination of an unstable political and security situation; the price of the blow to the local industry is likely to accompany us for years to come.

The hi-tech sector is deemed to be the jewel in the crown of the Israeli economy: compared to other countries, this sector employs a high proportion of the local working population and its proportion of GDP is even higher – and therefore, any blow to the hi-tech sector means a blow to employment, Israeli GDP and the general economic situation of the country.

By way of demonstration, the number of start-up companies that are incorporated each year is in steady decline – it is estimated that during 2023, 400 companies opened – comprising of half of the number that opened in 2021. (Figure 14)

A similar trend can be seen in venture capital investments in Israel, a total of 7.3 billion \$ was invested in 2023, compared to 17.3 billion \$ in 2022 – a 60% decrease. (Figure 15)

As a result of this, there was a decline in the number of open job vacancies and today, the demand for hi-tech employees is similar to Pre-COVID levels. Accordingly, the increase in demand for office space in Tel Aviv and first tier neighboring locations has also halted – the trend has been reversed, today demand is lower than supply in the market.

Figure 14: Hi-Tech Companies Opened Between 2015-2023

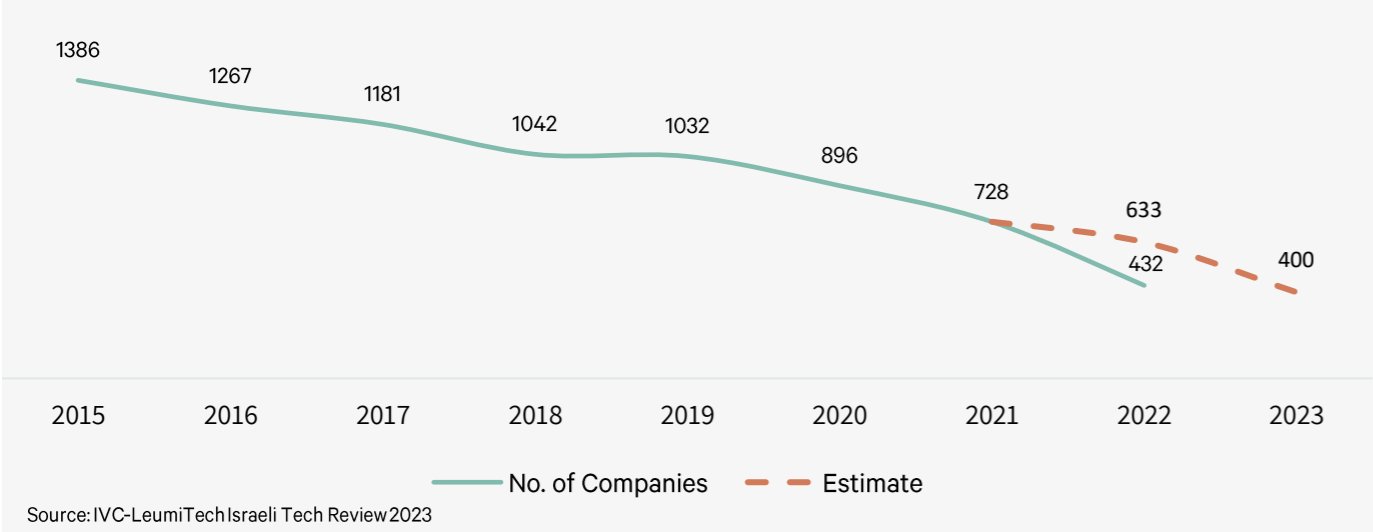
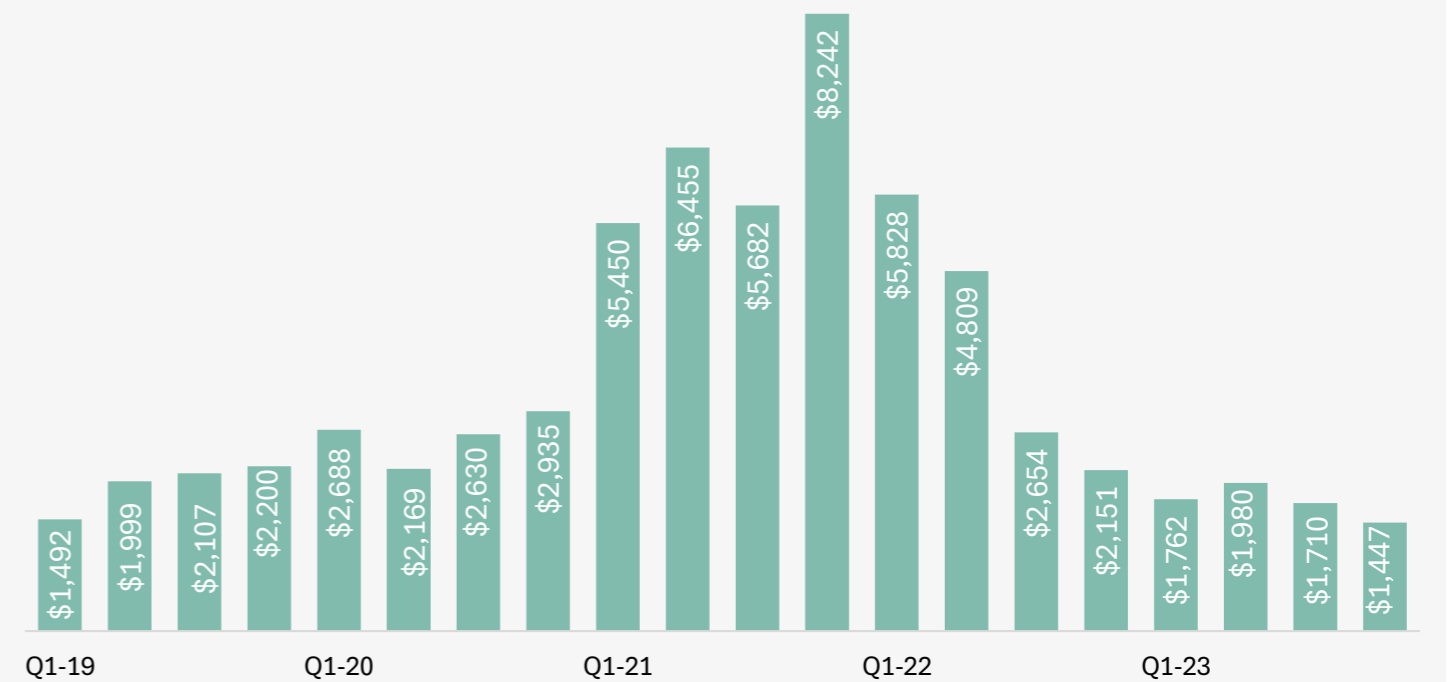


Figure 15: The Amount of Capital Raised by Israeli Start-Up Companies ,2015-2023 (in Billions of \$)



Source: IVC-LeumiTech Israeli Tech Review 2023



04

Macro National Overview

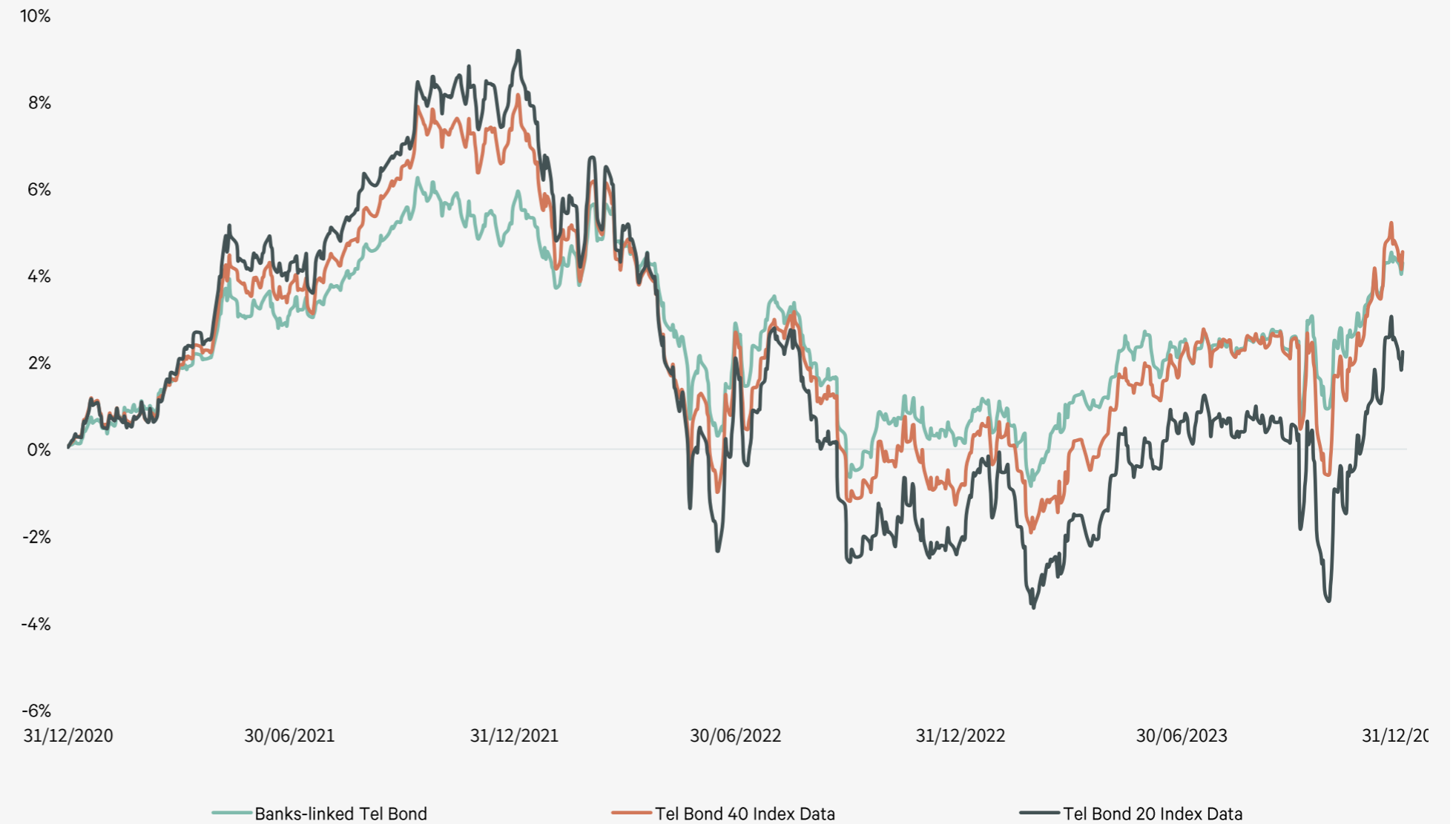
Income Producing Real Estate

Income Producing Real Estate

The increases seen in income producing real estate companies halted during 2023. The combination of the circumstances surrounding interest rates, the local hi-tech sector and the months of war have all left their mark – for some of those companies, whose business is primarily based on the office space market, they are facing a change in the trend.

In parallel, in the bond market of the Tel Aviv stock exchange – yield margins remain high between Israel Government bonds and those of the income producing real estate and development companies. Financing costs for the real estate companies remains high as a result of the increase of the yield in their bonds (on the back drop of interest rates and the stagnation in the industry).

Figure 16: Corporate Bond Yields Key Indices (Daily Data)



Source: Tel Aviv Stock Exchange

05

Overview of The Commercial Real Estate Market in Israel

Office Market

Office Market

The downturn in the hi-tech sector has left its mark on demand for office space and with high interest rates has led to a challenging business climate for the income producing real estate market. Companies report of difficulties in marketing office space, of negotiations and competition for each client – thus resulting in compromising on shorter terms for leases.

On the other hand, trading redemptions in the shopping malls remained stable during the first 3 quarters of 2023, with a sharp decline in the month of October and a swift recovery during the months of November and December.

In parallel, 2023 was a record year with respect to the scope of construction of office space; we saw ~ 1.1 million sqm of completed projects being added into the market and ~ 1.2 million sqm of construction starts. These projects were initiated during the boom period and now bring substantial challenges to the developers who are looking to populate (lease) this space.

Whilst, in the prime city locations, we did not note a substantial decrease in asking rent, only a moderate reduction; demand for office space in Tel Aviv remained high.

Figure 17: Construction Commencements and Completions for Offices Nationwide 2009-2023 (Thousands of sqm)

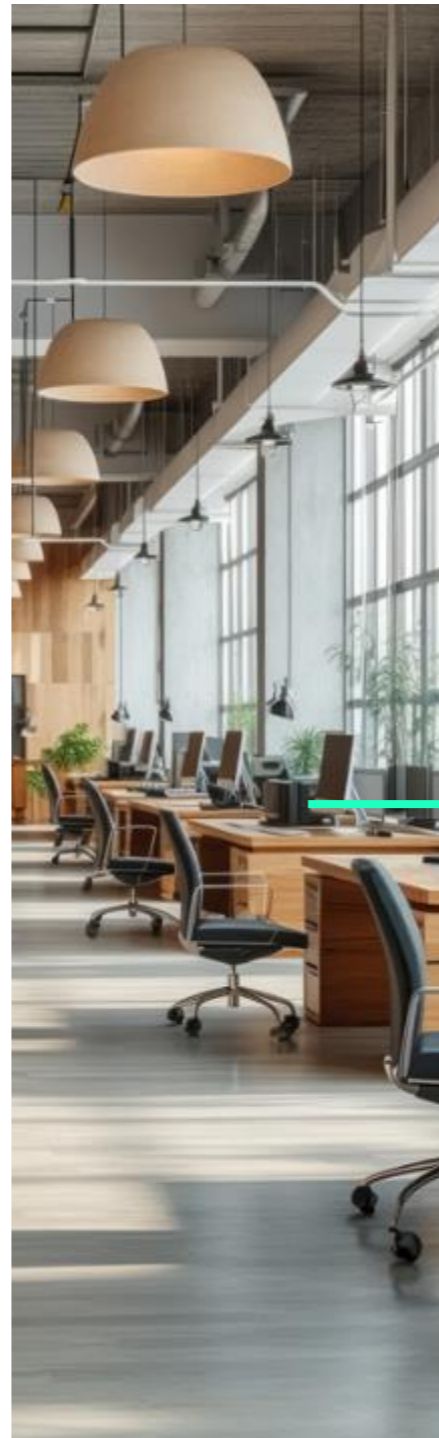
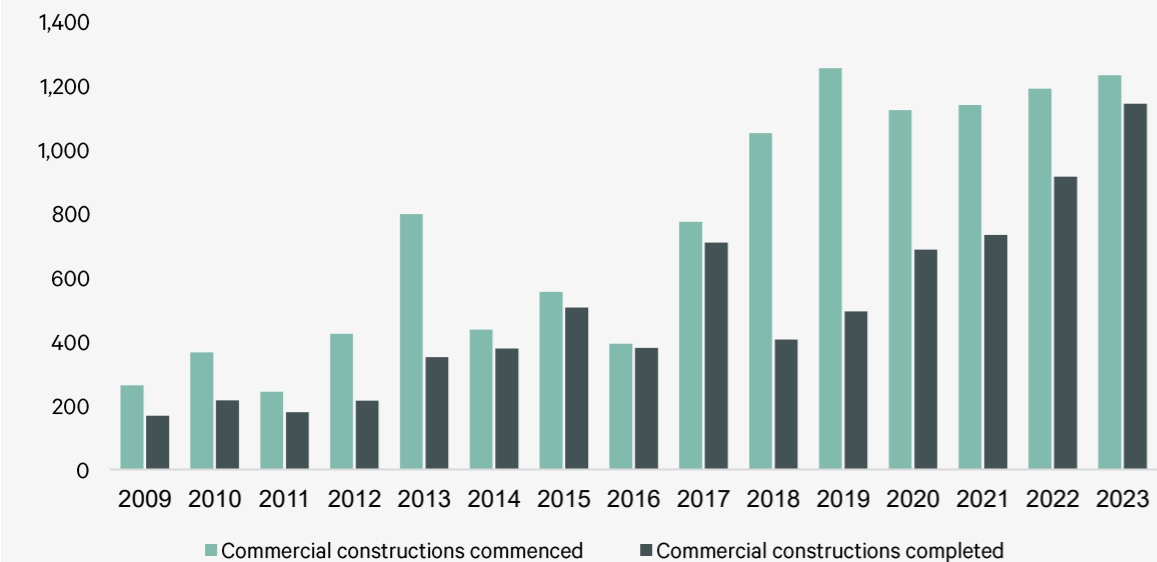
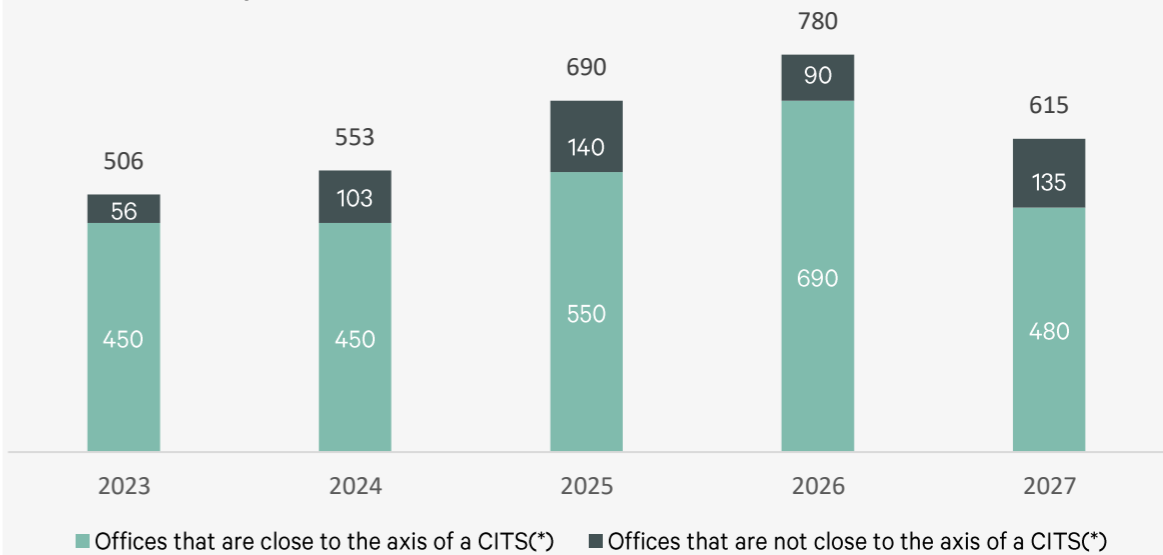


Figure 18: Estimated Scope of Office Space Area Nationwide by Year of Completion (Thousands of sqm)



However, in the second-tier cities – Holon, Petach Tikvah, Bnei Brak – supply of office space substantially increased and we see low occupancy rates.

An analysis of the 2023 financial reports of the publicly traded companies presents a picture of ~ 7 million sqm of office space under project commencement (planning, registration and construction) and ~ 3.8 million sqm of space that will be delivered into market by the end of 2028.

As of 2028 onwards, ~ 3.75 million sqm of office space is in the development, planning and registration process; ~ 2.6 million sqm of the aforementioned office space is planned in proximity to the proposed light railway axis (commuter-intensive transportation system).

In addition, according to data published by the planning administration, the potential for additional areas of employment, under discussion in the various district committees stands at ~ 48 million sqm.

(*)CITS: Commuter-Intensive Transportation System

06

Regional Overview – Office Space

1. Tel Aviv

3. Petach Tikva

5. Ra'anana

7. Holon

2. Ramat Gan

4. Herzliya

6. Bnei Brak

8. Jerusalem

1. Tel Aviv

With the backdrop of the “Iron Swords” war, the second half of 2023 continued to be characterized by the trend of minimal investments by local Israeli hi-tech companies. In 2023 a drop of ~ 60% in investments was seen, as compared to 2022 and as a result of this, a drop in demand was felt in the Tel Aviv office market.

The most repercussions were felt in the new developments that were not fully occupied. There was practically no change in the scope of tenants occupying the older projects and no leases were cancelled in the long term. The demand for large office space has been experiencing a downward trend and at this stage, we do not expect a material change in occupancy and/or rental prices with respect to new leases.

There is a growing trend of secondary leasing activity, whereby companies that leased large footprints (for future expansion/use) look to sublease their vacant office space.

In the majority of the areas there exists a supply of office space available for sublease, which is estimated to comprise of ~ 4% of the total office space.

This trend (increase of availability of sub-leased office space) has primarily effected the shared work space sector, which has experienced a drop in occupancy during 2023 and a corresponding drop in prices.

Leading companies that are located in Tel Aviv: Amazon, Google, Facebook, Palo Alto, NVIDIA, Check Point, Deloitte, WeWork, KPMG, Poalim, Leumi and Discount Banks.

The principal submarkets of office space can be found in the following areas – Sarona, Rothschild Blvd, City Centre, Yigal Alon Street and Menachem Begin axis.

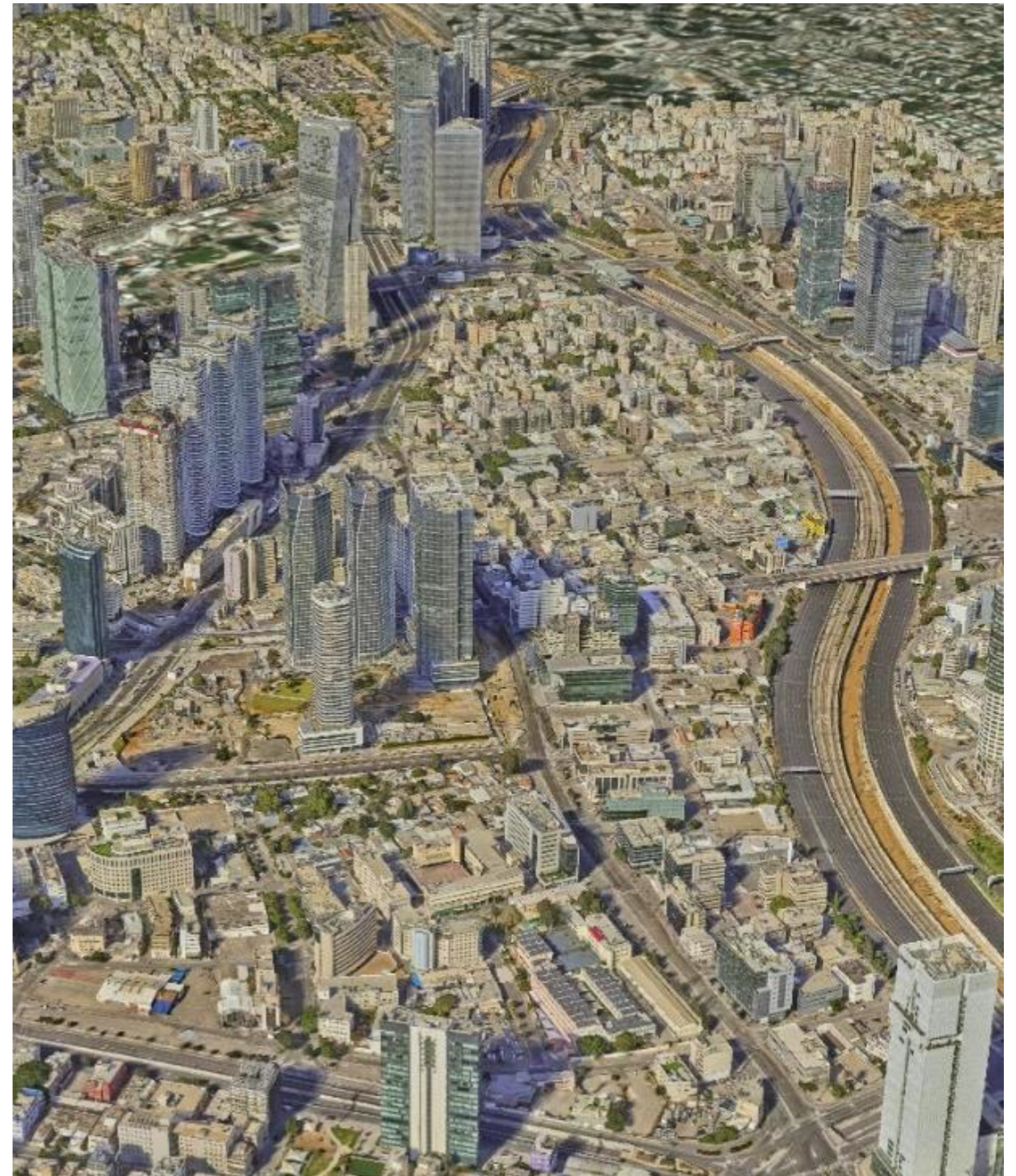
Continuing the trend of past years, the city continues to develop southwards. Residential development began this momentum and now, the office sector has followed suit. The neighborhoods of South Tel Aviv are developing and we can see an increased demand in those areas. This change is fuelled by scarcity 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 city parking regulations (as part of the new city parking policy).

During 2023, certain new plans have been approved in Tel Aviv that add ~ 700,000 sqm in building rights for employment purposes and 100,000 sqm for retail purposes, and certain new plans have been submitted that will add ~ 800,000 sqm in building rights for employment purposes and ~ 20,000 sqm for retail purposes.

According to reports filed by publicly traded companies, as of now, there are ~ 40 active projects in Tel Aviv, in various stages of development (planning, permits and construction) comprising of ~ 1,650,000 sqm of office space and 60,000 sqm of retail space. These projects are intended to be delivered into the market over the next decade.

Out of the aforementioned office space, ~ 550,000 sqm are already under construction, whilst ~ 1,100,000 sqm are in the development, permit and planning stages.



Credit: Simplex

Central Employment Areas in Tel Aviv

01 Menachem Begin Axis -

Employment zone that spans the length of Menachem Begin Way. This is the new city centre comprising the principal employment area of the city and forms the striking sky line of Tel Aviv.

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

Significant projects under construction in this submarket:

- The “Spiral Tower” – The new office tower that will be connected to the existing Azrieli complex, comprising of 150,000 sqm for employment purposes of which 13,000 sqm is designated retail space;
- Office building that will be constructed on the land previously occupied by Beit Egged (north of the Azrieli mall) comprising of ~ 180,000 sqm for employment purposes;
- The demolition of Beit Kalka and the construction (by Hachsharat HaYishuv company) of a new mixed-use skyscraper; comprising of 60 floors – 75,000 sqm;
- Joint venture led by Prashkovsky in the old “Tara Complex Nahalat Yitzhak” – mixed-use (office space expected to comprise of 34,000 sqm).

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
- Intel
- Meitar Law Office

Avg. rental fees (sqm\Office)	Avg. occupancy rate
ILS 130	97%

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

Principal Projects under Construction in this Submarket:

- Office building Yaacov Nimrodi (Beit Maariv), comprising of 43,500 sqm office space;
- Hotel Project “HaKiryat South”, comprising of 40,000 sqm of hotel space and 2,000 sqm for retail
- Office tower 'Landmark B' In the scope of ~ 49,000 sqm under construction

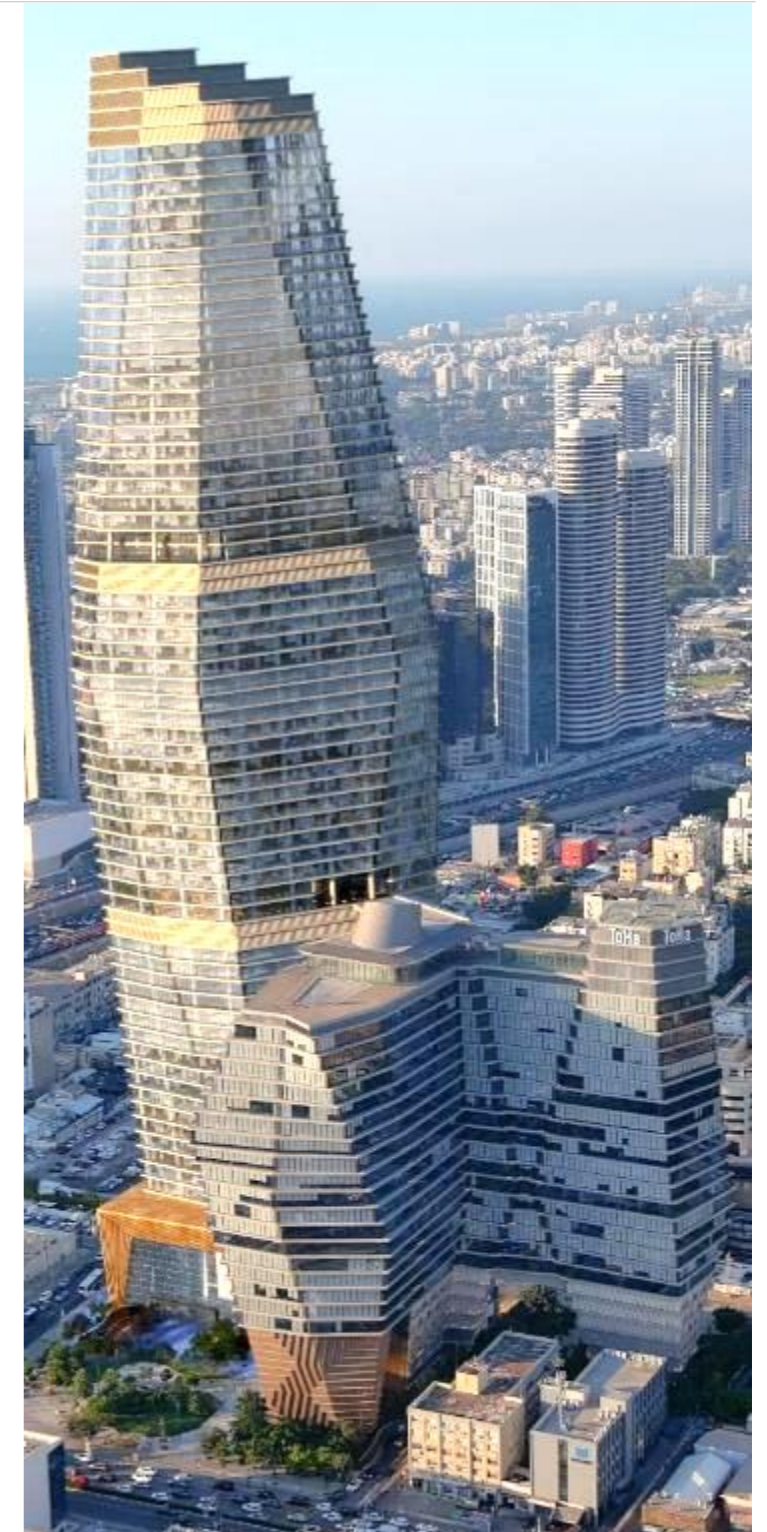
Tenant Mix in the Area:

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
- Meta
- Citi
- KPMG

Avg. rental fees (sqm\Office)	Avg. occupancy rate
ILS 140	97%



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 has good accessibility and is close to the red line of the light railway (Carlibah station).

Principal Projects under Construction in this Submarket:

- Yitzhak Sade campus Buildings 1, 2 – built by Acro Real Estate, located at the corner of Yitzhak Sade Street and HaMasger Street, comprising of 150,000 sqm of office space and ~ 4,400 sqm retail space;
- Vitania Project, located at La Guardia junction, mixed-use, comprising of 100,000 sqm;
- Mixed-use project – built by Ybox, comprising of 11,000 sqm office space.

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.

Leading companies in the area:

- Nvidia
- Monday
- HFN
- Yotpo
- Papaya Gaming

Avg. rental fees (sqm\Office)	Avg. occupancy rate
ILS 110	94%



Credit: Simplex

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.

Principal Projects under Construction in this Submarket:

- ToHa2 – northwards of HaShalom Way, comprising of ~ 160,000 sqm of office space.
- Mivne is constructing 2 new buildings located on the corner of HaSolelim Street and HaShalom Way, comprising of ~ 70,000 sqm of office space.
- Sipholux Tower, Yigal Alon, developed by “Libental” company, comprising of ~40,000 sqm of office space out of which 15% is intended for hotel use.
- Office tower on Haaretz Street: East & (Blue Square Tower), north of HaShalom Rd, with an area of ~30,000 Sqm for offices.

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
- Motorola
- AT&T
- Checkpoint
- Palo Alto

Avg. rental fees (sqm\Office)	Avg. occupancy rate
ILS 120*	97%

* In ToHa Tower the rents are higher and stand at an average of about 160 ILS/sqm

05 Rothschild Blvd Submarket –

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 which is under construction.

Principal Projects under Construction in this Submarket:

- Canada Israel Tower, located at the junction of Herzl Street and Yehuda HaLevi Street; comprising of 40 floors of mixed-use; ~ 24,000 sqm for employment and retail, alongside ~ 11,000 sqm designated for residential use;
- Tidhar Rothschild Tower, located at the junction of Herzl Street and Rothschild Blvd., comprising of 40 floors designated for retail, residential, employment and hotel use.

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:

- Meta
- Verizon
- Autodesk

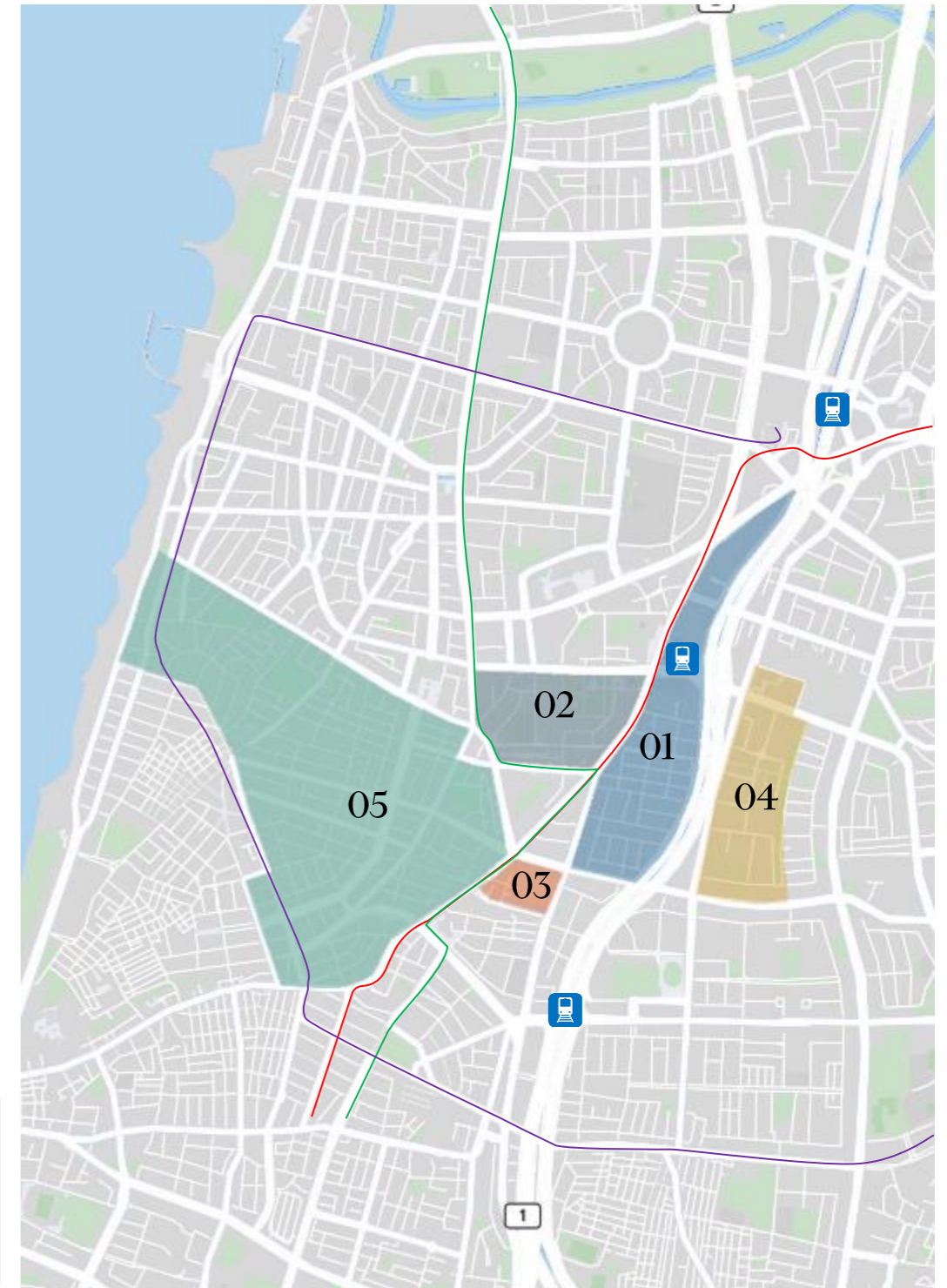
Avg. rental fees (sqm\Office)

ILS 150

Avg. occupancy rate

97%

- 01 - Menachem Begin axis
- 02 - Sarona Submarket
- 03 - Hassan Arafa Submarket
- 04 - Yigal Alon Submarket
- 05 - Lev Hayir – Rothschild Submarket

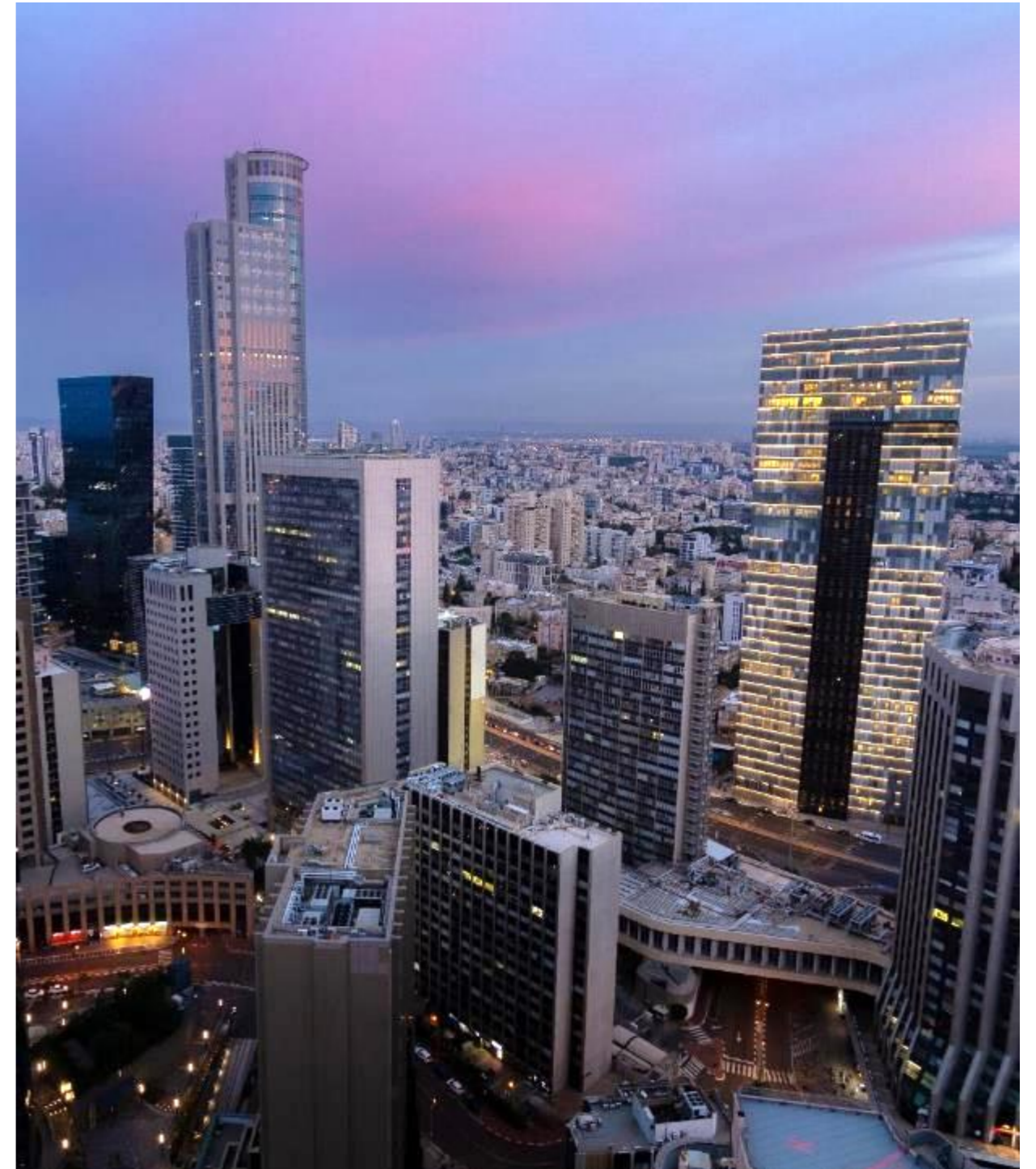


2. Ramat Gan

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 with boundaries of 3 cities namely, Ramat Gan, Givatayim and Tel Aviv. Many deem Ramat Gan to even be an “extension” of Tel Aviv. This area is under development, following the approval of the Outline Plan RG/1800 which provides for additional building rights and encourages the development and renewal in the city. We note the trend of a higher build standard of the new towers being constructed in this area. During the second half of 2023, certain new plans have been submitted for the construction of a tower comprising of 50 floors located near the roads of HaYitzira, Aba Hillel and Hachilazon. This project includes also buildings for preservation and is being developed by Ashtrom. In addition, a project is planned on Aba Hillel Street, comprising of 45 floors, developed by Tidhar.

During 2023, certain new plans have been approved in Ramat Gan that add ~ 300,000 sqm in building rights for employment purposes, ~ 30,000 sqm for retail purposes, and certain new plans have been submitted that will add ~ 100,000 sqm in building rights for employment purposes and ~ 10,000 sqm for retail purposes.

According to reports filed by publicly traded companies, as of now, there are 6 active projects (of wide scope) in Ramat Gan, in various stages of development (planning, permits and construction) comprising of ~ 450,000 sqm of office space and ~ 4,500,000 sqm of retail space. These projects are intended to be delivered into the market over the next decade. Out of the aforementioned office space, ~ 300,000 sqm is already under construction, whilst ~ 150,000 sqm is in the development, permit and planning stages



Principal Employment Areas in Ramat Gan

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 as well as the light railway Red Line.

In addition, metro lines M1 and M2 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.

Principal Projects under Construction in this Submarket:

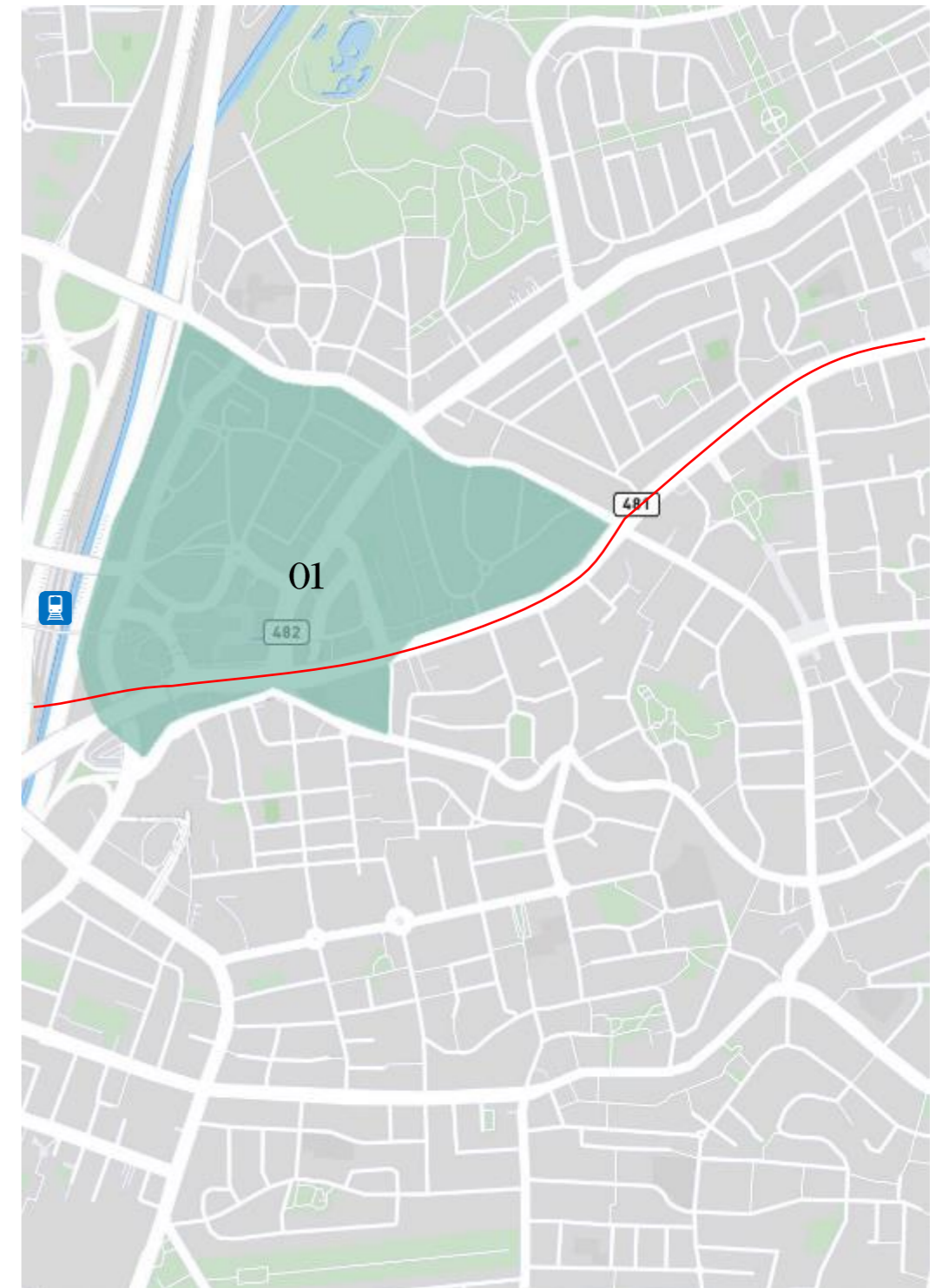
- Vertical Project, owned by Canada Israel – located in the north west portion of the area, close to Bialik Street; comprising of ~ 176,000 sqm of mixed-use;
- HaYetsira Project – Ashtrom will construct a tower comprising of ~ 50,000 sqm of office space and ~ 1,000 sqm retail space;
- Tuval Project – Sela Real Estate, comprising of ~ 36,000 sqm of office space;
- Exchange Project – Azorim, comprising of ~ 34,000 sqm of office space.

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:

- Menora Mivtachim
- Harel
- Mizrahi-Tefahot Bank
- Ayalon insurance
- HSBC



Avg. rental fees (sqm\Office)	Avg. occupancy rate
ILS 100*	98%

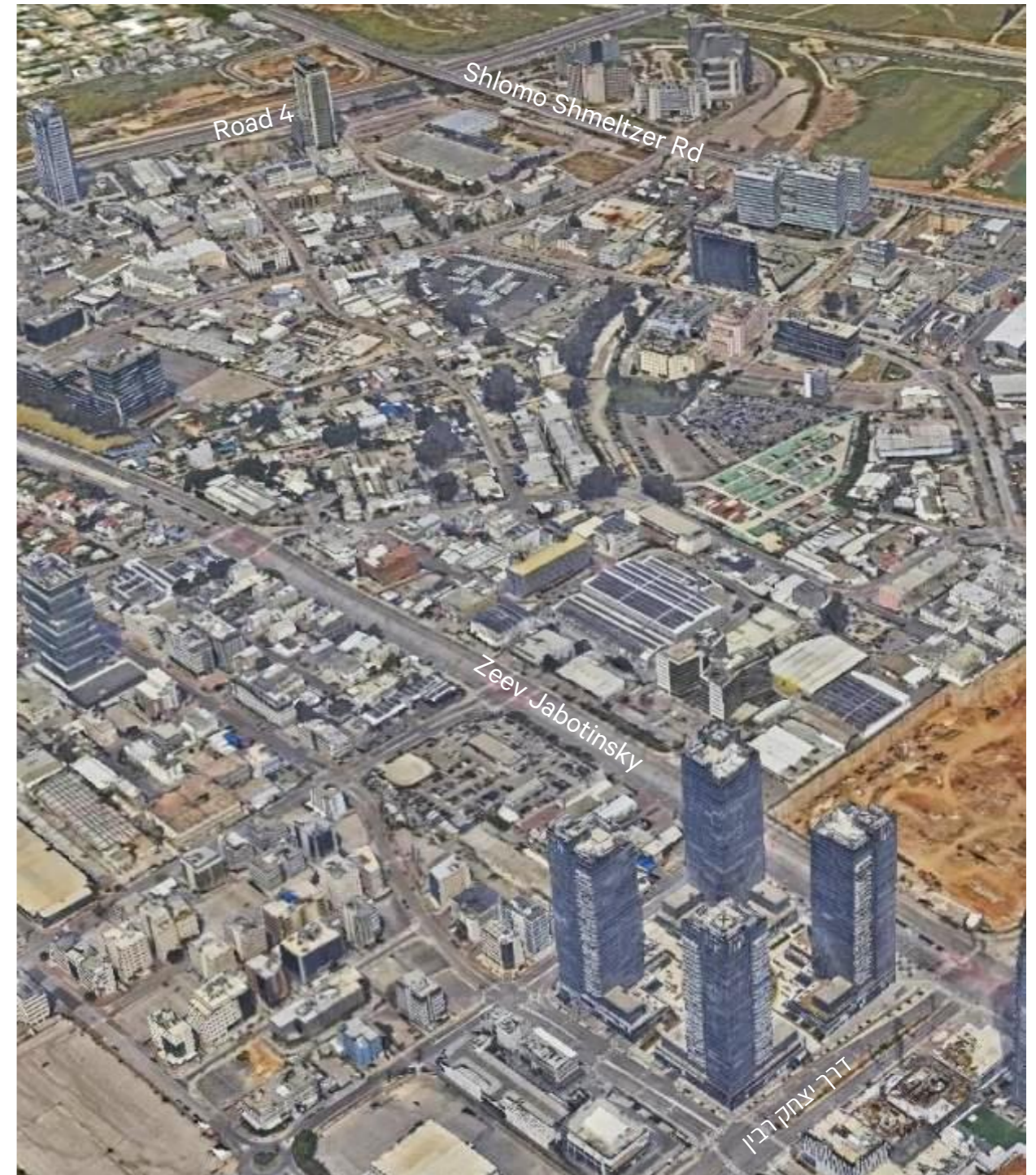
* In Atrium Tower the rents are higher and stand at an average of about 160 ILS/sqm

3. Petach Tikva

The Industrial Area of Petach Tikvah is full of new projects in various stages of development and construction; in the coming years, tens of thousands of sqm are expected to be added to this location. The operating of the Red Line of the light railway speeded up construction in this area, however, the general downward trend that is gripping the country has created difficulties in populating these new office buildings.

During 2023, certain new plans have been approved in Petach Tikvah that add ~ 300,000 sqm in building rights for employment purposes, ~ 90,000 sqm for retail and new specific plans were filed that will add ~ 1,200,000 building rights for employment purposes and ~ 150,000 sqm for retail purposes.

According to reports filed by publicly traded companies, as of now, there are ~ 13 projects (of wide scope) in Petach Tikvah, in various stages of development (planning, permits and construction) comprising of ~ 900,000 sqm of office space. These projects are intended to be delivered into the market over the next decade. Out of the aforementioned office space, ~ 240,000 sqm are already under construction, whilst ~ 660,000 sqm are in the development, permit and planning stages.



Credit: Simplex

The 3 Principal Business Areas of Petach Tikvah

01 Kiryat Arieh -

The Kiryat Arieh industrial area is located in the north west area of the city, extending an area equal to 2,250 dunam and constitutes the principal business centre of the city.

The area is easily accessed, due to the proximity of main transport systems, the Red Line of the light rail and the proximity of the train station (adjacent to the football stadium). Jabotinsky axis delimits the area from the south, Route 4 from the west and the train tracks from the north.

Significant projects under construction in this submarket:

- On vacant land, the Azrieli Group will construct ~ 200,000 sqm of office space;
- Kaniel Project, owned by BIG, ~ 250,000 sqm for office and retail use;
- Vica Project, owned by Vitania, ~ 80,000 sqm for office space.
- Joint venture led by Prashkovsky in the old “Tara Complex Nahalat Yitzhak” – mixed-use (office space expected to comprise of 34,000 sqm).

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 converted into new projects.

Leading companies in the area:

- Align Technologies
- Marvell
- CyberArk
- Intuit
- IBM

Avg. rental fees (sqm\Office)	Avg. occupancy rate
ILS 55	85%

02 HaSivim 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.

Principal Projects under Construction in this Submarket:

- Ashtrom will construct ~ 85,000 sqm off office and retail space.

Tenant Mix in the Area:

Older buildings alongside new builds, hi-tech companies, freelancers, insurance companies.

Leading companies in the area:

- AIG
- PolyPid
- Ribbon communication
- Yad 2
- Zap

Avg. rental fees (Sq m\Office)	Avg. occupancy rate
ILS 50	60%



Credit: Simplex

03 Segula Area -

An industrial area, also known by the name of Yarkon Business Park, located in the northeast part of the city. In this area, factories for heavy industry are located, large commercial areas (Power Centre), halls and event complexes. In the second half of 2023, a renewal plan was approved for the Segula Industrial Area, adding ~1 million sqm for employment purposes – based on the M2 metro stations and the Segula train station.

Class A type office buildings are NOT located in this area.

Tenant Mix in the Area:

freelancers, industry, garages, entertainment halls.

Leading companies in the area:

- Airobotics
- Isotopia Molecular
- Compart

Avg. rental fees (sqm\Office)	Avg. occupancy rate
ILS 40	85%

01 - Kiryat Aryeh Area
 02 - HaSivim Industrial Area
 03 - Segula Area



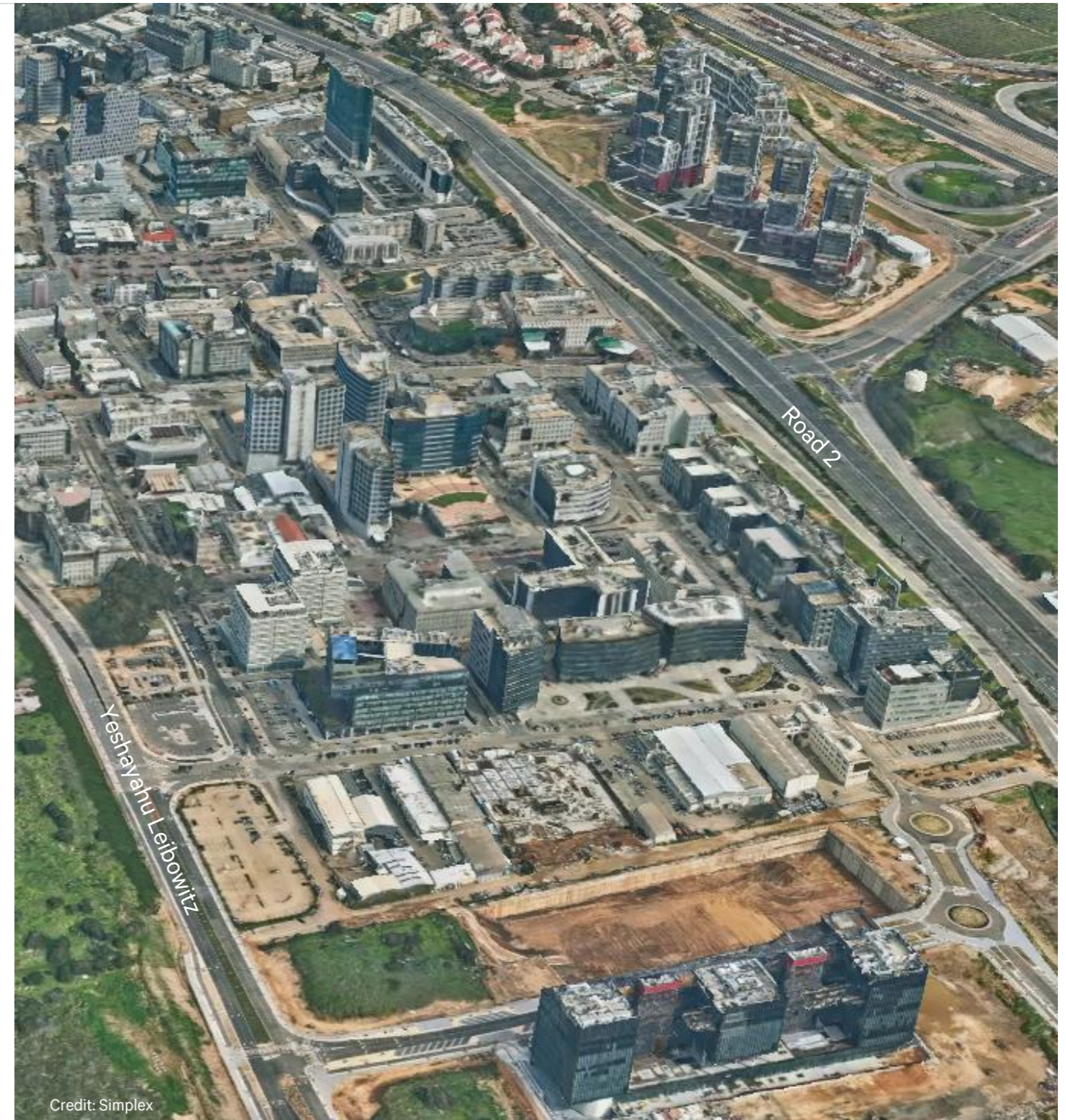
4. Herzliya

In March 2023, the outline plan HR/2440 for the renewal of the Herzliya Industrial Area was discussed for objections. The majority of these objections were overruled, leading the way to approve the plan that increases building rights by adding ~ 2 million sqm for employment purposes, along side ~ 300,000 sqm for retail and entertainment and ~ 200,000 sqm for tourism. This plan will substantially change the character of the industrial area – moving from low rise buildings to a dense area full of high-rise towers. In the second half of 2023, building plans submitted by the Ofer and Amot companies for development of the entrance area to the Herzliya Industrial Area – along Aba Even Street. The plan sees the demolition of existing buildings of between 3-6 floors and replacing same with a mixed complex for employment, retail and residential.

During 2023, certain new plans have been approved in Herzliya that add ~ 400,000 sqm in building rights for employment purposes, and certain new plans have been prepared for submission that will add ~ 50,000 sqm in building rights for employment purposes and ~ 50,000 sqm for retail purpose.

According to reports filed by publicly traded companies, as of now, there are ~ 7 wide ranging projects in Herzliya, in various stages of development (planning, permits and construction) comprising of ~ 250,000 sqm of office space and ~ 30,000 sqm of retail space. These projects are intended to be delivered into the market over the next decade.

Out of the aforementioned office space, ~ 180,000 sqm are already under construction, whilst ~ 70,000 sqm are in the development, permit and planning stages.



Credit: Simplex

Herzliya Pituach Business Area

01 Herzliya Pituach -

This area 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 and is built out alongside Route 2. It is easily accessed – the main entry is via the Shira junction and a train station is situated in close proximity to the area.

The light rail green line is expected to run through this area

Significant projects under construction in this submarket:

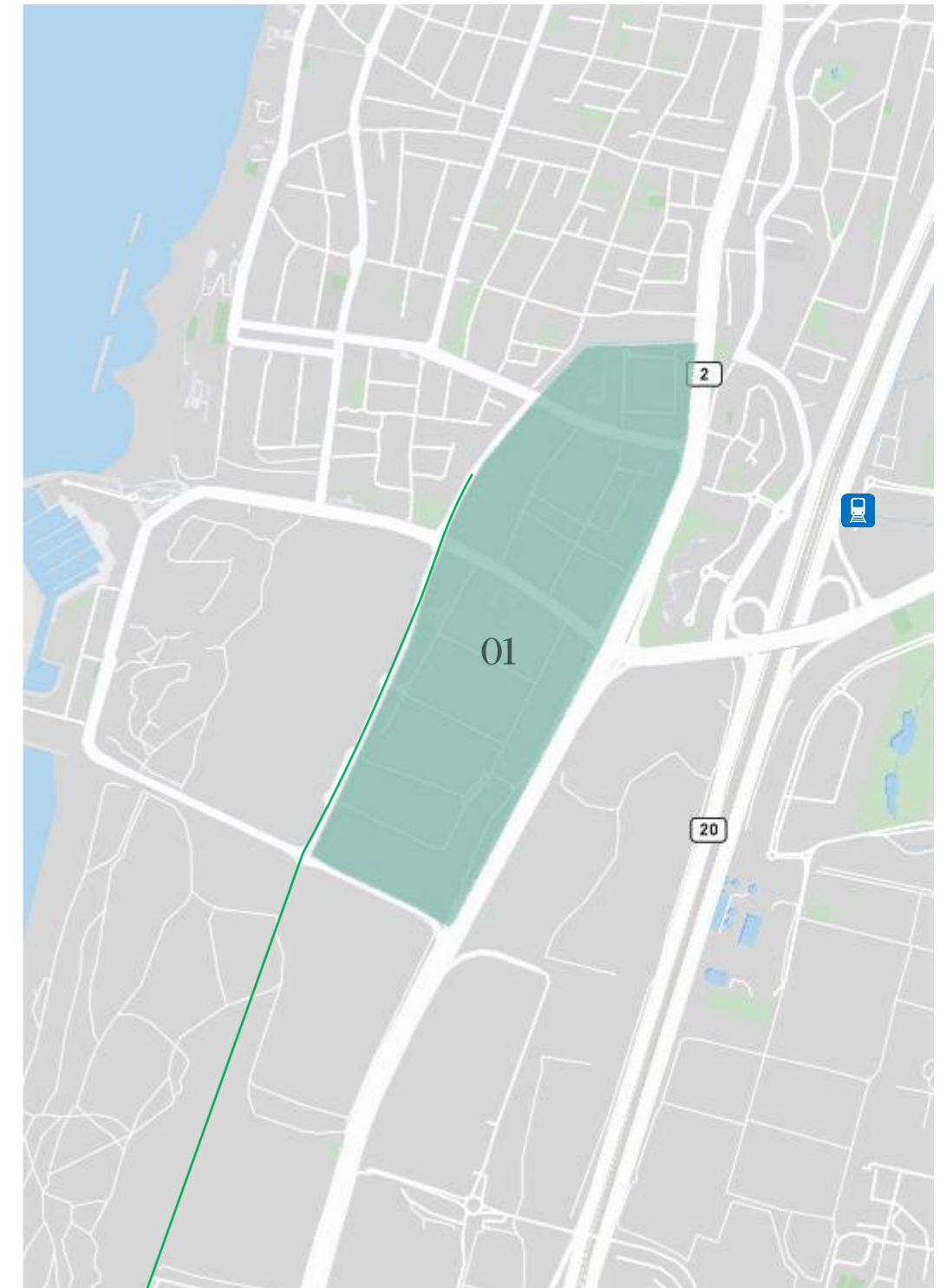
- South Gate Project, owned by Prashkovsky, comprising of ~ 41,000 sqm office space and ~ 4,600 sqm retail space;
- Gav Yam 02 – comprising of ~ 38,000 sqm of office space;
- Mivne Tower – comprising of ~ 24,000 sqm of office space.
- 'Herzliya Quarters' project of Tidhar companies, Acro Real Estate, Israel Canada, Shviro and Naor holdings – with ~ 22,000 Sqm for offices.
- 'The Levers 3-5' project In Herzliya – with ~ 23,000 Sqm of office space, ~ 1,600 Sqm of commercial space.

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:

- Apple
- Varonis
- Pfizer
- Microsoft
- AppsFlyer
- WeWork
- GM



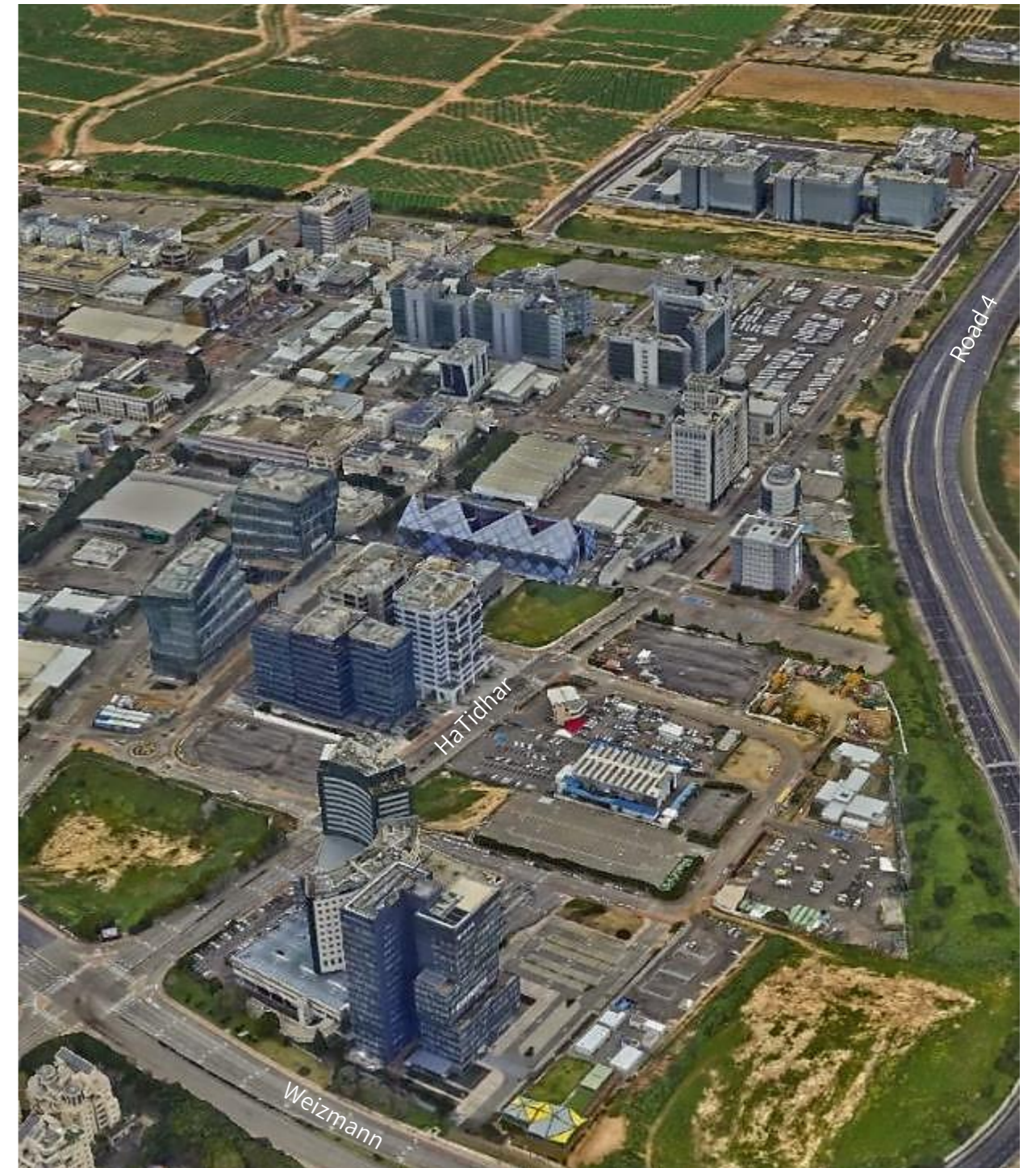
Avg. rental fees (sqm\Office)	Avg. occupancy rate
ILS 95	93%

5. 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.

During 2023, certain new plans have been approved Ra'anana that add 70,000 sqm in building rights for employment purposes and ~ 10,000 sqm for retail. In addition, certain new plans have been prepared for submission that will add ~ 30,000 sqm in building rights for employment purposes and ~ 10,000 sqm for retail purpose.

According to reports filed by publicly traded companies, as of now, there are some wide-ranging projects in Ra'anana under construction, comprising of ~ 180,000 sqm for employment purposes and ~ 10,000 sqm of retail space. These projects are intended to be delivered into the market over the next decade.



Credit: Simplex

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

01 Kiryat Etgarim -

The industrial area of Kiryat Etgarim is located in the northern area of the city, extending 900 dunam. Kiryat Etgarim is the prime business centre of the city. Weizman Blvd provides the southern boundary, Keren Hayesod Blvd from the west and agricultural land from the north.

Presently, Kiryat Etgarim is primarily accessible via the Kfar Saba-Ra'anana North junction and in the future via the north Ra'anana ring road, with the opening of an additional junction. In the distant future, the area will also be served by the 1M metro line (that is expected to pass close by).

In 2023, the Gav Yam Ra'anana Park was completed, comprising more than 70,000 sqm space designated for employment and retail purposes. The complex will be delivered shortly, and the majority of the space has already been leased to tenants.

In general, Ra'anana has relatively low occupancy rates and therefore, new lease terms reflect a drop of between 5-10% in rental value.

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
- Nvidia
- Eli Lilly
- NICE

Avg. rental fees (sqm\Office)	Avg. occupancy rate
ILS 60	88%

02 South Ra'anana Junction -

The 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. In August 2023, the Infinity Park Project was completed, comprising of more than 160,000 sqm of space designated for employment and retail purposes. The complex has been partially populated and the majority (~ 69%) of the office space has already been leased to tenants.

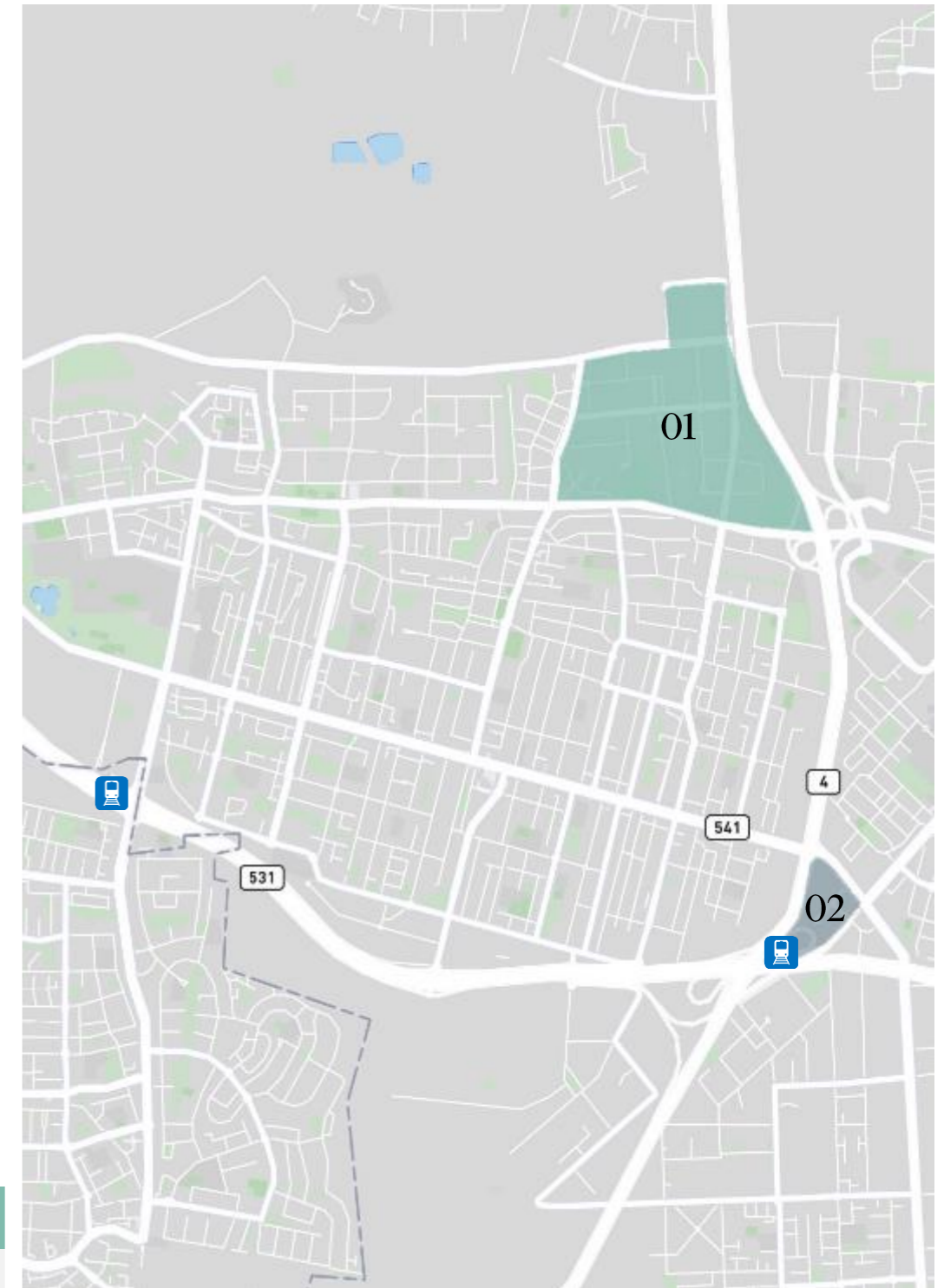
Tenant Mix in the Area:

Hi-tech companies, older office buildings alongside modern office buildings

Leading companies in the area:

- Zoom Info
- Red Hat
- Deloitte
- Abra
- Philips

Avg. rental fees (sqm\Office)	Avg. occupancy rate
ILS 60	65%



6. Bnei Brak

Bnei Brak was previously known for the multiple “Syndication 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 commencement of operations of the Red Line of the light railway on the adjacent Jabotinsky axis has assisted in strengthening the complex. The ‘LYFE’ Project developed by Ashtrom Dan Real Estate populated 2 towers and the third tower of the project is set to commence construction. 2 towers of the Hachsharat HaYishuv complex and BBC Tower are in advanced stages of population.

During 2023, certain new plans have been approved in Bnei Brak that add ~ 800,000 sqm in building rights for employment purposes and ~ 50,000 sqm for retail purposes.

According to reports filed by publicly traded companies, as of now, there are 5 wide ranging projects in Bnei Brak in various stages of development (planning, permits and construction), comprising of ~ 320,000 sqm for office space. These projects are intended to be delivered into the market over the next decade.



Credit: Simplex

The BBC area is the principal business are of Bnei Brak

01 BBC area -

BBC is the sole 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 ~ 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, due to its proximity to the Red Line of the light railway and also the Bnei Brak train station

Significant projects under construction in this submarket:

- LYFE Project – Buildings C & D, comprising of ~ 86,000 sqm of office space and ~ 2,000 sqm of retail;
- Medical Centre, owned by Hachsharat HaYishuv company, geriatric centre and medical rehabilitation centre, comprising of ~ 57,000 sqm;
- Phoenix Tower, comprising of ~ 43,000 sqm for employment purposes.
- Adjacent to the BBC complex, the new HaLehi complex is being developed, wherein 2 new office towers are expected to be constructed, including:
- The ‘Suftrin’ company project, comprising of ~ 80,000 sqm of office space’
- Amot project, comprising of ~ 50,000 sqm of office space.

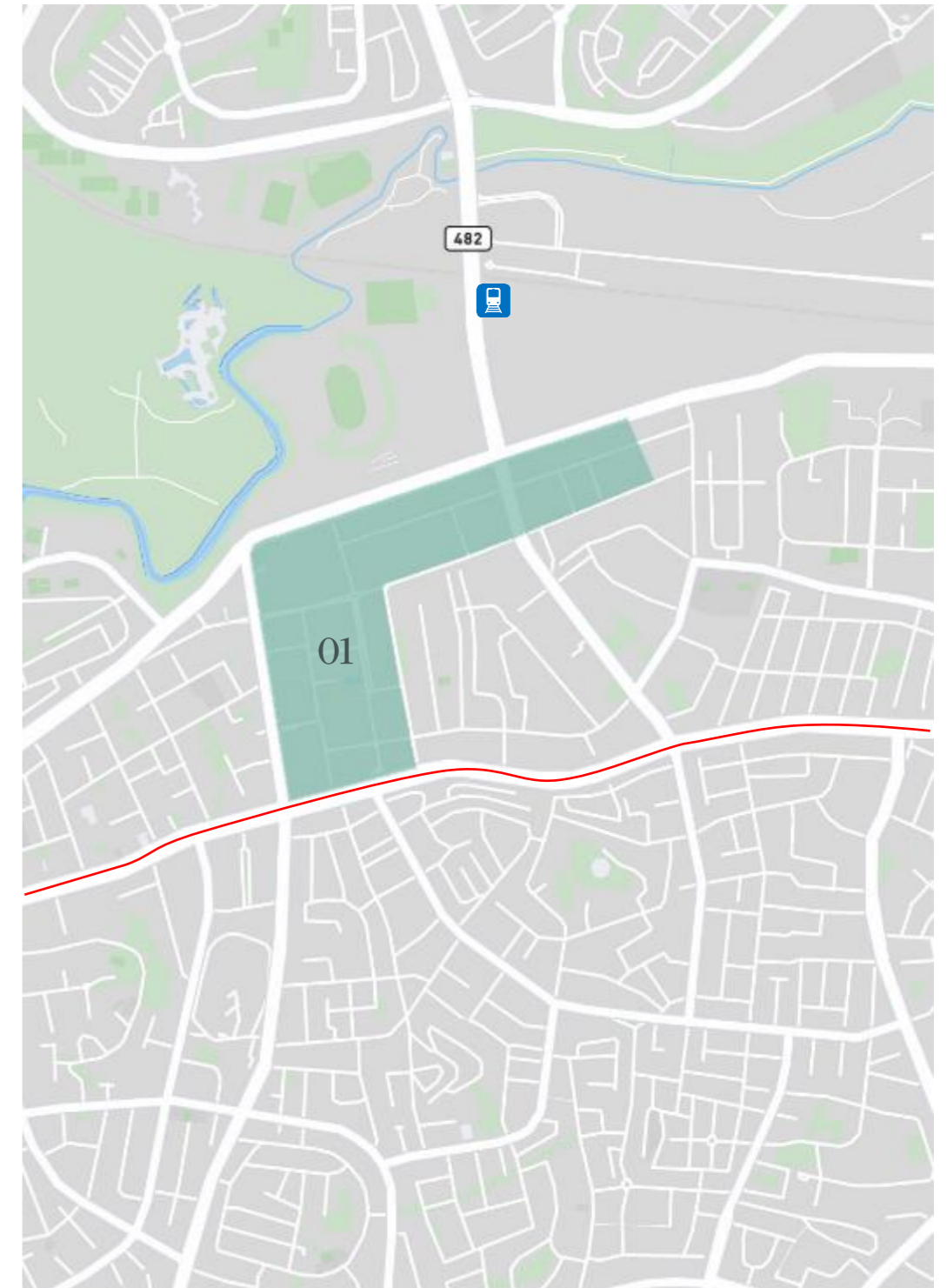
Tenant Mix in the Area:

The majority of the office space is leased to freelancers.

Leading companies in the area:

- Rooms by Fattal
- Isracard
- Max
- EToro
- Visa Cal
- Meitav

Avg. rental fees (sqm\Office)	Avg. occupancy rate
ILS 50	80%



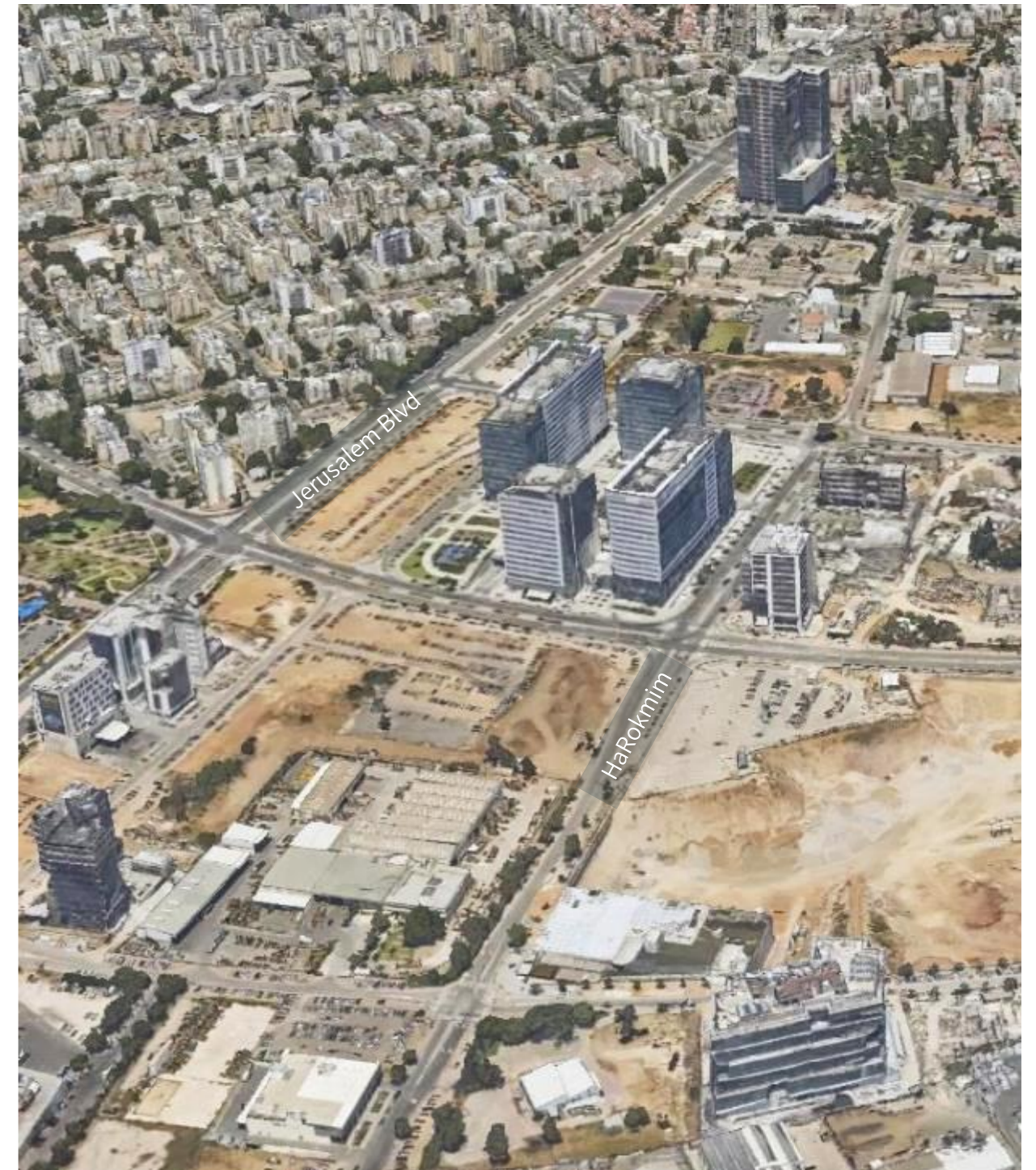
7. Holon

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 gained momentum and has been transformed from an industrial zone to an area full of office buildings.

During 2023, Holon has approved certain new plans in the city that add 40,000 sqm building rights for employment purposes and an additional ~ 20,000 sqm for retail purposes. In addition, certain new plans have been prepared for submission that will add ~ 600,000 sqm in building rights for employment purposes and ~ 40,000 sqm for retail purpose.

According to reports filed by publicly traded companies, as of now, there are 2 wide ranging projects in Holon in various stages of development (planning, permits and construction), comprising of ~ 270,000 sqm for office space. These projects are intended to be delivered into the market over the next decade.

Out of the aforementioned office space, ~ 22,000 sqm are already under construction, whilst ~ 250,000 sqm are in the development, permit and planning stages.



Credit: Simplex

The Holon Business Area

01 Holon Business Area -

The area is located in the eastern side of the city and is, in fact, the only modern business area of Holon. This area extends for ~ 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.

At this time, the area is seeing a massive development and construction boom. In 2023, several new projects were initiated and established in the industrial area, by the following companies – Amot, Azrieli, Mivne and Gav Yam, comprising in total of ~ 400,000 sqm.

The green line of the light railway will serve this area

Significant projects under construction in this submarket:

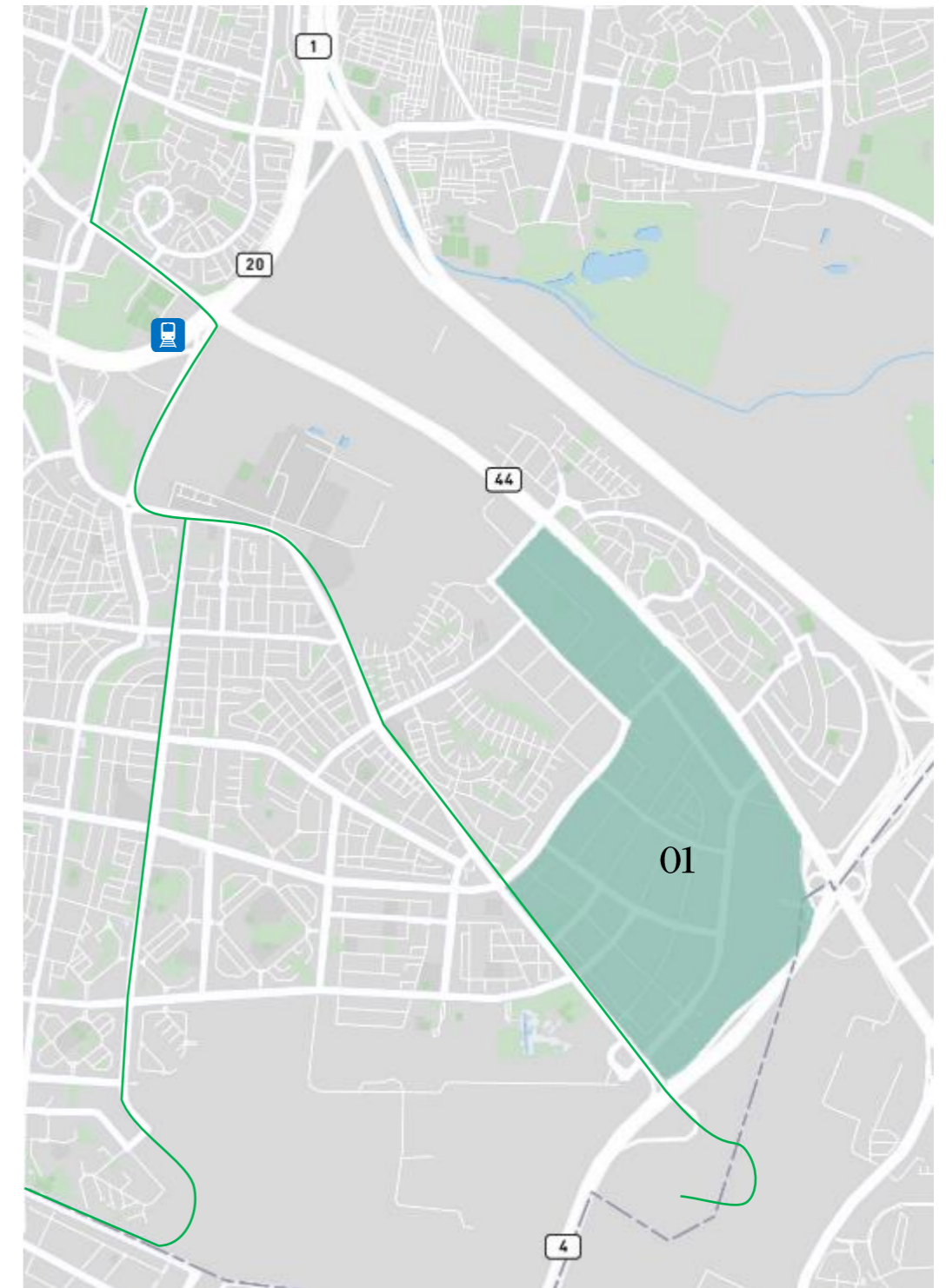
- Holon 3 Project (previously known as Lodzia), comprising of ~ 250,000 sqm of office and retail space;
- Gav Yam Project, comprising of ~ 22,000 sqm of office space.

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:

- Sapiens
- Bezeq
- Halman-Aldubi Group
- Amidar
- NTA



Avg. rental fees (sqm\Office)	Avg. occupancy rate
ILS 50	70%

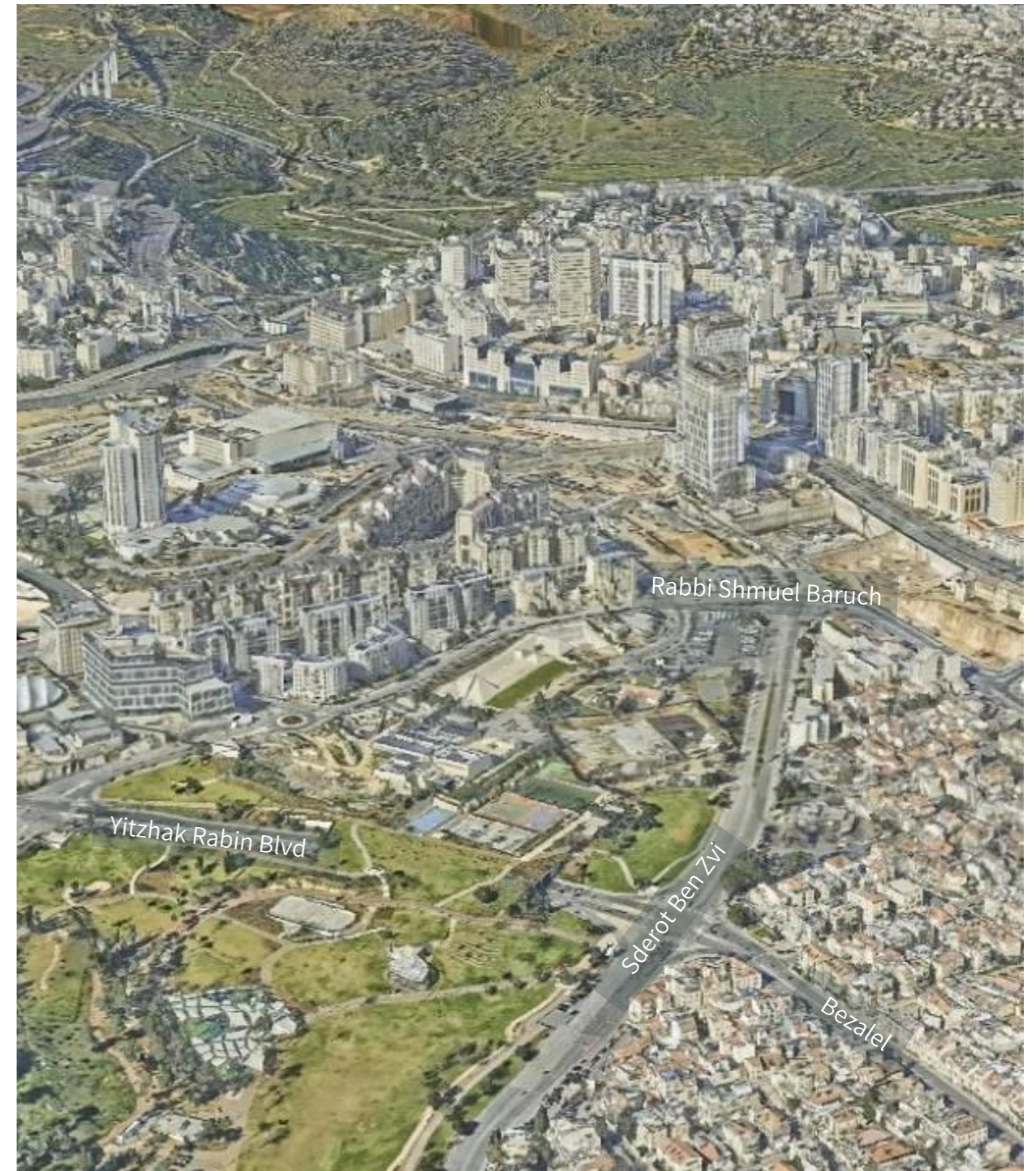
8. Jerusalem

Jerusalem, the capital of Israel, is the most highly populated city in Israel, with a variety of industrial areas, employment zones and advanced hi-tech parks. In 2023, the new district at the entrance to the city gained momentum, including construction in the scope of more than 1 million sqm, out of which ~ half a million sqm will be for employment purposes. The first building permit was issued for a tower – named ‘Marom’ Tower comprising of 40 floors with an area of 80,000 sqm for employment and retail purposes. This is the first tower out of another twenty towers that are planned for this district; all adjacent to the Yitzhak Navon Train Station and 3 light railway lines.

During 2023, Jerusalem has approved certain new plans in the city that add ~ 900,000 sqm building rights for employment purposes and an additional ~ 150,000 sqm for retail purposes. In addition, certain new plans have been prepared for submission that will add ~ 4 million sqm in building rights for employment purposes and ~ 800,000 sqm for retail purpose.

According to reports filed by publicly traded companies, as of now, there are 20 wide ranging projects in Jerusalem in various stages of development (planning, permits and construction), comprising of ~ 550,000 sqm for office space and ~ 75,000 sqm for retail. These projects are intended to be delivered into the market over the next decade.

Out of the aforementioned office space, ~ 400,000 sqm are already under construction, whilst ~ 150,000 sqm are in the development, permit and planning stages.



Credit: Simplex

The Principal Business Areas in Jerusalem

01 Har Hotzvim -

The industrial area of Har Hotzvim is located in the northeastern area of Jerusalem and is presently deemed to be prime business area of the city.

The industrial area of Har Hotzvim extends for ~ 530 dunams and is easily accessed – the Golda Meir Junction creates the southeastern border of the industrial area, Begin Way from the northwest and Route 1 is also close by.

The blue line of the light rail will also serve this area

Significant projects under construction in this submarket:

- Vitania Project, comprising of ~ 55,000 sqm for office use.

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

Avg. rental fees (sqm\Office)	Avg. occupancy rate
ILS 80	90%

02 Givat Shaul –

The employment area of Givat Shaul is 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.

Infrastructure works for the established of the green line of the light rail system in Jerusalem are currently under works. The green line will serve this industrial area and connect it to the centre of the city.

Principal Projects under Construction in this Submarket:

- “Future Tower”, owned by Sufrin, comprising of ~ 85,000 sqm of office space and ~ 15,000 sqm for retail;
- 2 projects owned by Mivne – in Givat Shaul and Kanfei Nesharim, comprising of ~ 26,000 sqm of office space.

Tenant Mix in the Area:

Freelancers, manufacturing facilities and government offices

Leading companies in the area:

- Barlev Development
- Registrar legacies
- Ministry of Finance

Avg. rental fees (sqm\Office)	Avg. occupancy rate
ILS 70	90%



03 City Entrance District -

This district is in the 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.

Tenant Mix in the Area:

The area is characterized by old office buildings, most of which are rented to hi-tech companies, government institutions, freelancers and manufacturing plants.

Avg. rental fees (sqm\Office)	Avg. occupancy rate
ILS 80	94%

04 Talpiot -

The Talpiot industrial area is located in southeastern Jerusalem.

The traditional industrial spaces that previously characterized this area have been transformed, over the years to mostly retail and office space.

Principal Projects under Construction in this Submarket:

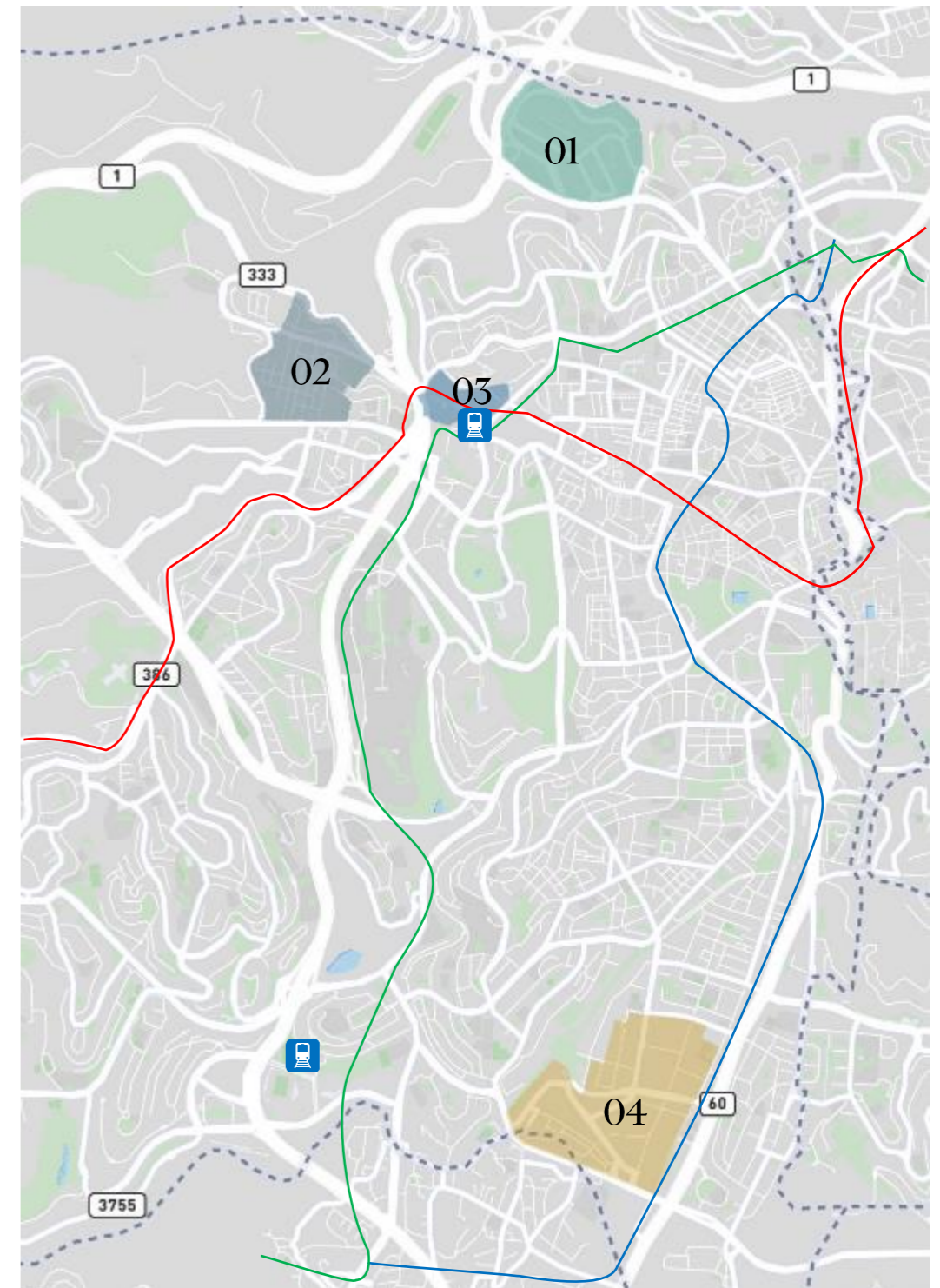
- Blilious Centre East and West – comprising of ~ 50,000 sqm of office space and ~ 4,000 sqm of retail;
- Hatnufa Project ("Sufirin") – comprising of ~ 50,000 sqm of office space;
- Talpiyot Business Park – comprising of ~ 17,000 sqm for office space.

Tenant Mix in the Area:

Freelancers.

Avg. rental fees (sqm\Office)	Avg. occupancy rate
ILS 75	90%

01 – Har Hotzvim
 02 - Givat Shaul
 03 - City Entrance District
 04 - Talpiot



07

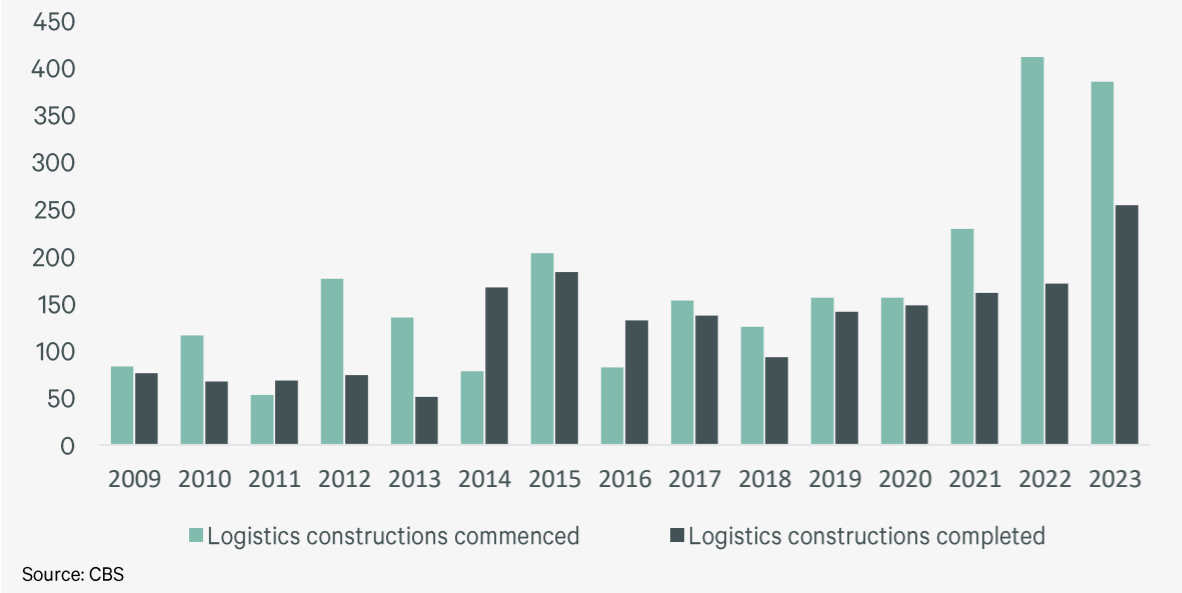
Overview of The Commercial Real Estate Market in Israel

Regional Overview – Logistics

Logistics Market

An area of ~ 4 million sqm in Israel is designated to the storage and logistics market in Israel. Over the last decade, the logistics' market has experienced a boom, growing over 10% each year.

Figure 19: Construction Commencements and Completions for Offices Nationwide 2009-2023 (thousands of sqm)



Amongst the main trends leading this growth:

- Increase in demand for goods – the population in Israel grew by an annual average of ~ 2%. Based upon the forecast of the Central Bureau of Statistics, the population in Israel is expect to reach ~ 20 million residents by the year 2065. The pace of the growth of the population dictates the pace of increase of consumption, which in turn effects the growth and development of the manufacturing and import businesses. And consequently – on the demand for logistical space in Israel.
- Following the increase in imports of goods to Israel and exports from Israel, a process began for the development of new ports and expansion of existing ports, in order to provide solutions for all the goods exported from Israel and those imported into Israel.

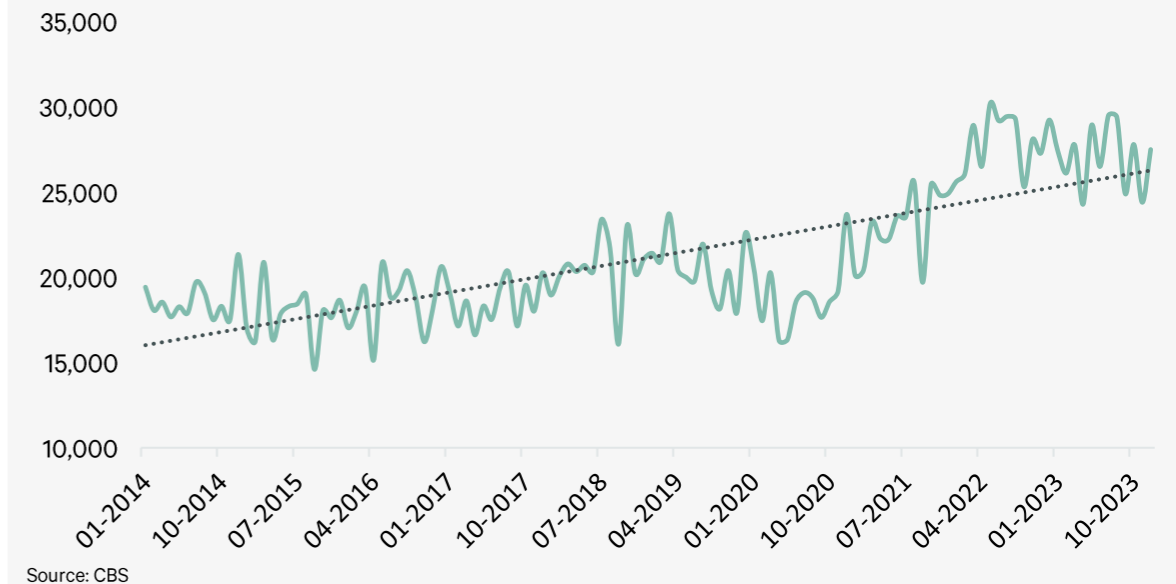


- Increase in online shopping (e-commerce) – consumer trends both in Israel and worldwide show a move to online purchasing. We note that the rate of online purchases made by the age group of between 16-24 continues its upward trend, and therefore as these people continue to purchase online, this trend will only continue and increase.
- Move to mechanized storage facilities – many companies in the market have moved to automated storage facilities which are located in strategic (and therefore efficient) locations; the companies outsource their logistical needs across the entire value chain to entities that specialize in the establishment of centres for multiple tenants - TPL (Third Party Logistics).

The Demand for Storage and Logistical Space is based upon Several Distinctive Location Factors:

- Good transportation accessibility to main arteries
- Closeness to the ports
- Proximity to manufacturing centres
- Closeness to demand centres and potential customers
- Attractive land value
- Closeness to potential workforce that will operate the logistical centres
- Conveyance adjacent to the railway – thus embodying a significant advantage in land transportation costs

Figure 20: Import of Goods to Israel in the Years 2014-2023 (in Millions of ILS)



Logistics Market

The majority of the Logistical Centres are operated in 1 of the following 3 principal models:

- Self development and operation:**
 Large companies that purchase land and operate their logistical centres by themselves. This model is enabled due to the companies' financial capacity. The typical clients in this model are large companies and organizations. Sometimes this model is in partnership with income producing real estate companies.
- Development by company for a single tenant or several tenants:**
 Build to specification/suit structure for the tenant(s); with a lease commitment of between 5 to 10 years. The clients in this model are typically small to medium sized companies.
- Development by a real estate company and operation by a *TPL company:**
 Third party set up and lease of a logistical centre, with respect to equipment, manpower and management. In this model the logistical centre serves multiple clients according to the storage needs of each client. Use of TPL services provides organizations with flexibility to meet their specific storage needs. The clients in this model are typically small to medium sized companies that do not hold their own storage facilities or alternatively require flexibility with respect to volume of their ongoing storage needs (all of which are partially or wholly outsourced).

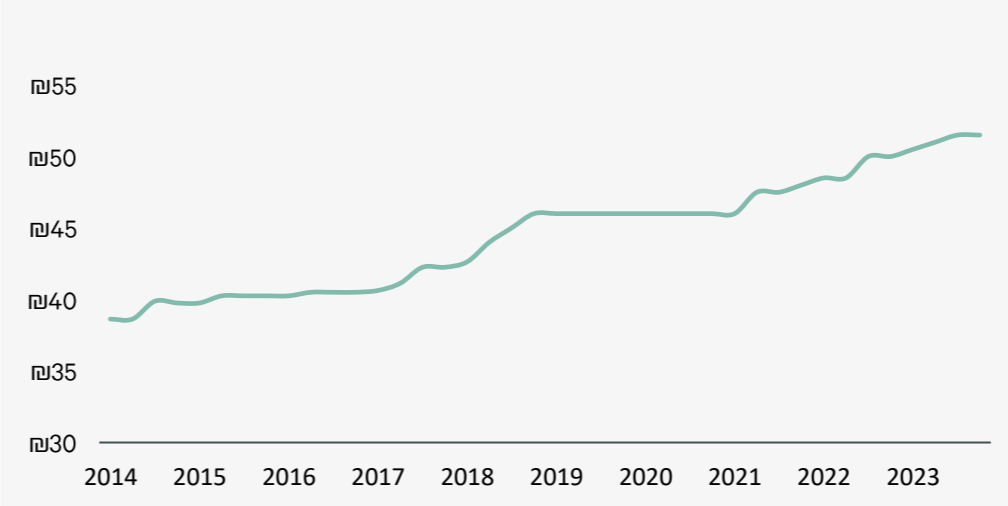
Main Storage Configurations:

- Standard storage height – 12 m: popular storage structure in Israel which cost of build is low. This building structure matches the basic building rights for industrial purposes and suits standard forklifts.
- Mechanized storage height of between 20-40 m: the most efficient storage structure with a maximum number of pallets per sqm of floor plate, maximum amount of pallets per storage volume, low operating costs and minimal workforce requirements. On the other hand, high start up cost and expertise is required.

Overview Of The Present Situation Of The Logistics' Market

The boom experienced by the logistics industry in Israel over the last few years continued also throughout 2023, with land prices in the areas of high demand – those found along Route 6, surrounding the Israeli ports and alongside wide main highways – remaining high, and actually trending upwards. While the land prices continue to rise, the pace of actual rental increase for these built-out logistical structures and storage facilities is substantially less and as a result of which, yield in this market has eroded.

Figure 21: Average Rents For Logistics in Israel Between 2014-2023 (ILS/sqm)



The commencement of operation of the new sea ports – in Haifa Bay and the Southern Port of Ashdod – will lead to an increase to the number of containers which may enter Israel from 3 million *TEU to 6 million TEU, in turn leading to an expected annual increase of between 3-4% of imports.

The entry of financial institutions to this market continues, especially evident among the insurance companies, who partner with developers.

Due to scarce availability of land and available built-out structures, we note technological developments in the distribution centre industry – which seek to maximise storage area by increasing storage space over and above the standard 12 m to 40 m in height, through the utilization of automatic mechanization processes



*TEU –Twenty-foot Equivalent Units
 *TPL–Third party logistics

08

Regional Overview – Logistics

1. Ashdod

3. Caesarea

2. Modiin/ Shoham

4. Haifa

Regional Overview – Logistics

Ashdod

The proximity to the 2 Ashdod ports constitutes the principal pulling factor for the storage and logistics' activities in the Ashdod area. We note a scarcity of transactions in 2023, alongside the continuing development and growth of the new port, which however, is still experiencing a 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, the largest automatic logistical centre in the country is situated. It is estimated that ~ 1 billion ILS has been invested by Ewave and the Aspen Group.

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

Leading companies in the area: Ewave/Aspan, Fridenson

Average Rent (sqm/Storage)	Average (Price/1,000 sqm)
55 ILS	6.5 Million ILS

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, Amot, Nahmias Group

Average Rent (sqm/Storage)	Average (Price/1,000 sqm)
55 ILS	6.5 Million ILS



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. In 2023, the Delta Group announced the establishment of an automatic logistical centre in the Caesarea Industrial Park, on a 20,000 sqm plot with a building height of 30m.

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

Average Rent (sqm/Storage)	Average (Price/1,000 sqm)
45 ILS	4 Million ILS

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 2023, alongside the continuing development and growth of the new port, which is experiencing a partial scope of container movement and a lower level of activity as compared to that which had been expected.

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

Leading companies in the area: Fridenson, Overseas

Average Rent (sqm/Storage)	Average (Price/1,000 sqm)
45 ILS	4 Million ILS

09

Overview of The Commercial Real Estate Market in Israel

Retail Market

Retail Market

The retail market displayed a consistent redemptions rate until the outbreak of the war, with the start of the war, a substantial blow was experienced. However, the retail market saw a swift recovery in November and December as customers quickly returned to the commercial centres.

In the e-commerce area, we note that the e-commerce website Azrieli.com was closed after 7 years of activity and accumulated losses of more than 3 million ILS.

Level of construction starts in the retail market continue the downward trend as of 2018.

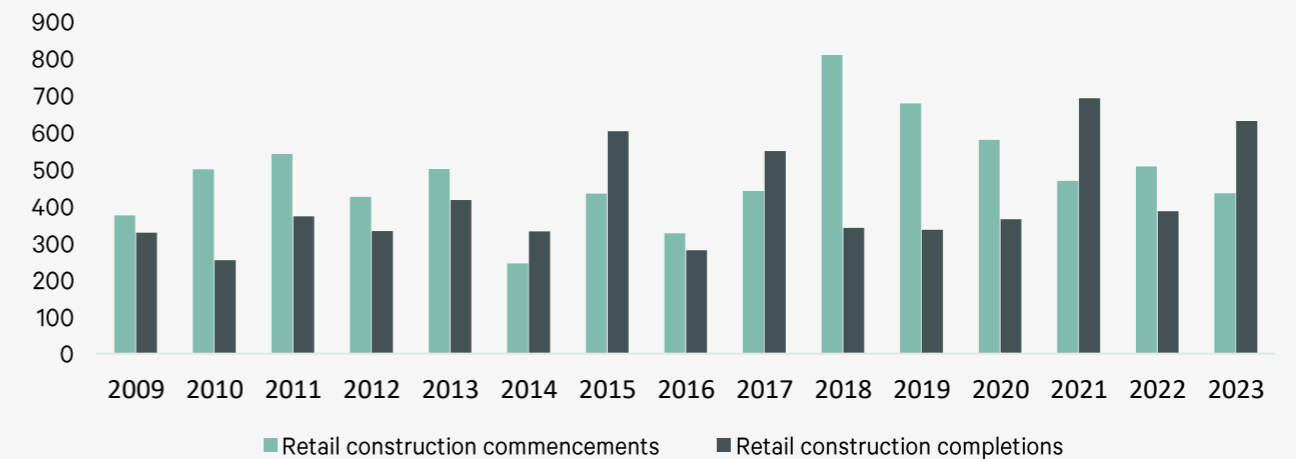
This is attributed to the increase in consumer online purchases.

The 2023 Financial reports of the leading companies in the retail sector, for example the Azrieli Group, Melisron and BIG Group illustrate a steady mall sale volume rate.

There is still a high occupancy rate in the malls and retail centres – even full occupancy in some of the centres.

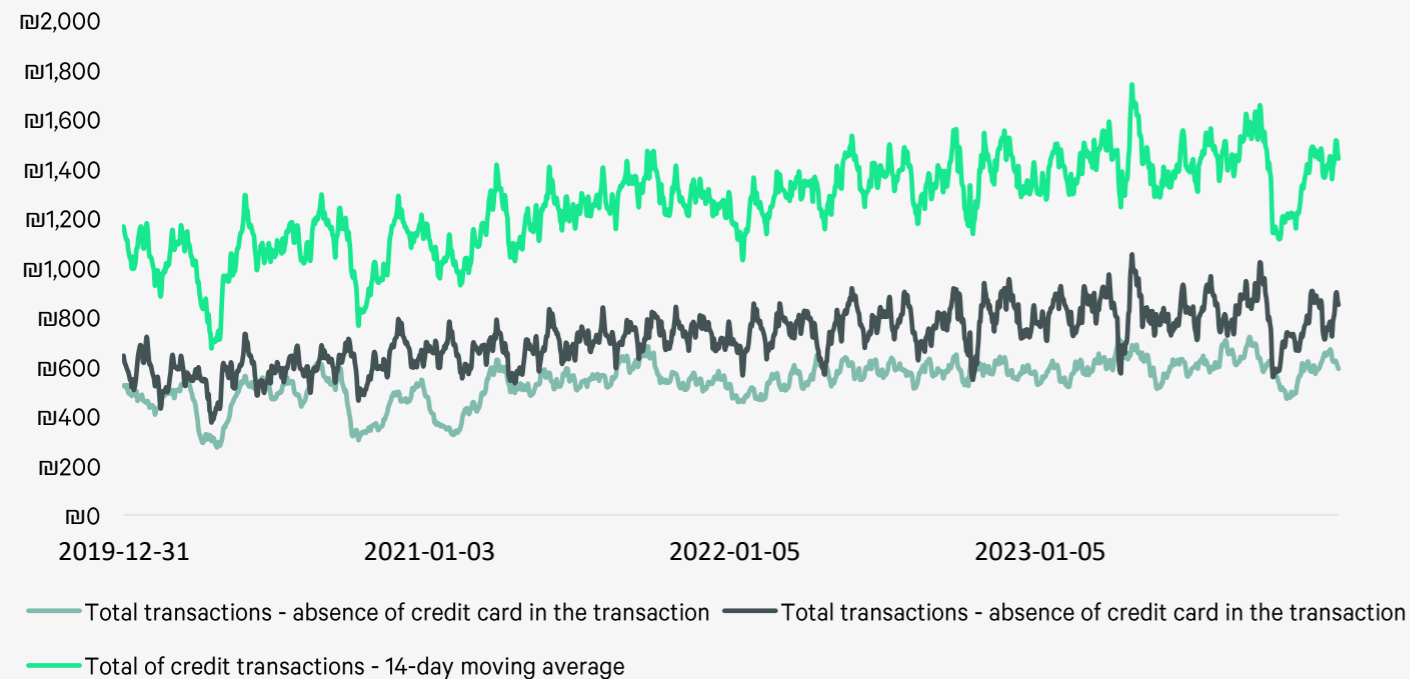
However, public current account balances were in decline during 2023, to the Pre-COVID pandemic levels.

Figure 23: Construction Commencement and Completion for Retail Nationwide 2009-2023 (Thousands of sqm)



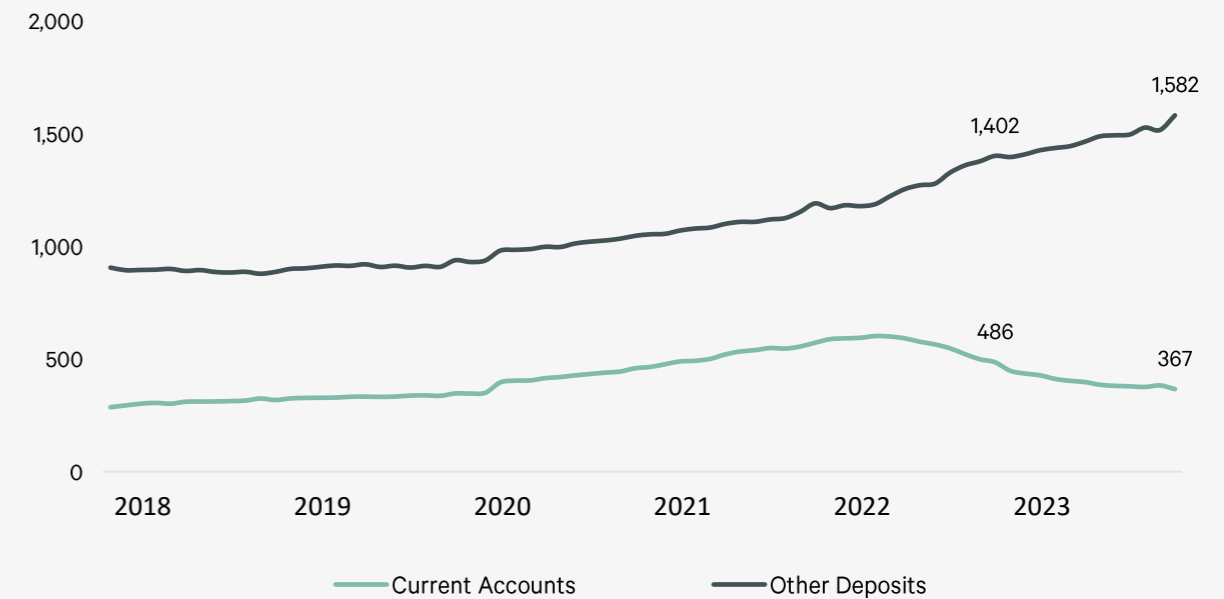
Source: CBS

Figure 22: Total of Credit Transactions - in Millions of ILS (14-Day Moving Average) 2020-2023



Source: Bank of Israel

Figure 24: Balance of Deposits and Current Accounts of the Public 2018-2023 in Trillions of ILS



Source: Bank of Israel Processing

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