

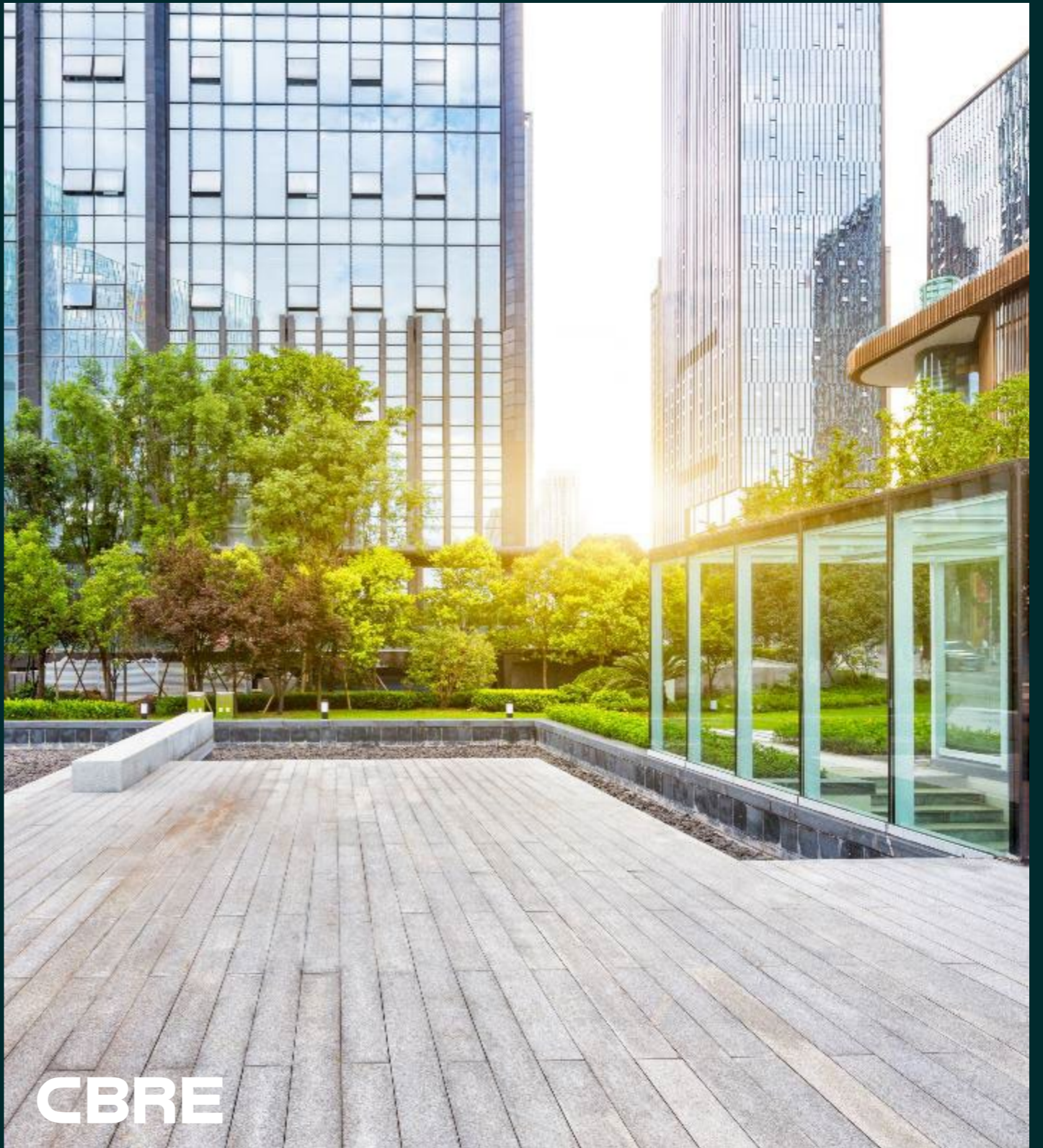
2022

Market Outlook

REPORT

ISRAEL

CBRE RESEARCH



CBRE

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Introduction



Chaim Agi

Managing Director
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The year 2022 will be remembered as a challenging period marked by significant declines in global markets, particularly in the Israeli market. The primary cause of this downturn was the substantial increase in inflation rates, which prompted central banks worldwide, including the Bank of Israel, to implement a policy of aggressive interest rate hikes.

The high-tech industry, a significant contributor to the local economy, is also experiencing a decline in capital raising and extensive layoffs due to efficiency efforts. Despite these challenges, there were some positive trends, such as record construction starts in the logistics sector, an increase in retail property revenues, and general stability in occupancy rates in the commercial real estate industry.

Despite the challenges faced in 2022 and the anticipation that they will persist into the following year, we remain optimistic that the Israeli economy will successfully overcome these obstacles.

01

The Economic and Business Conditions in Israel

The Economic and Business Conditions in Israel

The Key Story: Interest rate hikes on the backdrop of rising inflation

2022 will be remembered as a particularly hard year for the global markets, illustrated by the sharp drops in share and debenture indices, upon a backdrop of the continuous interest rate hikes evidenced worldwide. This brought an end to the era of zero interest and cheap money. The ongoing war between the Ukraine and Russia and the global energy crisis continued to affect the markets. From the beginning of the year, even though the euphoria which had been felt with the end of the COVID pandemic, was beginning to fade, the side effects of the pandemic were still being felt – disruption to manufacturing and supply chains, increase in transportation costs, the dire shortage of raw materials – all leading to inflation increases in many countries around the world. During the first half of the year, the Central Banks delayed their responses, believing that the inflation rise was temporary, then came the Russian-Ukraine conflict (February 23, 2022) which threw markets into turmoil and led to another rise in inflation due to the surge in energy and commodity prices. The Central Banks (who had previously been slow in responding) took aggressive action and tightened monetary policy. The Bank of Israel followed this policy – during 2022, the Bank of Israel increased interest from the rate of 0.1% (which had been in place for a long period) to a rate of 3.25%¹, and this, in light of the annual inflation rate being equal to 5.3%. However, we will note that Israel enjoyed a relatively low inflation rate compared to that in most of the Developed Countries, inter alia, due to the pre-existing high prices in Israel, competition, strong local currency (New Israeli Shekel) and the local cost of electricity production which is not affected by increase to gas prices (fixed price).

Figure 1: Change in the Average Interest Rate on Bank Credit - in the Unindexed Shekel Sector 2020-2022

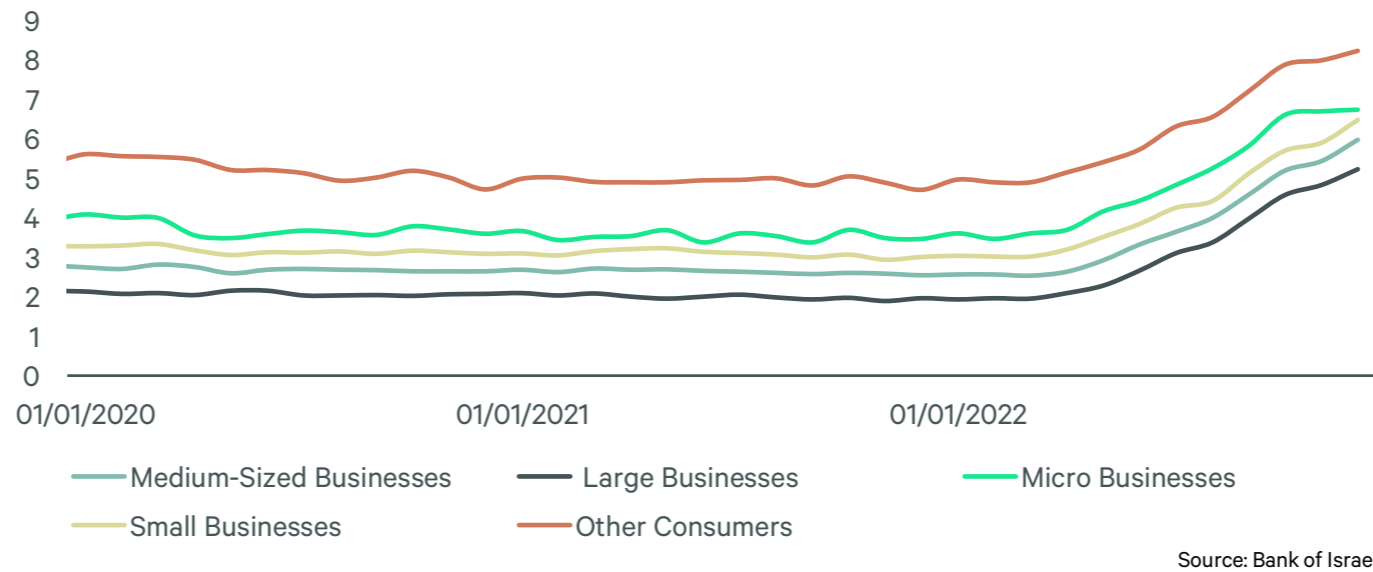
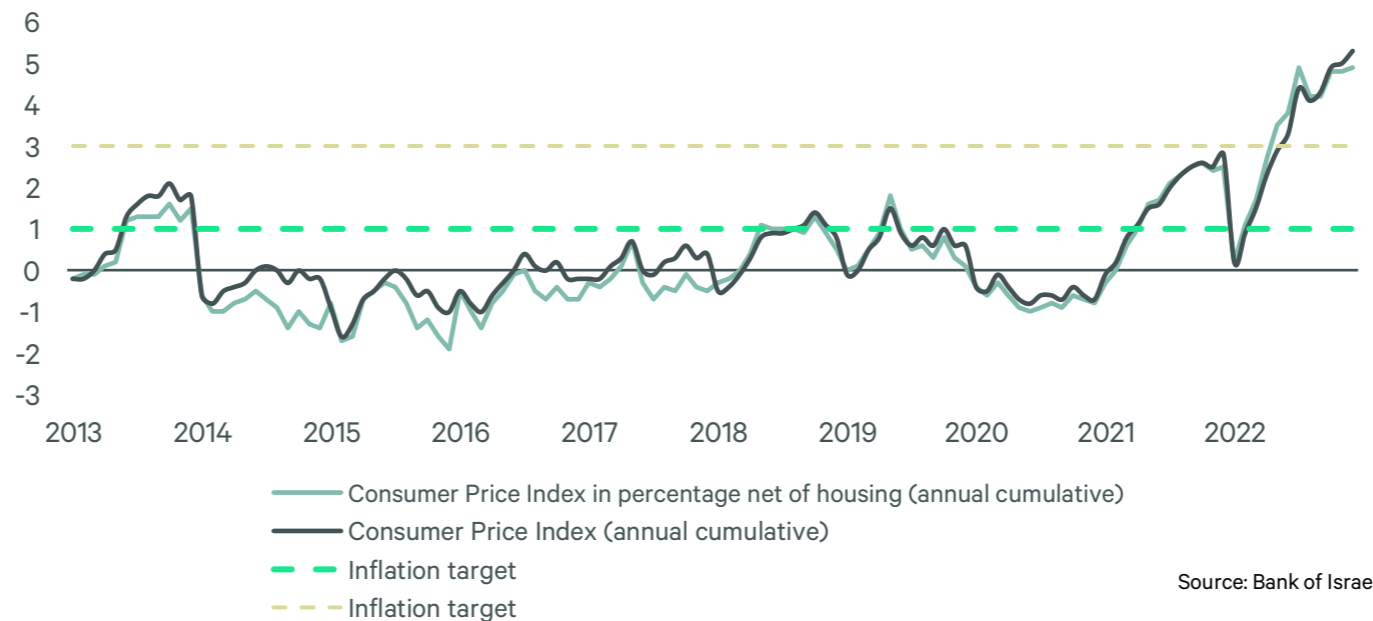


Figure 2: Consumer Price Index (general and Core CPI net of home prices), Annual Rate



¹ During Q1 of 2023, the interest rate continued to rise to a level of 4.5%

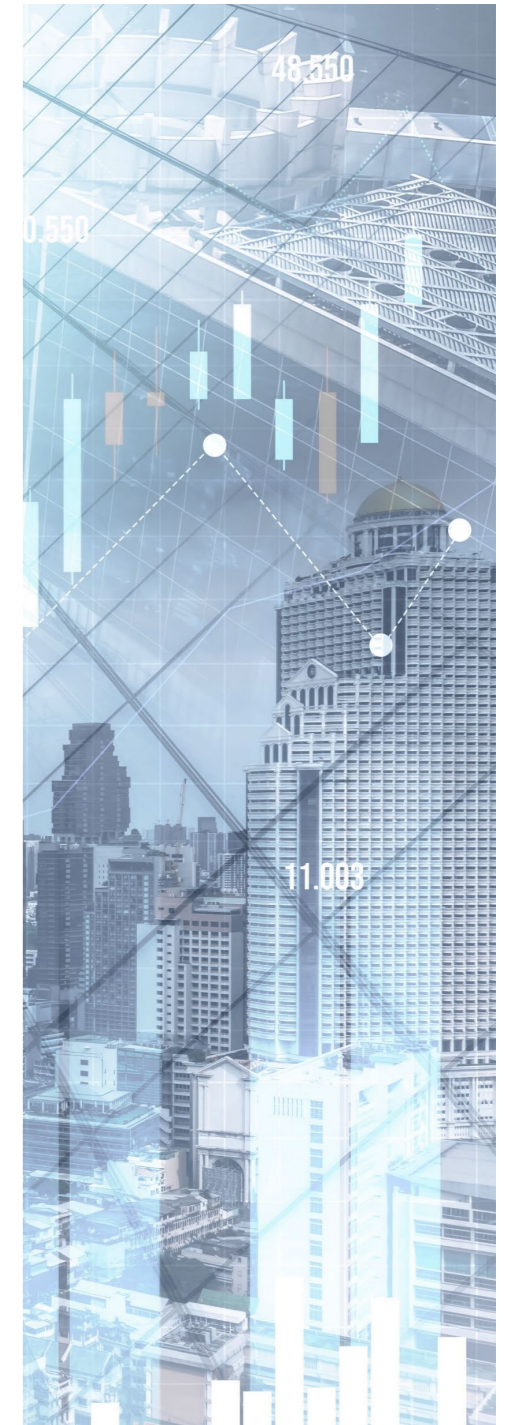
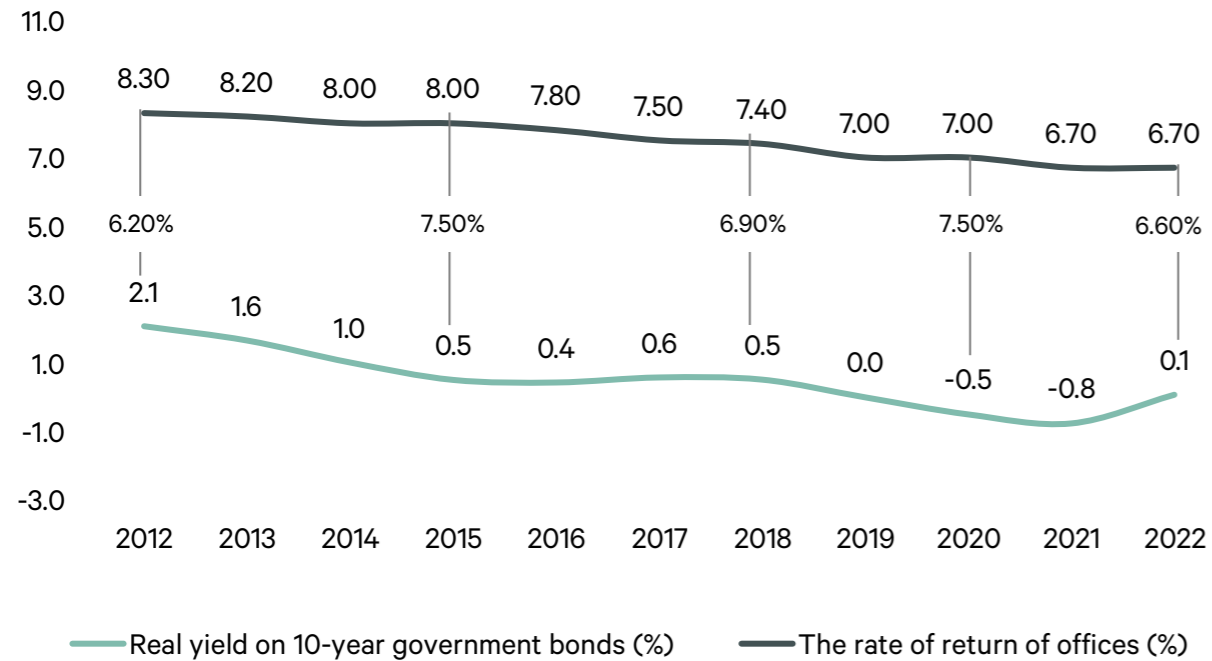
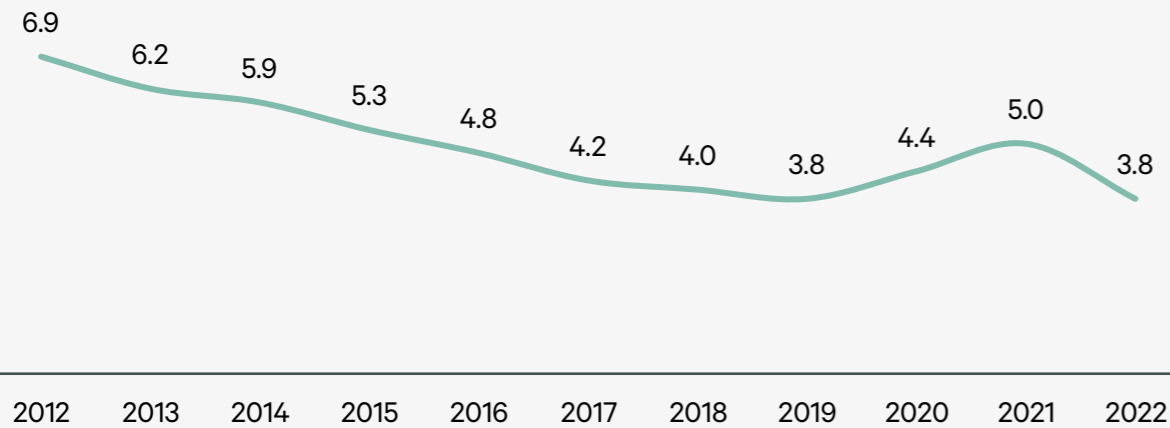


Figure 3: The Gap Between Yield of Bonds and Yield of Offices



Source: Bank of Israel data processing and Government Appraiser review

Figure 4: Unemployment rate 2012 - 2022 (%)



Source: CBS

According to the Bank of Israel forecast for 2023, the annual inflation rate is expected to moderate and level off at 3.4% in 2023, 2.3% in 2024 and interest is expected to reach an average of 4.75% in Q1 of 2024. Despite the increase to the interest rate, the difference between the yield from government bonds and the yield from commercial real estate remains high.

Aside from the fact that inflation in Israel passed the high end of the target price range, the Israeli economy continues to show stability (which may increase inflationary pressure). Growth in 2022 reached 6.5% and in terms of GDP – growth of 4.4%. Data from the employment market indicates a very tight market (high demand for workers, alongside a low unemployment rate) with a packed employment environment; as of year-end – unemployment rate in Israel dropped to 3.8% - to its pre-COVID levels, whilst the number of open positions in October hit an all-time record of 150,000 available jobs, which may in turn lead to salary increases.

As of year-end, the overall job market was 4,043,800 (all sectors) – an annual increase of 3.82%, as compared to the number of jobs at the beginning of the year, and an increase of 5.56%, compared to the number of jobs in the market just prior to the beginning of the pandemic. An analysis of the jobs in the “office using” sectors, illustrates a more moderate increase of 3.35%, however, compared to just prior to the beginning of the pandemic – an increase of 6.23%.



02

Capital Markets

Capital Markets

Whilst, the US stock exchanges opened the year to high volatility, this was replaced by a continuous negative trend, as a result of the contracting of multipliers, due to interest rate hikes, especially with respect to technology stock (the growth share) which is more sensitive to interest rates. During 2022, both the NASDAQ index and the S&P 500 index broke negative records and lost more than 35% and 20% (respectively) from previous equal weighted records. These sharp declines led Wall Street into a Bear Market, which we expect to remain in for some time.

Investor concerns relating to the Fed's aggressive policy of interest rate hikes and shrinking balance sheet is another reason for the high volatility and continued decreases, which are expected to lead to a reduction in economic activity and accordingly detrimentally effect income and profitability of corporations. As we said, the technology sector (growth shares) is more sensitive to interest hikes and therefore it is not surprising that most losses were witnessed in this sector (especially by companies with high multiples as seen in the NASDAQ index).

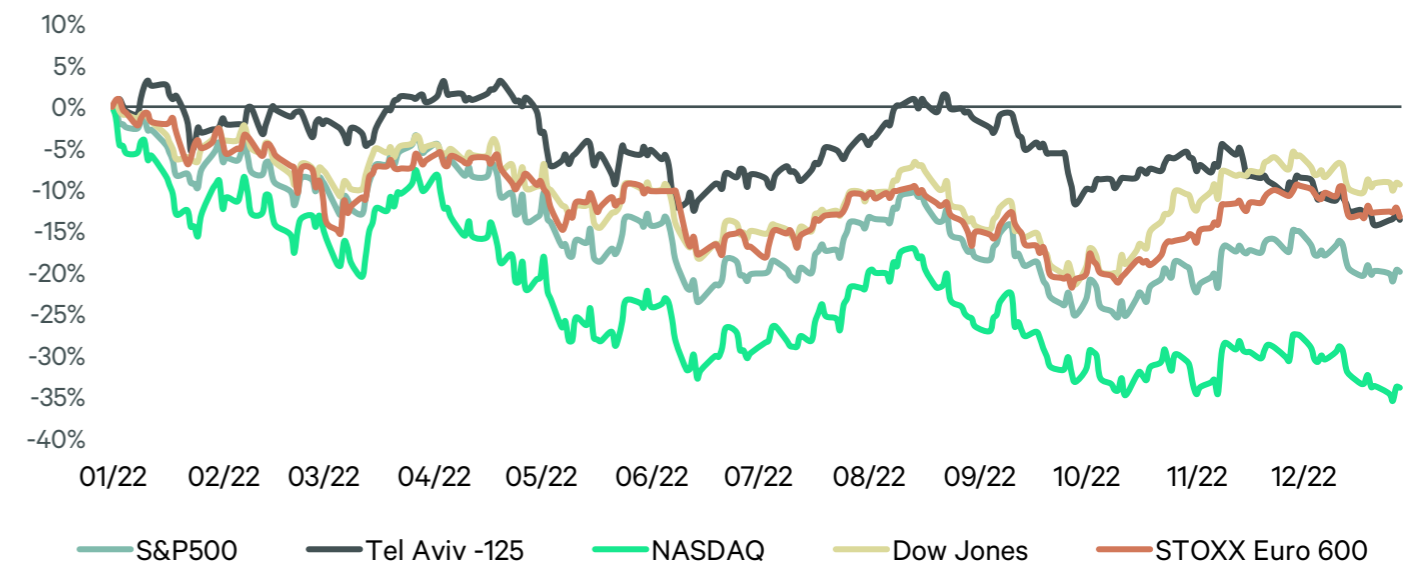


Comparison of Annual Returns, Leading Indices in Israel

	2020	2021	2022
TelAviv-35	-11%	26%	-9%
TelAviv-90	18%	29%	-18%
TelAviv-125	-3%	26%	-12%
TelAviv-SME60	16%	24%	-33%
TA-Growth	29%	6%	-33%
TelAviv-TechElite	39%	4%	-30%
TelAviv-Technology	38%	7%	-27%
TelAvivBanks-5	-22%	58%	-4%
TelAviv-RealEstate	-5%	46%	26%



Source: Tel Aviv Stock Exchange

Figure 5: Performance of Key Indices from the Beginning of 2022 to the End of its Second Half (daily data)



Source: Bank of Israel

Companies' financials²

Company	Value of income-yielding assets (Million ILS)	No. of properties in development	Leverage rate	ALS Lease agreements without properties in development	Income-yielding spaces (Thousands Sqm)	Occupancy rate	Weighted average effective interest rate indexed to the CPI	Average capitalization rate for the value of income-yielding assets	NOI (Million ILS)	FFO - Forecast for 2023
 Gav Yam	9,837	16	53.3%	4 Years	1,090 Sqm	98%	1.30%	6.30%	555	ILS 360 Million
 Amot Investment	16,523	3	42%	5.5 Years	1,150 Sqm	94.4%	1.61%	6.20%	931	ILS 785 Million
 Azrieli Group	26,000	15	33%	6 Years	1,377 Sqm	98%	1.43%	6.83%	1,953	-
 Sella Capital	5,130	-	56%	4.9 Years	524 Sqm	96%	1.69%	6.71%	288	ILS 230 Million
 Melisron	4,500	18	42.8%	3.7Years	907 Sqm	99%	2.05%	6.95%	1,244	ILS 1,360 Million

² According to the annual financial statements as reported on the Israel Securities Authority website

03

Hi-Tech Sector

Hi-Tech Sector

The hi-tech sector is deemed to be the jewel in the crown of the Israeli economy, employing more than 10% of the local working population and contributing more than 16% to GDP. Israel is a significant player in the venture capital market; according to the Bank of Israel report “In 2022, Israeli hi-tech companies received 4% of the total worldwide venture capital investments, which is 10x larger than Israel’s share of world GDP”. However, with that, we will note that the Israeli hi-tech sector suffered a contraction in activity in 2022 as compared to 2021.

The number of start-up companies that are incorporated each year is in decline, it is estimated that 633 start-up companies were founded in 2022.

In 2021, with low interest rates and due to the high demand for technology products - \$25.8 billion was invested in Israeli start-up companies. In addition, that year saw high demand for workers in the hi-tech sector. All this contributed to the increase in demand for During office space in Tel Aviv and neighboring locations.

Figure 6: Volume of Start-ups Opened Between 2015-2022

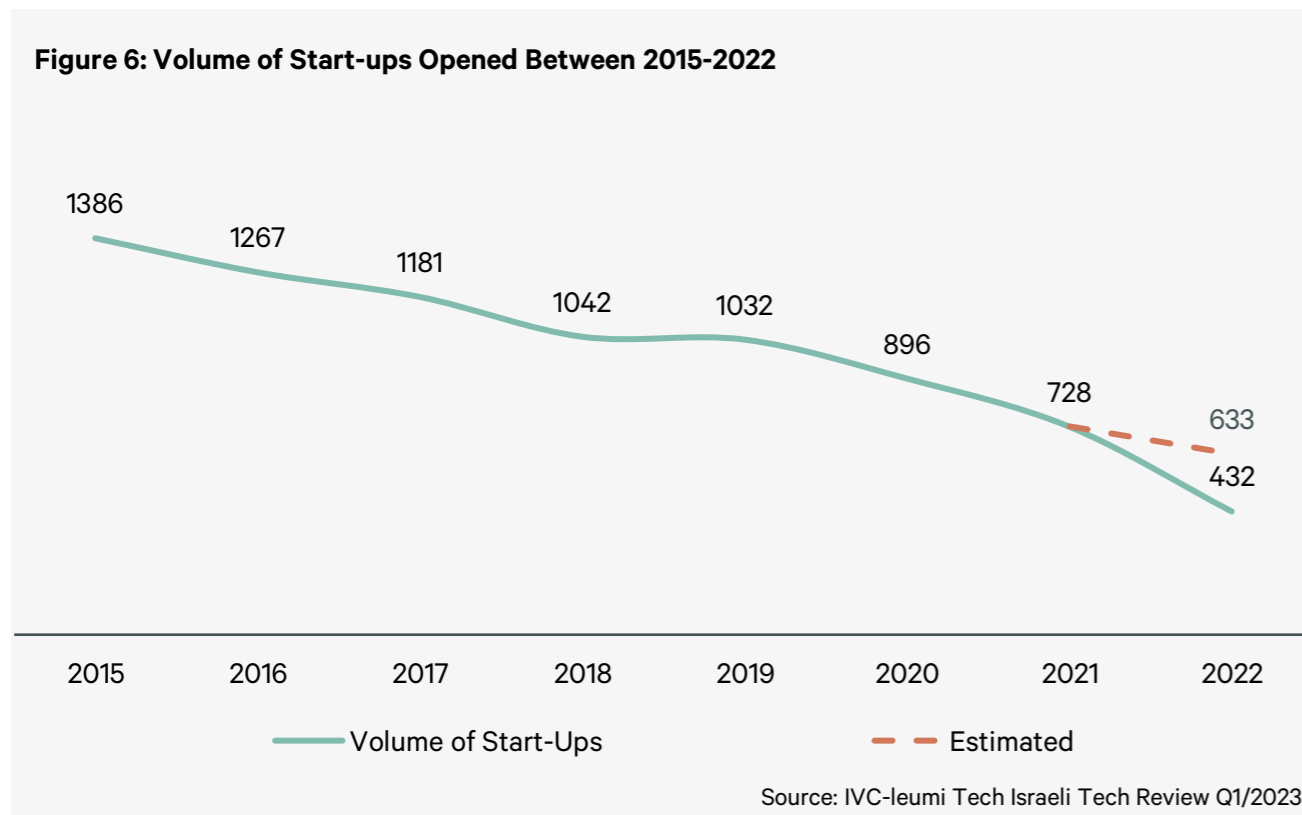
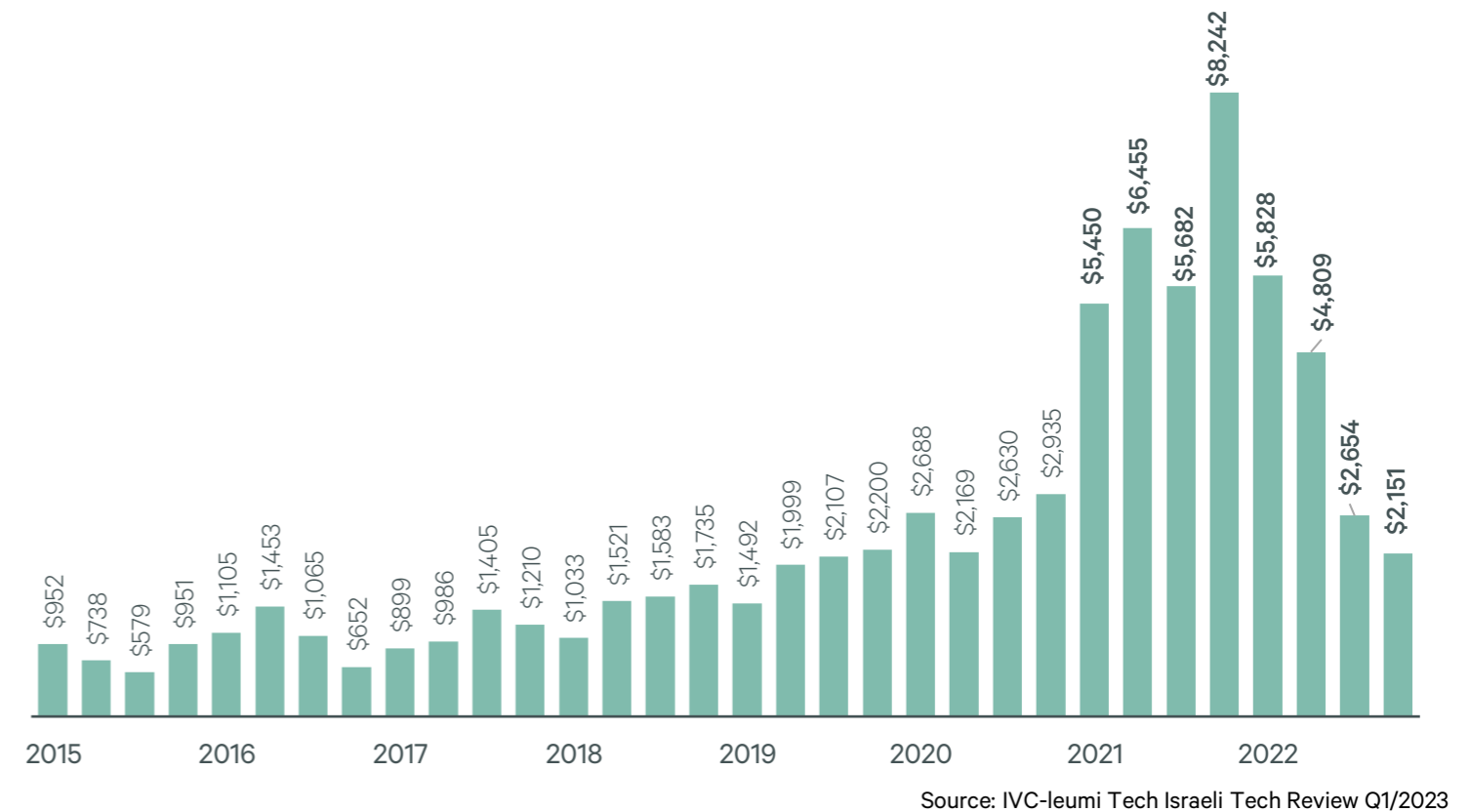


Figure 7: The Volume of Capital Raised (in billions of \$) by Israeli Start-Ups Between 2015 - Q1 2023



During the first half of 2022, it appeared as if this trend would continue - \$10.6 billion was raised (similar to that raised during the first half of 2021), however during the second half of 2022, the trend reversed - increasing inflation, interest rate hikes and decrease in availability of capital all served to increase jitters in the market of a possible slowing down of the economy, which would lead to a decrease in the demand for technology-based products and services. This resulted in more than a 50% slash to capital raised, ending the second half of 2022 with \$4.8 billion raised.

Accordingly, there was a decline in the number of open job positions and total demand for hi-tech employees was similar to pre COVID levels.

Whilst the data shows us that, during 2022, there was an overall cooling in the hi-tech sector compared to 2021, the sector did remain buoyant overall.

04

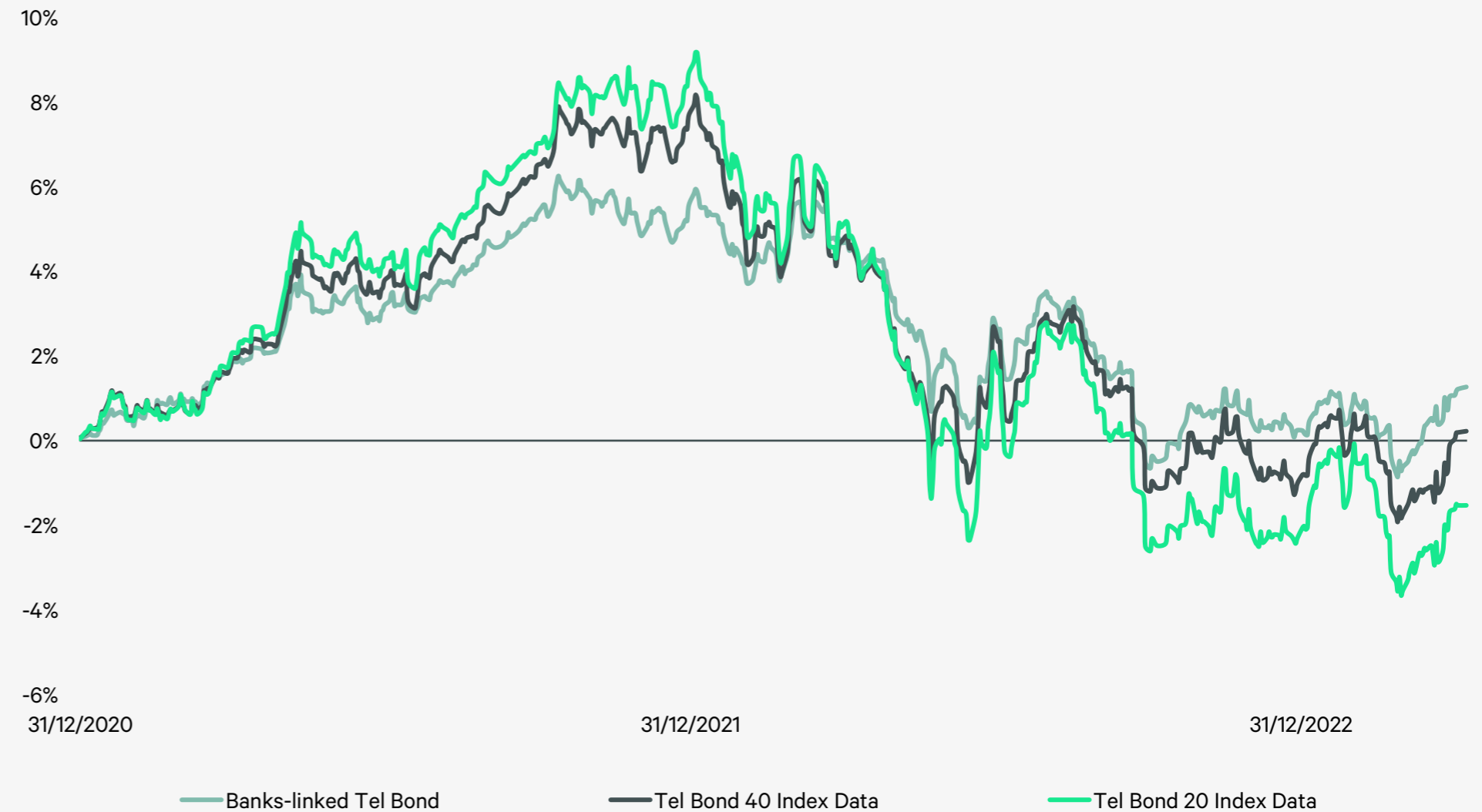
Income-Yielding Real Estate

Income Producing Real Estate

The consequence of high inflation and the global policy of interest rate hikes has been felt in the income producing real estate sector. The shares of many of the large income producing real estate companies traded on the Israel stock exchange registered falls from the beginning of the year. Principally, investors were concerned by the drop in value of the technology companies – many of whom are primary tenants in commercial properties.

Another significant change that we are witnessing with respect to bonds traded on the Israel stock exchange, is the rise in yield margins between Israel Government bonds and those of the income producing real estate and development companies. Many of these companies are highly leveraged and are facing increasing funding costs, as a result of the increase of the yield to their bonds (on the backdrop of inflation and interest hikes).

Figure 8 : Corporate Bond Yields Key Indices (daily data)



Source: Tel Aviv Stock Exchange

06

Overview Of The Commercial Real Estate Market In Israel

Office Market

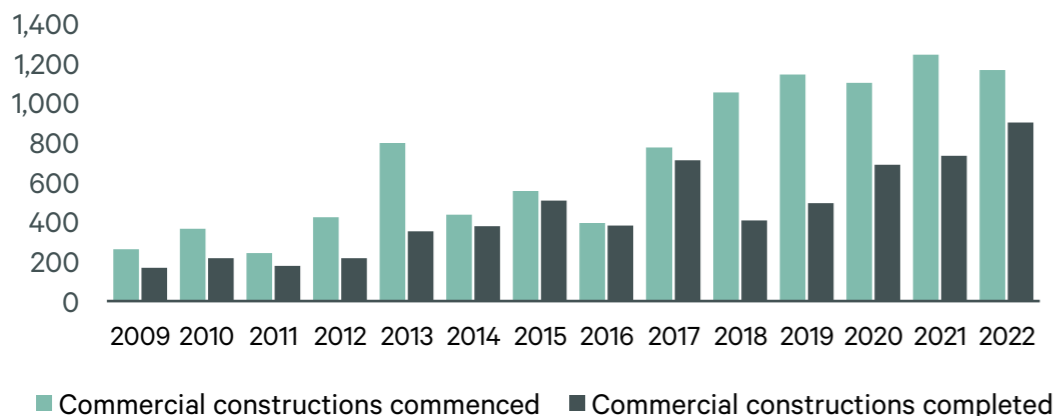
Office Market

2022 was a record year in the office market – 900,000 sqm of office space was added to the market and an additional 1,165,000 sqm space in construction start. In the middle of 2022, the office market reached a record in rental value and demand for office space – primarily in Tel Aviv and surrounding areas. We will point to 2 main factors:

1. Demand for office space from start-up companies, which had raised substantial amounts of capital and allowed themselves to lease considerable office space with the view to recruit additional employees and expand their activities.
2. Many companies that desired to upgrade their office space from Class B type space to Class A.

The steep rise in inflation and the continued interest hikes imposed by the global central banks and the Israel Central Bank in particular, led to a reduction in the raising of capital during the second half of 2022. This led companies to rethink their strategy, to moderate their recruitment drives and, in many cases, to initiate employee lay-offs. It is estimated³ that during the year, companies made 8,000 employees redundant worldwide (7,000 of which in Israel itself), comprising of 20% of the workforce of those companies. The majority of these redundancies (83%) took place in the second half of 2022.

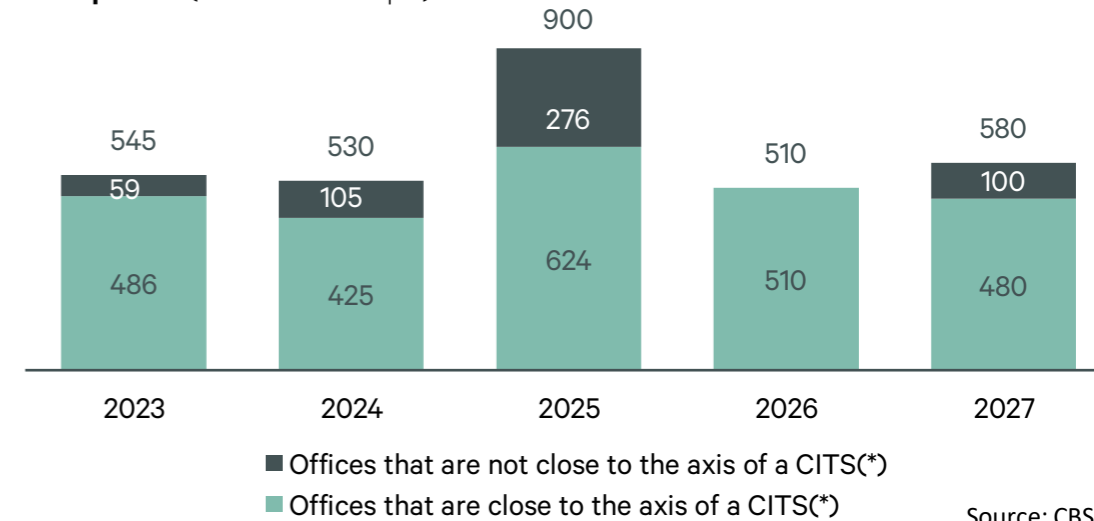
Figure 9: Construction Commencements and Completions for Offices Nationwide 2009-2022 (Thousands of Sq m)



Source: CBS



Figure 10: Estimated Scope of Office Space Area Nationwide by Year of Completion (thousands of Sq m)



Source: CBS

(*)CITS: Commuter-Intensive Transportation System

During the final months of 2022, we noted an increase to the supply of office space in prime locations of Tel Aviv, as hi-tech companies that had previously leased space for future growth purposes searched for sub-tenants for this space, in an attempt to reduce their overheads.

Whilst, in the prime city locations, we did not note a substantial decrease in asking rent, only a partial reduction; demand for office space in Tel Aviv remained high. We did however note large vacancies in the second-tier cities – Holon, Petach Tikva, Bnei Brak – where supply substantially increased due to completion of several projects in the BBC and Kiryat Arie areas.

An analysis of the 2022 financial reports of the publicly traded companies presents a picture of approx. 7 million sqm of office space under project commencement (planning, registration or construction starts) and approx. 3.2 million sqm of space that will be delivered into market by the end of 2028.

As of 2028 onwards, approx. 3.6 million sqm of office space is in the development, registration, planning process; 2.6 million sqm of the aforementioned office space is planned in proximity to the proposed light railway axis.

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 approx. 4.8 million sqm.

³ Based upon formal reports only by the company and/or newspaper articles

Noteworthy Transactions:

01 Office building - Yehuda Halevi St., Tel Aviv - Sella Capital

On April 26, 2022, a sale transaction was reported with respect to an office building comprising of 13,000 sqm above ground and 205 underground parking places, for ILS 623 million. The building is located at the crossroad of Yehuda Halevi and Herzl streets in Tel Aviv, and close to a station of the future red line light railway. The transaction reflects a value of approx. ILS 48,000 per sqm (including commercial space on the ground floor. The building is subject to reservation obligations. The building is in good condition; however, an investment is required to the general systems of the building and internal adaptations. Adjacent to the building (shared wall), Canada Israel is constructing a mixed-use building (office space and residential), with asking office rent in the region of ILS 180-200 per sqm per month, thus resulting in a 5% annual yield for the transaction.

02 Office floors for rent - Arvei Nahal St., Givatayim - Meitar Law Office

On November 14, 2022, a rental transaction was reported with respect to the lease of 30,000 sqm in the BEYOND project in Givatayim. The building is located at the crossroad of Arvei Nachal and Ariel Sharon streets in Givatayim, in close proximity to the Arlozorov junction and Ayalon freeway, the Savidor train station and the future light railway station and also the Diamond Exchange. The project is expected to be delivered into market during 2026. The rent is ILS 90 per sqm per month, shell and core, which reflects a substantial fiscal benefit to this anchor tenant at the early stages of marketing of the project – rental levels in nearby (similar) buildings stood at ILS 150 per sqm per month, shell and core. The Meitar law office will lease 17 floors (each of 1,800 sqm) for a period of 25 years, with an option to extend the lease. Presently, the Meitar law office leases for similar monthly rent, approx. 20 thousand sqm in the Orek building and another adjacent building on Aba Hillel in Ramat Gan.



06

Overview Of The Commercial Real Estate Market In Israel

Logistics Market

Logistics Market

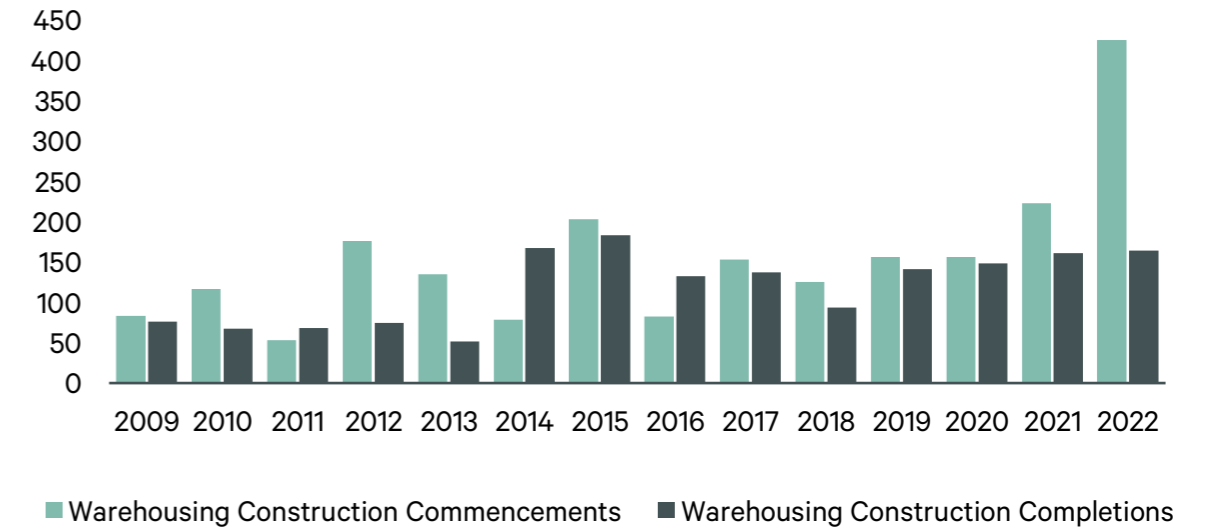
Growth evidenced in previous years in the logistics' market in Israel continued during the second half of 2022 – land prices in popular areas close to Route 6, other main highways and adjacent to the Israel ports – remained high. Whilst purchase price of land remained high, rental prices for logistic buildings and storage facilities substantially dropped, leading to a decrease in yields. It is expected that the commencement of activities during 2021 of the operation of new 2 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 to activity of between 3-4%.

During this period, we note the continued entry of institutional bodies into this market – especially evident among the insurance companies, who partner with promoters. For example, Migdal Insurance Company purchased 50% of the rights in a logistical campus in the Modi'in Technology Park and plans, together with Yahav Nahmias company, to construct a build to suit logistic campus for Elbit.

Due to scarce availability of land and available built structures, we note technological developments in the distribution centre branch – which seek to maximize storage area by increasing storage space above the standard 12 m height, utilizing automatic mechanization processes.

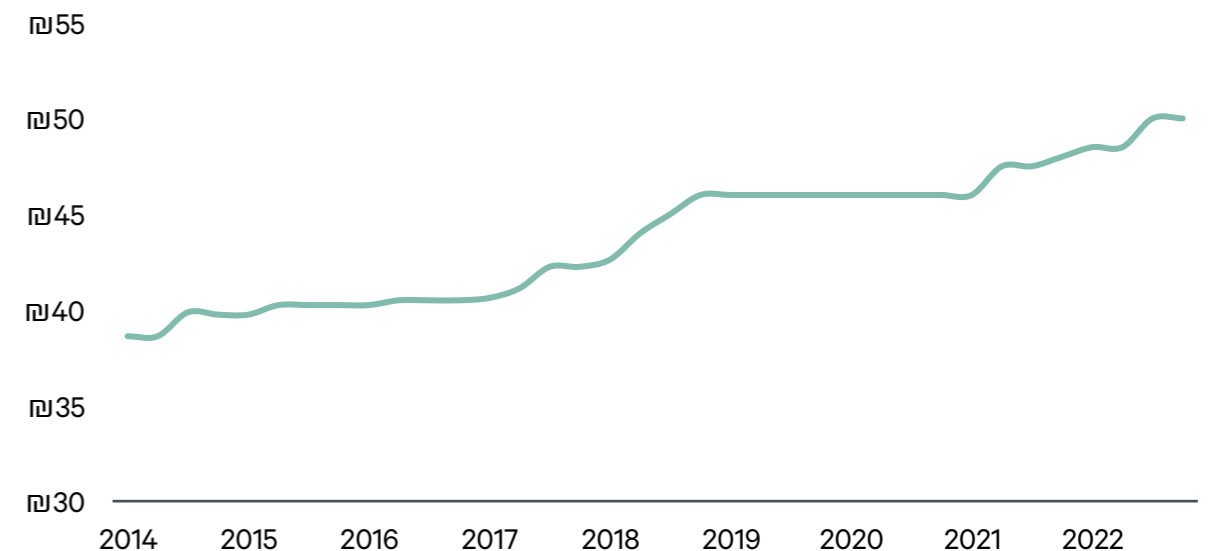


Figure 11: Construction Commencements and Completions for Logistics and Warehousing Nationwide 2009-2022 (Thousands of Sq m)



Source: CBS

Figure 12: Average logistics rental fees in Israel between 2014-2022 (ILS/sqm)



Noteworthy Transactions:

01 Land for logistic purposes – Close to Ashdod Port – Aspen Group, Ewave Nadlan and Clal Insurance

On September 13, 2022, a sale transaction was reported with respect to an area of 42 dunam of land (in the vicinity of the Ashdod Port) with a designated purpose of industrial and storage. Sale consideration – ILS 350 million. The transaction reflects a value of ILS 8.3 million per dunam, comprising of a 10% premium compared to another recent transaction of ILS 7.5 million per dunam. The intended project includes 20,000 sqm of automated mechanized storage space of a height of 40 meters, alongside an additional 13,000 sqm of logistic, office and workspace. The logistical centre is intended to be used for storage purposes by multiple tenants, anticipated rent of ILS 70 per month per pallet – with a total of 130,000 pallets. Cost of set up (including purchase of land) is expected to be approx. ILS 1,000 million, with a value as built of approx. ILS 1,300 million. Expected profit of the project is approx. 30%.

02 Land for logistic purposes – Beit Shemesh – Fox Group, Mega Or

On July 17, 2022, a sale, joint venture, set up and land lease transaction was reported with respect to 98 dunam of industrial purpose land (at present, without storage purpose, which will require a change to the land rights' plan) in the industrial area of Beit Shemesh. Consideration reflects a land value of ILS 83 million. The project comprises of construction of between 50 thousand – 75,000 sqm and will be leased to the Fox Group for the intended use as its central logistic facility.



07

Overview Of The Commercial Real Estate Market In Israel

Retail Market

Retail Market

Despite the interest rate hikes and fears of a down turn in economic activity, 2022 saw a substantial increase in trade in the shopping malls, retails centres and high street shops, alongside a moderate increase to the number of transactions in the retail market.

The main factors for this were the swift return of the public to the retail arenas after COVID, increase in costs of flights, increase in income and cash available for spending and the relatively low unemployment rate in Israel.

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 2022 Financial reports of the leading companies in the retail sector, for example the Azrieli Group, Melisron and BIG Group illustrate a substantial mall sale volume.

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

In parallel, according to the 2022 Bank of Israel report⁴:

“Private savings increased during 2020-2022 – as a result of low consumption and high level of personal income compared to that prior to the crisis – and personal savings were accumulated (higher than normal) in the amount of more than 12% GDP”.

“As of 2022, the excess in savings has not been utilized. The reasonable scenario of a slow reduction in saving excess will bring about a moderate rise of personal consumption and GDP, and this is not expected to put pressure on demand or significantly increase prices. The less likely scenario is a swift reduction in saving excess bringing a sharp increase to personal consumption, GDP and import and perhaps even inflation.”



Figure 13: Total of credit transactions - in millions of ILS (14-day moving average)

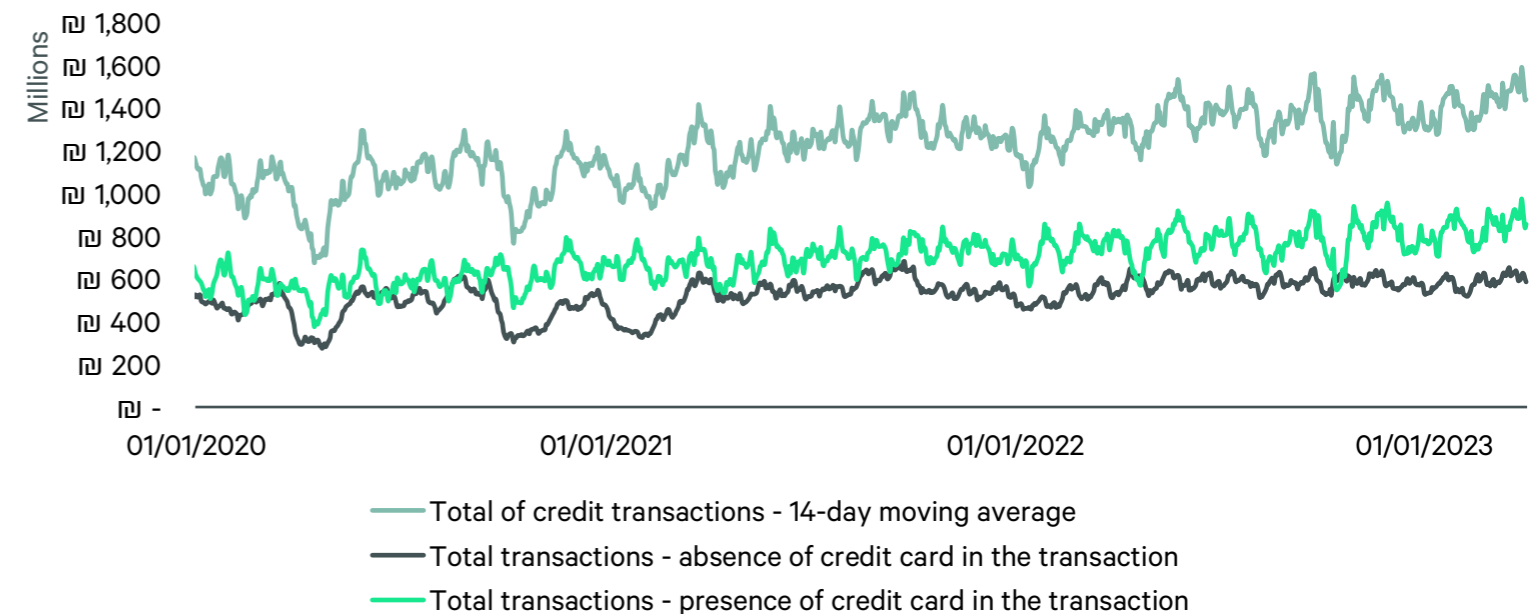
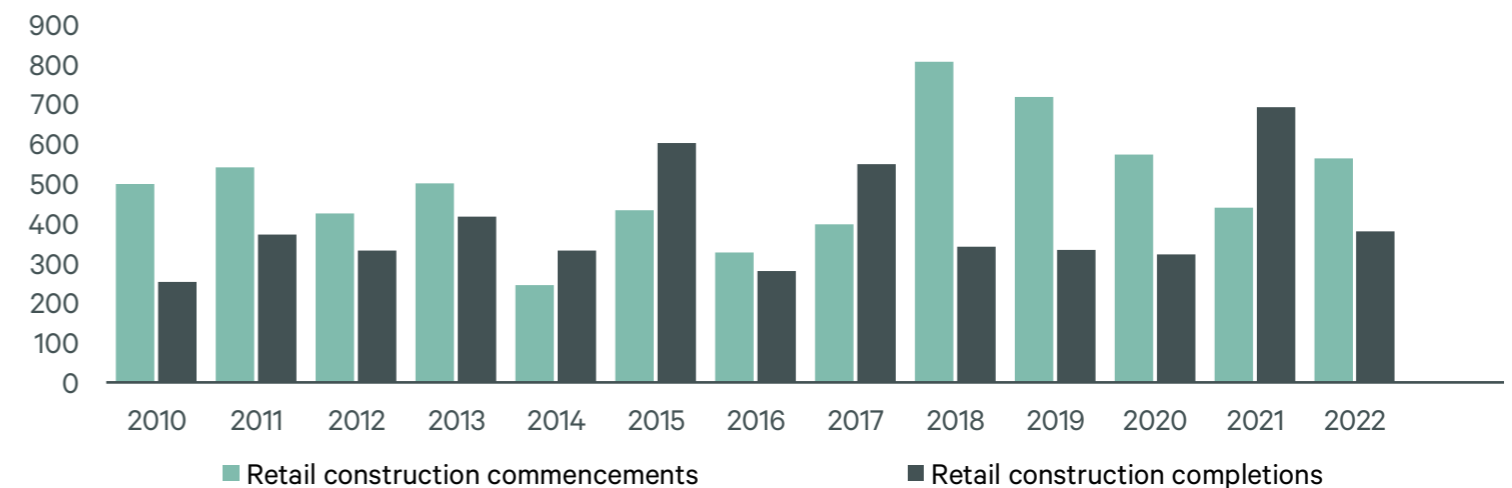


Figure 14: Construction Commencement and Completion for Retail Nationwide 2009-2022
(Thousands of Sq m)



Source: CBS

⁴ Quote from Bank of Israel report for 2022

Noteworthy Transactions:

01 Land for retail use – Yavne – Yochananof, Melisron

On February 6, 2022 a purchase and joint venture transaction was reported – 14 dunam Shay Agnon Street, Yavne, for the creation of an open retail centre to be located on land with a designated purpose of retail and employment. Consideration reflecting a land value of ILS 67 million. Building rights comprise of 8 thousand sqm office space and 17 thousand sqm retail space and more than 600 underground parking places. Within the project, 5,000 sqm is intended for an anchor shop of the Yochananof chain, at discounted rental amount. Assuming rent for retail space at ILS 120 per sqm per month and rent for the office space at ILS 75 per sqm per month, annual yield for this transaction reaches approx. 8%.



08

Regional Outlook

Tel Aviv

Tel Aviv

The office sector of Tel Aviv, primarily based upon hi-tech tenants, is the largest in the country and was less effected by the crisis, compared to other cities. The light rail project that is still under construction is likely to assist the development of the city in the future, by connecting the various business areas (the red line will connect these areas). 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 skyscrapers under construction are changing the rating of the cities' office space. The demand, led by hi-tech companies, for type Class A office space, is growing and in fact, nearly half of the office space in Tel Aviv today is type Class A space.

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

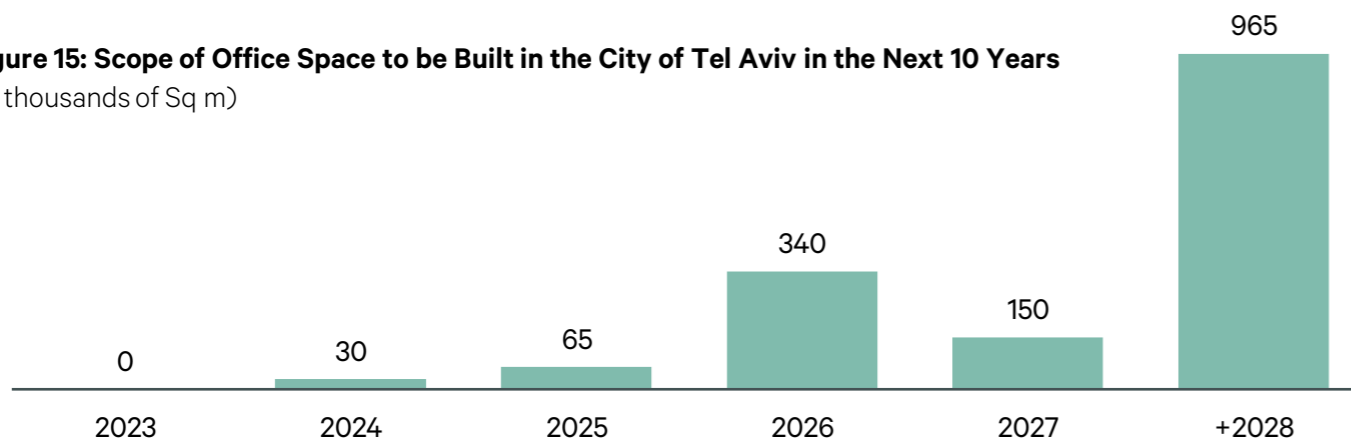
Continuing the trend of past years, the city continues to develop southwards. Residential development began this momentum and now, the office sector has followed suit. The neighborhoods of South Tel Aviv are developing and we can see an increased demand in those areas. This change is fuelled by scarcity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

Anticipated Future Construction

According to reports filed by publicly traded companies⁵, as of now, there are approx. 40 active projects in Tel Aviv, in various stages of development (planning, permits and construction) comprising of approx. 1,500,000 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, approx. 500,000 sqm are already under construction, whilst approx. 1,050,000 sqm are in the development, permit and planning stages.

Figure 15: Scope of Office Space to be Built in the City of Tel Aviv in the Next 10 Years

(In thousands of Sq m)



⁵ Pursuant to the Annual Financial Reports filed on the Israel Securities Authority website

Projects that are in the Planning Stages⁶

Over the last 2 years, certain new plans have been approved in Tel Aviv that potentially may add approx. 1,400,000 sqm in building rights for employment purposes, 180,000 sqm for retail and an additional 90,000 sqm for tourism. Between the years 2015-2022, 76 specific projects were approved in the city, comprising of approx. 110,000 sqm for employment purposes and approx. 530,000 sqm for retail.



⁶ Based upon data from the Government Planning System, plans approved during the preceding 2 years

Office Submarkets:

01 Menachem Begin axis –

Employment zone that spans the length of Menachem Begin Way. This is the new city centre 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 future light rail stations and the planned metro lines which will travel along the entire axis.

Principal 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 approx. 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
- HFN
- PWC
- NIKE

During the last 2 years, specific new projects have been approved in the Menachem Begin axis that may potentially add building rights for an additional 40,000 sqm for employment purposes and approx. 5,000 sqm for tourism.

Over the next decade, 450,000 sqm office space construction shall be completed (that presently are in the development, permit and planning stages).



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 “Hakirya South”, comprising of 40,000 sqm of hotel space and 2,000 sqm for retail

Tenant Mix in the Area:

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

Leading companies in the area:

- Amazon
- Facebook
- KPMG
- Cato Networks

During the last 2 years, specific new projects have been approved in the Sarona submarket that may potentially add building rights for an additional 40,000 sqm for employment purposes, 15,000 sqm for retail and approx. 12,000 sqm for tourism.

Over the next decade, 43,000 sqm office space construction shall be completed (presently under construction).

Area	Avg. rental fees (Sq m\Office)	Avg. occupancy rate
Menachem Begin axis	ILS 130	98%
Sarona Submarket	ILS 150	98%

Main Employment Areas:

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 Hahami Street from the south.

Today, part of this complex incorporates new office buildings and part can be found in a construction boom.

The area is accessible and in the near future the red line of the light railway will pass through.

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 approx. 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
- Yotpo
- HFN

During the last 2 years, specific new projects have been approved in the Hassan Arfa submarket that may potentially add building rights for an additional 20,000 sqm for employment purposes.

Over the next decade, 260,000 sqm office space construction shall be completed, with an additional 100,000 sqm is in the execution stage.

Area	Avg. rental fees (Sq m\Office)	Avg. occupancy rate
Hassan Arafa Area	ILS 160	95%
Yigal Alon Area	ILS 120 ⁷	98%

⁷ At ToHa Tower, the rental fees are higher and stand at an average of ~ ILS 160 per Sq m

04 Yigal Alon Submarket –

located along Yigal Alon Street, between Yigal Alon Street from the west, Aminadav Street from the south, Tozeret Ha'Aretz from the north and HaHaskala 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 highway junctions and will be close to future metro stations (M1, M2) and the light rail purple line.

In the near future, this submarket will expand northwards towards HaShalom Way, with construction of new projects for employment purposes (for example, ToHa and Tozeret Ha'Aretz projects)

Principal Projects under Construction in this Submarket:

- ToHa2 – northwards of HaShalom Way, comprising of approx. 160,000 sqm of office space;
- Mivne is constructing 2 new buildings located on the corner of HaSolelim Street and HaShalom Way, comprising of approx. 70,000 sqm of office space;
- Sipholux Tower, Yigal Alon, developed by “Libental” company, comprising of approx. 40,000 sqm of office space out of which 15% is intended for hotel use;
- Office tower located in Tozeret Ha'Aretz Street, northwards of HaShalom Way, comprising of approx. 30,000 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, financial institutions and advertising agencies.

Leading companies in the area:

- Google
- PayPal
- Motorola
- Checkpoint
- Palo Alto

During the last 2 years, specific new projects have been approved in the Yigal Alon submarket that may potentially add building rights for an additional 350,000 sqm for employment purposes and 15,000 sqm for retail. Over the next decade, 470,000 sqm office space construction shall be completed, with an additional 340,000 sqm in the process of execution



Main Employment Areas:

05 Lev Hayir – 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; approx. 37,000 sqm for employment and retail, alongside approx. 11,000 sqm designated for residential use;
- Tidhar Rothschild Tower, located at the junction of Herzl Street and Rothschild Blvd., comprising of 44 floors designated for retail, residential, employment and hotel use, alongside 5 buildings for historic preservation.

Tenant Mix in the Area:

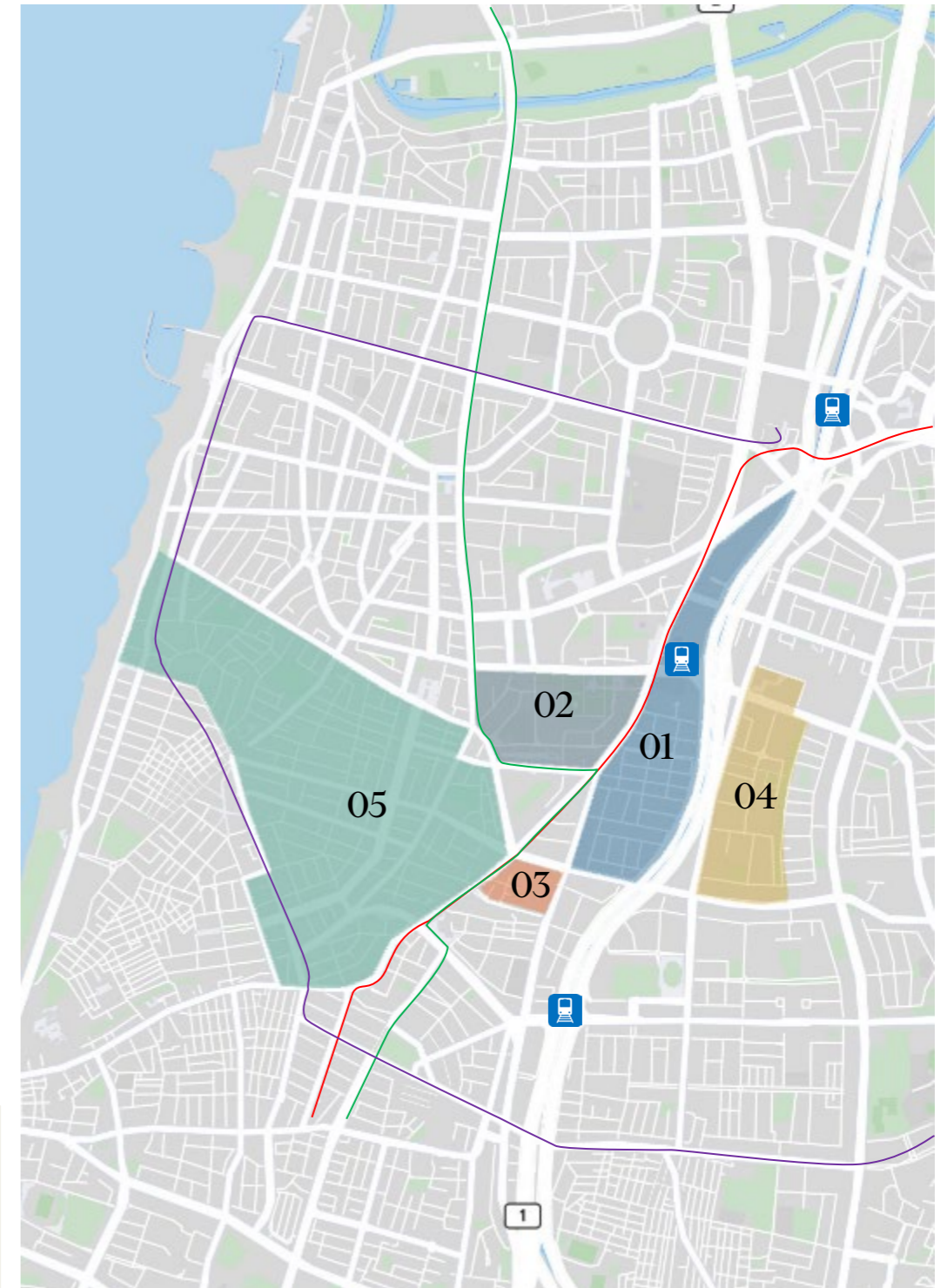
The region is characterized by modern skyscrapers, some of which are with mixed uses, alongside buildings for conservation and old office towers. The tenants are mostly start-up companies, financial institutions and capital market

Leading companies in the area:

- Facebook
- Soluto
- Visa
- Artlist

Area	Avg. rental fees (Sq m\Office)	Avg. occupancy rate
Lev Hayir – Rothschild Submarket	ILS 180	98%

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



09

Regional Outlook

Ramat Gan

Ramat Gan

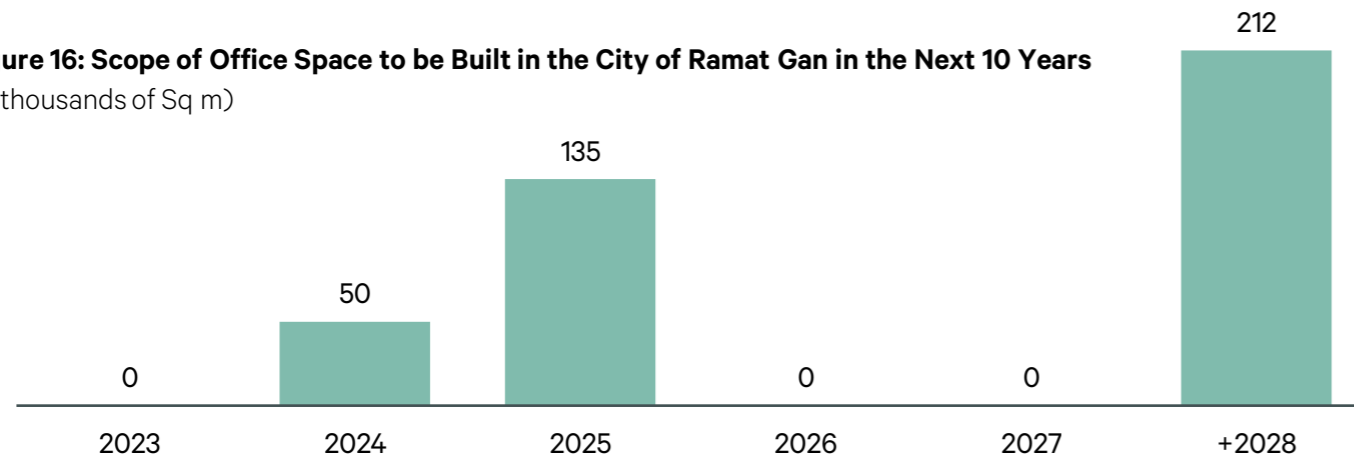
The majority of office space in Ramat Gan is located in the Diamond Exchange complex. The Diamond Exchange is the prime business area of Ramat Gan, due to its strategic location boundaries of 3 cities – Ramat Gan, Givatayim and Tel Aviv. Many deem Ramat Gan to even be an “extension” of Tel Aviv.

Presently, a new business centre is being constructed, located in Tel HaShomer, in the south east area of the city and adjacent to the light rail purple line. Acro Real Estate will complete construction in the coming years of approx. 105,000 sqm of office and retail space in this area.

Anticipated Future Construction

According to reports filed by publicly traded companies⁸, as of now, there are approx. 5 active projects (of wide scope) in Ramat Gan, in various stages of development (planning, permits and construction) comprising of approx. 400,000 sqm of office space and approx. 4,700,000 sqm of retail space. These projects are intended to be delivered into the market over the next decade. Out of the aforementioned office space, approx. 136,000 sqm is already under construction, whilst approx. 262,000 sqm is in the development, permit and planning stages.

Figure 16: Scope of Office Space to be Built in the City of Ramat Gan in the Next 10 Years
(In thousands of Sq m)



⁸Pursuant to the Annual Financial Reports filed on the Israel Securities Authority website

Projects that are in the Planning Stages⁹

Over the last 2 years, certain new plans have been approved in Ramat Gan that potentially may add approx. 40,000 sqm in building rights for office space, approx. 110,000 sqm for retail and an additional 30,000 sqm for tourism. Between the years 2016-2022, 25 new specific projects were approved in the city, comprising of approx. 1,730,000 sqm for employment purposes and approx. 100,000 sqm for retail.



⁹Based upon data from the Government Planning System, plans approved during the preceding 2 years

Main Employment Areas:

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 highway from the north. The Outline Plan RG/1800 provides for additional building rights by way of adding new floors to existing buildings and encourages development and renewal in the city. The area is very accessible via Ayalon highway and the Savidor Central train station.

In addition, metro lines M1 and M2 and the light rail red line are intended to pass through this area.

There is a large supply of Class B type office buildings, as well as high occupancy rates in the Class A type office buildings.

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 approx. 176,000 sqm of mixed-use;
- HaYetsira Project – Ashtrom will construct a tower comprising of approx. 50,000 sqm of office space and approx. 1,000 sqm retail space;
- Tuval Project – Sella Capital, comprising of approx. 36,000 sqm of office space;
- Exchange Project – Azorim, comprising of approx. 34,000 sqm of office space.

Tenant Mix in the Area:

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

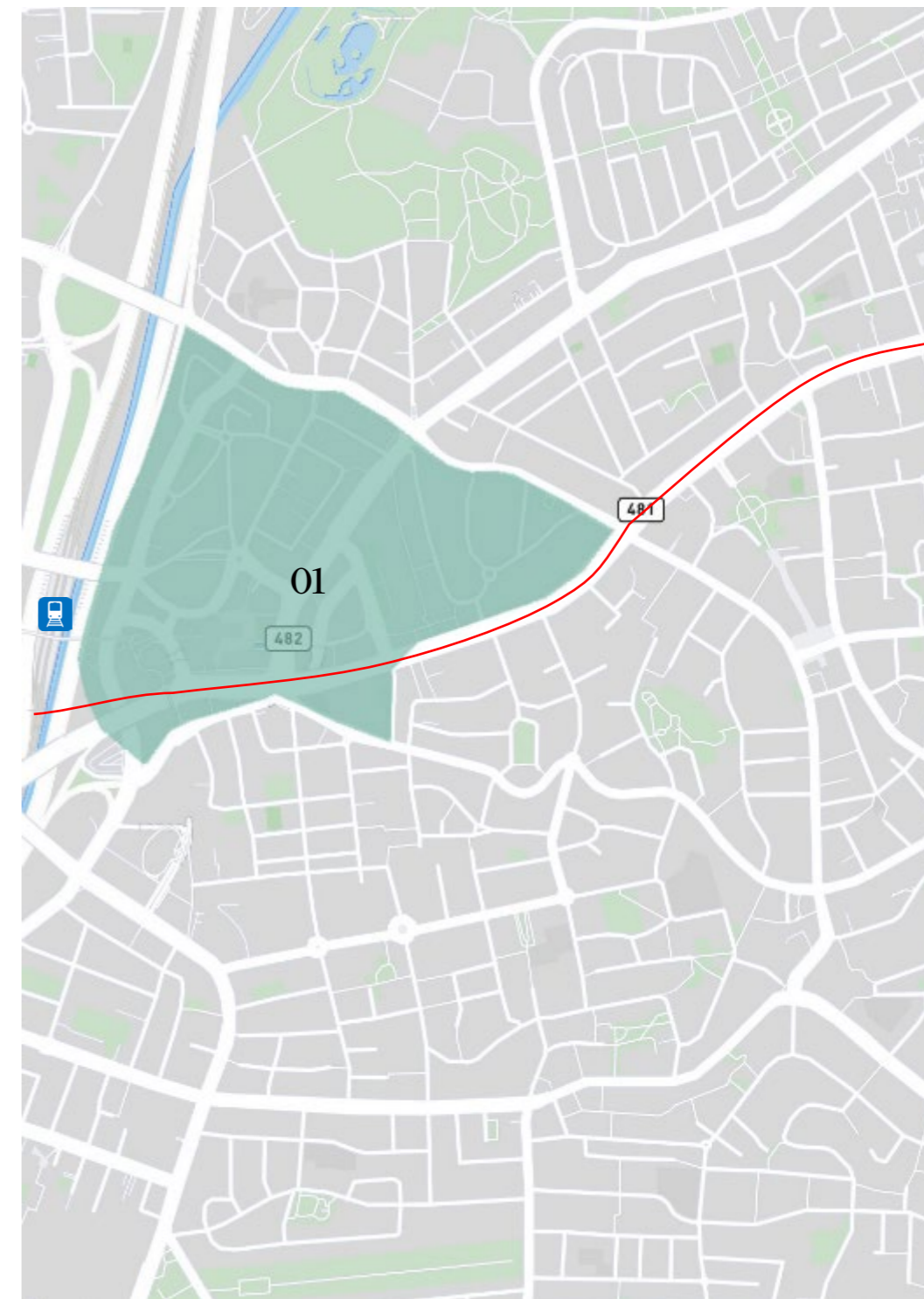
Leading companies in the area:

- HSBC
- Mobileye
- F5
- Taboola

During the last 2 years, specific new projects have been approved in the Diamond Exchange Complex that may potentially add building rights for an additional approx. 150,000 sqm for employment purposes, approx. 8,000 sqm for retail and approx. 20,000 sqm for tourism.

Over the next decade, approx. 300,000 sqm office space construction shall be completed, out of which approx. 33,000 sqm is in the execution stage.

Area	Avg. rental fees (Sq m\Office)	Avg. occupancy rate
Diamond Exchange Complex	ILS 100	98%



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Regional Outlook

Petach Tikva

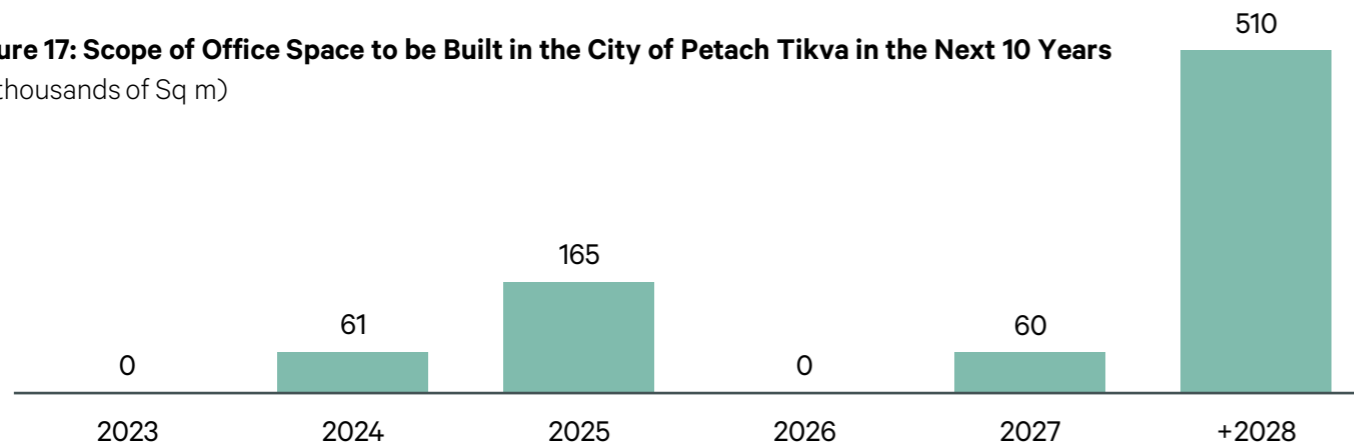
Petach Tikva

The red line of the light railway alongside the new Outline Plan for Petach Tikvah will enable the creation of an additional 600% building rights in Kiryat Arie. This additional construction will entirely change the face of Petach Tikvah and in particular the industrial areas of Kiryat Arie and Sivim. Due to this massive construction opportunity, many development companies have actually stopped at the excavation stage of construction to consider their future options.

Anticipated Future Construction

According to reports filed by publicly traded companies¹⁰, as of now, there are approx. 11 projects (of wide scope) in Petach Tikvah, in various stages of development (planning, permits and construction) comprising of approx. 800,000 sqm of office space. These projects are intended to be delivered into the market over the next decade. Out of the aforementioned office space, approx. 200,000 sqm are already under construction, whilst approx. 600,000 sqm are in the development, permit and planning stages.

Figure 17: Scope of Office Space to be Built in the City of Petach Tikva in the Next 10 Years
(In thousands of Sq m)



¹⁰ Pursuant to the Annual Financial Reports filed on the Israel Securities Authority website

Projects that are in the Planning Stages¹¹

Over the last 2 years, certain new plans have been approved in Petach Tikvah that potentially may add approx. 850,000 sqm in building rights for employment purposes, approx. 140,000 sqm for retail and an additional 15,000 sqm for tourism. Between the years 2013-2022, 77 specific projects were approved in the city, comprising of approx. 350,000 sqm for employment purposes and approx. 90,000 sqm for retail.



¹¹ Based upon data from the Government Planning System, plans approved during the preceding 2 years

The Three Principal Business Areas of Petach Tikva:

01 Kiryat Aryeh Area –

the Kiryat Arie 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 proximity of the train station (close to the football stadium) and in the future, the red line of the light rail system which will operate through the area. Jabotinsky axis delimits the area from the south, Route 4 from the west and the train tracks from the north.

Principal Projects under Construction in this Submarket

- The Azrieli Group will construct ~ 200,000 Sq m for offices on vacant land.
- Kaniel complex of the 'BIG' company, ~ 250,000 Sq m for offices and commerce.
- VICA Project of 'Vitania' company, ~ 80,000 Sq m for offices.

Tenant Mix in the Area:

The region, which used to be characterized by traditional industry, has changed its character over the years and became an advanced region with large scale office complexes leased to leading high-tech companies.

A large scope of traditional industrial spaces still exists and over time continues the process of development, renewal and conversion to new projects

Leading companies in the area:

- Intel
- Marvell
- CyberArk
- Payoneer
- IBM
- Intuit

Over the last 2 years, certain new plans have been approved in the Kiryat Arie area that potentially may add approx. 630,000 sqm in building rights for employment purposes, approx. 90,000 sqm for retail and an additional approx. 10,000 sqm for tourism.

Over the next decade, approx. 700,000 sqm office space construction shall be completed, out of which approx. 200,000 sqm is in the execution stage.

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 approx. 85,000 sqm off office and retail space.
- Over the last 2 years, certain new plans have been approved in the HaSivim industrial area that potentially may add approx. 220,000 sqm in building rights for employment purposes, approx. 27,000 sqm for retail and an additional approx. 5,000 sqm for tourism.
- Over the next decade, approx. 90,000 sqm office space construction shall be completed, all of this space is in the development, permit and planning stages.

Tenant Mix in the Area:

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

Leading companies in the area:

- AIG
- Align Technologies
- Ribbon
- DocuSign
- TATA

Area	Avg. rental fees (Sq m\Office)	Avg. occupancy rate
Kiryat Aryeh area	ILS 55	98%
HaSivim area	ILS 60	60%



Main Employment Areas:

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

Over the last 2 years, certain new plans have been approved in the Segula area that potentially may add approx. 110,000 sqm in building rights for employment purposes and approx. 10,000 sqm for retail.

Tenant Mix in the Area:

freelancers, industry, garages, entertainment halls

Leading companies in the area:

- Airobotics
- Isotopia Molecular
- Compart
- Tadiran

Area	Avg. rental fees (Sq m\Office)	Avg. occupancy rate
Segula area	ILS 45	90%

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



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Regional Outlook

Herzliya

Herzliya

Herzliya constitutes Israel's second largest hi-tech centre (following Tel Aviv).

In October 2021, Herzliya approved the "Kiryat Shechakim" Plan; located eastwards from Herzliya Pituach adjacent to the Seven Stars junction. This plan is expected to create approx. 200,000 sqm of office and retail space.

Westward from Glilot junction, south of Herzliya and in close proximity to the Blue Complex, a building complex has been constructed whose anchor tenant is WIX. The complex comprises of approx. 50,000 sqm.

On the eastern side of the junction, north of the Cinema City Glilot complex, a new commercial centre is slated to open in the coming years, which will also include 2 high rise office buildings. This new centre is owned by BIG and will comprise of approx. 30,000 sqm of retail space and approx. 75,000 sqm of office space. In addition, the Azrieli Group will construct a built to suit office complex for SolarEdge, comprising of approx. 38,000 sqm, expected delivery date in 2025.

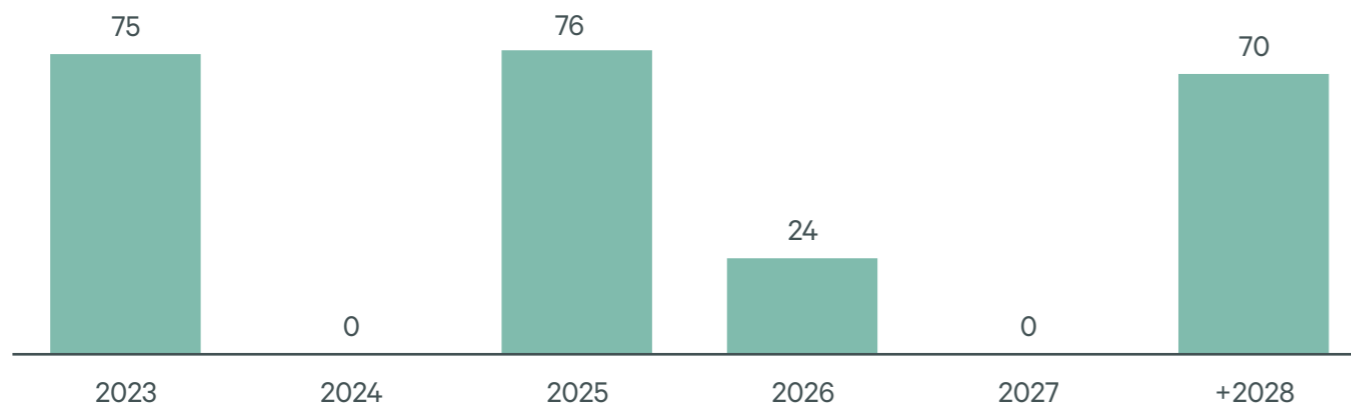
Anticipated Future Construction

According to reports filed by publicly traded companies¹², as of now, there are approx. 12 wide ranging projects in Herzliya, in various stages of development (planning, permits and construction) comprising of approx. 445,000 sqm of office space and approx. 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, approx. 180,000 sqm are already under construction, whilst approx. 265,000 sqm are in the development, permit and planning stages.

Figure 18: Scope of Office Space to be Built in the City of Herzliya in the Next 10 Years

(In thousands of Sq m)



¹² Pursuant to the Annual Financial Reports filed on the Israel Securities Authority website

Projects that are in the Planning Stages¹³

Over the last 2 years, certain new plans have been approved in the city that potentially may add approx. 470,000 sqm in building rights for employment purposes, approx. 8,000 sqm for retail and an additional 60,000 sqm for tourism.

Between the years 2017-2022, 43 new projects were approved in the city, comprising of approx. 270,000 sqm for employment purposes, approx. 14,000 sqm for retail use and approx. 40,000 sqm for tourism.



Credit: Tidhar

¹³ Based upon data from the Government Planning System, plans approved during the preceding 2 years

Main Employment Areas:

01 Herzliya Pituach –

The business area of Herzliya Pituach is situated in the south western portion of the city and is recognized as the prime business centre of the city. The area extends for 850 dunam, it is easily accessed – the main entry is via the Shira junction, a train station is situated in close proximity and the area is built out, alongside Route 2. The light rail green line is expected to run through this area

Principal Projects under Construction in this submarket:

- South Gate Project, owned by Prashkovsky, comprising of approx. 41,000 sqm office space and approx. 4,600 sqm retail space;
- Gav Yam 02 – comprising of approx. 38,000 sqm of office space;
- Mivne Tower – comprising of approx. 24,000 sqm of office space.

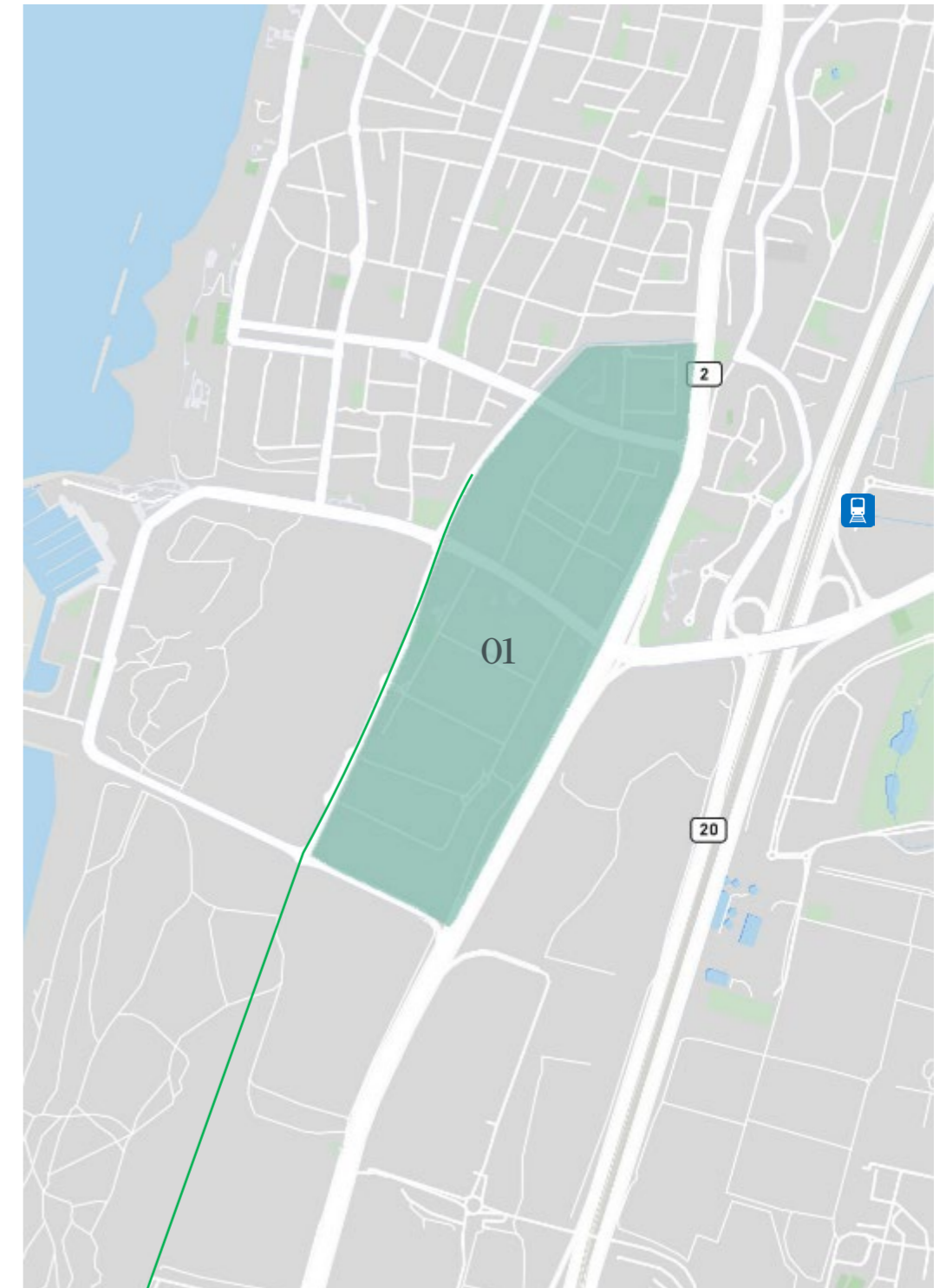
Tenant Mix in the Area:

The area is characterized by new office complexes, built to suit buildings for hi-tech companies, alongside older buildings.

Leading companies in the area:

- Apple
- GM
- Pfizer
- Microsoft
- Matrix
- J.P. Morgan
- AppsFlyer
- SolarEdge

Over the last 2 years, certain new plans have been approved in the Herzliya Pituach area that potentially may add approx. 360,000 sqm in building rights for employment purposes and approx. 60,000 sqm for tourism. Over the next decade, approx. 330,000 sqm office space construction shall be completed, out of which approx. 100,000 sqm is under construction.



Area	Avg. rental fees (Sq m\Office)	Avg. occupancy rate
Herzliya Pituach	ILS 95	96%

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Regional Outlook

Ra'anana

Ra'anana

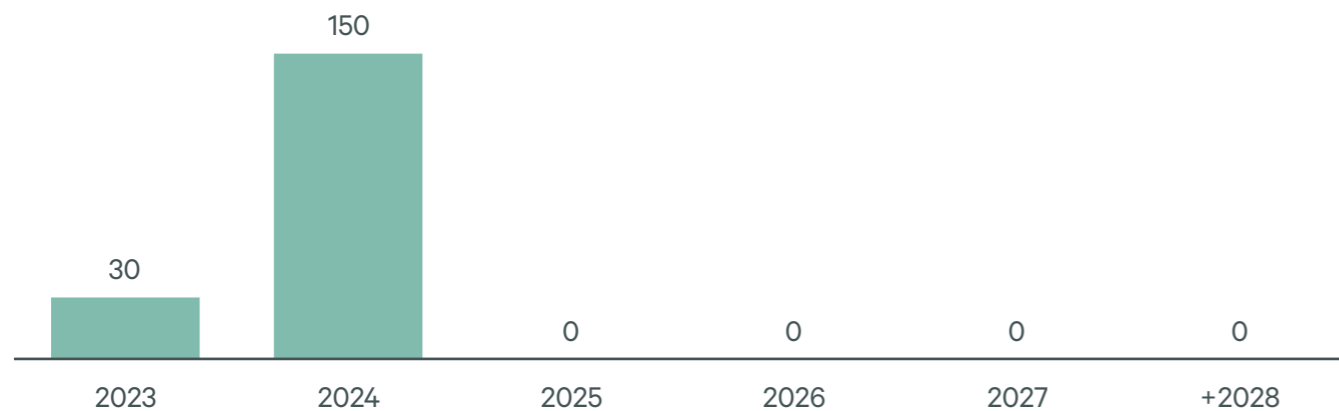
The city of Ra'anana provides an alternative for hi-tech companies that wish to locate their offices in the Sharon area. Route 531 and the railway have considerably improved accessibility to the city.

Anticipated Future Construction

According to reports filed by publicly traded companies¹⁴, as of now, there are 2 wide ranging projects in Ra'anana under construction, comprising of approx. 180,000 sqm for employment purposes and approx. 10,000 sqm of retail space. These projects are intended to be delivered into the market over the next decade.

Figure 19: Scope of Office Space to be Built in the City of Ra'anana in the Next 10 Years

(In thousands of Sq m)



¹⁴ Pursuant to the Annual Financial Reports filed on the Israel Securities Authority website

Projects that are in the Planning Stages¹⁵

Over the last 2 years, certain new plans have been approved in the city that potentially may add 30,000 sqm for retail and an additional 5,000 sqm for tourism.

Between the years 2019-2022, 31 new projects were approved in the city, comprising of approx. 140,000 sqm for employment purposes, approx. 26,000 sqm for retail use and approx. 4,400 sqm for tourism.



¹⁵ Based upon data from the Government Planning System, plans approved during the preceding 2 years

Main Employment Areas:

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.

Presently, Kiryat Etgarim is accessible via the Kfar Saba-Ra'anana North junction and in the future via the north Ra'anana ring road and the 1M metro line.

Weizman Blvd provides the southern boundary, Keren Hayesod Blvd from the west and agricultural land from the north.

Principal Projects under Construction in this submarket:

- Gav Yam Park, project comprising of approx. 30,000 sqm of office space.

Tenant Mix in the Area:

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

Leading companies in the area:

- Amdocs
- Elbit
- SAP
- DriveNets
- NVIDIA
- NCR

Over the last 2 years, certain new plans have been approved in the Kiryat Etgarim area that potentially may add approx. 25,000 sqm in building rights for employment purposes and approx. 4,000,000 sqm for retail.

Over the next decade, approx. 30,000 sqm office space construction shall be completed, all of which is under construction.

02 South Ra'anana Junction –

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

Principal Projects under Construction in this submarket:

- Infinity Park Project, approx. 150,000 sqm of office space and approx. 10,000 sqm of retail.

Tenant Mix in the Area:

hi-tech companies, older office buildings alongside modern office buildings.

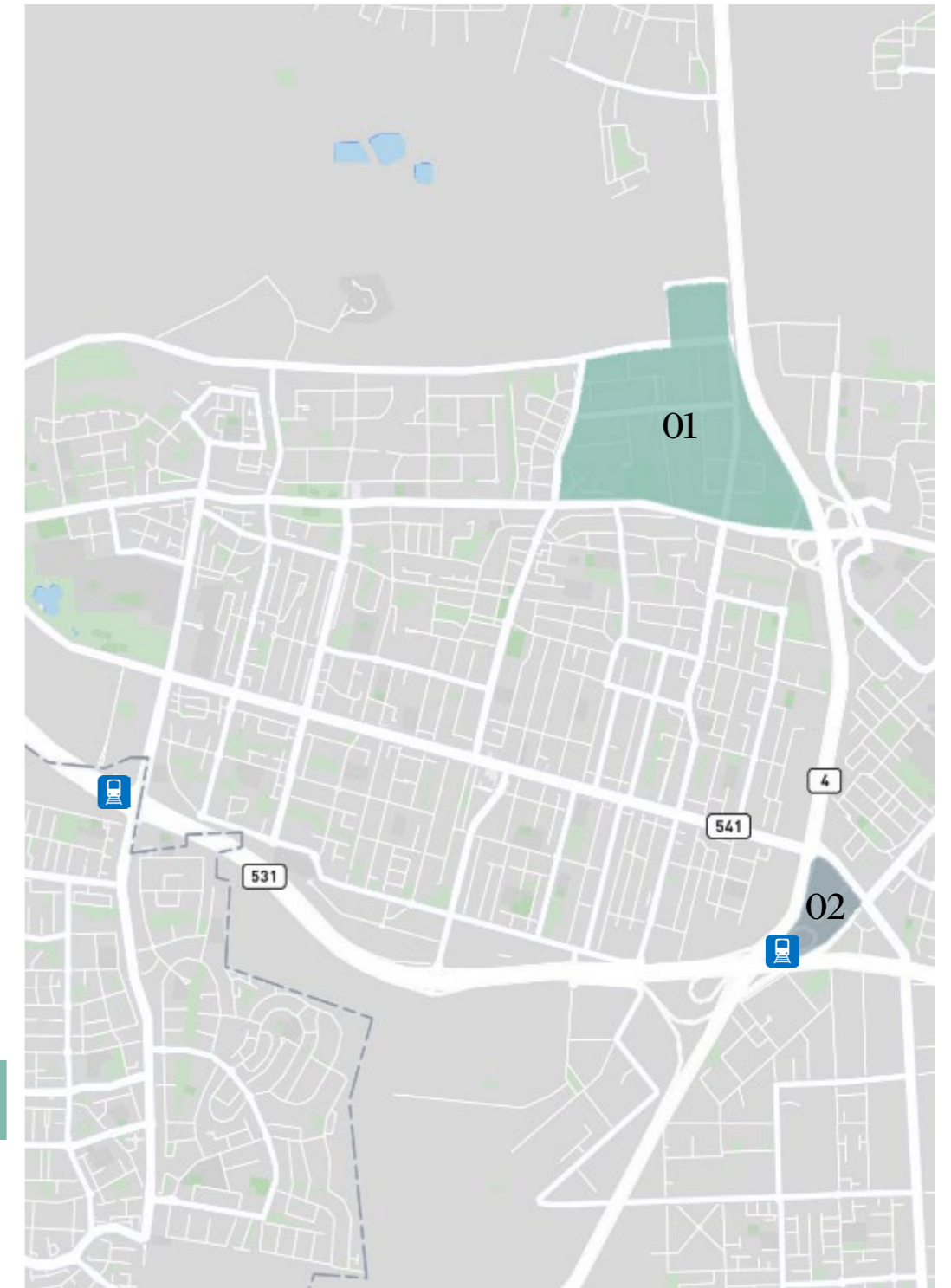
Leading companies in the area:

- Red Hat
- Ness Technologies
- ZoomInfo

Over the last 2 years, certain new plans have been approved in South Ra'anana Junction that potentially may add approx. 220,000 sqm in building rights for employment purposes, approx. 20,000 sqm for retail and approx. 4,500 sqm for tourism.

Over the next decade, approx. 150,000 sqm office space construction shall be completed, all of which is under construction.

Area	Avg. rental fees (Sq m\Office)	Avg. occupancy rate
Kiryat Etgarim area	ILS 60	90%
Ra'anana South Junction area	ILS 60	92%



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Regional Outlook

Bnei Brak

Bnei Brak

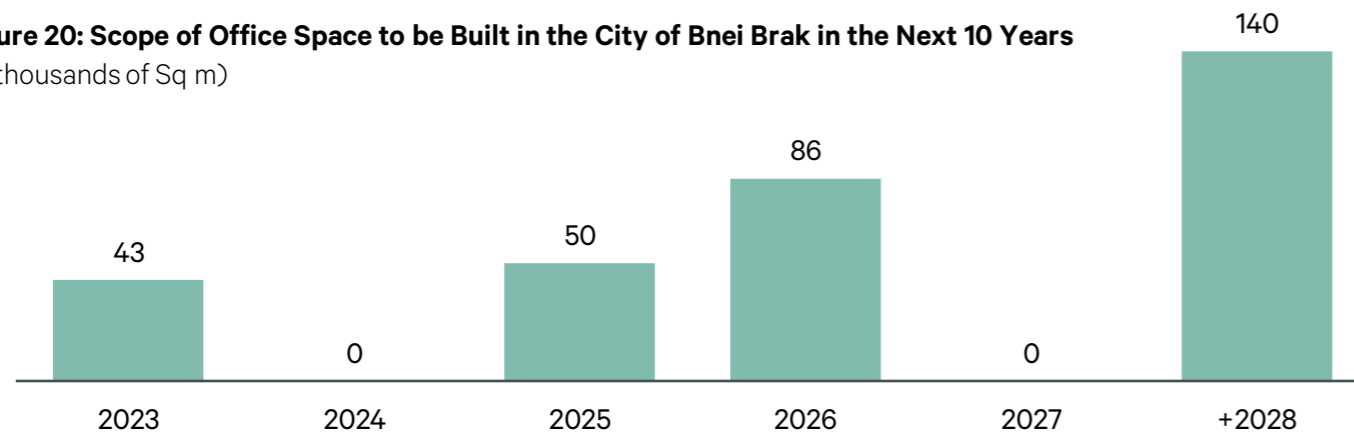
Bnei Brak was previously known for the multiple “Syndication Group” projects located in the city; today it is known for its new towers with a higher standard of finishings. These towers are often developed by financial institutions (which own majority rights in these assets) thus permitting, with greater ease, the lease of large floor plates to anchor tenants.

Anticipated Future Construction

In 2022, construction was completed of approx. 63,000 sqm for employment purposes.

According to reports filed by publicly traded companies¹⁶, as of now, there are 5 wide ranging projects in Bnei Brak in various stages of development (planning, permits and construction), comprising of approx. 320,000 sqm for office space, approx. 2,000 sqm of retail space. These projects are intended to be delivered into the market over the next decade.

Figure 20: Scope of Office Space to be Built in the City of Bnei Brak in the Next 10 Years
(In thousands of Sq m)



¹⁶ Pursuant to the Annual Financial Reports filed on the Israel Securities Authority website

Projects that are in the Planning Stages¹⁷

Over the last 2 years, certain new plans have been approved in the city that potentially may add 1,090,000 sqm for employment purposes and an additional 53,000 sqm for retail.

Between the years 2014-2022, 158 new projects were approved in the city, comprising of approx. 1,090,000 sqm for employment purposes and approx. 50,000 sqm for retail.



¹⁷ Based upon data from the Government Planning System, plans approved during the preceding 2 years

Main Employment Areas:

01 BBC – The main employment zone of the city of Bnei Brak -

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

The BBC area extends for approx. 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, including via the train; and in the future the red line of the light railway will also serve the area.

Principal Projects under Construction in this submarket:

- LYFE Project – Buildings C & D, comprising of approx. 86,000 sqm of office space and approx. 2,000 sqm of retail.
- Medical Centre, owned by Hachsharat HaYishuv company, geriatric centre and medical rehabilitation centre, comprising of approx. 57,000 sqm;
- Phoenix Tower, comprising of approx. 43,000 sqm for employment purposes.

Tenant Mix in the Area:

The majority of the office space is leased to professionals

Leading companies in the area:

- Comex
- Kaltura
- Max
- eToro
- Powerball

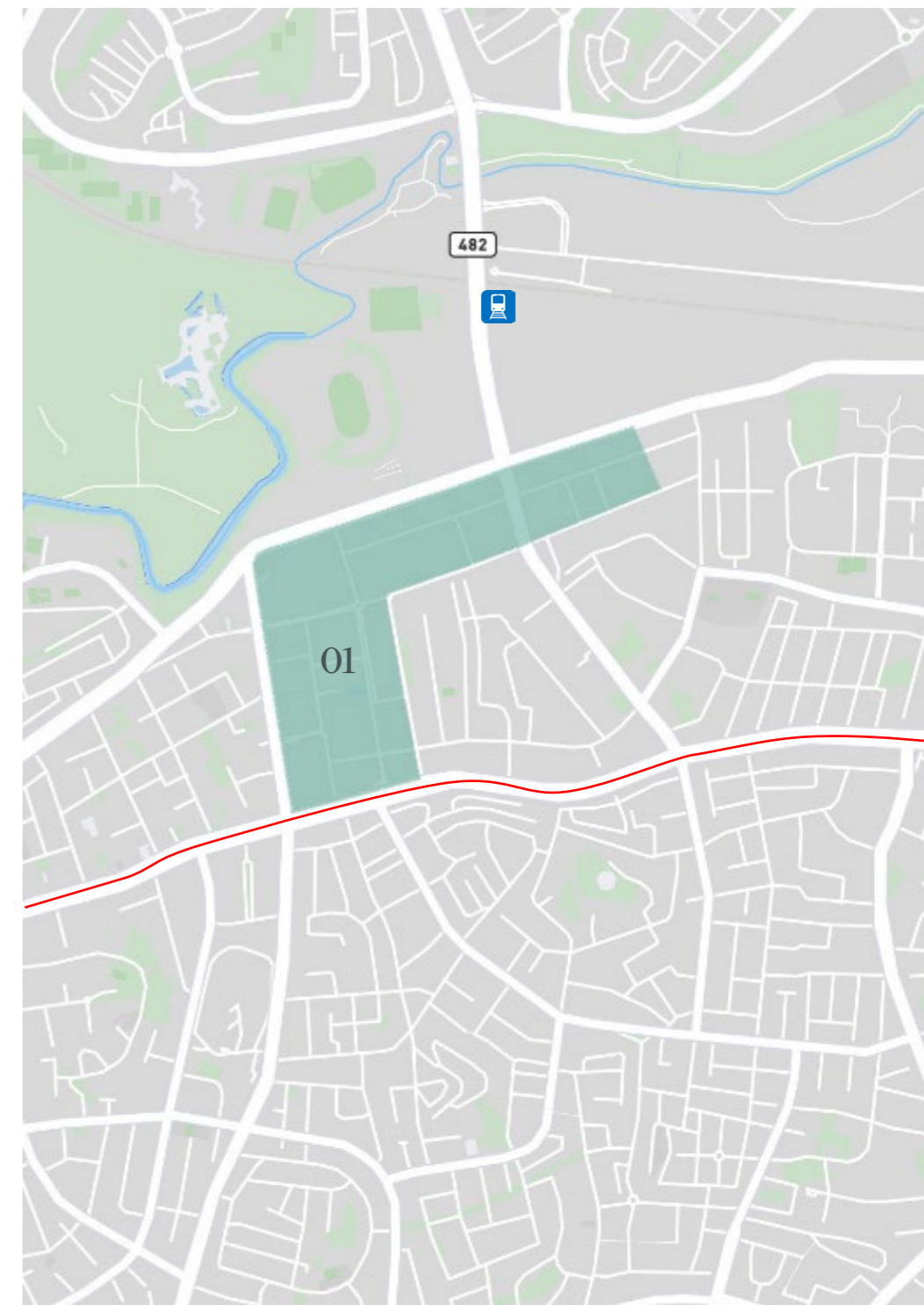
Over the last 2 years, certain new plans have been approved in the BBC area that potentially may add approx. 100,000 sqm in building rights for employment purposes and approx. 24,000 sqm for retail.

Over the next decade, approx. 190,000 sqm office space construction shall be completed, out of which approx. 43,000 sqm is under construction.

Adjacent to the BBC area, a new area is under development, known as the Lekhi area. In the near future, new buildings will be constructed, including:

- Sufrin Project, comprising of approx. 80,000 sqm of office space;
- Amot Project, comprising of approx. 50,000 sqm of office space

Area	Avg. rental fees (Sq m\Office)	Avg. occupancy rate
Bnei Brak - BBC	ILS 60	80%



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Regional Outlook

Holon

Holon

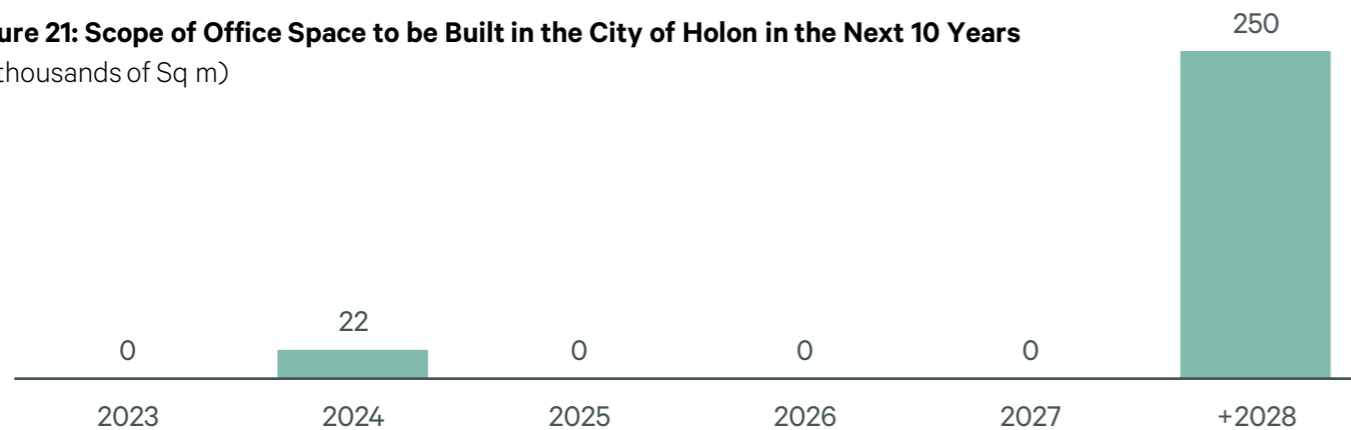
Over the last few years, Holon became a significant focus for business activities. Due to the new transportation facilities – connecting of Route 4 junctions and stops of the future green line of the light railway – this area has been transformed from an industrial zone to an area full of office buildings.

Anticipated Future Construction

According to reports filed by publicly traded companies¹⁸, as of now, there are 2 wide ranging projects in Holon in various stages of development (planning, permits and construction), comprising of approx. 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, approx. 22,000 sqm are already under construction, whilst approx. 250,000 sqm are in the development, permit and planning stages.

Figure 21: Scope of Office Space to be Built in the City of Holon in the Next 10 Years
(In thousands of Sq m)



¹⁸ Pursuant to the Annual Financial Reports filed on the Israel Securities Authority website

Projects that are in the Planning Stages¹⁹

Over the last 2 years, certain new plans have been approved in the city that potentially may add 330,000 sqm for employment purposes and an additional 50,000 sqm for retail.

Between the years 2016-2022, 32 new projects were approved in the city, comprising of approx. 30,000 sqm for employment purposes and approx. 20,000 sqm for retail.



Credit: Amot Investment LTD

¹⁹ Based upon data from the Government Planning System, plans approved during the preceding 2 years

Main Employment Areas:

01 Holon - Industrial Zone C -

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

Principal Projects under Construction in this submarket:

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

Tenant Mix in the Area:

The majority of the office space in this area, is leased to professionals and to financial institutions.

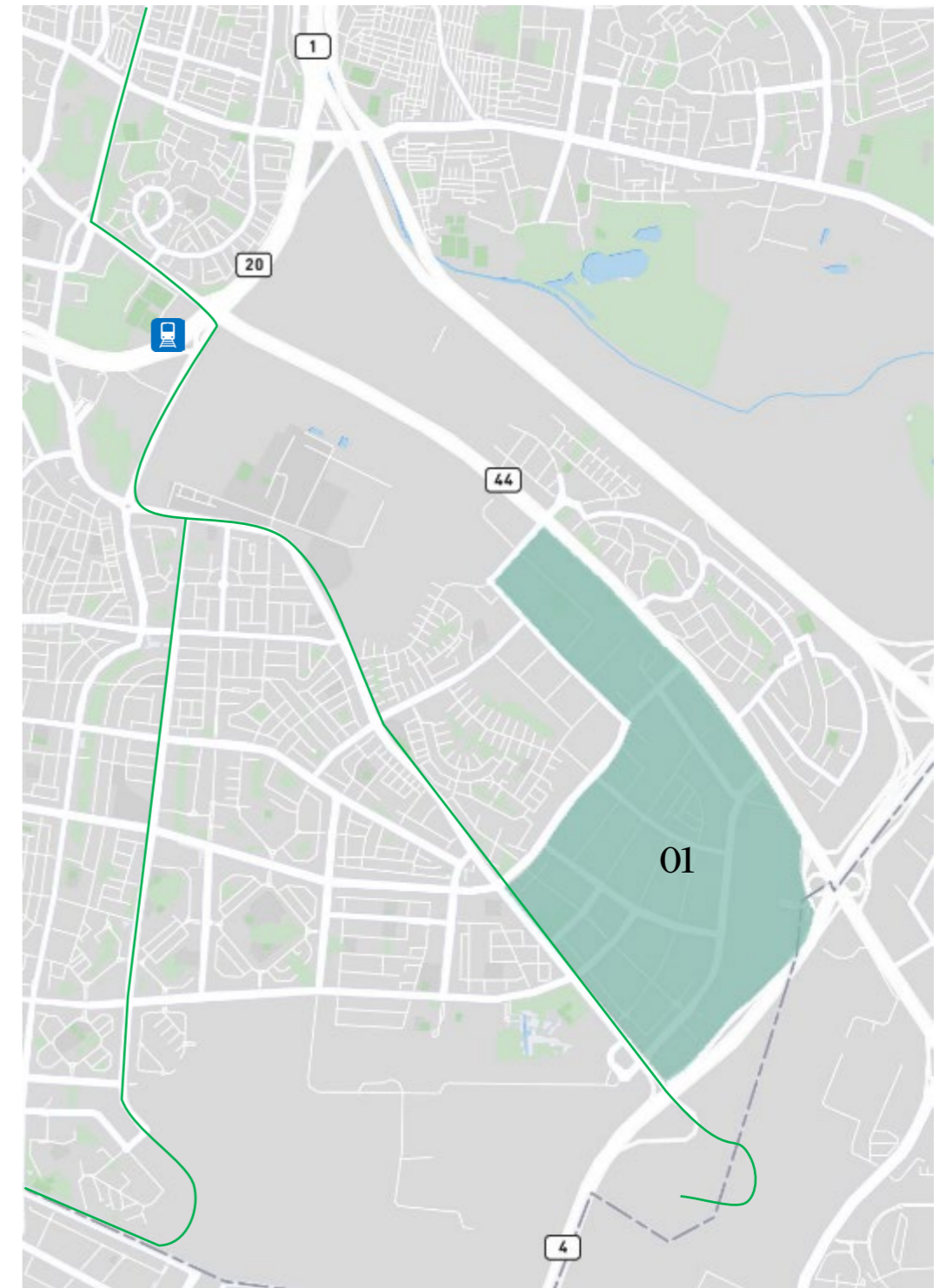
Leading companies in the area:

- Sapiens
- Bezeq
- Halman Aldubi
- Perion
- Taldor
- Compugen

In addition, the following industrial areas also may be found in Holon – Industrial Area A and Area B, characterized by traditional industry and labor/craft facilities.

Over the last 2 years, certain new plans have been approved in Industrial Area C, that potentially may add 55,000 sqm for employment purposes and an additional 7,500,000 sqm for retail.

Over the next decade, approx. 270,000 sqm office space construction shall be completed, out of which approx. 22,000 sqm is presently under construction.



Area	Avg. rental fees (Sq m\Office)	Avg. occupancy rate
Holon	ILS 55	70%

15

Regional Outlook

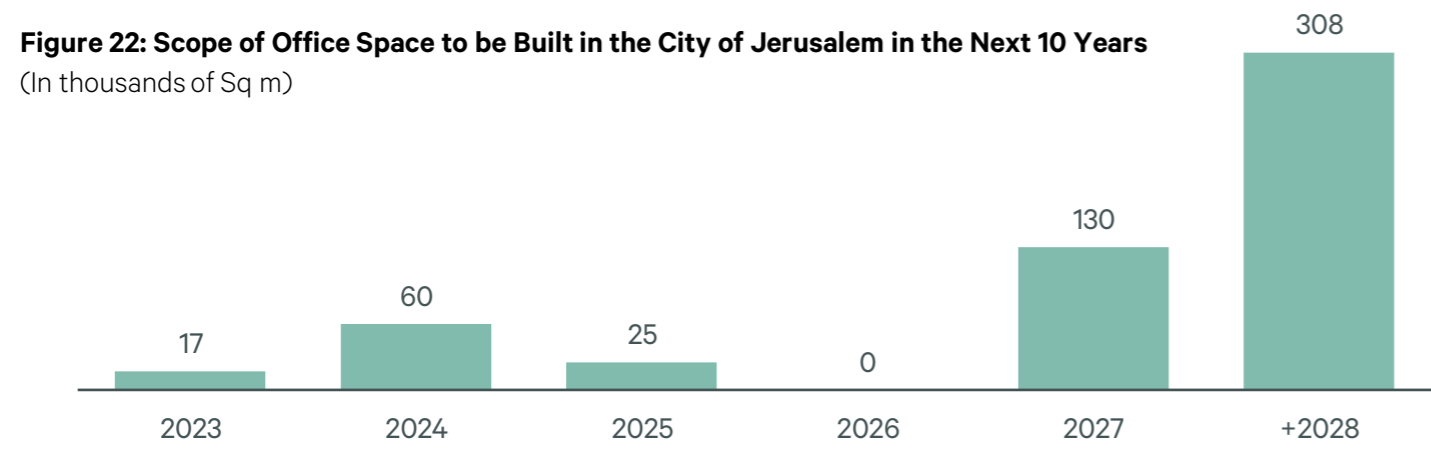
Jerusalem

Jerusalem

Jerusalem is the most highly populated city in Israel, with a variety of industrial areas, employment zones and advanced hi-tech parks

Anticipated Future Construction

According to reports filed by publicly traded companies²⁰, as of now, there are 35 wide ranging projects in Jerusalem in various stages of development (planning, permits and construction), comprising of approx. 540,000 sqm for office space and approx. 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, approx. 335,000 sqm are already under construction, whilst approx. 200,000 sqm are in the development, permit and planning stages.



²⁰ Pursuant to the Annual Financial Reports filed on the Israel Securities Authority website

Projects that are in the Planning Stages²¹

Over the last 2 years, certain new plans have been approved in the city that potentially may add 1,380,000 sqm for employment purposes, an additional 270,000 sqm for retail and approx. 350,000 sqm for tourism. Between the years 2018-2022, 844 new projects were approved in the city, comprising of approx. 350,000 sqm for employment purposes, approx. 20,000 sqm for retail and approx. 170,000 sqm for tourism.



²¹ Based upon data from the Government Planning System, plans approved during the preceding 2 years

Main Employment Areas:

01 Har Hotzvim –

this industrial area is located in the north eastern area of Jerusalem and is presently deemed to be prime business area of the city.

The industrial area of Har Hotzvim extends for approx. 530 dunam and is easily accessed – the Golda Meir Junction creates the south eastern border of the industrial area, Begin Way from the north west and route 1 is also close by.

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

Principal Projects under Construction in this submarket:

- Vitania Project, comprising of approx. 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, professionals and manufacturing facilities.

Leading companies in the area:

- Mobileye
- Siemens
- NDS
- Matrix
- Intel
- Beck-Tech

Over the last 2 years, certain new plans have been approved in Har Hotzvim, that potentially may add 13,500 sqm for employment purposes and an additional 9,000 sqm for retail.

Over the next decade, approx. 55,000 sqm office space construction shall be completed, all of which is already under construction.



02 Givat Shaul –

located in the west of Jerusalem. This business area is characterized by traditional industrial facilities and various government offices, alongside many new builds due to the recent construction boom.

The blueprint building plan for the industrial area of Givat Shaul designated the area for general employment purposes and increases building rights. The green line of the light rail system in Jerusalem has recently commenced infrastructure works for its establishment. The green line will serve this industrial area and connect it to the centre of the city.

Principal Projects under Construction in this submarket:

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

Over the last 2 years, certain new plans have been approved in Givat Shaul, that potentially may add approx. 300,000 sqm for employment purposes and an additional 20,000 sqm for retail.

Over the next decade, approx. 110,000 sqm office space construction shall be completed, out of which, approx. 85,000 sqm is already under construction.

Area	Avg. rental fees (Sq m\Office)	Avg. occupancy rate ²²
Har Hotzvim area	ILS 80	93%
Givat Shaul area	ILS 75	90%

²²On October 2022 Form 4 was received for ~ 40,000 Sq m of offices thus the lower occupancy

Main Employment Areas:

03 City Entrance Section –

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.

Principal Projects under Construction in this submarket:

- The Capital – mixed-use project, comprising of approx. 48,000 sqm;
- K Project, comprising of approx. 46.5,000 sqm for office use

Over the last 2 years, certain new plans have been approved in the City Entrance area, that potentially may add approx. 100,000 sqm for employment purposes, approx. 6,000,000 sqm for retail and an additional 160,000 sqm for tourism.

Over the next decade, approx. 100,000 sqm office space construction shall be completed, all of which is already under construction.

04 Talpiot area –

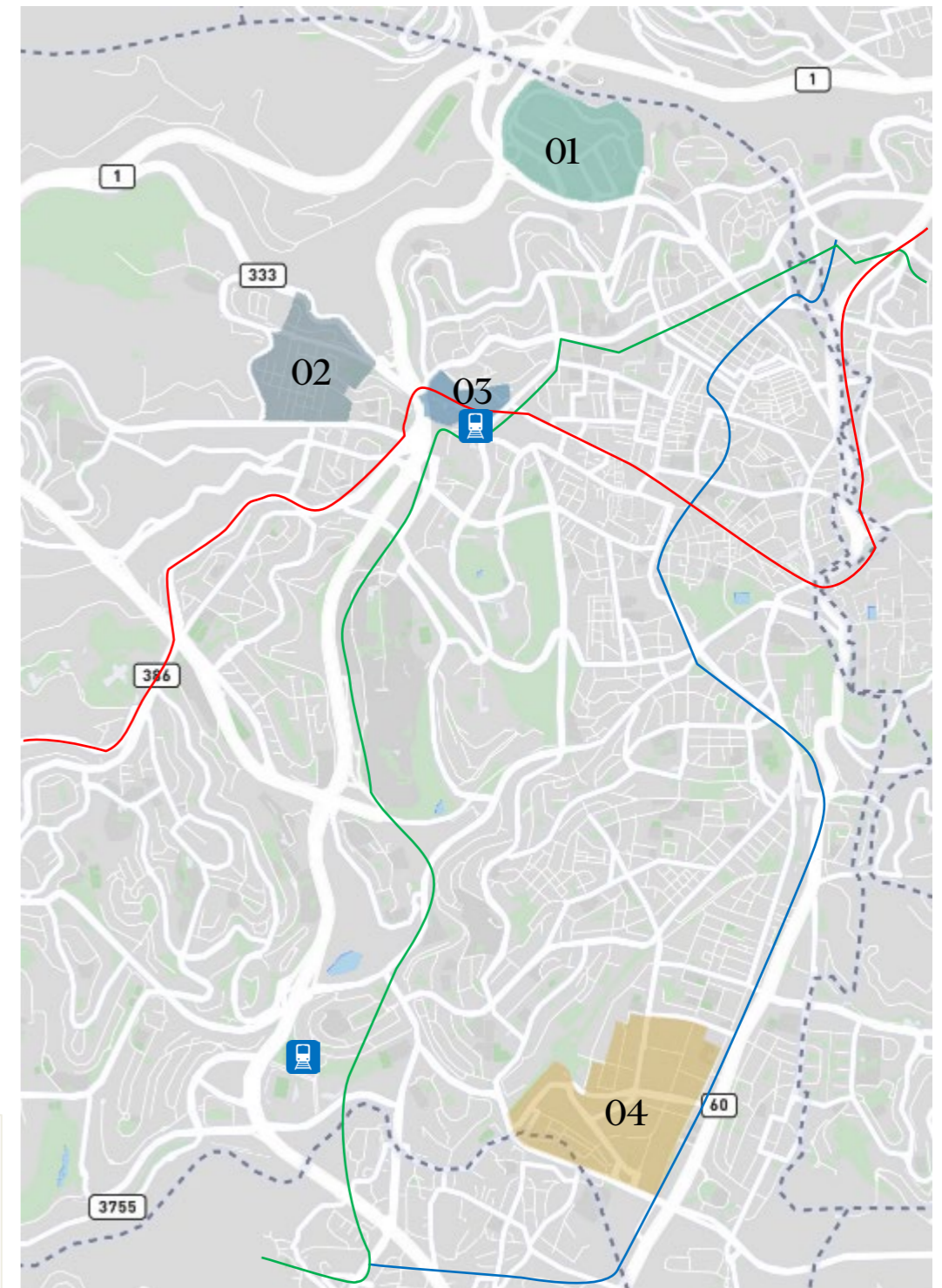
The Talpiot industrial area is located in south eastern Jerusalem. The traditional industrial spaces that previously characterized this area have been transformed, over the years to mostly retail and office space. We see in this industrial area a trend for development with the construction of new and modern buildings along the Pierre Koenig axis.

Principal Projects under Construction in this submarket:

- Balilius Center eastern and western complex - with a scope of ~ 50 ,000 Sq m for offices and ~ 4,000 Sq m for commerce.
- Tnufa complex - In the scope of ~ 50,000 Sq m for offices.
- Talpiot Business Complex - In the scope of ~ 17,000 Sq m for offices.

Tenant Mix in the Area:

Freelancers.
Over the last 2 years, certain new plans have been approved in the Talpiot area, that potentially may add approx. 45,000 sqm for retail purposes. Over the next decade, approx. 115,000 sqm office space construction shall be completed, out of which, approx. 60,000 sqm is already under construction.



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

Area	Avg. rental fees (Sq m\Office)	Avg. occupancy rate ²³
The city entrance quarter area	ILS 80	94%
Talpiot area	ILS 75	90%

²³On October 2022 Form 4 was received for ~ 40,000 Sq m of offices thus the lower occupancy

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