H1 2025

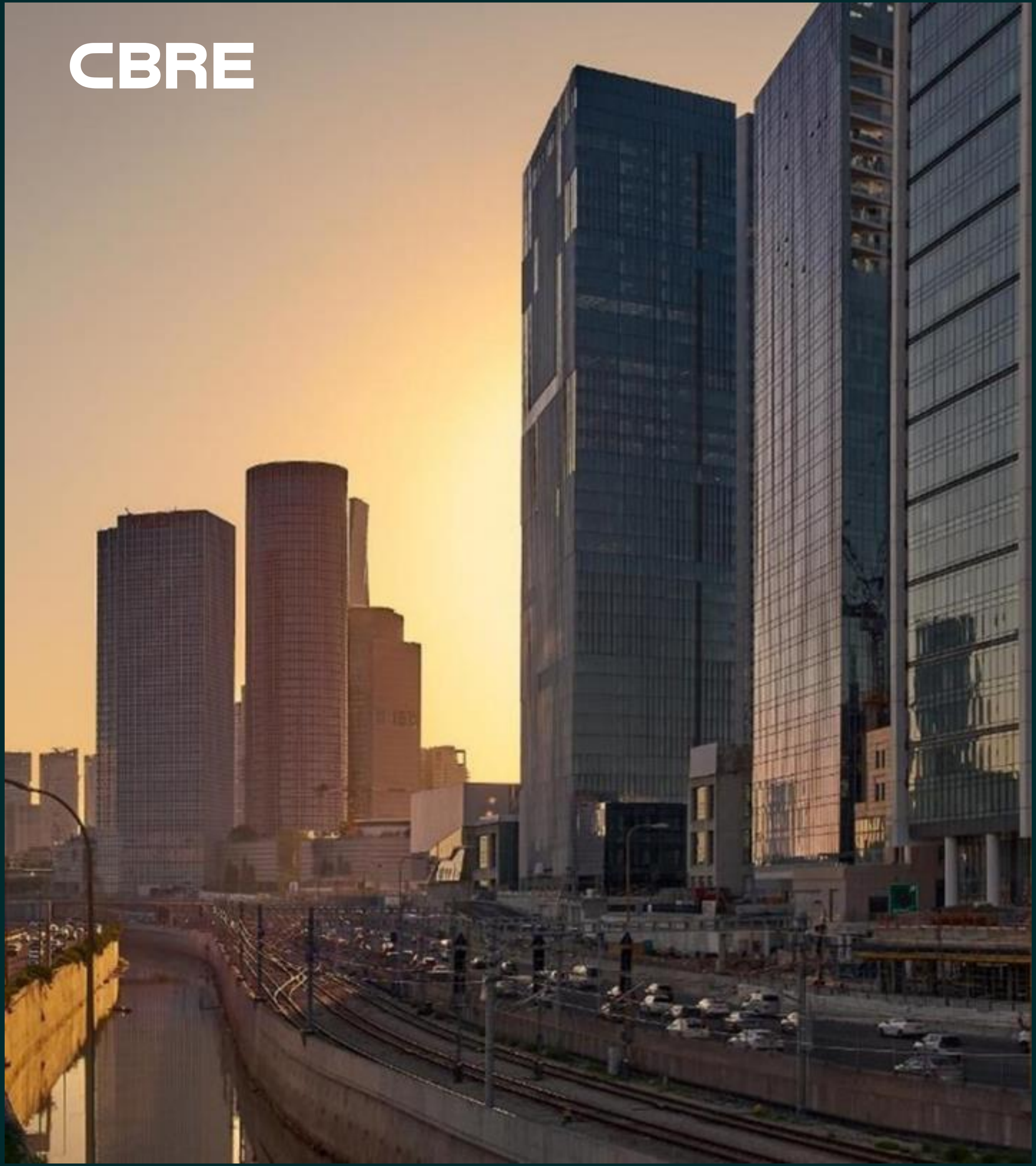
Israel

Market Outlook

REPORT

CBRE RESEARCH

November 2025



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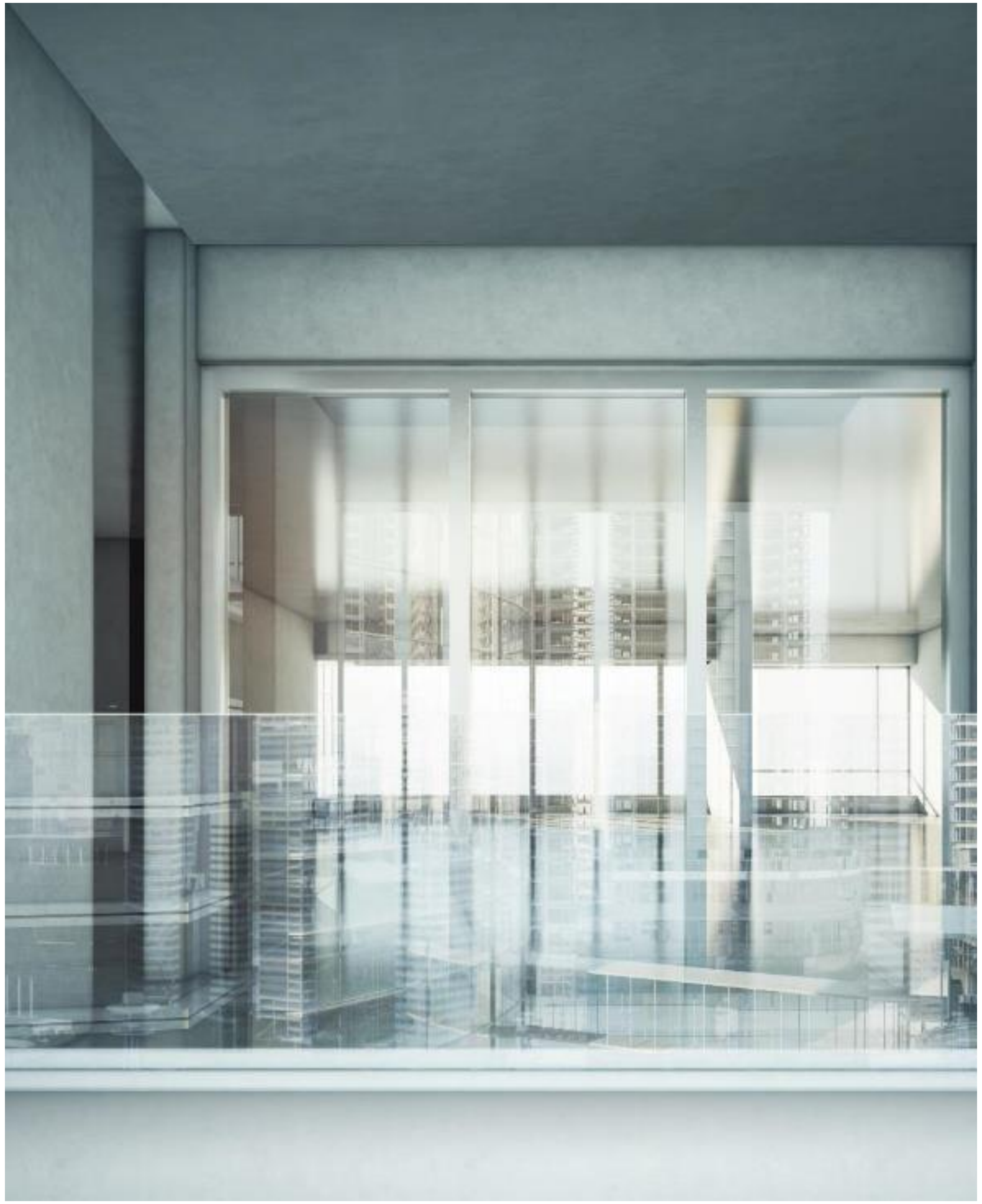


01

National Overview

The Economic and Business Conditions in Israel

The Economic and Business Conditions in Israel

The Key Story: A return to routine alongside geopolitical and budgetary risks

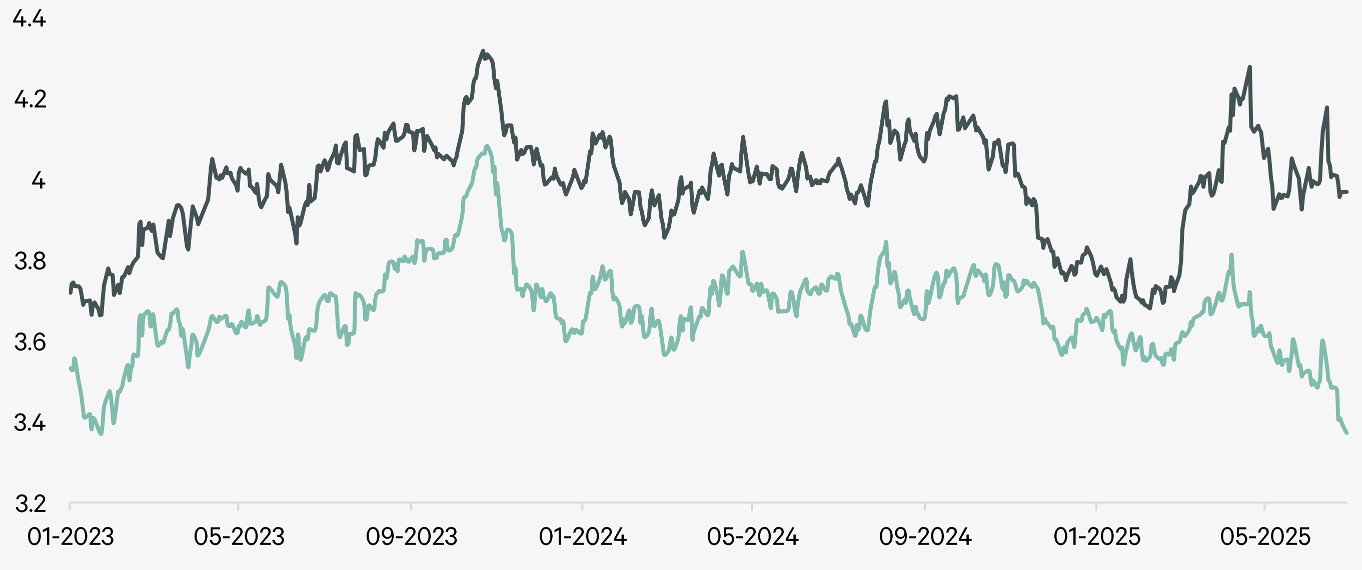
The first six months of 2025, saw the continued recovery from the aftermath of the "Iron Swords" war (October 2023) and that of Operation "Rising Lion" which took place during the second quarter of 2025.
At the end of June, a ceasefire was declared between Israel and Iran, which led to a reduction of tension in the region.
In the Gaza Strip, even though no formal agreement has been signed, there has been a decline in the intensity of the fighting against the backdrop of ongoing contact for a settlement. As a result of this, the level of geopolitical uncertainty has decreased slightly, and the Israeli economy is showing signs of recovery: the shekel strengthened, business activity increased and the local capital market rose.

According to the Bank of Israel forecast (July 2025, after the Rising Lion Operation), GDP is expected to grow by 3.3% in 2025 and by 4.6% in 2026. The annual inflation rate is estimated at 2.6% for 2025 and at 2% for 2026. The monetary interest rate is expected to continue to decline gradually, stabilizing at an average of 3.75% in the second quarter of 2026.

Despite the positive trends, the Bank of Israel emphasized that the level of uncertainty is still high, both in the security arena and with respect to budgetary matters. However, the recent relative stability and the expectation of another interest rate cut supports the assessment that the Israeli economy is in a gradual process of returning to normalcy.
At the same time, the construction industry continues to deal with a shortage of manpower, which has significantly increased construction costs.

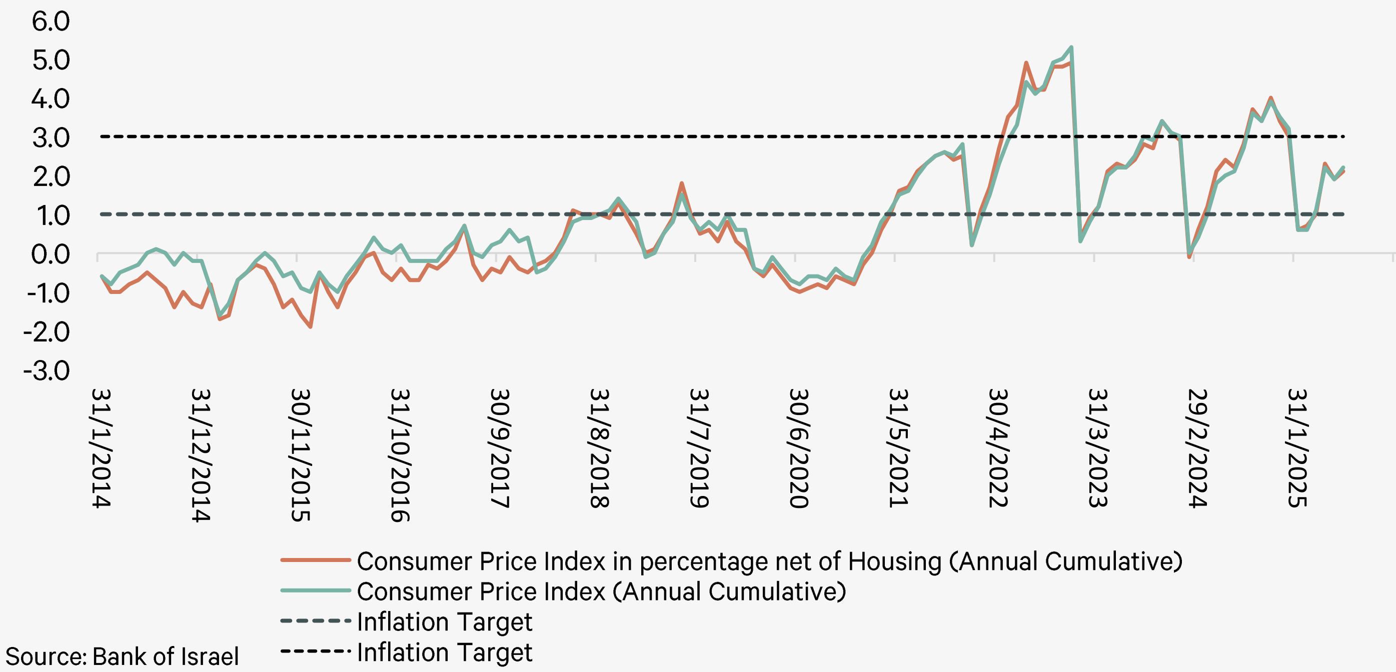
During the first six months of 2025, the shekel continued to strengthen against the dollar and euro.

Figure 1: USD/EUR Exchange Rate (Representative), 2023-2025



Source: Bank of Israel

Figure 2: Consumer Price Index (general and Core CPI net of home prices), Annual Rate



Source: Bank of Israel

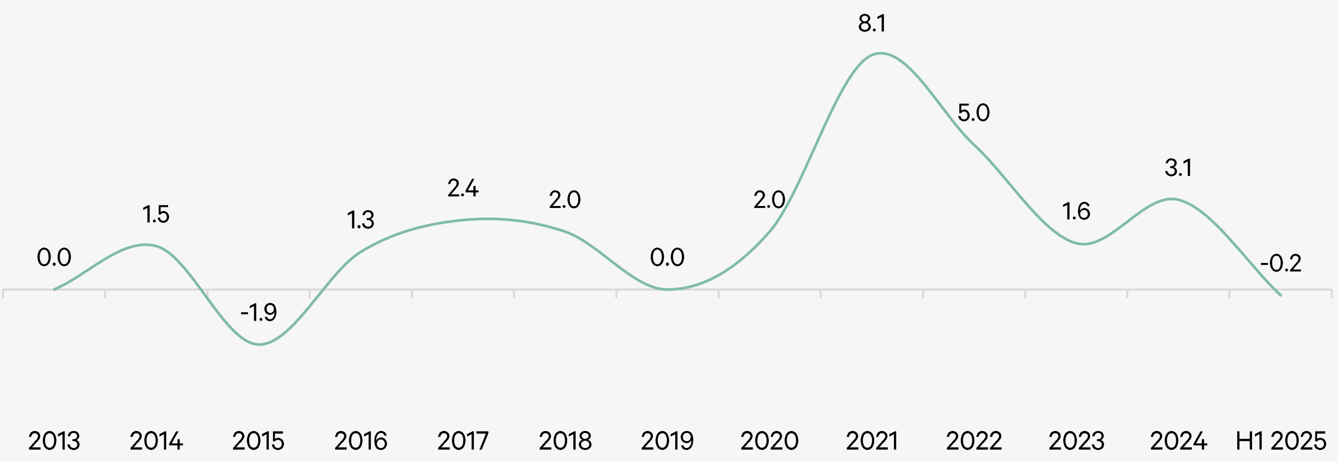
The annual inflation rate in the first half of 2025 was volatile, ranging between 3.1% and 3.8%, due to, inter alia, tax increases (specifically the increase in January in VAT) and the effect of the cost of flights to leave Israel. According to inflation forecasts, inflation is expected to return to the target range in the third quarter of 2025.

The shortage of workers in the construction industry caused a decline in the volume of construction completions in the first half of 2025. Since the beginning of the year, the Construction Inputs Index has increased by 1.4%, and in June 2025 it declined by 0.2%.

The rate of building starts is rising in parallel with the slowdown in residential (home) sales. This situation has been caused by the backdrop of the continuing war and interest rates which have not been reduced, contrary to estimations.

Figure 3: Transactions for New Apartments Between the Years 2023 – H1 2025

Figure 4: Annual Change in Construction Input Prices for Commercial & Office Buildings, 2013-2025 (%)

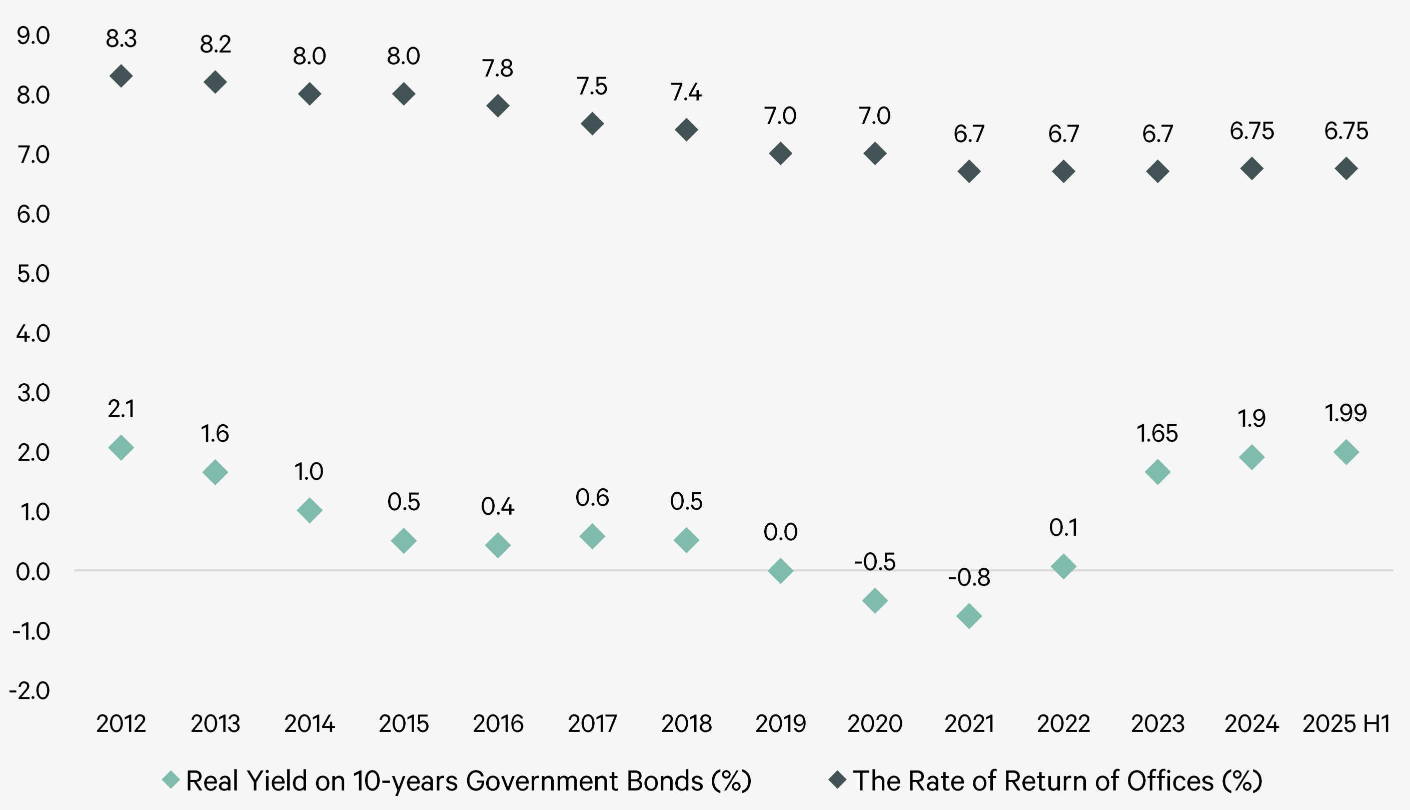


The gap between the yield on government bonds and the yields from income generating offices continues to narrow.

The Consumer Price Index increased by about 2.1% during the first half of 2025, leaving inflation in an upward trend.

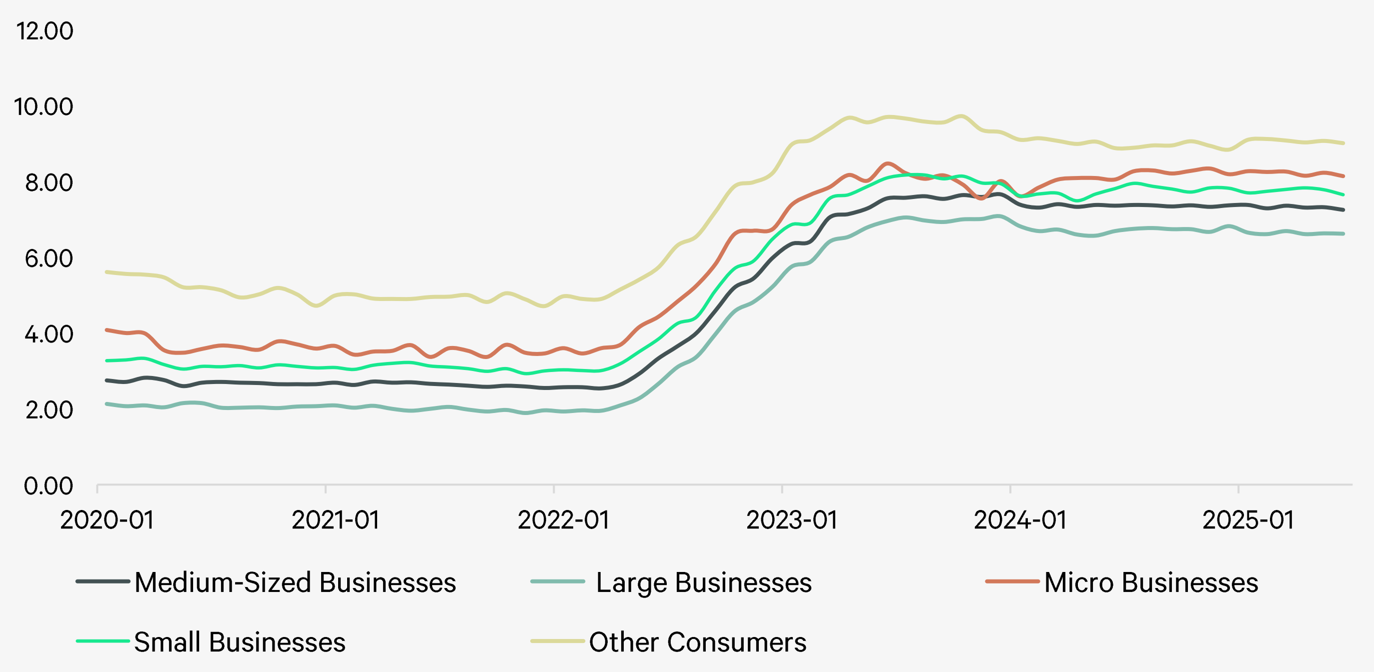
Labor market data indicates a decline in the unemployment rate, with the unemployment rate in Israel, as of the middle of the year, declining to a level of 2.7%.

Figure 5: The Gap Between Yield of Bonds and Yield of Offices 2012-2025



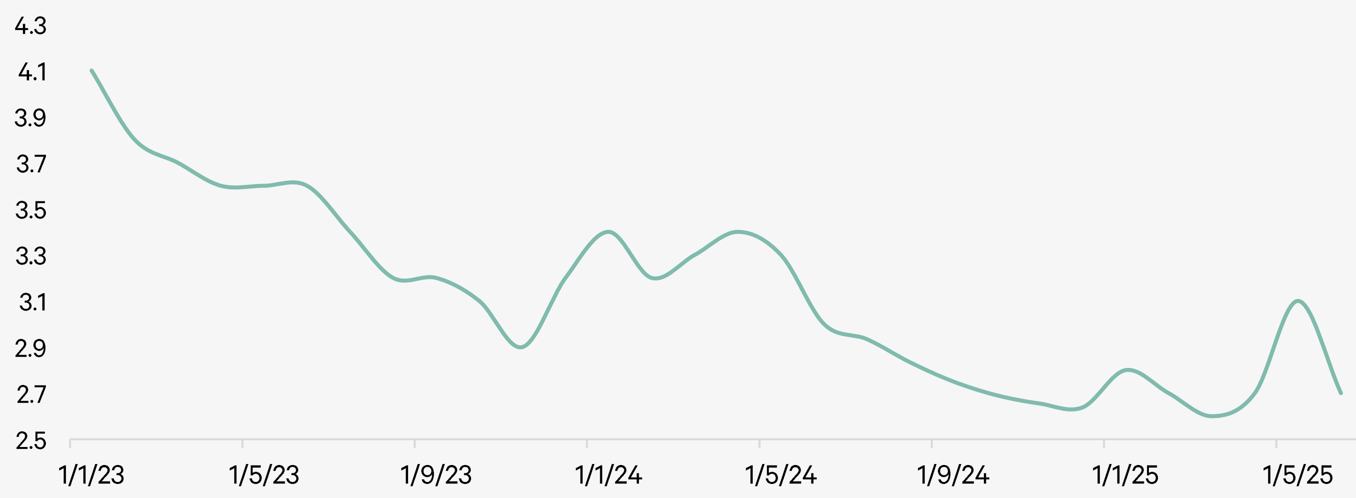
Source: Bank of Israel Data Analysis and Government Appraiser Review

Figure 6: Change in the Average Interest Rate on Bank Credit - in the Unindexed Shekel Sector 2020-2025 (%)



Source: Bank of Israel

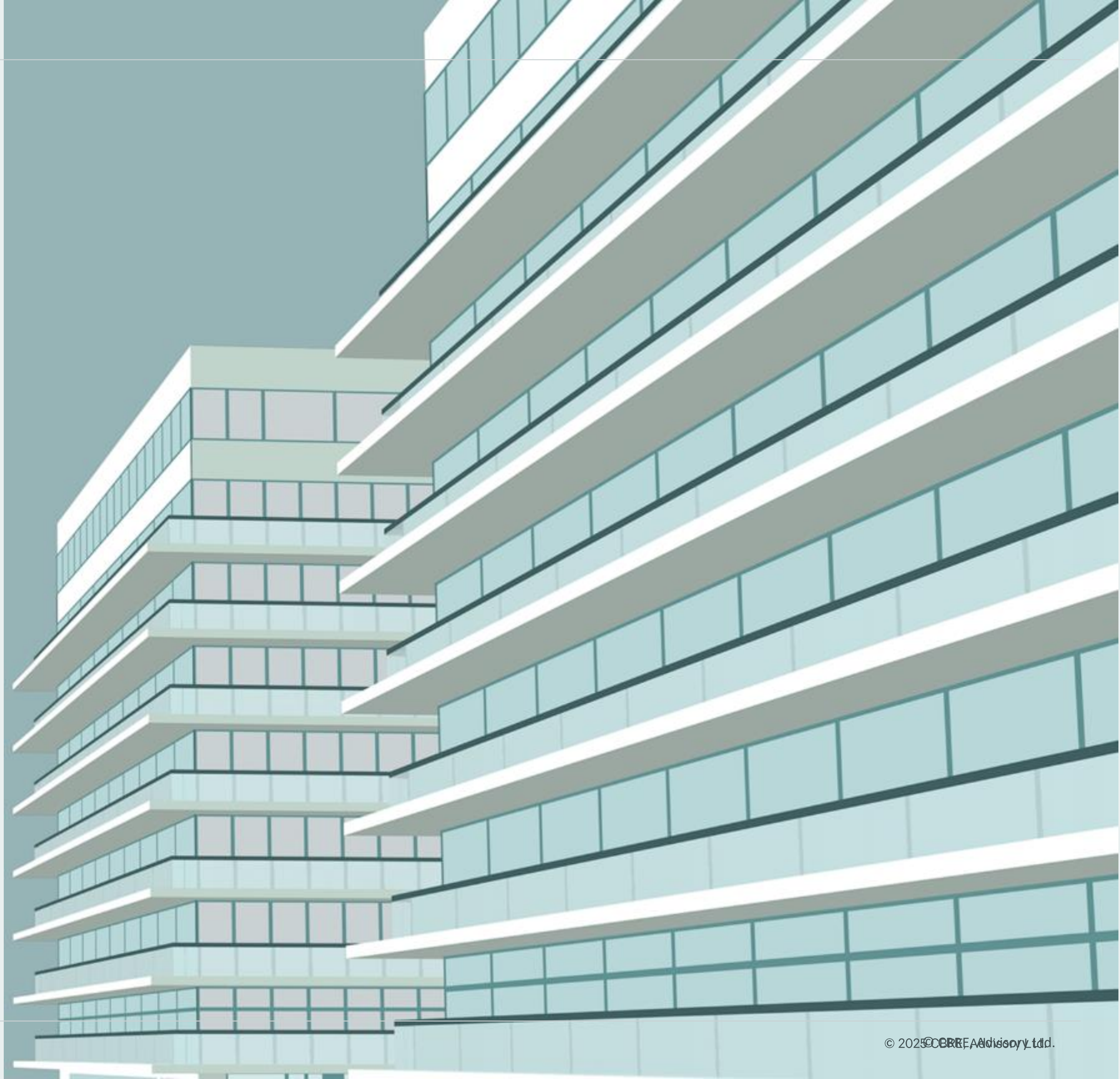
Figure 7: Unemployment Rate – Yearly Averages for 2023-2025



Source: Bank of Israel

02

National Overview
The Capital Markets

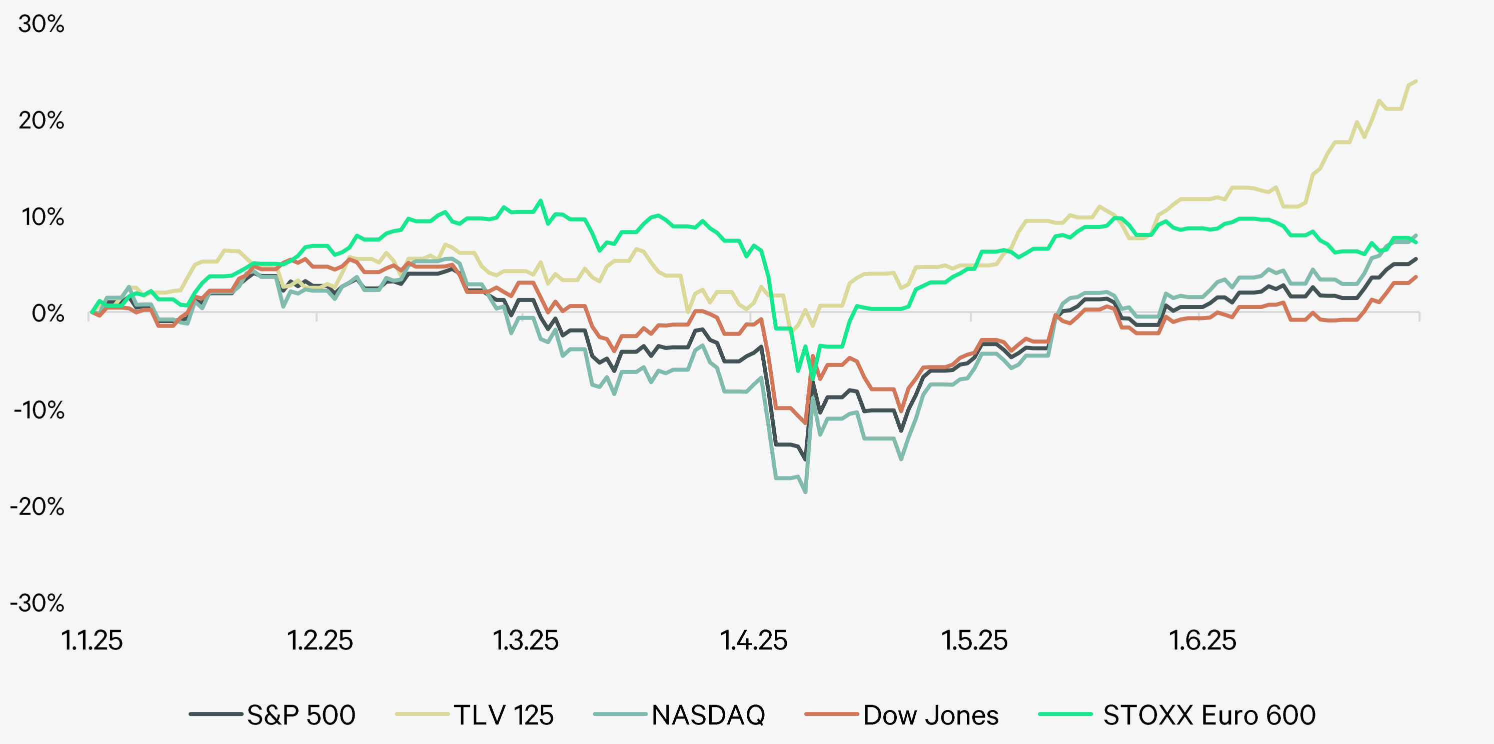


The Capital Market

During the first half of 2025, with the backdrop of the continuing war, the Tel Aviv 125 Index showed a return of 24.5%, as compared to the S&P 500 Index that showed a return of 5.7%. In total, as of the beginning of 2024, the Tel Aviv 125 Index showed a return of 60.2% as compared to the return of 30.9% of the S&P 500 Index.

The downgrading the State of Israel's credit rating and the increase of the state budget deficit, approaching 5% of GDP and which continues to increase, brought about the increase to Israel's risk premium. This situation reflects investors' expectation of a further credit rating downgrade. The first six months of 2025, presented continuing increases in the American and European stock exchanges: NASDAQ Index increased by approximately 7.9%, the S&P 500 rose by approximately 5.5% and the STOXX Euro 600 Index rose by approximately 7.2%.
In Israel, the market shows sharp increases compared to world markets, with a jump in yields of 15%-25%.

Figure 8: Performance of Key Indices, Year to Date through the First Half of 2025 (Daily Data)



Comparison of Annual Returns of Leading Indices in Israel

	2020	2021	2022	2023	2024	H1/2025
TA 35	-11%	26%	-9%	3.8%	28.4%	23.5%
TA 90	18%	29%	-18%	4.3%	30.9%	25.5%
TA 125	-3%	26%	-12%	4.1%	28.6%	24.5%
TA SME 60	16%	24%	-33%	7%	42.1%	16.9%
TA-Growth	29%	6%	-33%	4.8%	34.4%	22.6%
TA Tech-Elite	39%	4%	-30%	14%	9.4%	21.1%
TA-Technology	38%	7%	-27%	17%	12.2%	18.5%
TA Banks 5	-22%	57%	-4%	10.4%	37.5%	48.2%
TA Real Estate	-5%	46%	26%	7.8%	25.7%	14.2%

Source: Tel Aviv Stock Exchange

During the first six months of 2025, the US dollar rate remained approximately NIS 3.52, although with high volatility. The peak was recorded in April when the rate reached about NIS 3.82 and its low was in June when it dropped to about NIS 3.31. These fluctuations in the dollar exchange rate were caused by various factors, including geopolitical events, economic developments and institutional activities.

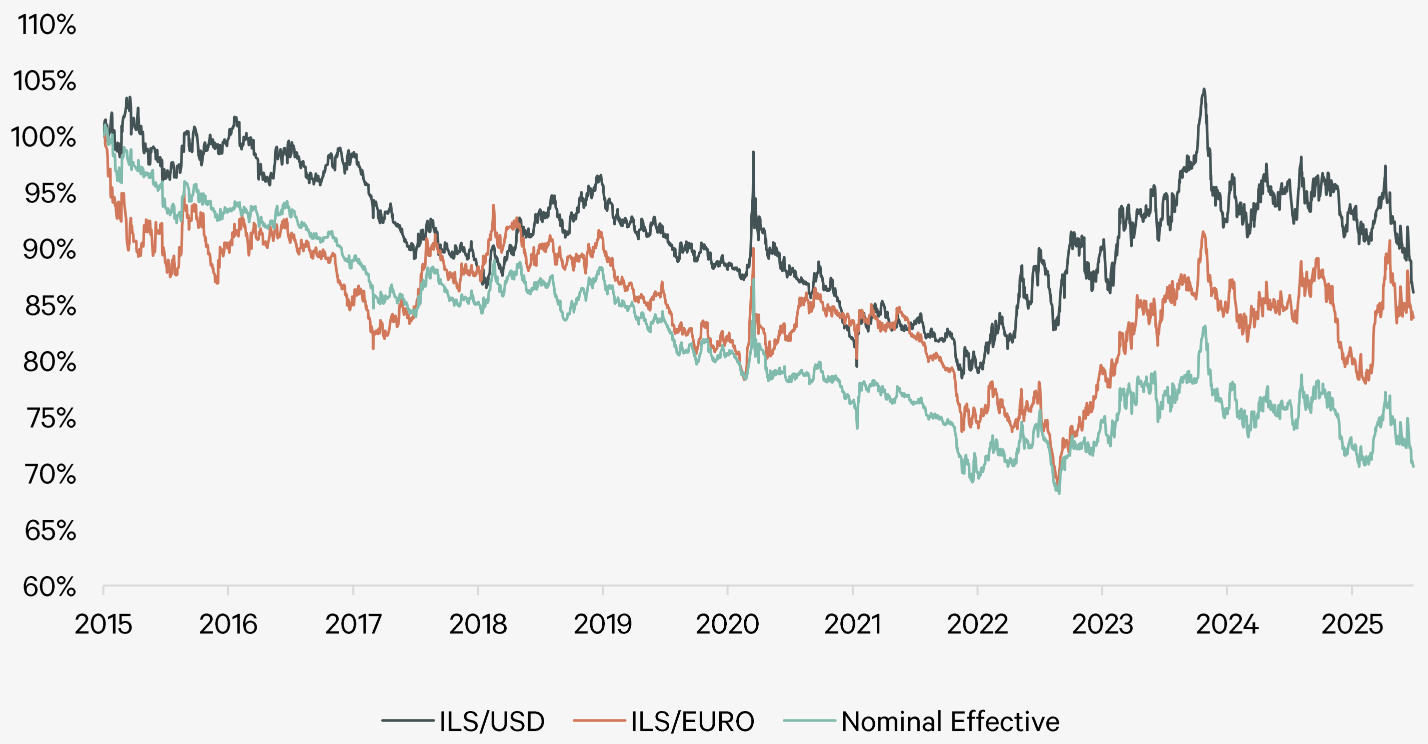
In particular, the impact of the “Rising Lion” Operation which took place during the second quarter of the year. In addition, Israeli financial institutions continued to invest in dollar assets abroad and carried out risk hedging transactions in currency rates, which contributed to the effects on the exchange rates.

Comparison of Annual Returns: Leading Global Indices vs. Israel

	2020	2021	2022	2023	2024	H1/2025
NY S&P 500	16.3%	27%	-9.7%	17.2%	24.6%	5.7%
NY NASDAQ 100	43.6%	21.4%	-33.1%	60.8%	24.9%	7.9%
Europe EURO STOXX 50	-5.1%	22.2%	0.2%	8.7%	8.3%	8.3%
London FTSE 100	-14.3%	14.3%	0.9%	3.8%	5.7%	7.2%
Tokyo NIKKEI 225	3.5%	15.8%	-1.9%	10.7%	18.7%	20.1%
Tokyo NIKKEI 225	16%	4.9%	-9.4%	28.2%	19.2%	1.5%
TA 35	-11%	26%	-9.2%	3.8%	28.4%	23.5%

Source: Tel Aviv Stock Exchange

Figure 9: USD/ILS, EUR/ILS Indices and the Nominal Effective Exchange Rate, 2015 - 2025



Source: Bank of Israel

Companies' financials

Company	Gav Yam		Amot Investment		Azrieli Group		Sella Capital Nadlan		Melisron	
	Annual 2024	Q1 2025	Annual 2024	Q1 2025	Annual 2024	Q1 2025	Annual 2024	Q1 2025	Annual 2024	Q1 2025
Value of income-yielding assets (ILS)	12,000,000,000	12,900,000,000	20,600,000,000	21,200,000,000	31,296,000,000	31,597,000,000	5,800,000,000	5,900,000,000	25,561,000,000	26,245,000
Properties in development	7	8	5	6	13	10	2		14	14
Leverage rate	57%	57.3%	44%	45%	34%	37%	60%	60%	42.7%	42%
ALS Lease agreements without properties in development	5.2 Years	5.2 Years	5.1 Years	5 Years	6.1 Years	5.8 Years	4.3 Years	4.6 Years	3.4 Years	3.1 Years
Income-yielding spaces (Sqm)	1,180,000	1,200,000	1,860,000	1,870,000	1,428,000	1,428,000	547,000	547,000	1,076,600	904,000
Occupancy rate	95%	96%	92.3%	93.2%	98%	96%	95%	95%	96.6%	97.3%
Weighted average effective interest rate indexed to the CPI	1.77%	2.21%	1.90%	2%	2.40%	2.80 %	1.96%	2.40%	2.35%	2.37%
Average capitalization rate for the value of income-yielding assets	6.80%	6.70%	6.42%	6.36%	6.99%	6.99%	6.80%	6.87%	6.98%	6.93%
NOI Annual (ILS)	692,000,000		1,043,000,000		2,302,000,000		350,000,000	350,000,000	1,510,000,000	
FFO - Forecast for next year (ILS)		365,000,000		527,000,000	-	648,000,000				790,000,000

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

03

National Overview
The High-Tech Sector

The High-Tech Sector

The high-tech market has barely moved forward since 2022. Instead of continuous growth, the number of employees in the industry has not changed, and in the past year it has even shrunk by approximately 5,000 workers.

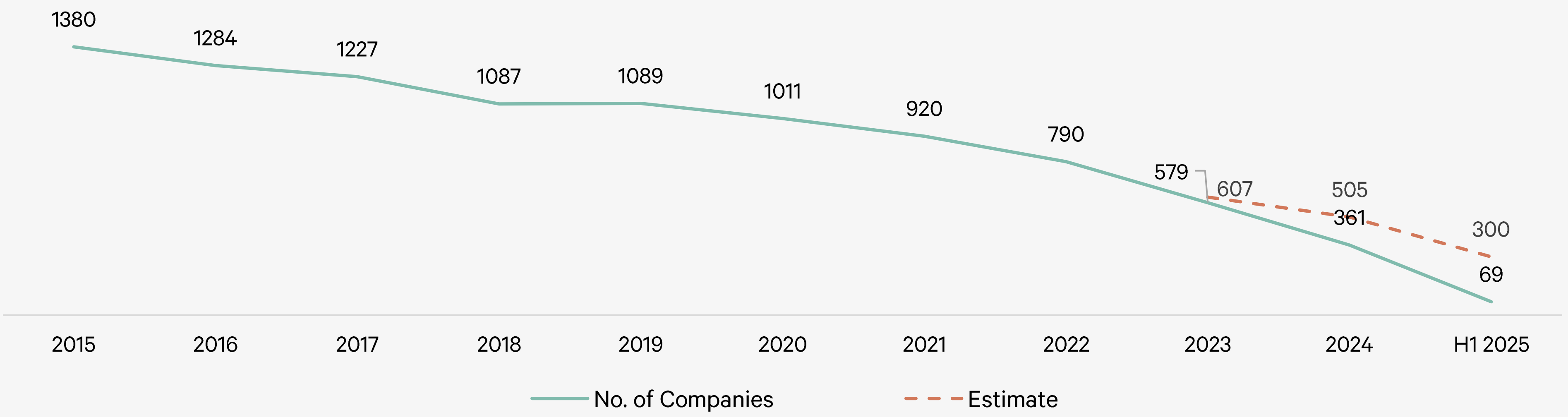
As a result of this, the portion of those employed in high-tech out of all workers in the economy remained stable at around 11.5% over the last 4 years. This figure indicates that the rate of expansion in high-tech was equal to that of the other sectors of the economy, in contrast to the past, when the high-tech sector stood out with its accelerated growth.

This lack of growth is explained by a combination of crises: the global economic slowdown that began in 2022 and hurt investments in startup companies, the uncertainty resulting from the proposed judicial reform and the effects of the war that broke out on October 7, 2023. In addition, the trend in the growing use of artificial intelligence tools to increase productivity is expected to lead to a global reduction in manpower required by high tech companies.

However, there are initial signs of recovery: the number of open positions is starting to rise again, especially in software companies. This trend is expected to spread, as capital raising for Israeli startups regains momentum.

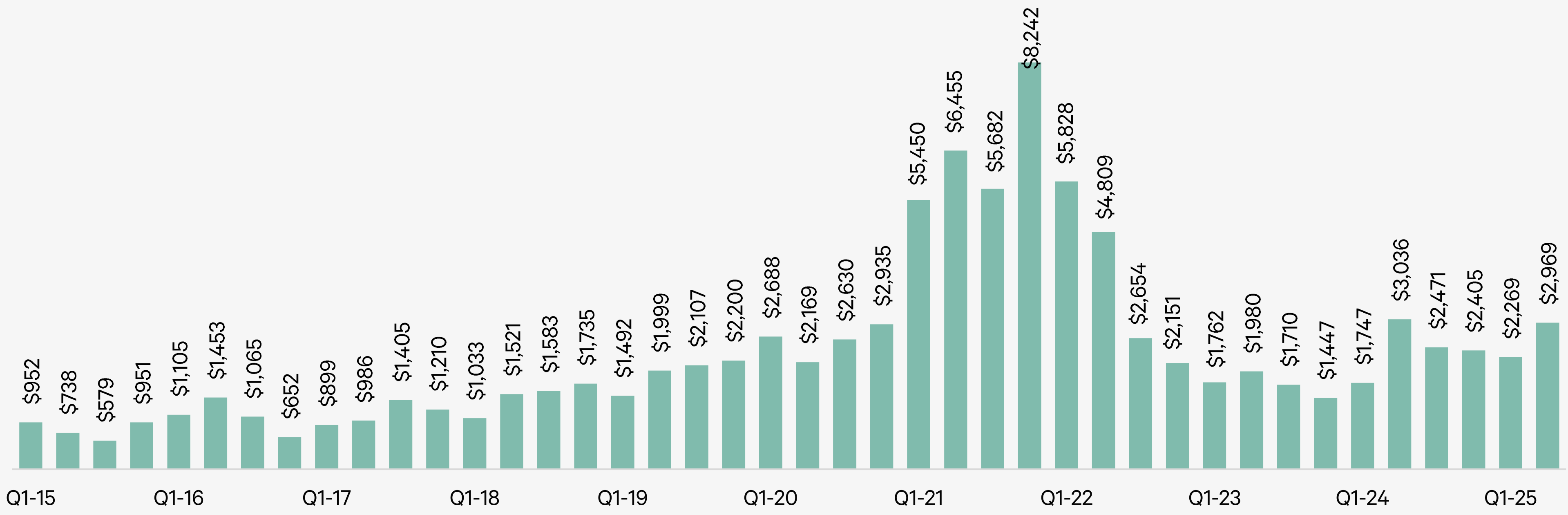
It appears that the number of new start-up companies incorporated continues to decline, it is estimated that during the first six months of 2025, a mere 70 new companies were incorporated.

Figure 10: High-Tech Companies Established Between 2015– H1 2025



Source: IVC-LeumiTech Israeli Tech Review

Figure 11: Capital Raised (in Millions USD) by Israeli Startups by Quarter, 2015–H1 2025



Source: IVC-LeumiTech Israeli Tech Review

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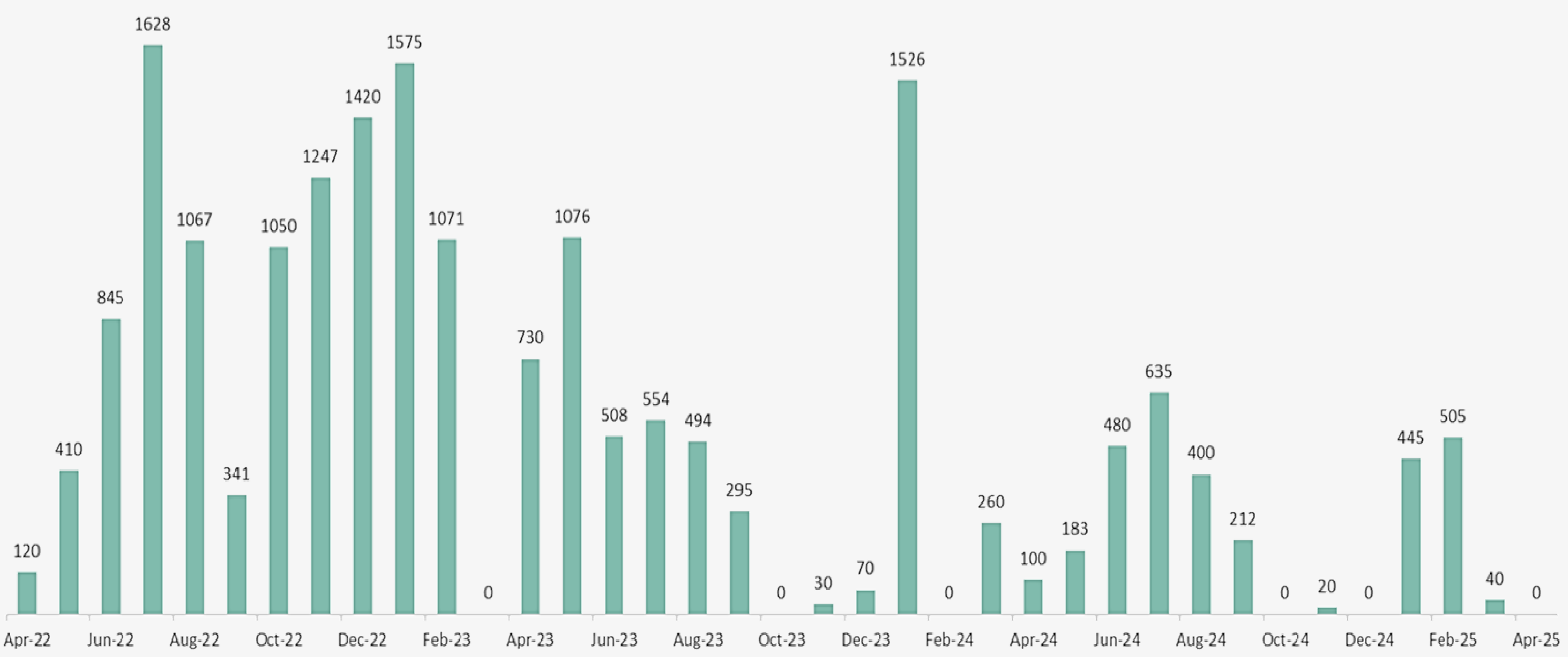
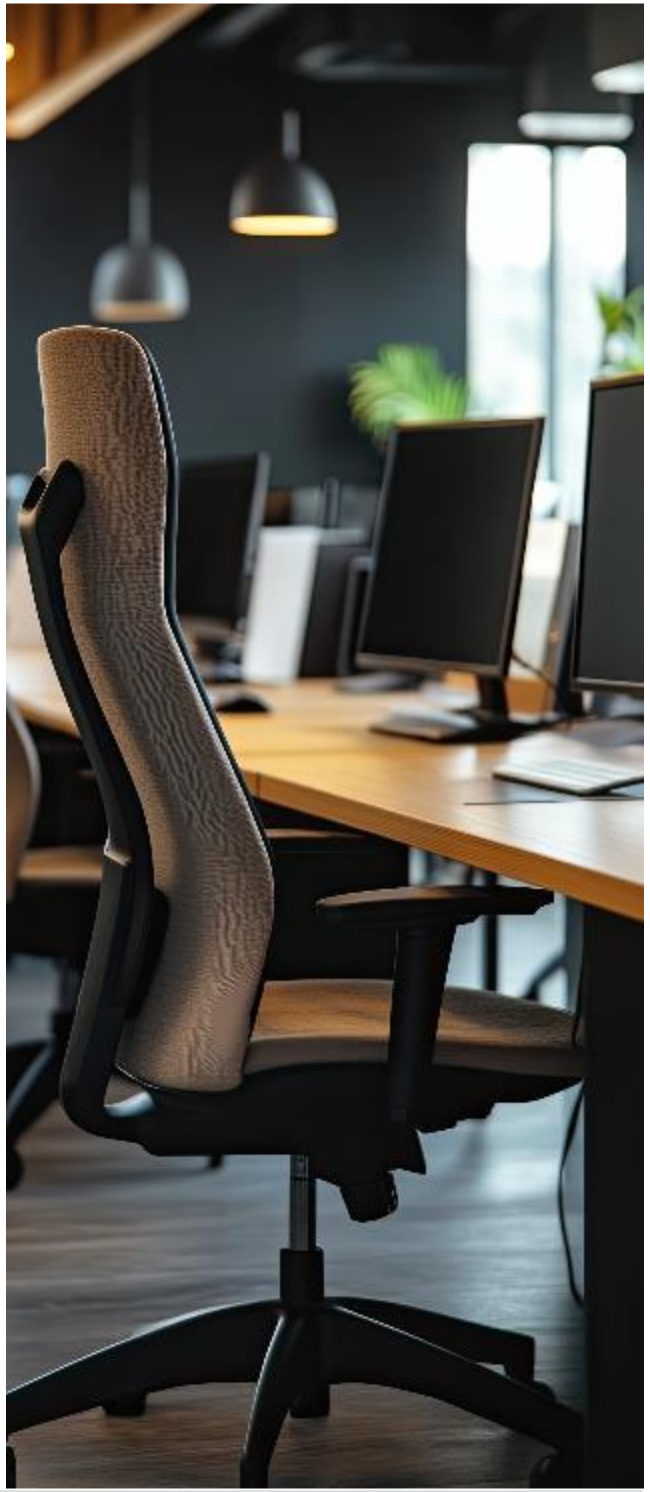
Figure 12: Number of Employees Laid Off, 2022-2025





04

National Overview

Income Producing Real Estate

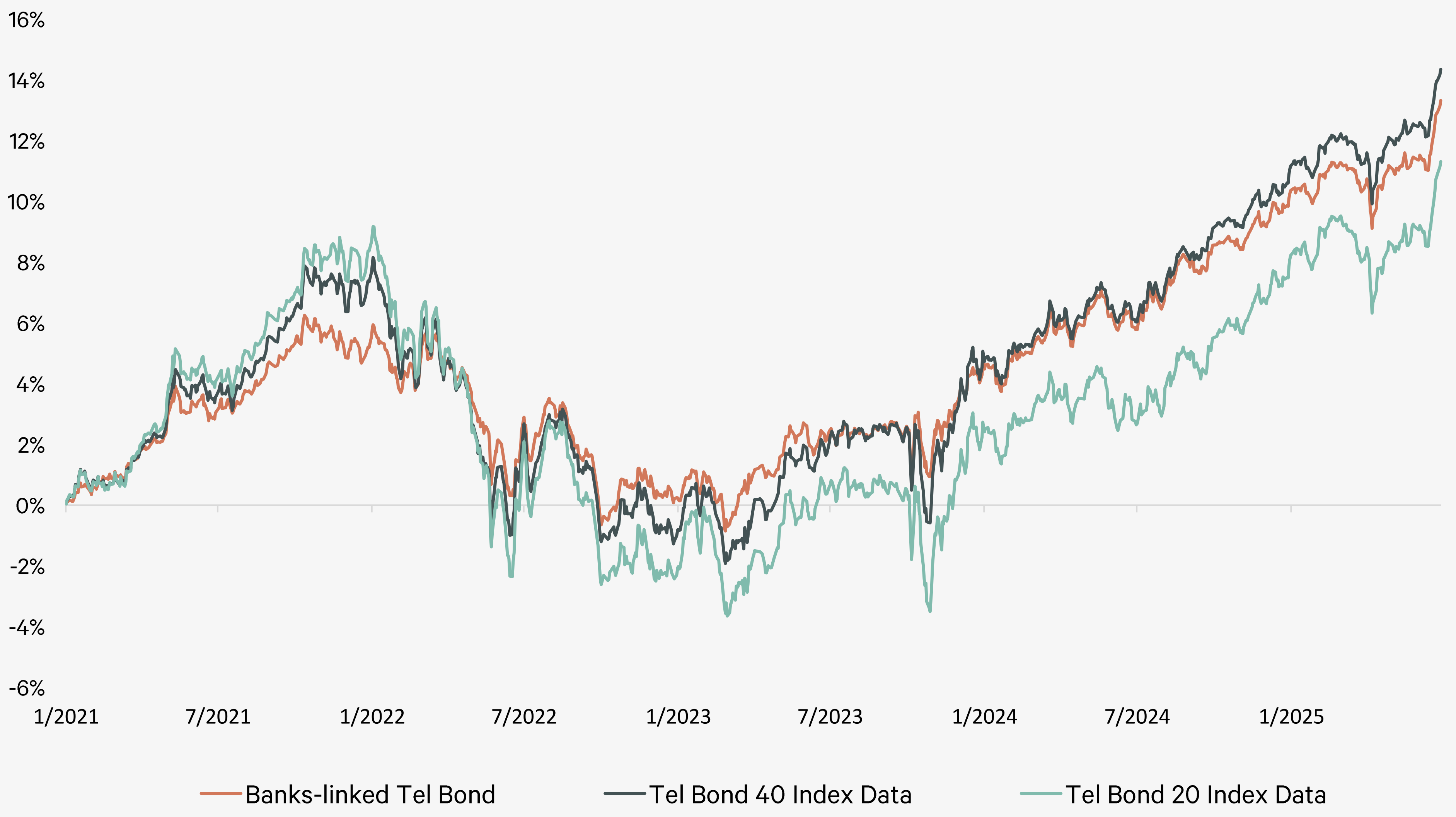
Income Producing Real Estate

During the first six months of 2025, the Israeli income producing real estate market presented a combination of challenges and signs of recovery. The increase in overall consumption contributed to a positive atmosphere and created the potential for moderate growth, despite volatility and economic uncertainty.

The market continues to adapt to structural changes such as increased demand for short term rentals and flexibility towards sub-tenants. In addition, more and more companies are looking for models that allow quick access to properties and efficient utilization of vacant space. This trend illustrates the ability of the income-producing real estate market to cope with challenges and this, by adapting to the changing needs of companies and investors.

Israel's income-producing real estate market maintains its status as an essential component of economic activity. It offers the potential for growth and creating opportunities for investors, even during a period of changes in its market requirements and demands.

Figure 13: Corporate Bond Yields Key Indices (Daily data)



Source: The Stock Exchange

05

The Current Situation Of The Commercial Real Estate Market In Israel

The Office Market

The Office Market

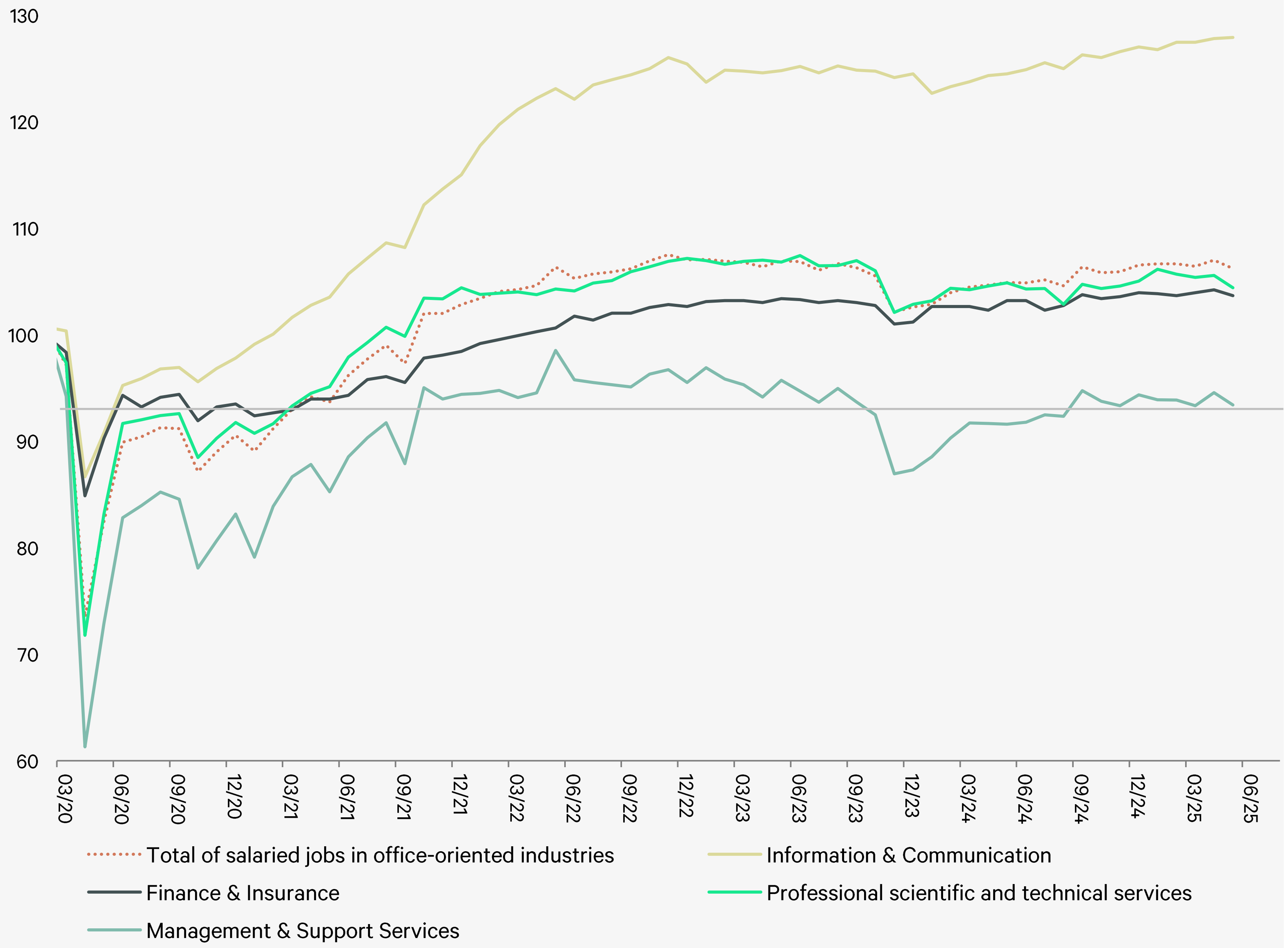
As of May 2025, the total number of jobs in the economy were approximately 4.100 million positions, which is a 2% increase as compared to May 2024. In relation to the number of jobs that existed in the economy on the eve of the outbreak of the Corona pandemic, this is an increase of approximately 7%. In parallel, the average salary rose by approximately 3% compared to June 2024.

The high-tech industries saw a slight decline of about 1.2% in the number of jobs compared to 2023. However, the average salary in the high-tech sector continued to rise, with an increase of approximately 7% in 2024 compared to 2023 salaries.

Recently, many companies are reducing their office space footprint following efficiency processes, adopting hybrid work models and increasing integration of AI technology in development. As a result of this, many offices are offered for sublease, especially to start-up companies that are seeking flexible and convenient options.

The prevailing trend today is to switch to short term leases (of between six months and two years); to adapt themselves to the changing market, landlords are offering ready made models of plug & play – allowing quick and convenient entry to properties.

Figure 14: Number of employee vacancies in office-oriented industries since the outbreak of the Corona crisis (January 2020 index=100)



Source: CBS

06

Regional Overview – Office Space

1. Tel Aviv
2. Ramat Gan
3. Petach Tikva
4. Herzliya
5. Ra’anana
6. Bnei Brak
7. Holon
8. Ness Tziona & Rehovot
9. Jerusalem

Tel Aviv

The trend of a general downturn in the office market continued throughout the first half of 2025, against the backdrop of the continued blow to the high-tech industry during the last two years. However, the office market in the city of Tel Aviv, which is characterized by a high concentration of high-tech companies, demonstrates relative stability and shows only minor downward corrections.

At the same time, there is a growing trend of large companies abandoning the office rental model and moving to the purchase of a property. These companies (such as NVIDIA, Rafael, Mekorot and Leumi Health Fund) operate out of a desire to achieve long-term independence and budgetary stability.

The offices of the following leading companies are located in Tel Aviv: Check Point, NVIDIA, Palo Alto, Google, Amazon, Discount Bank, Bank Leumi, HaPoalim Bank, Deloitte, WeWork, KPMG.

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

The development of the city for the coming years will be affected by the new outline plan TA/5500, that was filed in February 2025 amending the existing out line plan TA/5000. This plan outlines the objective of urban development, while providing a comprehensive response to the metro plan.

The plan will provide for a significant increase in employment areas in the city by approximately 800,000 sqm. This will be achieved through the increase of building rights and intensive mixed useage around the development centers and metro stations. The plan places special emphasis on pedestrians and public transportation, alongside the adoption of regulations for reduced parking.

Central Employment Areas in Tel Aviv:

01

Menachem Begin Axis:
This is the employment zone that spans the length of Menachem Begin Way. This is the city centre of Tel Aviv, comprising the principal employment area of the city forming its striking sky line.
This business area is highly accessible via multiple means of transportation. Via the interchanges, one can easily reach the Ayalon highway; public transportation, including railway stations and the light rail stations (the existing red line) and, in the near future, additional accessibility via 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 high-tech companies, large law offices and financial institutions.
Leading Companies in the area: Intel, Meitar Law Office, Samsung, FBC & Co., NIKE, Microsoft

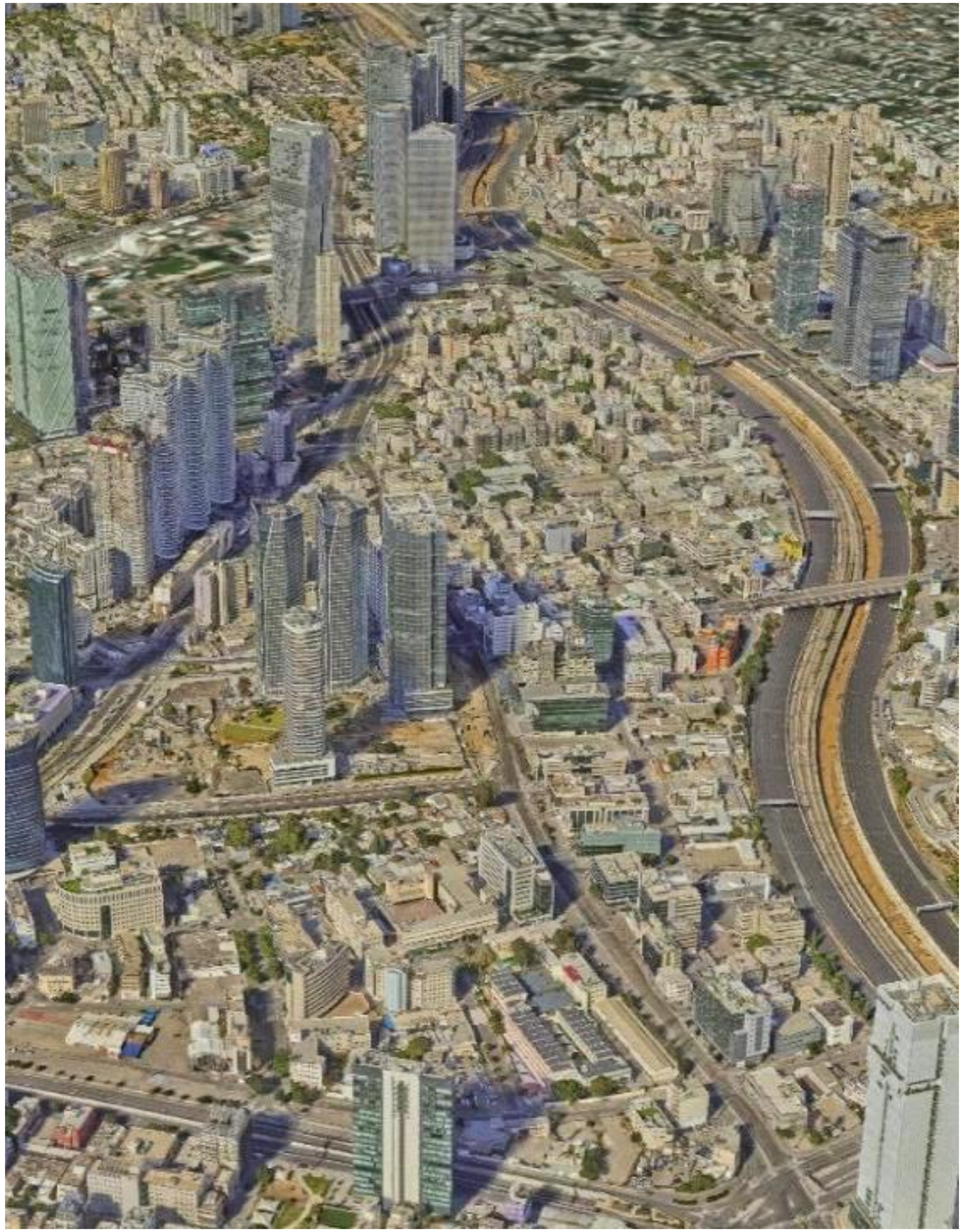
145 ILS

Average rents (m^2/offices)

98%

Average occupancy rate

*Prices are AS IS



02

Sarona Submarket:
With a boundary of several central streets, this submarket is located in between 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 in this submarket line both sides of Ha'Arba'a Street.
The construction phase of the TLV Landmark project in Sarona is nearing completion. Tower A of this project is almost fully occupied, while Tower B is well under construction.
Tenant Mix in the Area: This area is characterized by modern skyscrapers, primarily leased to leading high-tech companies, large law offices, freelancers, financial institutions and government agencies.
Leading Companies in the Area: KPMG, Optibus, Cato Networks, Tenable, Meta, Amazon

150 ILS
Average rents (m²/offices)

97%
Average occupancy rate

*Prices are Core & Shell

03

Hassan Arfa Submarket:
This submarket is located in the heart of the city of Tel Aviv found along the following streets: Yitzhak Sadeh Street from the north, Menachem Begin Way from the west, HaMasger Street from the east and David Chachmi Street from the south.
This submarket is symbolized by significant development: part comprising of new office buildings and the other part undergoing a construction boom.
The area has good accessibility and is close to the red line of the light railway (Carlibah station which will be a connecting point between the Red Line and the future Green Line of the light railway).
Tenant Mix in the Area: this area is characterized by modern skyscrapers, primarily leased to leading high-tech companies, leading law offices, freelancers, financial institutions.
Leading Companies in the Area: Papaya Gaming, Yotpo, Quantum Machines, Monday, NVIDIA

140 ILS
Average rents (m²/offices)

95%
Average occupancy rate

*Prices are AS IS

04

Yigal Alon Submarket:
This employment zone extends the whole length of 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 the Ayalon freeway interchanges. In the future, accessibility will improve even more with the addition of the planned public transportation: 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 high-tech companies, leading law offices, financial institutions and advertising agencies.
Leading Companies in the Area: Palo Alto, Check Point, Tik Tok, AT&T, Motorola, Google

130 ILS
Average rents (m²/offices)

95%
Average occupancy rate

*Prices are AS IS

*In TOHA Tower, the rents are higher and stand at an average of ~ILS 160/sq.m.

05 City Centre Rothschild Blvd Submarket:

This submarket spreads through the Tel Aviv city centre south-westwards, reaching the 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 submarket has good accessibility, primarily due to the operating Red Line of the light railway.
Tenant Mix in the Area: this area is characterized by modern skyscrapers, some of which are of 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: Atera, Meta, First International Bank, Bank of Jerusalem, Artlist, Autodesk

80 ILS
Average rents (m²/offices)

93%
Average occupancy rate

*Prices are AS IS

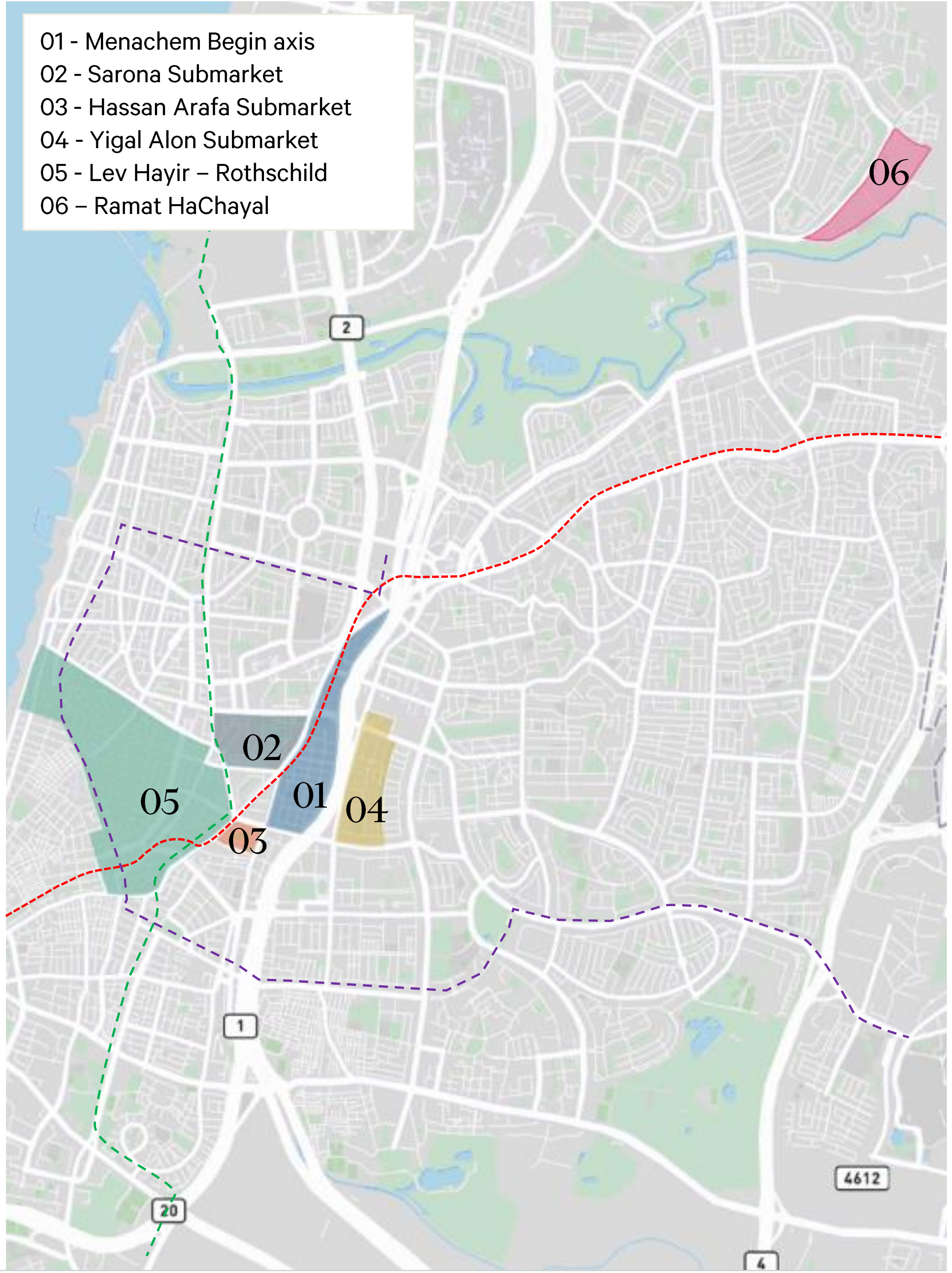
06 Ramat HaChayal Submarket

This submarket is located in north-east Tel Aviv, between the roads of Raoul Wallenberg Street from the northeast and HaBarzel Street from the east, with open areas from the east.
This submarket is a business and employment centre for many companies involved in the advertising business, high-tech alongside institutions such as the Assuta hospital. In the future, accessibility to this submarket will substantially improve: the Green Line of the light railway and M3 metro line will stop at Raoul Wallenberg Street.
Tenant Mix in the Area: this area is characterized by old office buildings also side new builds, some of mixed-use. The tenants in this area are primarily advertising agencies, telecommunication, high-tech and the Assuta hospital.
Leading Companies in the Area: Assuta, Keshet 12, Philip Morris, Clal Insurance, Rad Bynet Group

55 ILS
Average rents (m²/offices)

90%
Average occupancy rate

*Prices are AS IS



Ramat Gan

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 even to 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 of the city. We note the trend of a higher build standard in the new towers being constructed in this area. Recently an office tower complex has been built, comprising of 45 floors of approximately 70,000 sq m – named Exchange – to be occupied during 2026 – the majority of the space is yet to be marketed.

The Diamond Exchange Complex:

01

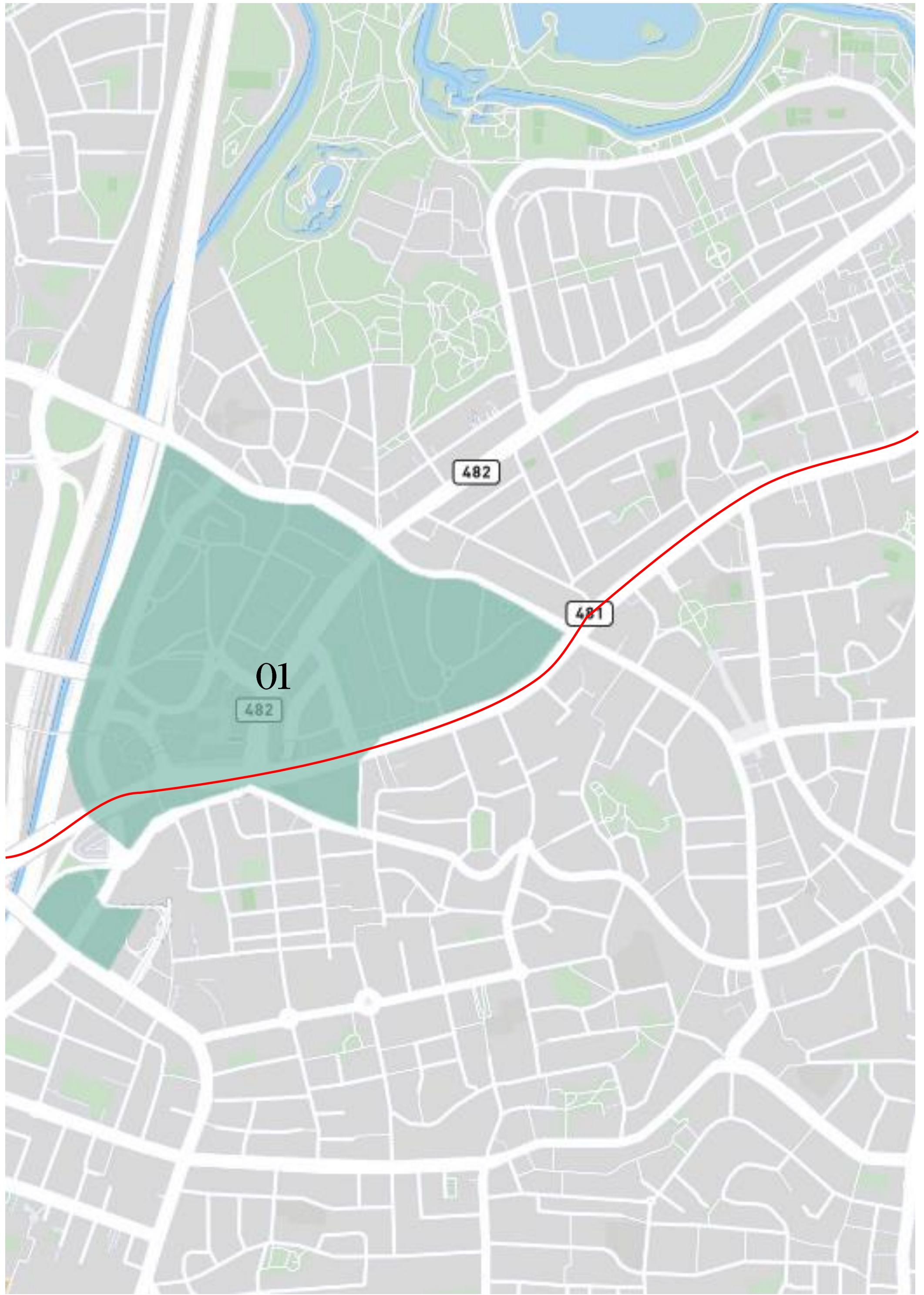
This area is situated between the axis of Jabotinsky Street from the south, Bialik Street from the north, Aba Hillel Way from the east and the Ayalon freeway from the west. The area is very accessible via Ayalon freeway and the Savidor Central train station as well as the light railway Red Line. In addition, accessibility will substantially improve with the operation of the metro lines MI and M2 which are intended to pass through this area. There is availability of diverse office space in this submarket: 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 high-tech companies.
Leading Companies in the Area: Menorah Mivtachim, Harel, Mizrachi-Tefahot, Ayalon Insurance, Mobileye, F5, HSBC, Dynamic Yield, Taboola

95 ILS
Average rents (m^2/offices)

96%
Average occupancy rate

*Prices are Core & Shell

*In Atrium Tower, the rents are higher and stand at an average of ~ILS 150/sq.m.



Petach Tikva

The Industrial Areas of Petach Tikvah are 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 commencement of operation of the Red Line of the light railway speeded up construction in this area, however, the general downward trend in the sector has created difficulties in populating these new office buildings.

The 3 Principal Business Areas in 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 city football stadium).

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 large areas of office complexes, leased to prominent high-tech companies.

Much of the traditional industrial areas continue to work and over time, continue a process of development, renewal and conversion into new projects.

Leading Companies in the Area: IBM, Intuit, CyberArk, Marvell

53 ILS
Average rents (m²/offices)

70%
Average occupancy rate

*Prices are Core & Shell

02

HaSivim Industrial Area:

The industrial area is located in the western area of Petach Tikvah; and is characterized primarily by industrial buildings and older office buildings alongside new construction.

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

Leading Companies in the Area: Zap, Yad 2, Docusign, AIG, Shekel Insurance, Align Technologies

45 ILS
Average rents (m²/offices)

60%
Average occupancy rate

*Prices are Core & Shell

03 **<u>Segula Industrial Area:</u>**

The 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. In the second half of 2023, a renewal plan was approved for the Segula Industrial Area, adding approximately one 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.

<u>Tenant Mix in the Area:</u> freelancers, industry, garages, entertainment halls.

<u>Leading Companies in the Area:</u> Comparts, Isotopia Molecular, Airbotics

45 ILS

Average rents (m²/offices)

80%

Average occupancy rate

*Prices are AS IS

Herzliya

The approval of the outline plan HR/2440 for the renewal of the Herzliya Pituach Industrial Area increases the building rights by adding approximately two million sqm for employment purposes, alongside approximately 300 thousand sqm for retail and entertainment and approximately 200 thousand sqm for tourism. This plan will substantially change the character of this employment area – marking the evident transition from low rise buildings to a dense area full of high-rise towers.

The development of the new complex "Kiryat Shahakim" is currently taking shape, which is located near the coastal road and the Seven Stars Interchange, which serves as a central land “reserve” for the development of employment, offices and commerce areas. The area enjoys good accessibility to the train, Ayalon Freeway and central route lanes, which allows for the potential to attract high-tech and innovation companies in a moderate and planned manner.

In addition, the “Glilot Big Fashion” complex has opened – a commercial and employment space that includes large-scale commercial areas and an office building comprising of 45 floors and approximately 75 thousand sqm for employment purposes. As of May 2025, publications evidence 70% occupancy of this tower.

Herzliya Pituach Business Area:

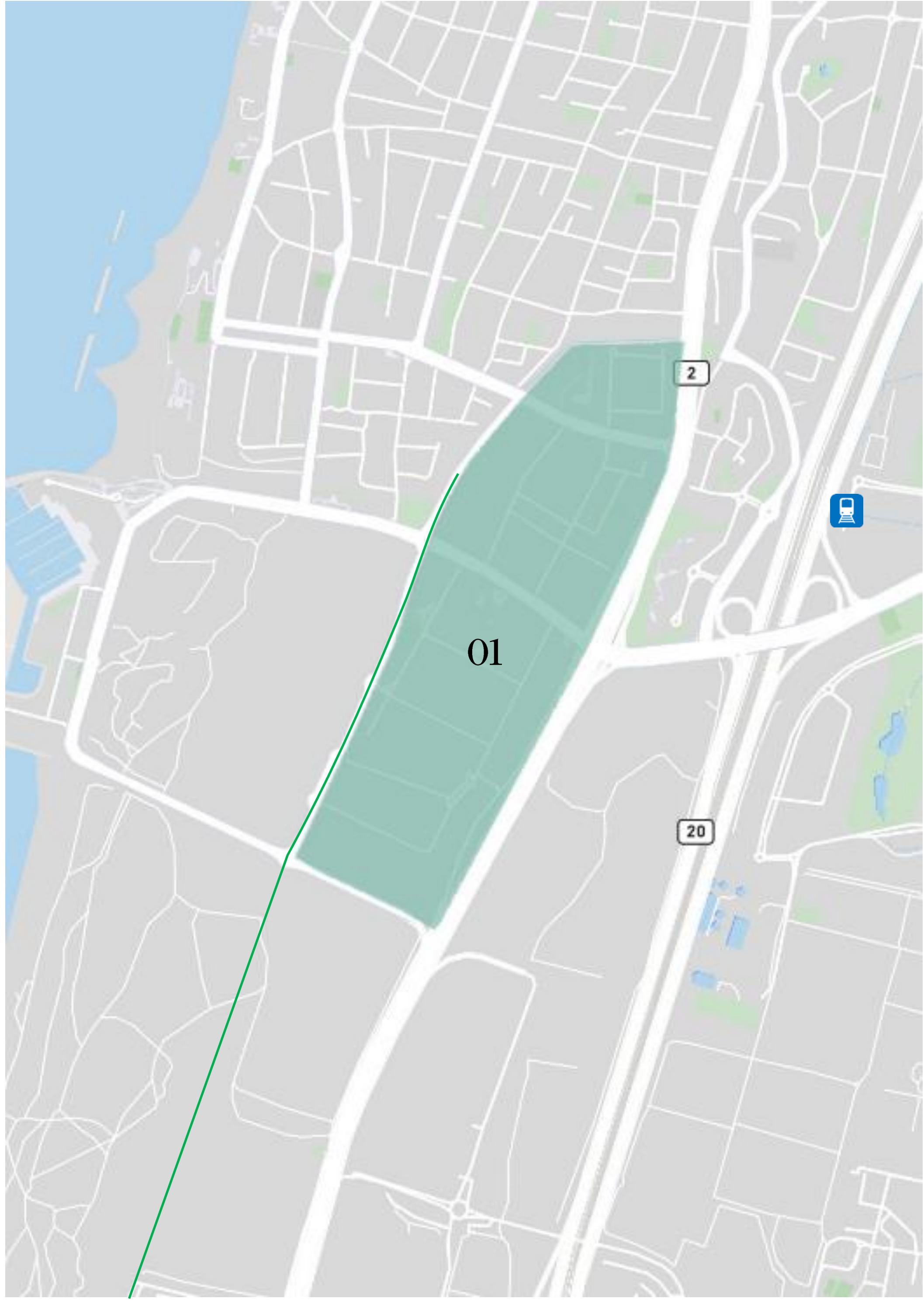
01

This area is situated in the southwestern part of the city and is deemed to be the principal business centre of the city.
The area extends for 850 dunam, with good accessibility – the main entry is via the Shira junction, and, in addition, a train station is situated in close proximity to the area and is built 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 build to suit buildings for high-tech companies, alongside older buildings.
Leading Companies in the Area: GM, AppsFlyer, Accenture, Microsoft, Pfizer, Varonis, Apple

90 ILS
Average rents (m²/offices)

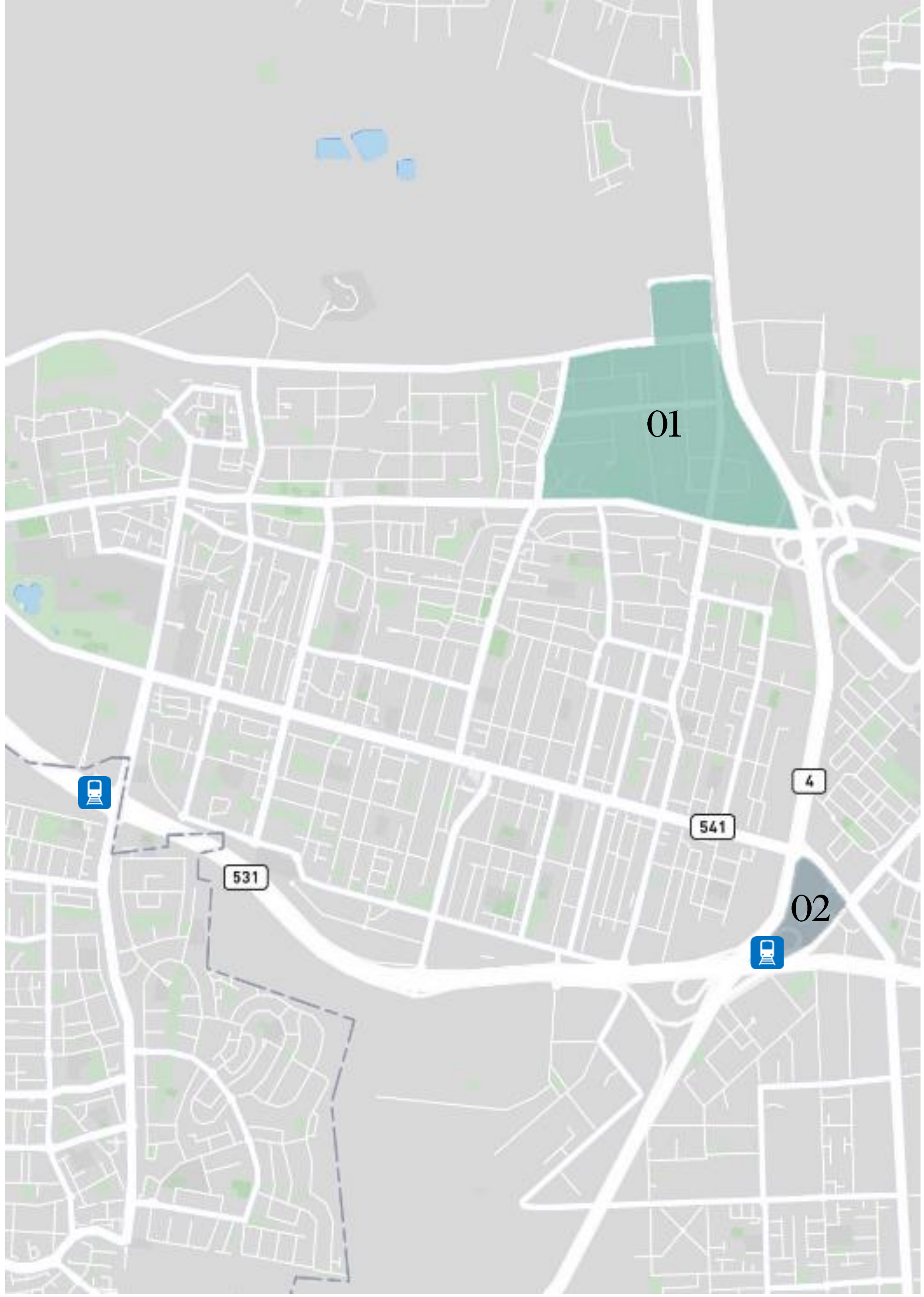
86%
Average occupancy rate

*Prices are Core & Shell



Ra’anana

The city of Ra’anana provides an alternative for high-tech companies that wish to locate their offices in the Sharon area. Route 531 and the railway stations have considerably improved accessibility to the city. We note a trend of a slowdown in the occupancy of new office projects.



01

Kiryat Etgarim –
The industrial area of Kiryat Etgarim is located in the northeast 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.
At present, Kiryat Etgarim is principally accessed via the Kfar Saba-Ra’anana North junction and in the future, when the construction of the Ra'anana North bypass road is completed, another entrance will be opened. In the distant future, the area will also be served by the M1 metro line (that is expected to pass through the area).
Tenant Mix in the Area: the area is under constant development and is characterized by built to suit office buildings for high-tech companies, older office buildings alongside traditional and long standing industry.
Leading Companies in the Area: NICE, Eli Lily, NVIDIA, SAP, Elbit, Amdocs

55 ILS
Average rents (m²/offices)

70%
Average occupancy rate

*Prices are Core & Shell

02

South Ra’anana Junction –
The business area located by South Ra’anana Junction is adjacent to the city of Kfar Saba. This area is characterized by the great number of pharmaceutical companies and high-tech companies.
Tenant Mix in the Area: high-tech companies, older office buildings alongside modern office buildings.
Leading Companies in the Area: Philips, Abre, Deloitte, Red Hat, ZoomInfo

60 ILS
Average rents (m²/offices)

80%
Average occupancy rate

*Prices are Core & Shell

Bnei Brak

Bnei Brak was previously known for the multiple "Syndication Group" projects located in the city; however, in recent years the city has changed its character and many new towers have been built now to a higher standard of finishings. These towers are often developed by financial institutions 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 along the nearby Jabotinsky axis has assisted in strengthening the complex. The 'LYFE' Project developed by 'Ashtrom' and 'Dan Real Estate' populated the first two towers and the third tower of the project is set to be built. Two towers of the 'Hachsharat HaYishuv' complex and 'BBC Tower' are in advanced stages of occupation.

The BBC complex is the principal business area:

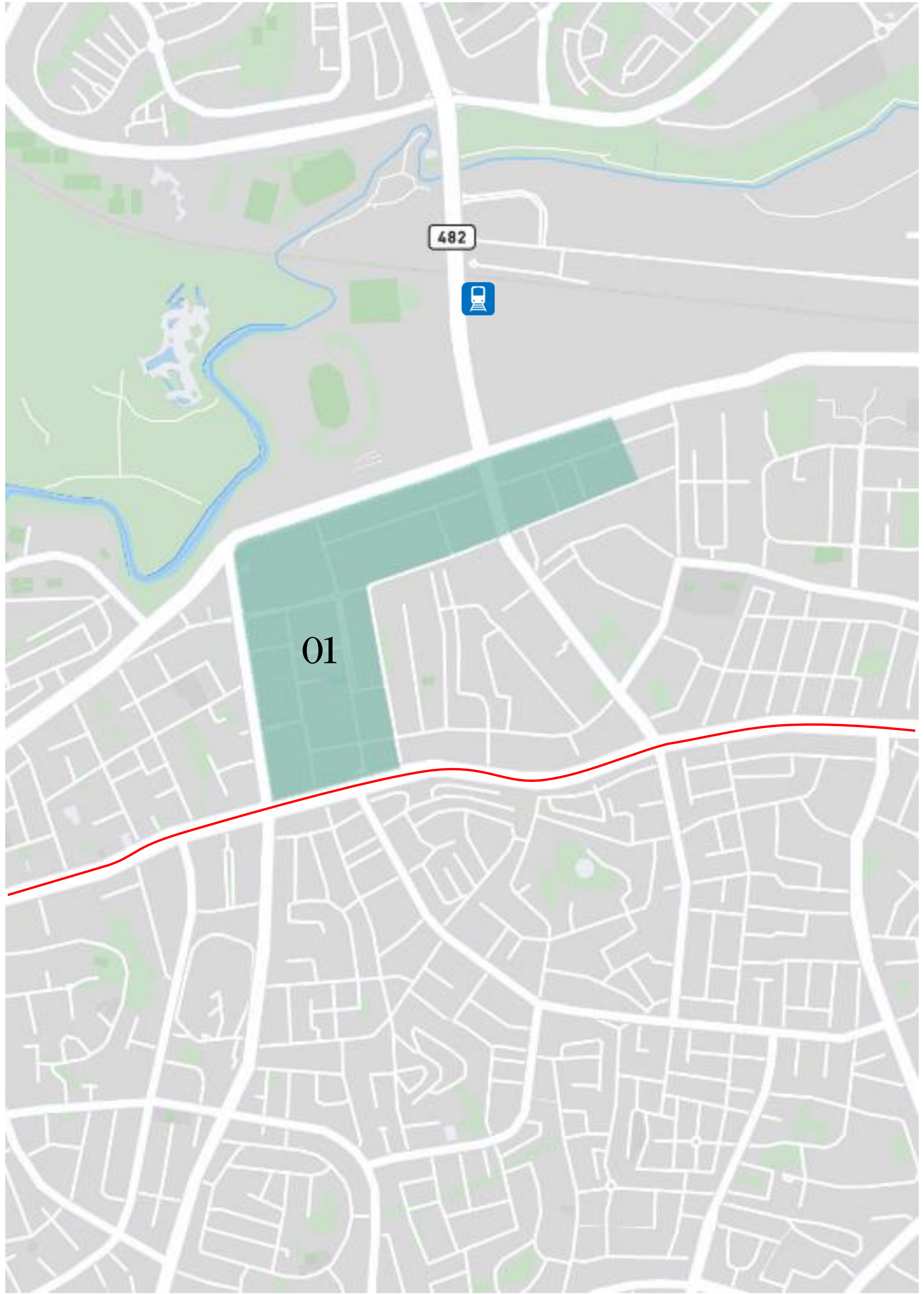
01

The BBC area is the main business centre of the city, located in the northwest 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 the 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.
Tenant Mix in the Area: the majority of the office space is leased to freelancers.
Leading Companies in the Area: Meitav, Visa Cal, eToro, Max, Isracard, Rooms (Fattal), Phoenix Gama

50 ILS
Average rents (m^2/offices)

85%
Average occupancy rate

*Prices are Core & Shell



Holon

Over the last few years, the Holon business area became a significant focus for business activities. Due to the new transportation arteries – connecting of Route 4 inter-junctions and stations 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. Large-scale supply has affected the rate of occupancy of the new projects.

The Holon employment area is experiencing a development boom

01

Business Area C –
The area is located in the eastern side of the city and is, in fact, the only modern business area in Holon. This area extends for approximately 700 dunam; it enjoys good accessibility – the principal entry point is via the East Holon junction. The area's boundaries are Route 4 and Yerushalim Blvd.
Over the last few years, the area saw a massive development and construction boom, during which new projects were promoted and established in the industrial zone by companies – Amot, Azrieli, Mivne and Gav Yam, comprising in total of approximately 400,000 sqm, experiencing a slower than expected rate of occupancy due to the large supply of office space available in the area.
The Green Line of the light railway will serve this area.
Tenant Mix in the Area: freelancers and financial institutions
Leading Companies in the Area: DealHub, NTA, Amidar, Halman-Aldubi Group, Bezeq, Sapiens, Oron Holdings and Investment

In addition, there are 2 additional industrial areas in the city of Holon – A and B, characterized as traditional industrial and labour areas.

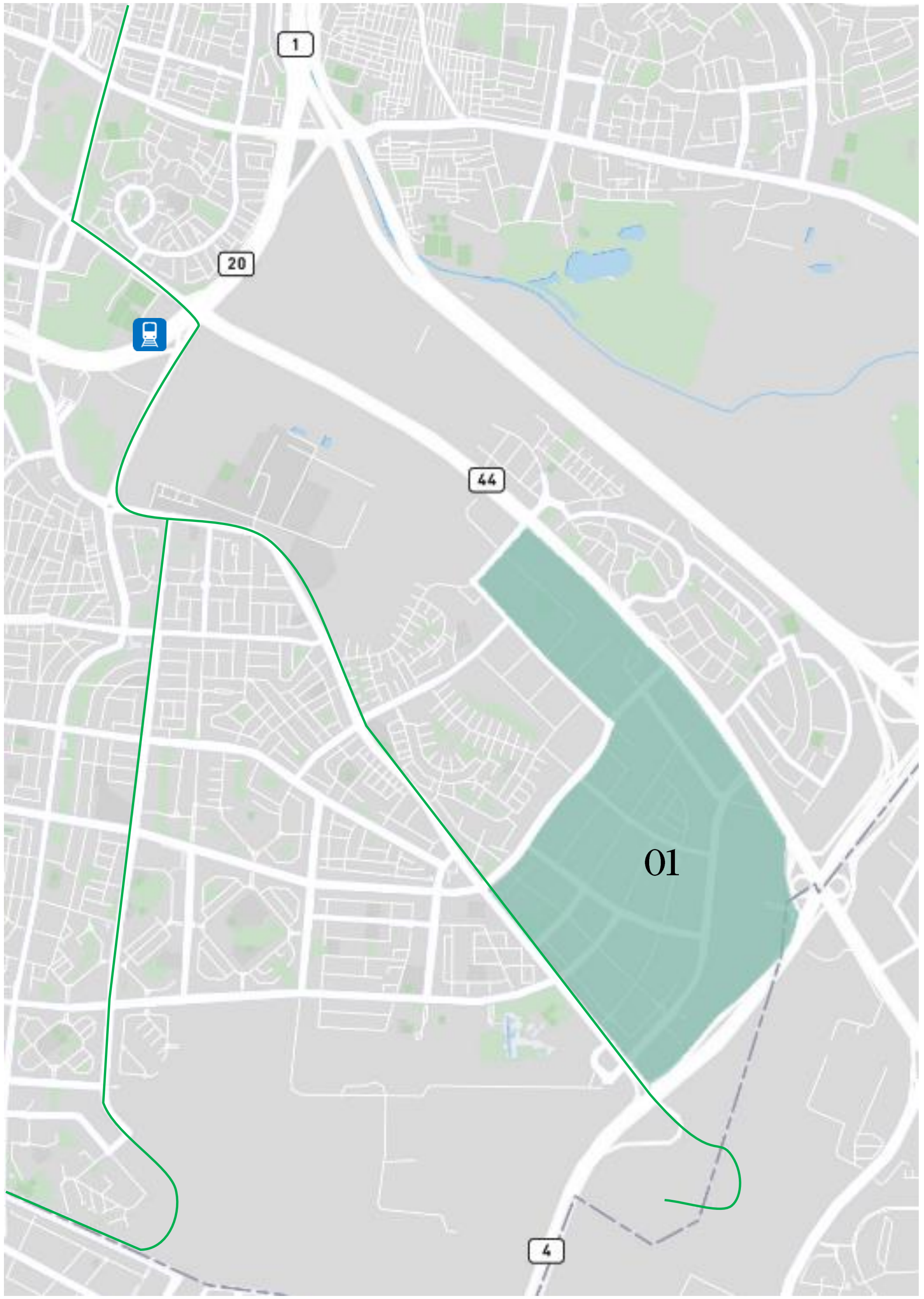
45 ILS

Average rents (m²/offices)

70%

Average occupancy rate

*Prices are Core & Shell



Rehovot / Ness Tziona

The Science Park, jointly located in the Ness Ziona and Rehovot locales has become a hub for technological companies in the Coastal Plain area, partly due to its proximity to the Weizman Institute of Science in Rehovot, which is a focal point for research and development in the fields of science and technology. Both cities are easily accessible by private and public transportation, including proximity to national roadways via Road 431.

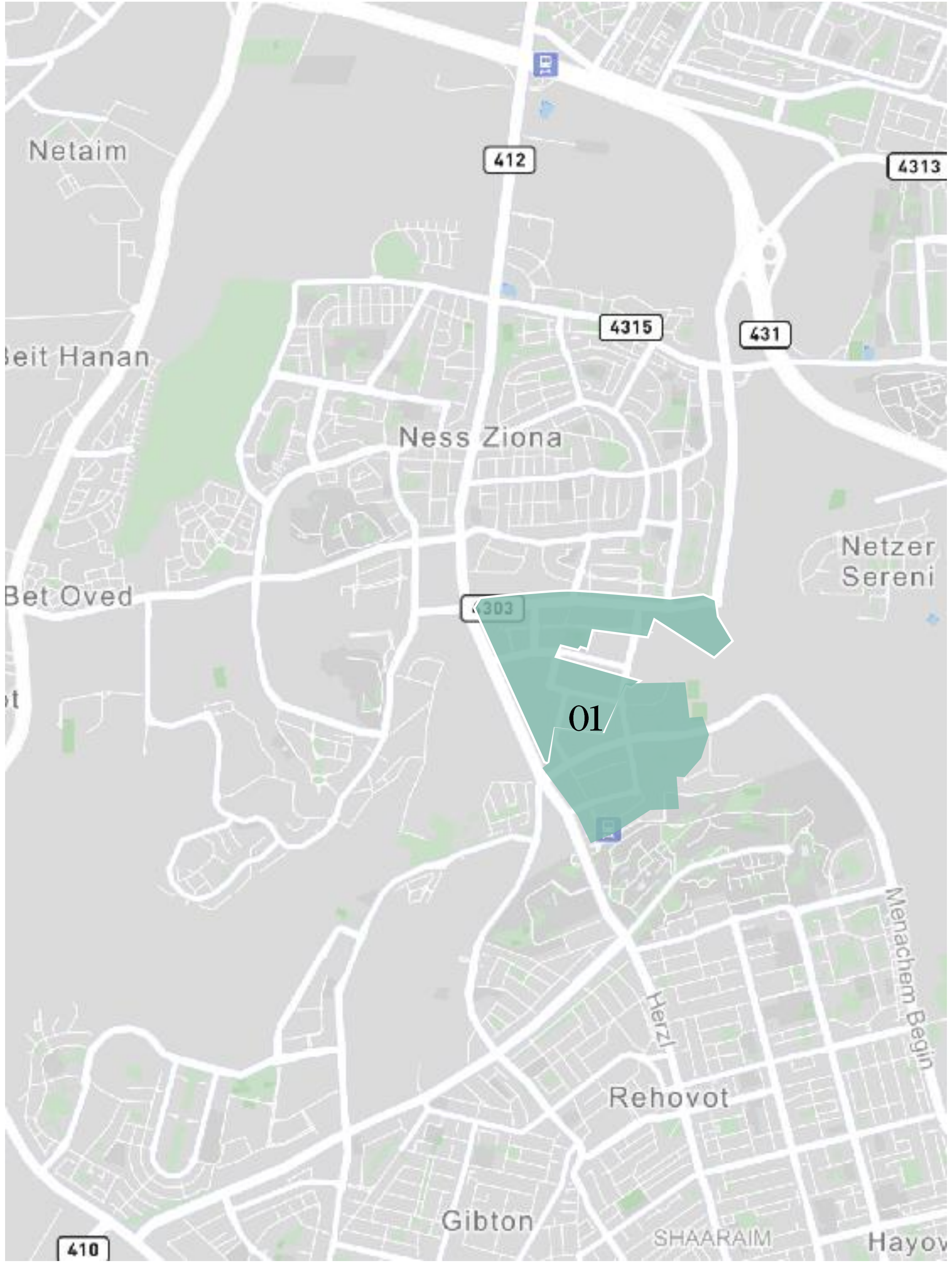
The Central Business Area

01 **The Science Park (Tamar Park) –**
The business park which is located jointly in the two cities, in the northern part of Rehovot and the southern part of Ness Ziona. The park has good access to public transport, located in close proximity to the Rehovot train station and in the future, will be easily accessible to the Dan Region via the metro station (the future M1).
Large multinational technology companies are tenants of the Park, alongside small start-up companies.
Tenant Mix in the Area: The area is undergoing continuous development and is characterized by built to suit office space for high-tech companies and laboratories, new office builds alongside extensive commercial spaces.
Leading Companies in the Area: Nova Measuring Instruments, Stratasys, Electra, Elbit, Applied Materials, Johnson & Johnson, HP, Landa Corporation Ltd.

55 ILS
Average rents (m²/offices)

80%
Average occupancy rate

*Prices are Core & Shell



Jerusalem

Jerusalem, the capital of Israel, is the most highly populated city in Israel, with a variety of industrial areas, employment zones and advanced high-tech parks.
The new district at the entrance of the city, that encompasses construction in the scope of more than one million sqm, (out of which approximately half a million sqm will be for employment purposes), gains momentum:
The Marom Tower (comprising of 40 floors with an area of 80 thousand sqm for employment and retail purposes).
This is the first tower out of twenty that are planned for this district; adjacent to the Yitzhak Navon Train Station and 3 light railway lines.
Plans are being advanced for the HaMishpat Tower, (comprising of 40 floors, 58 thousand sqm designated for government and public administration offices), and for the complex of the Post Office Tower (comprising of 40 floors, 40 thousand sqm office space for employment and retail purposes, alongside 200 residential units).

The Principal Business Areas in the Capital of Israel are:

01

Har Hotzvim –
The industrial area of Har Hotzvim is located in the north eastern part of the city of Jerusalem and is presently deemed to be principal business area of Jerusalem.
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 northwest and also Route 1 is 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 high-tech companies, government offices, freelancers and manufacturing facilities.
Leading Companies in the Area: Beck Tech, Mobileye, Siemens, DNS, Matrix, Intel

77 ILS
Average rents (m²/offices)

90%
Average occupancy rate

*Prices are AS IS

02

Givat Shaul –
The industrial area is located in the west of Jerusalem. The employment area of Givat Shaul 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.
Tenant Mix in the Area: freelancers, manufacturing facilities and government offices.
Leading Companies in the Area: Probate Offices, Ministry of Finance, Bar Lev Development

70 ILS
Average rents (m²/offices)

85%
Average occupancy rate

*Prices are AS IS

03 City Entrance District –

This district is in the initial establishment stage, located adjacent to the Chords Bridge and the Yitzhak Navon train station. This area will compete with Har Hotzvim industrial area for the title of the central business location of Jerusalem. The mixed usage in the complex will include employment, commerce, residential and hotel areas, on a significant scale.
<u>Tenant Mix in the Area:</u> Airobotics, Isotopia Molecular, Comparts

80 ILS Average rents (m²/offices)

90% Average occupancy rate

*Prices are Core & Shell

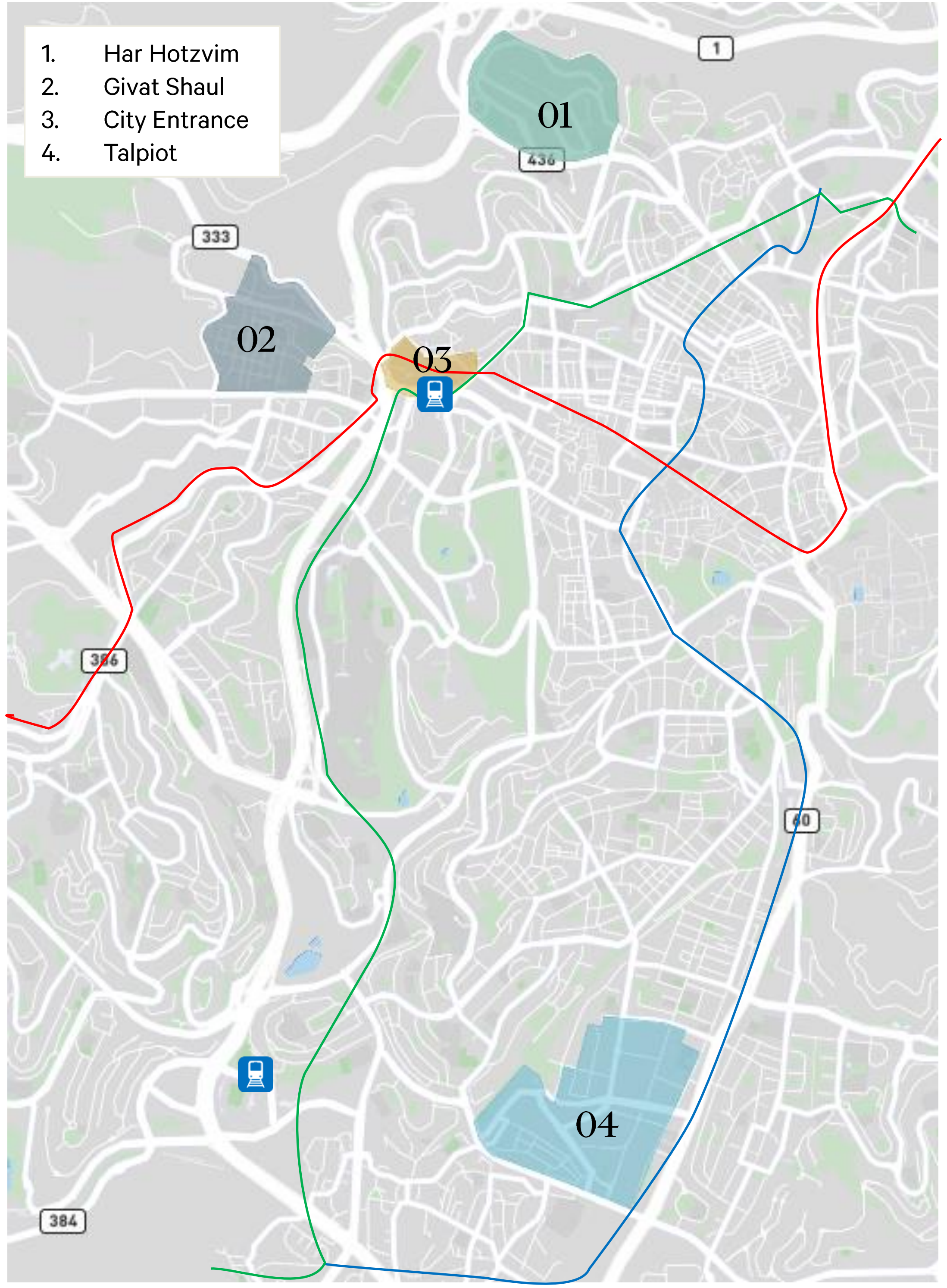
04 Talpiot –

The Talpiot industrial area is located in southeast Jerusalem. The traditional industrial spaces that previously characterized this area have been transformed, over the years, to mostly retail and office space.
<u>Tenant Mix in the Area:</u> freelancers

73 ILS Average rents (m²/offices)

85% Average occupancy rate

*Prices are AS IS



07

The Current Situation Of The Commercial Real Estate Market In Israel

The Storage And Logistics' Market

The Storage And Logistics' Market

An area of approximately four million sqm in Israel is designated to the storage and logistics market in Israel. Over the last decade, this sector has experienced a boom, growing over 10% per annum.

Amongst the main trends leading this growth:

Increase in demand for goods – the population in Israel grew by an annual average of approximately 2%. Based upon the forecast of the Central Bureau of Statistics, the population in Israel is expect to reach approximately twenty 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.

Increase in import and export – there has been a consistent increase in imports to Israel and exports from Israel compared to previous years, and therefore, 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.

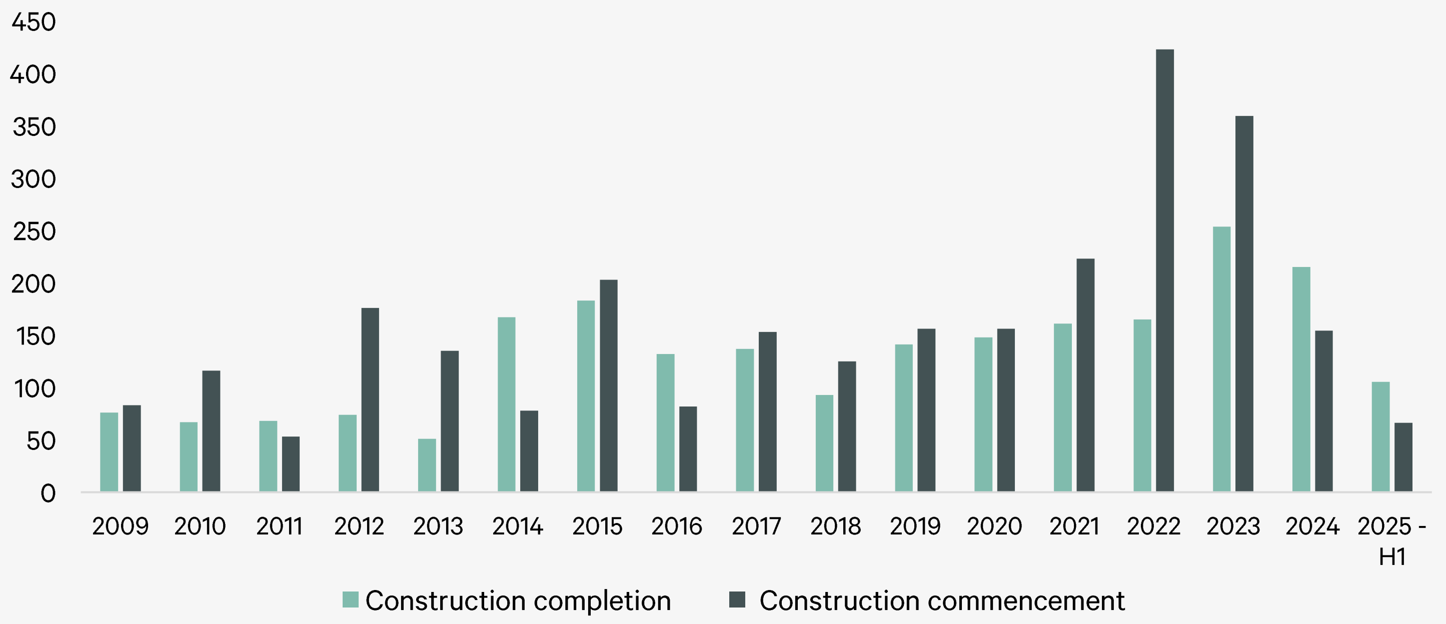
Increase in online shopping – consumer trends both in Israel and worldwide show a continuing move to online purchasing. We note that the rate of online purchases made by the age group of between 16-24 continues its upward trend, and therefore as these people continue to purchase online, this trend will 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:

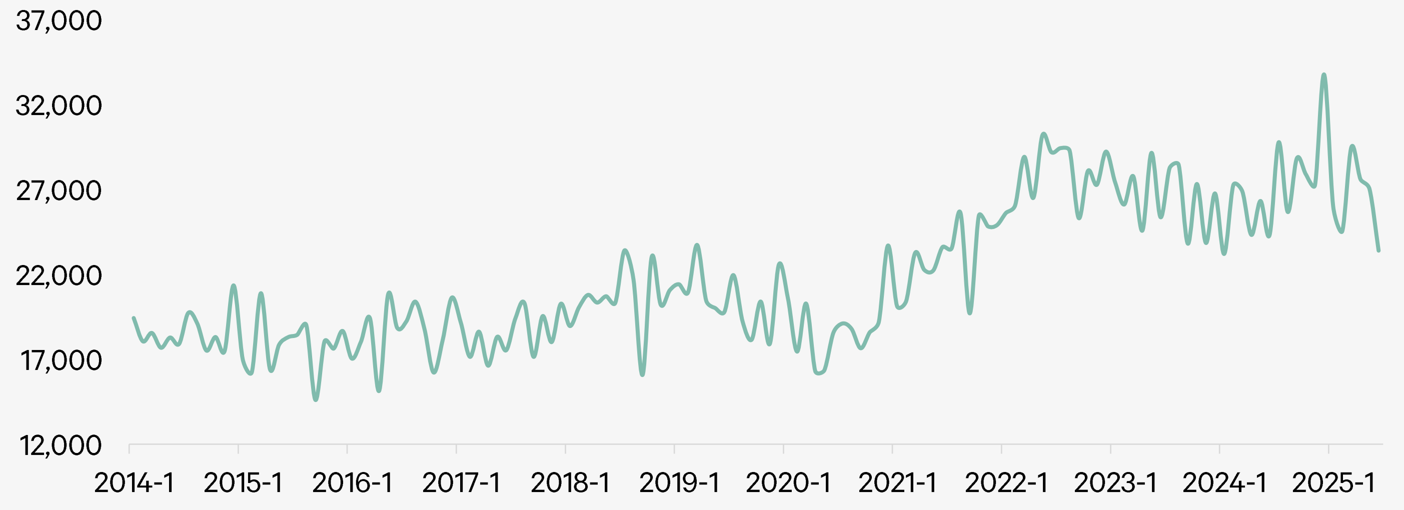
- Good transportation accessibility to main arteries
- Closeness to the ports
- Proximity to manufacturing centres
- Closeness to consumption centres and potential customers
- Attractive land value
- Closeness to potential workforce that will operate the logistical centres
- Conveyance adjacent to the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

Figure 15: Construction for Storage in Israel, 2009-2025 (in Thousands of Sq m)



Source: CBS

Figure 16: Imports of Goods to Israel in the Years 2014–2025 (Millions ILS)



Source: CBS

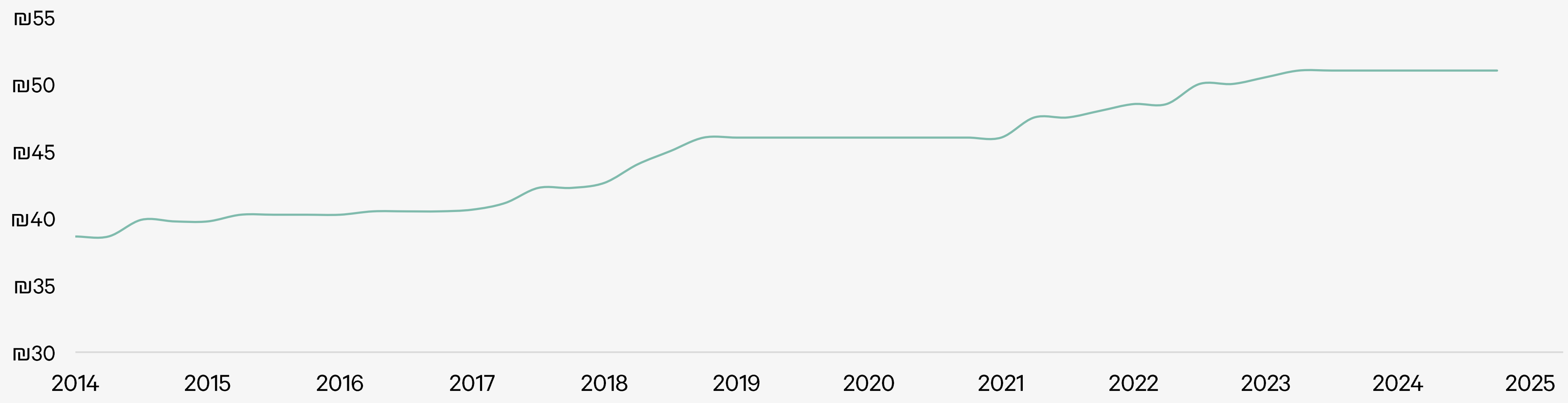
<u>The majority of the Logistical Centres are operated in one of the following 4 principal models:</u>

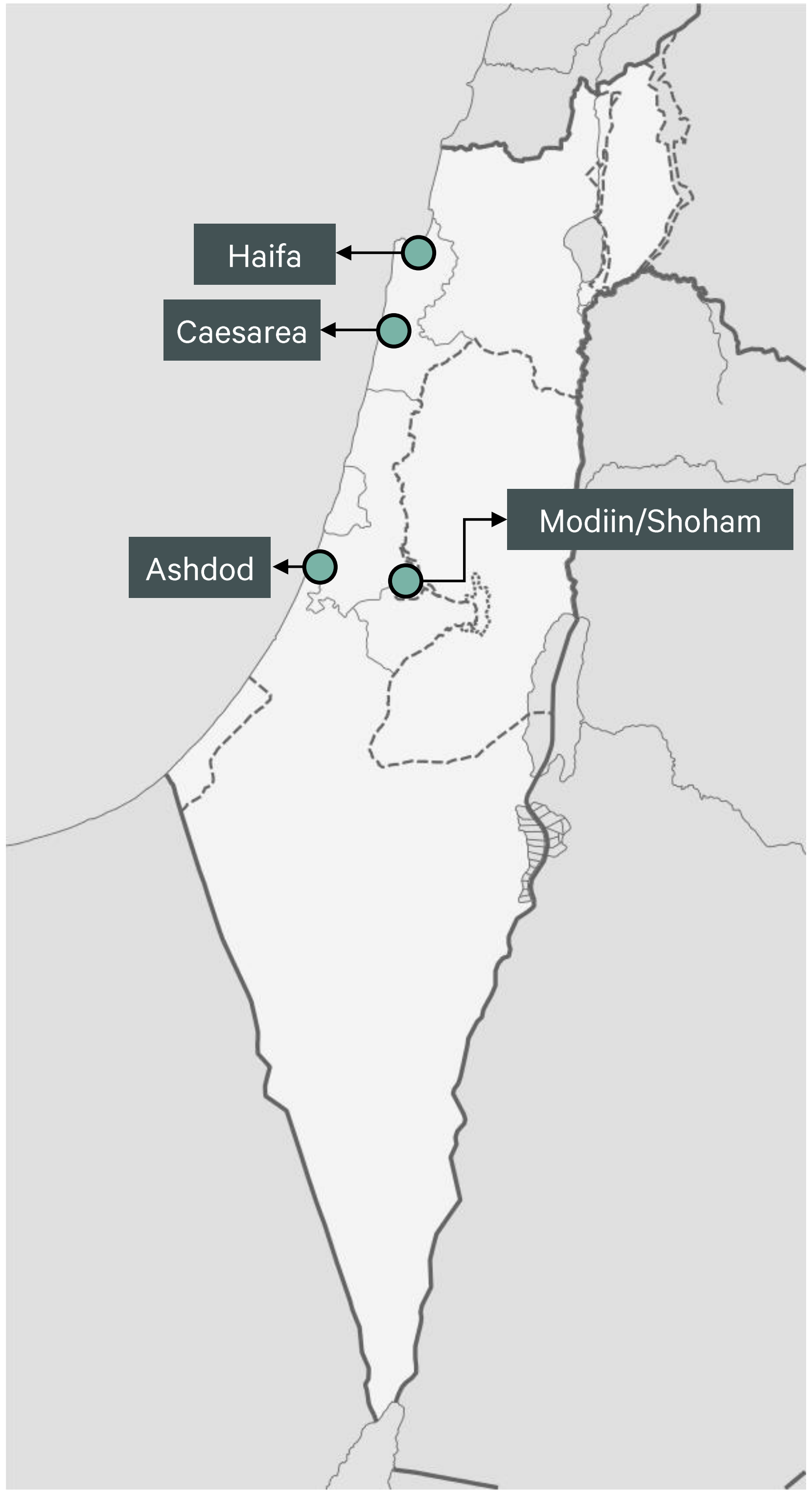
- <u>Self development and operation:</u>
  Large companies purchase land and operate their own logistical centres. This model is enabled due to the companies' financial capacity. The typical customers for this model are large companies and organizations. Sometimes this model is in partnership with income producing real estate companies.
- <u>Development by one company for a single tenant or several tenants:</u>
  This model includes a built to suit structure for the tenant(s) as per their specifications; with a lease commitment of between five to ten years. The typical customers in this model are small to medium sized companies.
- <u>Development by a real estate company and operation by a TPL company:</u>
  Third party set up/lease of a logistical centre, with respect to equipment, manpower and management. In this model the logistical centre serves multiple customers 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 own 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).
- <u>Main Storage Configurations:</u>
  Standard storage height – 12 m: popular storage structure in Israel, low cost of build. 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 number 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

During the first six months of 2025, the trend of fewer transactions in the logistics market continued.
The prices of land designated for logistics have not significantly changed, neither has the rent for buildings for logistical purposes or open storage areas.

Figure 17: Logistics Average Rental Fee 2015 -2025 (ILS/sq m)

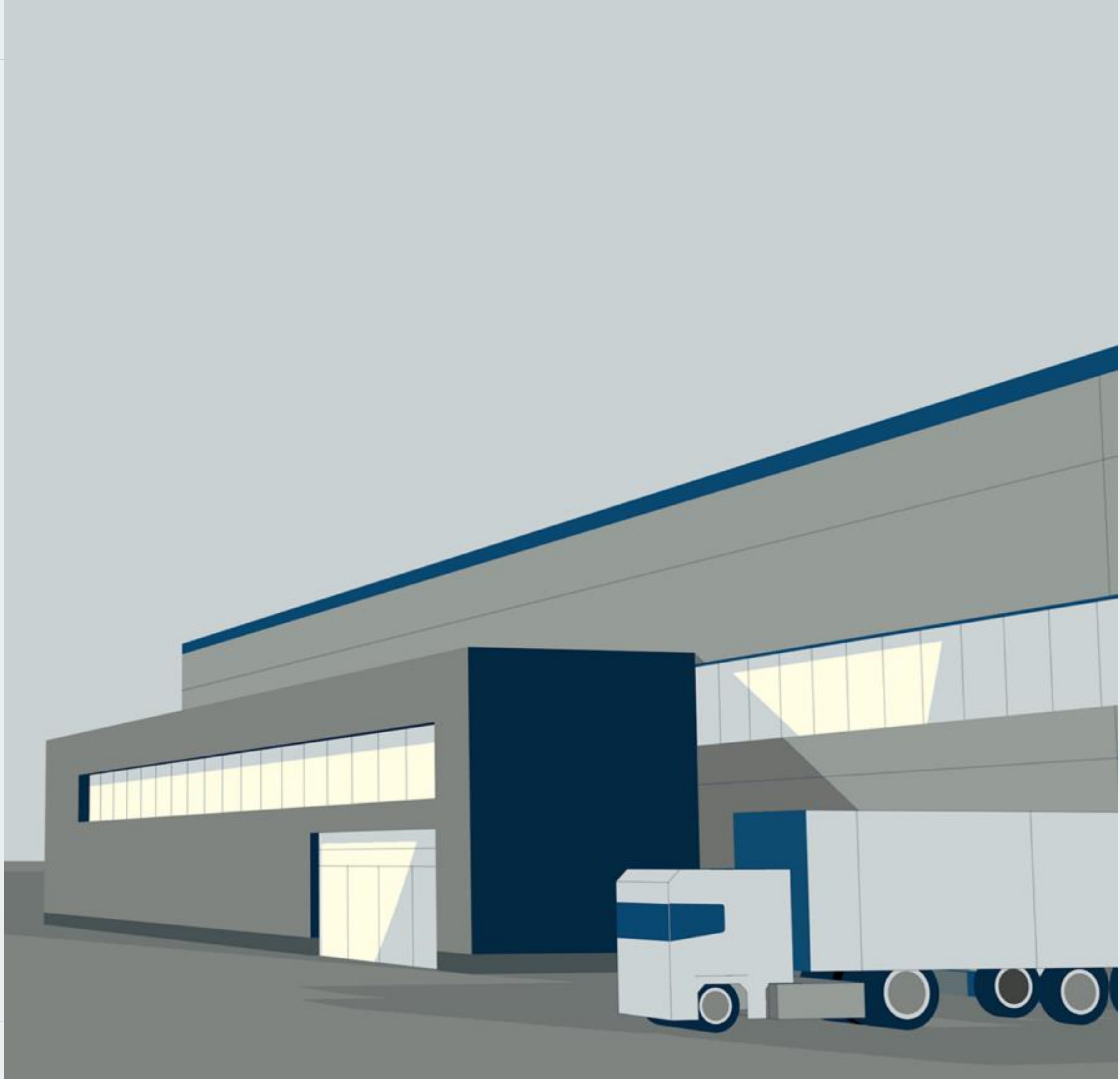




08

Regional Overview – Logistics

1. Ashdod
2. Modiin/ Shoham
3. Caesarea
4. Haifa



Regional Overview – Logistics

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 in the first half of 2025, 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.

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: Fridenson Group, 207 Group, Overseas Commerce, Ashdod Bonded, Globus Group, LogistiCare, Sela Logistics, Orshar

*Average Rent (sqm/Storage)	Average (Price/1,000 sqm)
ILS 55	6 Million ILS

for Class A, new logistical centres

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: SLE – Teva, Shufersal, Tnuva, Yochananoff, Osem, Ramat HaGolan Winery, Gamida Group, UMI

*Average Rent (sqm/Storage)	Average (Price/1,000 sqm)
ILS 60	6.5 Million ILS

for Class A, new logistical centres

Haifa

The proximity to the 2 ports in Haifa (the old and the new port) 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 2025, alongside the continuing development and growth of the new port, which is still experiencing a partial scope of container movement and a lower level of activity as compared to that which had been expected.
According to the report of the Steering Committee of the Strategic Plan for the Development of Haifa Bay, which was published in March 2025, the timetable for the clearing of the oil refineries and distillation terminals in the Haifa Bay, in favor of development of employment, residential and logistical purposes – has been postponed by six months from its original date, namely from 2029 to 2030.
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: Overseas Commerce, Fridenson Group, LogistiCare

*Average Rent (sqm/Storage)	Average (Price/1,000 sqm)
ILS 50	3.5 Million ILS

for Class A, new logistical centres

Caesarea

The industrial area of Caesarea is characterized by storage facilities for manufacturing companies alongside importers and distributors and also 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 storage facilities of industrial companies.
Leading Companies in the Area: Diplomat, Fritz, Decathlon, Delta, Golf Group, Schestowitz, Comasco, Caesarea Assets Corporation

*Average Rent (sqm/Storage)	Average (Price/1,000 sqm)
ILS 55	4 Million ILS

for Class A, new logistical centres

09

The Current Situation Of The Commercial Real Estate Market In Israel

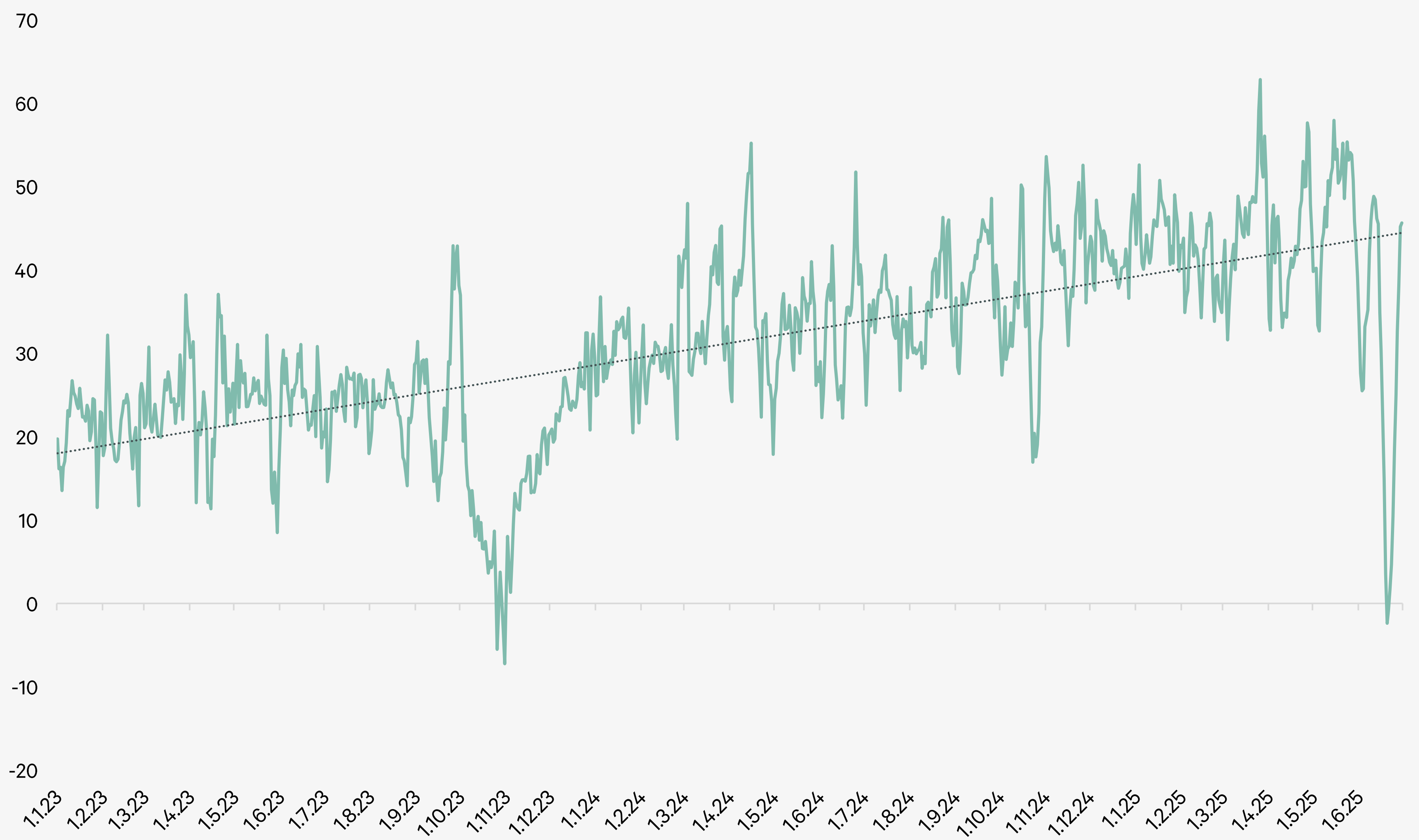
The Retail Market

The Retail Market

During the first six months of 2025, the retail sector in Israel continued to present significant growth. New records were set by the revenues of both malls and commercial centres; in addition, online sales continued to increase. This positive trend was supported by a consistent increase in the volume of credit card purchases, reflecting the growth in personal consumption.

However, in June there was a sharp decline in the volume of credit card purchases. This decline was directly due to the events of Operation “Rising Lion”, the 12 day war with Iran. As a result of the operation, all shopping malls were closed for 10 days, which led to an immediate impact on retail data.

Figure 18: Purchases Change in the Volume of Credit Card (%)



Source: Bank of Israel

Contacts

Tomer Eyaly

Head of Capital Markets & Research
tomer.eyaly@cbre.com

May Moshe

Capital Markets & Research
May.moshe@cbre.com

Smadar Pomerantz

Administration Manager
smadar.pomerantz@cbre.com

Hadar Muchnik

Design
hadar.muchnik@cbre.com

CBRE