

Natam

OFFICE, INDUSTRIAL AND INVESTMENT RESEARCH REPORT



**Natam Report
No. 46**
Second Half of 2020

No. 46

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Real Estate Transactions – Survey of the Second Half of 2020

COVID-19, which began spreading throughout the world approximately a year ago, has significantly impacted everyone's daily lives. Tourism, entertainment and culture are the sectors most adversely affected by the pandemic, as well as parts of the retail sector. Concurrently, the office market also experienced a decline in demand this year, against the background of companies adopting working from home models, as well as due to the uncertainty regarding how and to what extent offices shall be used in the future.

Having said that, not all sectors have experienced the crisis to the same degree – some sectors in the market have learnt to operate within COVID-19 restrictions and most of the economic activity also continued during the lockdowns that were imposed throughout the year, since there were almost no restrictions regarding attending workplaces that do not involve physical interaction with the public.

Moreover, certain sectors even experienced significant growth during these times, particularly in the fields of food – retail and fast food (deliveries), medical products and pharmaceuticals, as well as retailers with e-commerce platforms. As a result of increased e-commerce, the need for storage areas grew and a continued increase in demand for logistics buildings was recorded, alongside a decline in demand for commercial areas.

With the development of COVID-19 vaccines and the beginning of vaccinating populations throughout the world, there is an anticipation that life will gradually get back on track over the upcoming year. However, it is our assessment that COVID-19 will have a long-term effect on the market since it has accelerated processes that had already begun before it appeared: the development of e-commerce and its implications (in opposite directions) for the fields of commerce and logistics, as well as technological developments which enable working from home.

Survey of Office Building Market

Principles of the Survey:

The Natam report surveys office and industrial properties in various regions in Israel and provides a representative sample for comparing rental prices and occupancy rates. In this survey we refer to 2 classes of office buildings: Class A and Class B, in light of the quality and price differences between them.

The buildings included in the survey meet the following criteria:

Class A:

- At least 10,000 square meters of built space above the ground floor.
- Full central air-conditioning systems and multiple elevators.
- High standard internal finishing in the public spaces.
- Maintained by a professional management company.
- Asking rental prices reflect new offices that include landlord contribution towards finishing of 2,500 NIS per gross square meter (as of the date of the survey).

Class B:

- At least 5,000 square meters of built space above ground floor.
- Good / Reasonable standard of internal finishing in the public spaces.
- Buildings of a lower standard than Class A buildings which are appropriate for tenants seeking a less expensive alternative.

General Trends

Office Market

During 2020 office rental transactions were made at a decline of between 5%-15% compared to the prices at the beginning of the year. Additionally, office owners granted tenants more generous benefits than in the past, including "grace" months and renovations and/or adjustment budgets.

Industrial/Logistics Market

The significant demand for storage areas in recent years was invigorated by the consistent trend in recent years of increasing e-commerce, which has been accelerated by COVID-19.

Commerce

The prices of commercial assets reflect a return of approximately 6%-6.5% in central urban locations and in neighborhood centers, and a return of approximately 7% in secondary urban locations.

Survey of Class A Office Buildings in Tel Aviv

The survey examined **62** Class A buildings in 7 central areas in Tel Aviv, which constitute a representative sample of all of the office areas located in this urban district. The total area of the surveyed buildings is **2,072,409 square meters**.

Summary of the Survey's Data

Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate First Half of 2020	Occupancy rate Second Half of 2020	Average Asking Price First Half of 2020 (Shekel/sm)	Average Asking Price Second Half of 2020 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Ramat Hahayal	10	209,106	93%	88.87%	79.50	72.50	19.80	690
M.Begin Corridor	18	804,573	97.44%	97.57%	114.07	111.39	21.11	1,127.78
City	5	104,204	96.23%	92.55%	128	122.60	22.20	1,310
Central Tel Aviv	2	29,850	98.22%	96.60%	117.50	114	22	1,300
Yigal Alon Corridor	10	416,048	94.52%	95.32%	119	111	17.58	970.83
Courthouse	6	134,624	93.22%	93.87%	111	105.02	21	1,140
Ramat Gan-Bourse	11	374,004	96.15%	94.86%	95.12	87	20.15	897.22
Total/ Average	62	2,072,409	95.54%	95.20%	109.17	103.36	20.55	1,062.26
The Change			-0.36% ↓		-5.62% ↓			

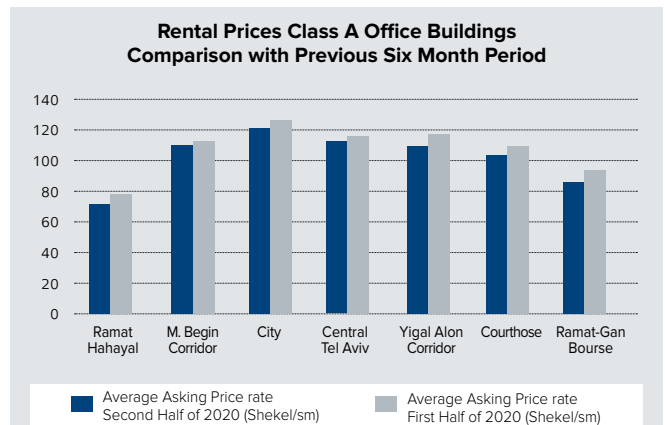
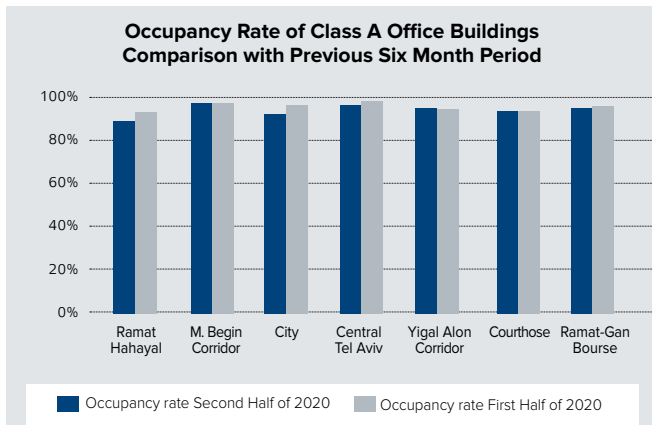
* Due to the characteristics of the area, the Bursa area was included as part of the survey of areas in Tel Aviv.

Data Analysis

- The occupancy rate in the Class A buildings office market in Tel Aviv is presenting a slight decline of 0.36% compared to the previous six-month period, and is currently 95.20%. The occupancy rate in the Ramat Hachayal area demonstrated the sharpest decline, with a 4.65% decline being recorded compared to the previous six-month period, averaging at 88.87%.
- The average rental prices for offices in this market are averaging at approximately 103 NIS per square meter, presenting a decline of 5.62% compared to the previous six-month period. Following more moderate declines in the previous six-month period, and in light of the continued COVID-19 crisis, further declines were recorded in all the surveyed areas. Among the most significant declines in this office market, the following areas can be noted: the "city" area, with a decline of 4.40% in rental rates; the Courthouse area, with a decline of 5.69% in rental rates; Yigal Alon, with a decline of 7.21% in rental rates; the Bursa area, with a decline of 9.33% in rental rates; and Ramat Hachayal, with the sharpest decline in asking rental rates – 9.66% in rental rates.

Forecast

- Following years during which the Tel Aviv office market benefited from stability in occupancy rates and continuous price increases in areas of high demand, the COVID-19 crisis has led to declines in both these parameters. We are of the opinion that the average level of asking prices in the market will remain lower than what we have been accustomed to in recent years.
- It is evident that occupancy rates in the upcoming six-month period will be primarily impacted by the hybrid working model – which combines work from home and from the office. This working model is anticipated to directly impact the office space that shall be rented by companies.
- An additional material factor which may impact occupancy rates in the long term is the large supply of space expected to enter the market in the upcoming years – more than 700,000 square meters by 2023. Supply of such scale will contribute to the deceleration of occupancy rates in the various areas in this office market.



Survey of Class B Office Buildings in Tel Aviv

The survey examined **42** Class A buildings in 7 central areas in Tel Aviv, which constitute a representative sample of all of the office areas located in this urban district. The total area of the surveyed buildings is **520,943 square meters**.

Summary of the Survey's Data

Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate First Half of 2020	Occupancy rate Second Half of 2020	Average Asking Price First Half of 2020 (Shekel/sm)	Average Asking Price Second Half of 2020 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Ramat Hahayal	8	84,700	89.35%	83.12%	67	62.50	20	612.50
M.Begin Corridor	12	129,656	91.23%	93.38%	67.92	65.89	20.33	737.50
City	3	53,210	95.40%	94.62%	80	76	22	983
Central Tel Aviv	3	35,836	97.21%	93.58%	85.67	82.33	22.33	950
Yigal Alon Corridor	6	93,975	90.97%	90.18%	67.83	65.50	18.67	625
Courthouse	2	25,400	88.42%	86.75%	95	92.50	21	1,350
Ramat Gan-Bourse	8	98,166	95.35%	94.02%	65	63	19.25	712.50
Total/ Average	42	520,943	92.33%	91.07%	75.49	72.53	20.51	852.93
The Change			-1.39% ↓		-4.08% ↓			

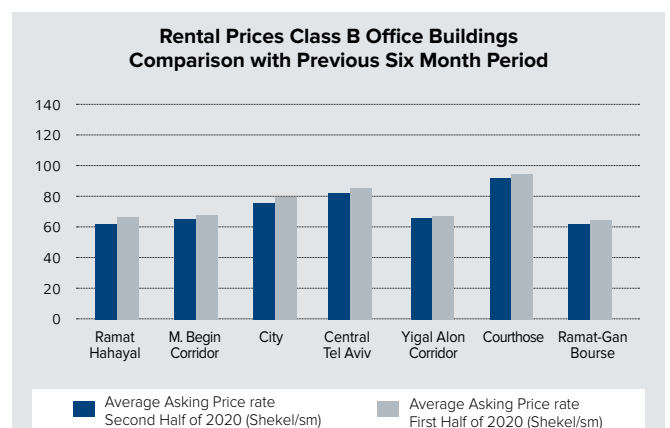
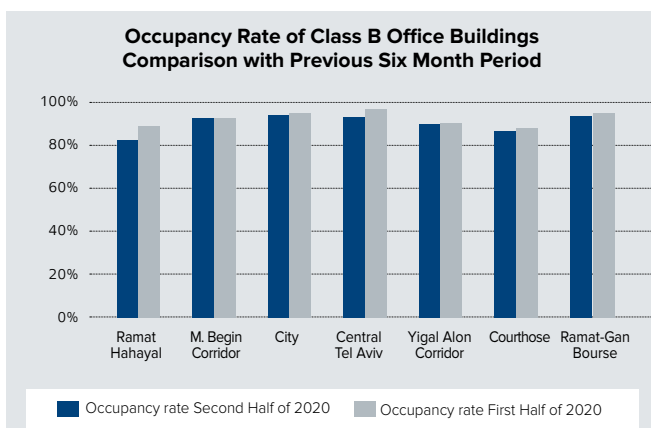
* Due to the characteristics of the area, the Bursa area was included as part of the survey of areas in Tel Aviv.

Data Analysis

- The occupancy rate in the Class B office building market in Tel Aviv declined to 91.07%, a 1.39% decline compared to the previous six-month period. In this market as well, the Ramat Hachayal area demonstrated the sharpest decline in occupancy rates, a decline at a rate of 7.5%.
- The rental prices in this office market declined by 4.08% compared to the previous six-month period and average at 72.53 NIS per square meter. The Courthouse area continues to lead with the highest rental prices in this market, averaging at 92.50 NIS per square meter.

Forecast

- The occupancy rate is expected to stabilize during the upcoming half of 2021, in light of the relocation of companies from Class A buildings to this office market, in order to reduce costs.



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

The survey examined **85** Class A buildings in 9 central areas located up to 30 kilometers from the center of Tel Aviv. The total area of the surveyed building is **1,973,265 square meters**.

Summary of the Survey's Data

Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate First Half of 2020	Occupancy rate Second Half of 2020	Average Asking Price First Half of 2020 (Shekel/sm)	Average Asking Price Second Half of 2020 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Herzliya Pituach	16	220,767	96.27%	94.69%	91.56	89.06	20.75	612.50
Modi'in and Ben Gurion Airport Area	9	155,170	93.01%	88.46%	69.34	68.67	17.56	505.56
Petach Tikva	17	266,375	91.73%	92.15%	71.73	70.18	18.41	519.38
Ra'anana	8	144,597	87.85%	78.25%	71.25	65	17.94	360
Netanya - Poleg	10	120,200	94.17%	92.55%	61.70	58	13.88	373.33
Rehovot – Ness Ziona	9	122,720	90.57%	84.07%	72.38	71.33	14.25	428.13
Kfar Saba / Hod Hasharon	5	72,336	98.06%	98.64%	72	71.40	16.40	470
Rosh Haayin	4	63,840	83.51%	81.12%	46.75	45.75	14.75	362.50
Bnei Brak	7	807,280	94.10%	93.98%	71.43	68.57	17	650
Total/ Average	85	1,973,265	93.08%	91.28%	69.80	67.55	16.77	475.71
The Change			-1.97% ↓		-3.33% ↓			

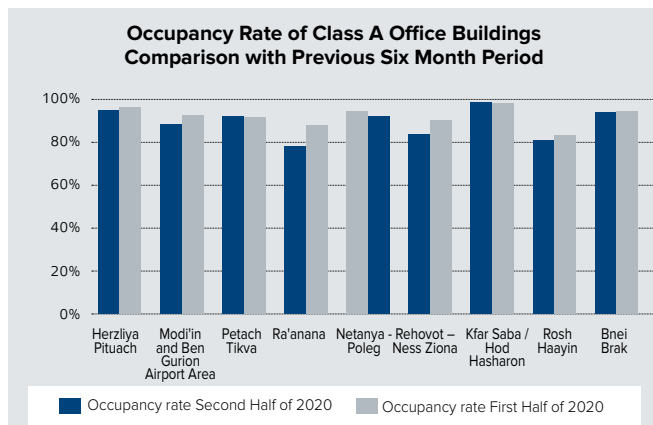
Data Analysis

- The occupancy rate in the Class A office building market in the cities around Tel Aviv declined to 91.28%, a decline of 1.97% compared to the previous six-month period. The sharpest decline in occupancy rates, 12.27%, was recorded in Ra'anana, as a result of thousands of high quality square meters in the "High-Tech Park" area being vacated by high-tech companies.
- As opposed to the previous six-month period which demonstrated relative stability in asking rental prices, it is evident that during this six-month period, asset owners demonstrated willingness to reduce the asking price per square meter. The decline is sweeping in all areas of demand, and, in total, amounts to a 3.33% decline in asking rental prices in this office market. The Herzliya area continues to lead with the highest rental prices in this market, 89.06 NIS per square meter.

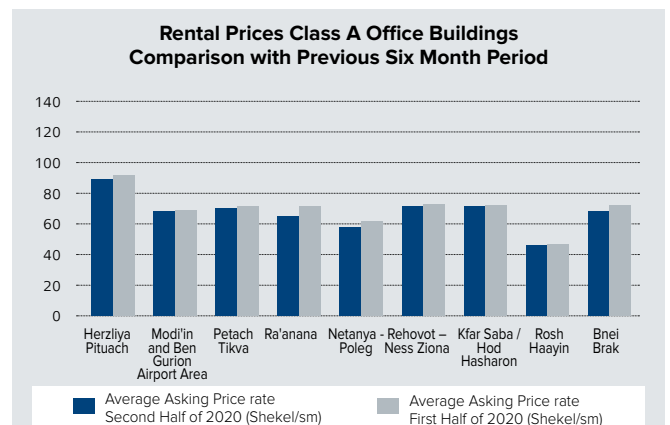
Forecast

- In extensive areas in the Class A office market in cities around Tel Aviv, including Ra'anana, Rosh Ha'ayin, Petach Tikva, Ness Tziona and Rehovot, new construction is evident and many projects are expected to become occupied during the next few years. The large supply, alongside downsizing office space for the benefit of partial work from home, could have an adverse short-term effect on the pace of occupation.
- In the Rehovot and Ness Tziona area there has been an increase in the presence of medical and scientific companies, as is fitting given the population mix in this area, and future construction is planned which is dedicated to designing offices that are adjusted to these fields and include laboratory spaces and appropriate infrastructures.

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



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



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

The survey examined **76** Class B buildings in 9 central areas located up to 30 kilometers from the center of Tel Aviv. The total area of the surveyed building is **801,669 square meters**.

Summary of the Survey's Data

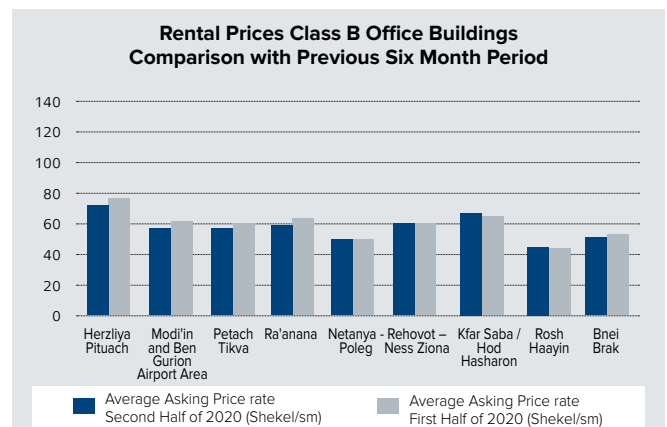
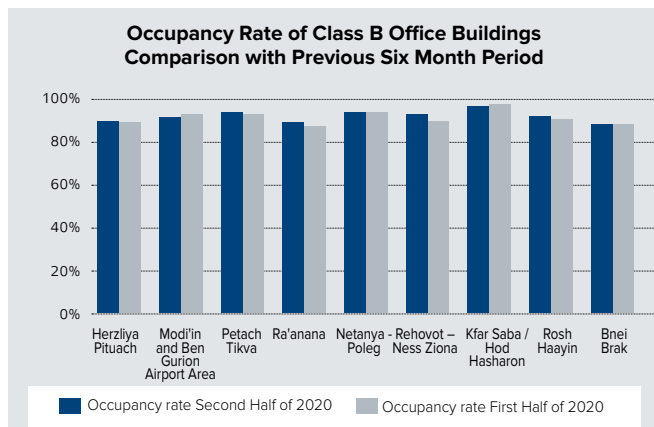
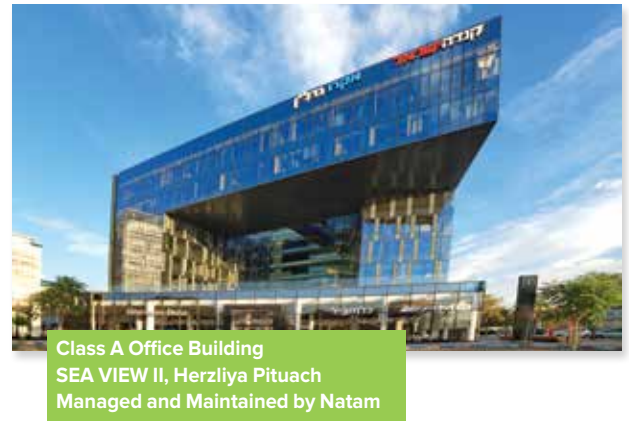
Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate First Half of 2020	Occupancy rate Second Half of 2020	Average Asking Price First Half of 2020 (Shekel/sm)	Average Asking Price Second Half of 2020 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Herzliya Pituach	13	113,036	89.96%	90.59%	75.98	71.54	19.04	588.46
Modi'in and Ben Gurion Airport Area	9	82,295	93.87%	92.09%	60.67	56.44	13.78	388.89
Petach Tikva	8	106,750	93.75%	94.49%	59.75	55.75	15.14	456.25
Ra'anana	6	43,477	88.30%	89.88%	63.33	58.33	17.08	375
Netanya - Poleg	5	103,032	93.98%	95.24%	49.60	50.80	11.20	326
Rehovot – Ness Ziona	16	159,092	90.28%	93.59%	60.31	60	13.17	407.81
Kfar Saba / Hod Hasharon	9	76,564	97.86%	97.23%	64.44	66.44	16.22	450
Rosh Haayin	7	72,830	91.45%	92.96%	43.37	44.09	14.07	311.43
Bnei Brak	3	44,593	88.56%	88.56%	53.33	50	17	500
Total/ Average	76	801,669	92.17%	93.15%	58.98	57.04	15.19	422.65
The Change			+1.05% ↑		-3.40% ↓			

Data Analysis

- The occupancy rate in the Class B office market in the cities around Tel Aviv increased by 1.05% and is currently 93.15%.
- The rental prices in this office market declined by 3.40% compared to the previous six-month period, and currently average 57.04 NIS per square meter. The Herzliya area continues to lead with the highest rental prices in this market, 71.54 NIS per square meter.

Forecast

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



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

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

Summary of the Survey's Data

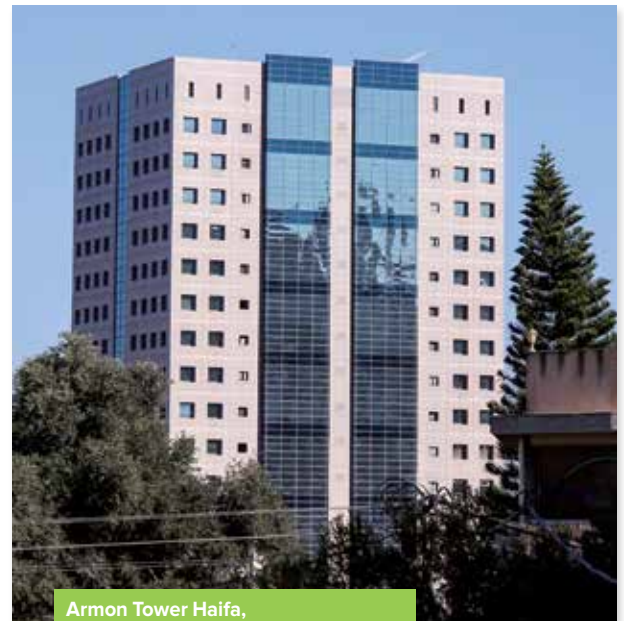
Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate First Half of 2020	Occupancy rate Second Half of 2020	Average Asking Price First Half of 2020 (Shekel/sm)	Average Asking Price Second Half of 2020 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Haifa - City	3	38,700	96.51%	98.19%	57.41	60	15.33	450
Yoqneam	5	47,000	75.74%	76.17%	65.44	67.59	12.20	368
Matam Haifa	7	118,470	99.66%	98.82%	70	66.86	18.57	385.71
Total/ Average	15	204,170	93.56%	93.49%	64.28	64.82	15.37	401.24
The Change			-0.07% ↓		+0.83% ↑			

Data Analysis

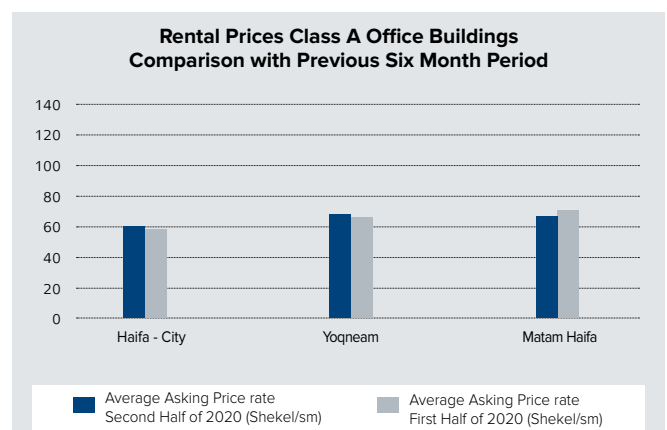
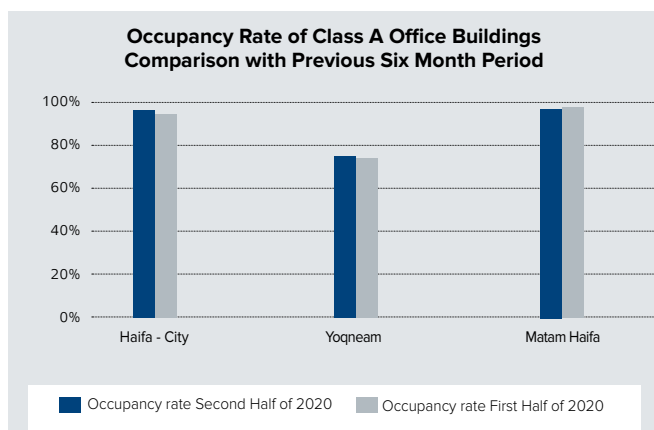
- The average occupancy rate in the Class A office market in Haifa and the northern region declined by 0.07% and is maintaining stability. Concurrently, the rental prices are also demonstrating relative stability with average rental prices of 64.82 NIS per square meter.
- The MATAM area continues to maintain very high occupancy rates, averaging approximately 98.82%, with the central Haifa region in its footsteps, with an average occupancy of 98.19%.

Forecast

- This office market is expected to remain stable also during the first half of 2021, due to the lack of large immediately available office spaces, without sharp changes in the occupancy rates and the rental prices.



Armon Tower Haifa, Managed and Maintained by Natam



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

The survey examined **18** Class B buildings located in 4 central areas in Haifa and the northern region. The total area of the surveyed buildings is **207,442 square meters**.

Summary of the Survey's Data

Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate First Half of 2020	Occupancy rate Second Half of 2020	Average Asking Price First Half of 2020 (Shekel/sm)	Average Asking Price Second Half of 2020 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Haifa - City	3	48,740	84.20%	85.95%	47.96	46.90	15	366.67
Yoqneam	4	41,500	97.93%	89.16%	56.25	56.25	13.25	362.50
Matam Haifa	4	47,352	99.68%	99.68%	63.75	63.75	20	387.50
Nesher / Chekpost	7	69,850	95.70%	94.92%	52.86	49.93	10	250
Total/ Average	18	207,442	94.35%	92.75%	55.22	54.21	14.56	341.67
The Change			-1.73% ↓		-1.86% ↓			

Data Analysis

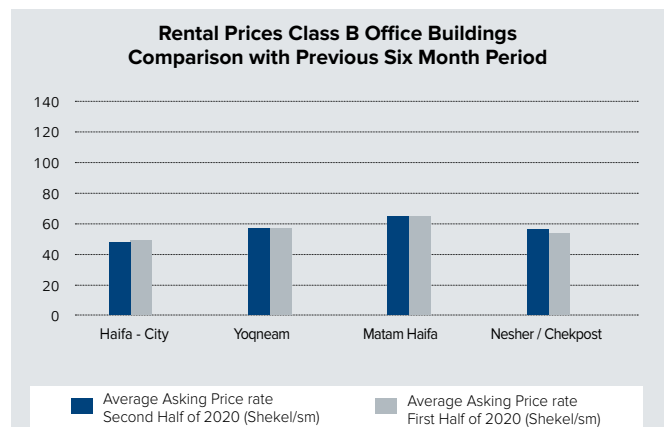
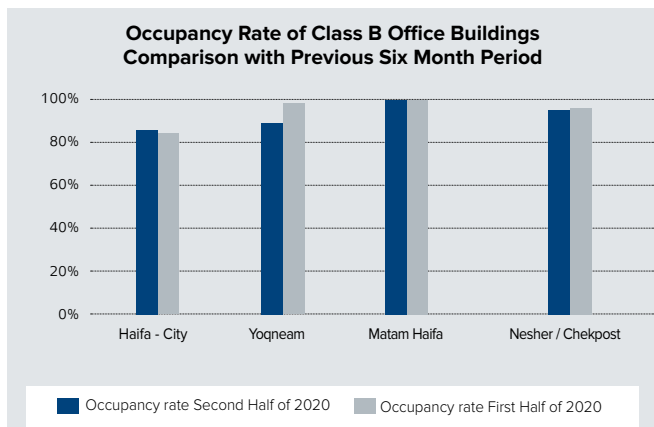
- The average occupancy rate in the Class B office building market, which had been increasing over the past surveyed six-month periods, is now showing a decline of 1.73%, averaging at 92.75%.
- Similarly to the previous six-month period, and the trends in the Class A office market, the MATAM business park area remains completely stable and continues to lead with the highest occupancy rate in the region.
- The rental prices in this office market present a decline of 1.86% and are currently 54.21 NIS per square meter.

Forecast

- This office market is expected to remain stable also during the first half of 2021.



Nesher Erco House, Managed and Maintained by Natam



Survey of Class A Office Buildings in Jerusalem

The survey examined **18** Class A buildings located in 5 central areas in the Jerusalem region.

The total area of the surveyed building is **213,202 square meters**.

Summary of the Survey's Data

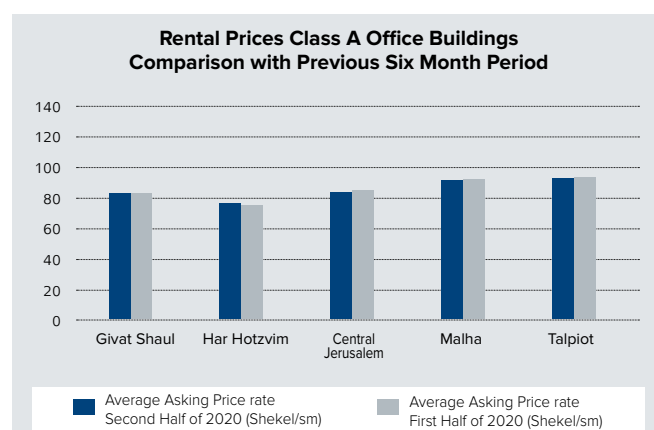
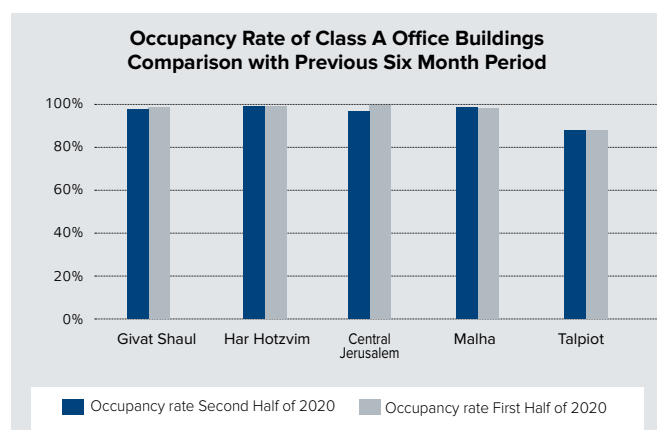
Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate First Half of 2020	Occupancy rate Second Half of 2020	Average Asking Price First Half of 2020 (Shekel/sm)	Average Asking Price Second Half of 2020 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Givat Shaul	5	68,552	98.17%	97.53%	81.60	81.60	16.80	540
Har Hotzvim	4	66,240	98.93%	98.77%	73.75	75	18.50	575
Central Jerusalem	4	35,250	99.15%	96.31%	83.25	82	16	545
Malha	1	20,000	97.75%	98%	90	90	16	450
Talpiot	4	23,160	87.48%	87.48%	91.25	91.25	17.25	562.50
Total/ Average	18	213,202	97.37%	96.67%	83.97	83.97	16.61	534.50
The Change			-0.72% ↓		No change			

Data Analysis

- The Class A office market in Jerusalem is presenting declines in occupancy rates alongside stability in rental prices.
- The average occupancy rate is 96.67%, presenting a decline of less than one percent compared to the previous six-month period.
- The rental prices in this office market are presenting stability in asking prices, with the average price being 83.97 NIS per square meter.
- The Har Hotzvim area, which the urban building plan designates for light industry and high-tech, has been almost unaffected by the lockdowns of this past year. For this reason, despite the slight decline in the occupancy rate in the Har Hotzvim area, there is vibrant demand for office space which has led to an increase in the asking rental prices, which are currently 75 NIS per square meter in this area.

Forecast

- The construction of new projects at the entrance of the city continues, alongside the construction of new projects in the Talpiot area, and the relocation of the industrial structures in the area to Mishor Edumim and Atarot.
- The new road at Har Hotzvim, alongside the construction that is developing in the area, are expected to increase demand in this area and make it more accessible.



Survey of Class B Office Buildings in Jerusalem

The survey examined **26** Class B buildings located in 5 central areas in the Jerusalem region. The total area of the surveyed building is **286,719 square meters**.

Summary of the Survey's Data

Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate First Half of 2020	Occupancy rate Second Half of 2020	Average Asking Price First Half of 2020 (Shekel/sm)	Average Asking Price Second Half of 2020 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Givat Shaul	4	78,500	98.27%	95.36%	74.50	73.75	11.75	515
Har Hotzvim	6	71,486	98.24%	89.61%	67.83	67.50	14.33	525
Central Jerusalem	3	31,200	99.78%	99.87%	75	75	15.67	700
Malha	4	31,400	97.58%	97.58%	71.25	71.25	11.75	462.50
Talpiot	9	74,133	98.39%	98.19%	73.89	73.33	12	477.78
Total/ Average	26	286,719	98.38%	95.33%	72.49	72.17	13.10	536.06
The Change			-3.19% ↓		-0.44% ↓			

Data Analysis

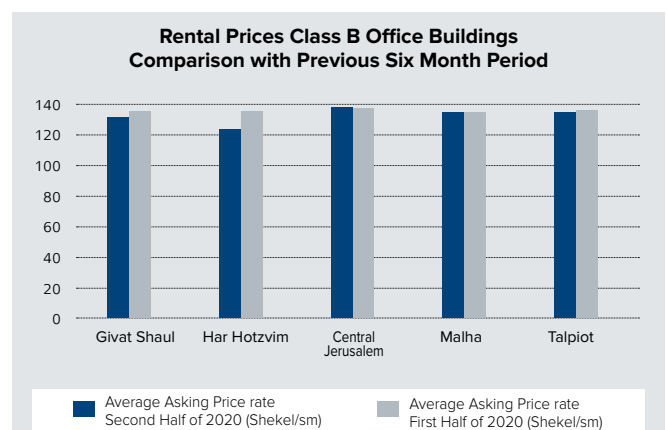
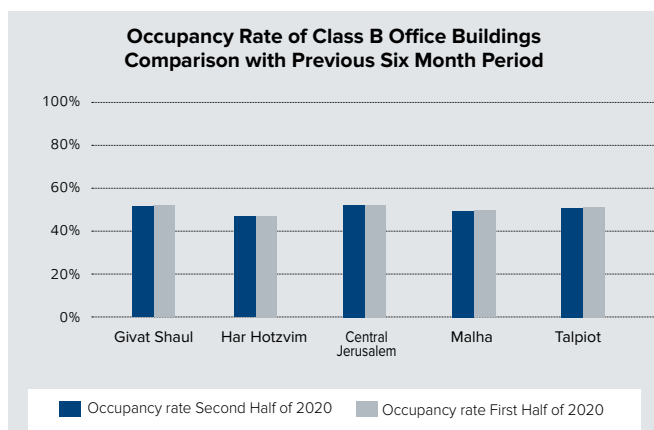
- The average occupancy rate is 95.33%, demonstrating a decline of approximately 3% compared to the previous six-month period. The high occupancy rate in this market in the past made it possible for the current occupancy rate to maintain relative stability.
- Despite the decline in the occupancy rate, the rental prices in this area remain stable, with an average price of approximately 72 NIS per square meter. The Givat Shaul area remains the area with the highest average price in the surveyed area, averaging at 73.75 NIS per square meter.

Forecast

- In light of relatively stable market prices and a shortage of large available office spaces, we expect this office market to also remain stable.



Hadarim House Har Hotzvim, Managed and Maintained by Natam



Survey of Office Buildings in the Beer Sheva Area

The survey examined **13** buildings located in central areas in the Beer Sheva area. The total area of the surveyed buildings is **160,675 square meters**.

Summary of the Survey's Data

Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate First Half of 2020	Occupancy rate Second Half of 2020	Average Asking Price First Half of 2020 (Shekel/sm)	Average Asking Price Second Half of 2020 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Gav-Yam Negev Park	3	48,000	99.50%	99.50%	70	70	15	-
The Change			No change		No change			

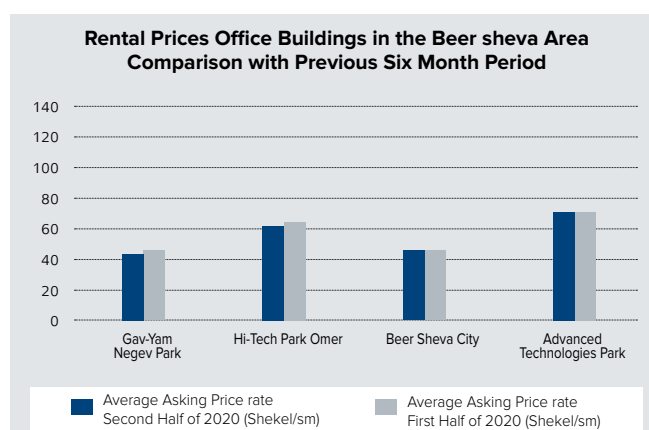
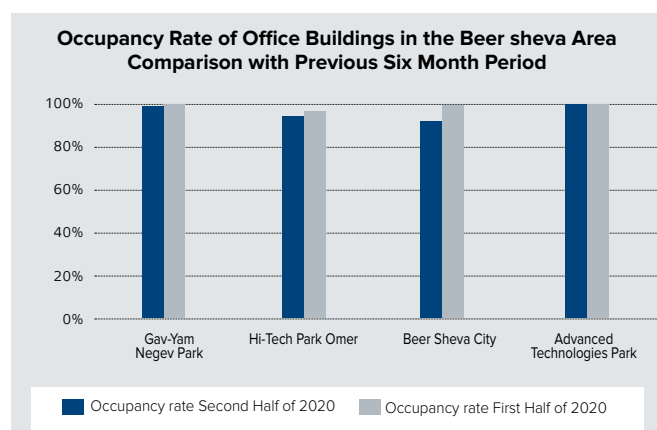
Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate First Half of 2020	Occupancy rate Second Half of 2020	Average Asking Price First Half of 2020 (Shekel/sm)	Average Asking Price Second Half of 2020 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Hi-Tech Park Omer	4	36,200	99%	98.90%	42.50	42.50	10	-
Beer Sheva City	4	66,975	96.16%	93.73%	63.75	61.25	14.25	357.50
Advanced Technologies Park	2	9,500	99%	91.58%	45	45	10.75	150
Total/ Average	10	112,675	97.72%	95.21%	50.42	49.58	11.67	253.75
The Change			-2.64% ↓		-1.69% ↓			

Data Analysis

- The general occupancy rate in the areas of activity in the city is approximately 95.21%, with the Gav-Yam Park area being the most occupied area, with an average occupancy rate of 99.50%.
- The rental prices in this market have declined by 1.69% since the last six-month period and currently average at approximately 49.58 NIS per square meter, while the average price per square meter in the Gav-Yam Park is 70 NIS.

Forecast

- In light of the high occupancy rates in the city the construction and development are continuing, and an additional building has already been erected this past year in the Gav-Yam Negev Park, the high-tech and technology park of the south. This office market is expected to remain stable also during the first half of 2021, due to a shortage of immediately available large office space, without sharp changes in occupancy rates.
- We expect rental prices in the city to remain stable also during this period, since existing supply does not correspond with demand.



Survey of Industrial and Logistics Buildings Market

Principles of the Survey:

The Natam report surveys a number of industrial areas in various regions in Israel and provides a representative sample for comparing rental prices and sale prices in these regions. In this survey we refer to 2 classes of industrial buildings: Class A and Class B.

Survey of Average Asking Rental Prices per Square Meter – Class A Industrial and Logistics Buildings

Modern industrial buildings, minimum 12m. height, sprinklers, dock levelers, operational area and accessible for loading and unloading.

	Price per square meter First Half of 2020	Price per square meter Second Half of 2020	
Center	Petach Tikva (Kiryet Arie, Segula)	55 NIS per square meter	55 NIS per square meter
	Ramla	45 NIS per square meter	45–47 NIS per square meter
	Shoham	47 NIS per square meter	48–50 NIS per square meter
	Holon	55 NIS per square meter	50–55 NIS per square meter
	Rishon Lezion	55 NIS per square meter	50–55 NIS per square meter
Hasharon	Caesarea	42 NIS per square meter	42 NIS per square meter
	Emek Hefer	45 NIS per square meter	50 NIS per square meter
	Kfar Saba	50 NIS per square meter	50 NIS per square meter
	South Netanya	45 NIS per square meter	45 NIS per square meter
Shfela	Modi'in	45 NIS per square meter	45–47 NIS per square meter
	Ashdod	45 NIS per square meter	45–48 NIS per square meter
	Kanot	42 NIS per square meter	43–45 NIS per square meter
	Yavne	42 NIS per square meter	42–45 NIS per square meter
South	Kiryat Gat	38 NIS per square meter	37–38 NIS per square meter
	Ashkelon	35 NIS per square meter	35 NIS per square meter
	Sderot, Netivot, Ofakim	30 NIS per square meter	30 NIS per square meter
	Beer Sheva	25 NIS per square meter	30 NIS per square meter
Jerusalem	Mishor Adumim	35 NIS per square meter	35 NIS per square meter
	Atarot	45 NIS per square meter	45 NIS per square meter
	Beit-Shemesh, Har Tov, Tzora	37–35 NIS per square meter	35–37 NIS per square meter
North	Haifa	40 NIS per square meter	40 NIS per square meter
	Karmiel, Bar Lev, Misgav, Tefen	35 NIS per square meter	35 NIS per square meter
	Migdal HaEmek	30 NIS per square meter	30 NIS per square meter
	Acre	30 NIS per square meter	30 NIS per square meter
	Mevo Carmel	34–40 NIS per square meter	40–45 NIS per square meter

* Data refers to average rental prices of the ground floor.

Survey of Industrial and Logistics Buildings Market

Survey of Average Asking Rental Prices per Square Meter – Class B Industrial and Logistics Buildings

Long standing industrial buildings, minimum 5m. height, operational area and accessible for loading and unloading.

	Price per square meter First Half of 2020	Price per square meter Second Half of 2020	
Center	Petach Tikva (Kiryet Arie, Segula)	45 NIS per square meter	38–40 NIS per square meter
	Ramla	37 NIS per square meter	40 NIS per square meter
	Holon	45 NIS per square meter	42–45 NIS per square meter
	Rishon Lezion	45 NIS per square meter	45 NIS per square meter
Hasharon	Caesarea	35 NIS per square meter	38 NIS per square meter
	Emek Hefer	40 NIS per square meter	45 NIS per square meter
	Kfar Saba	45 NIS per square meter	45 NIS per square meter
	Kadima	43 NIS per square meter	42 NIS per square meter
	North Netanya	35 NIS per square meter	40 NIS per square meter
	South Netanya	40 NIS per square meter	40 NIS per square meter
Shfela	Ashdod	35 NIS per square meter	40 NIS per square meter
	Kanot	33 NIS per square meter	37 NIS per square meter
	Yavne	35 NIS per square meter	40 NIS per square meter
South	Kiryat Gat	32 NIS per square meter	32 NIS per square meter
	Ashkelon	27 NIS per square meter	25 NIS per square meter
	Sderot, Netivot, Ofakim	20 NIS per square meter	20 NIS per square meter
	Beer Sheva	20 NIS per square meter	22 NIS per square meter
Jerusalem	Mishor Adumim	25 NIS per square meter	25 NIS per square meter
	Atarot	32 NIS per square meter	32 NIS per square meter
	Beit-Shemesh, Har Tov, Tzora	30 NIS per square meter	30 NIS per square meter
North	Haifa	35 NIS per square meter	35 NIS per square meter
	Karmiel, Bar Lev, Misgav, Tefen	25–30 NIS per square meter	25–30 NIS per square meter
	Migdal HaEmek	25 NIS per square meter	25 NIS per square meter
	Acre	22–27 NIS per square meter	22–27 NIS per square meter

* Data refers to average rental prices of the ground floor.

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

	Price per square meter First Half of 2020	Price per square meter Second Half of 2020
Center	Petach Tikva (Segula)	7,000,000 NIS
	Petach Tikva (Kiryat Arieh)	7,000,000 NIS
	Holon	6,500,000–7,000,000 NIS
	Rishon Lezion	6,500,000 NIS
	Lod / Remla	4,000,000 NIS
	Shoam	4,500,000–5,000,000 NIS
Hasharon	Emek Hefer	2,800,000 NIS
	Caesarea	2,500,000 NIS
	North Netanya	2,700,000 NIS
	South Netanya	4,000,000–5,000,000 NIS
	Kfar Saba- Industrial Area	4,000,000 NIS
	Kfar Saba 50	4,000,000–4,200,000 NIS
Shfela	Modi'in - Yishpro	4,000,000 NIS
	Modi'in – Li Gad	3,200,000 NIS
	Be'er Tuvia	2,500,000 NIS
	Yavne	3,000,000 NIS
	Ashdod	3,500,000 NIS
	Kanot	3,000,000 NIS
South	Kiryat Gat	2,200,000 NIS
	Beer Sheva	1,100,000 NIS
	Ashkelon	1,500,000–1,800,000 NIS
Jerusalem	Mishor Adumim	900,000–1,000,000 NIS
	Beit-Shemesh	1,800,000–2,000,000 NIS
North	Haifa Bay	2,500,000 NIS
	Tirat Carmel	2,000,000 NIS
	Checkpoint / Nesher	2,500,000 NIS
	Carmel	2,000,000 NIS

* Data refers to average rental prices of the ground floor.

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



COVID-19, which began spreading throughout the world approximately a year ago, has significantly impacted everyone's daily lives. Tourism, entertainment and culture are the sectors most adversely affected by the pandemic, as well as parts of the retail sector. Concurrently, the office market also experienced a decline in demands this year, against the background of companies adopting working from home models, as well as due to the uncertainty regarding how and to what extent offices shall be used in the future.

Having said that, not all sectors have experienced the crisis to the same degree – some sectors in the market have learnt to operate within COVID-19 restrictions and most of the economic activity also continued during the lockdowns that were imposed throughout the year, since there were almost no restrictions regarding attending workplaces that do not involve physical interaction with the public.

Moreover, certain sectors even experienced significant growth during these times, particularly in the fields of food – retail and fast food (deliveries), medical products and pharmaceuticals, as well as retailers with e-commerce platforms. As a result of increased e-commerce, the need for storage areas grew and a continued increase in demand for logistics buildings was recorded, alongside a decline in demand for commercial areas.

With the development of vaccines against COVID-19 and the beginning of vaccinating populations throughout the world, there is an anticipation that life will gradually get back on track over the upcoming year.

However, it is our assessment that COVID-19 will have a long-term effect on the market since it has accelerated processes that had already begun before it appeared. In this context we shall note two main processes that we mentioned in previous surveys:

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

In addition to the direct impacts of the COVID-19 pandemic in Israel, the State of Israel is significantly impacted by developments in the global economy.

1. During 2020 the Israeli shekel became approximately 9% stronger in relation to the dollar and this trend is also continuing at the beginning of 2021. The strengthening of the shekel could have a negative impact on the competitiveness of Israeli export and thus harm local industry, including the high-tech industry which is a significant consumer of office space.
2. Beyond the economic blow in most countries around the world as a result of COVID-19, Israel may be impacted by the increase in the level of risk to the global economy, deriving from trends of separatism, including an escalation in the trade war between the United States and China and Britain's exit from the European Union (the "Brexit").

Industry / Logistics

The significant demand for storage areas in recent years also continued during 2020. The demand for storage areas was invigorated by the consistent trend of increasing e-commerce, which was accelerated by COVID-19. The increase in demand requires increasingly larger distribution and storage areas. An additional factor that impacts the demand for logistics areas derives from the demand for office and residential space in the center of the country, as well as the added building percentages that are being granted by the authorities in these areas. Consequently, there is a trend of factories and storage areas relocating from the center of the country to the peripheral areas, for the benefit of residential and office buildings which are taking over the factory and storage areas in the center of the country.

After witnessing a significant rise in rental prices for storage and industry in recent years, rental prices began stabilizing during 2020. The rental prices for Class A industrial and logistics buildings stabilized at approximately 45-55 NIS per square meter in the central area, and at approximately 35-40 NIS per square meter in peripheral areas.

Despite the stable rental prices, the trend of increasing prices in purchase transactions of logistics assets, also continued during 2020, deriving from increasing growing demand by end-users and from limited investment alternatives for institutional investors.

The level of returns on income-bearing logistics assets dropped, for the first time, below 6% for new buildings in "prime" locations, and are approximately 6.5%-7.5% in the periphery areas, in accordance with the type, quality and location of the assets. The prices of logistics centers range between 8,000 NIS and 10,000 NIS per square meter on the ground floor in a new building in the center of the country and near the main north-south roads, and between 3,500 NIS to 5,000 NIS per square meter for Class B buildings in secondary locations.

Looking forward:

The anticipated population growth in Israel, along with the increase of e-commerce is expected to contribute to continued demand for logistics spaces and to an increase in rental prices. Additionally, we have recently seen significant growth in demand for cold and frozen storage and distribution centers throughout the country. The rental prices paid in this field are tens of percent higher than, and occasionally even double, the rental prices that are paid for ordinary logistics and distribution structures.



The Office Market

In the 2019 Natam report we assessed that two trends may impact a decline of office rental prices:

1. The multitude of office space that was purchased in recent years by purchase groups, which could lead to an increase in the supply of small office spaces (up to approximately 300 square meters), both for sale and rent. A decline in rental prices in such event was expected to be felt in the Gush Dan region, primarily in office buildings that are owned by a large number of investors.
2. A significant increase in construction starts of offices (since 2017), which has reached the threshold of one million square meters per year since 2018. We assessed that the office space that will enter the market in the upcoming years could create excess supply and consequently lead to a decline in the occupancy rates and the sale and rental prices of offices.

As a result of the COVID-19 pandemic, working from home has become legitimate and it is expected that at least some employees will continue to work from home, at least part of the time, even after the pandemic has passed. Therefore, a decline in demand for offices is expected, against the background of the aforesaid increase in supply.

During 2020 office rental transactions were made at a decline of between 5%-15% compared to the prices at the beginning of the year. Additionally, office owners granted tenants more generous benefits than in the past, including "grace" months and renovations and/or adjustment budgets. We expect that the faster the economic and medical situation stabilizes, the more the negative trends will be moderated, and may, with the lapse of time, also reverse.

Despite the significant scope of construction of new office buildings in the Gush Dan region, the scope of purchase transactions of independent office buildings, as an income-bearing asset, has remained low. Two main factors have led to this: First, the majority of the office buildings were built in the framework of purchase groups. Consequently, there is a limited number of office buildings that are owned by a single owner (or by a limited number of partners).

Second, the remainder of the office buildings were built by institutional entities or publicly-traded companies which hold these buildings as long-term income-bearing assets.

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



Commerce

In light of technological developments and changes in e-commerce habits, the assessments that there will be a decline in rental prices in commercial centers, which shall lead to a decline in the prices of the assets, have enhanced. This trend was already evident in 2019, before the COVID-19 outbreak, in the form of a decline in the prices of the shares of publicly-traded companies that focus on maintenance and management of commercial centers. However, stability is expected in the prices of neighborhood commercial centers and in discount stores, which are perceived to be immune to the growing e-commerce trend and provide an accessible and efficient solution during times of social distancing restrictions. The prices of commercial assets reflect a return of approximately 6%-6.5% in central urban locations and in neighborhood centers, and a return of approximately 7% in secondary urban locations.

The Natam Group provides comprehensive real estate services to the commercial real estate market. The Group has been leading the commercial real estate market in Israel for over 35 years and provides its clients unique added value in the form of experience, knowledge and uncompromising professionalism.



The Natam Group's Services Include:

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NatamInvest Investment House: Purchasing, improving, managing and realizing income-bearing properties in the logistics and industrial arenas in Israel.

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

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