



# Natam Report Edition No.51

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First Half of 2023

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Research Report  
for the Office and  
Industrial Markets

**NEWMARK**  
NATAM

# Survey of Class A Buildings in Tel Aviv

The survey examined **61** 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 **2,199,667 square meters**.

## Summary of the Survey's Data:

Location	Number of Buildings in Survey	Total Space in Survey (sq m)	Occupancy Rate Second Half of 2022	Occupancy Rate First Half of 2023	Average Asking Price Second Half of 2022 (Shekel/sq m)	Average Asking Price First Half of 2023 (Shekel/sq m)	Average Management Fees (Shekel/sq m)	Parking (Shekel/sq m)
Ramat Hahayal	14	261,856	94.04%	<b>91.89%</b>	82.50	<b>82.14</b>	20.00	890.71
M.Begin Area	16	753,330	99.41%	<b>98.84%</b>	159.69	<b>149.06</b>	21.38	1184.38
City	5	104,204	97.65%	<b>94.99%</b>	169	<b>159.00</b>	22.38	1100.00
Yigal Alon Area	6	336,150	99.65%	<b>99.64%</b>	178.33	<b>145.00</b>	17.17	1050.00
Courthouse	7	150,668	98.44%	<b>98.37%</b>	129	<b>127.50</b>	22.50	1214.29
Yitzhak Sade, Hassan Arfa	4	194,000	98.87%	<b>98.45%</b>	143.75	<b>135.00</b>	16.00	1400.00
Ramat Gan-Bourse	9	399,459	99.30%	<b>99.23%</b>	125.89	<b>112.00</b>	18.78	983.33
<b>Total/ Average</b>	<b>61</b>	<b>2,199,667</b>	<b>98.59%</b>	<b>97.96%</b>	<b>141.17</b>	<b>129.96</b>	<b>19.74</b>	<b>1117.53</b>
			<b>The Change</b>	<b>-0.63%</b>		<b>-7.94%</b>		

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

## Data Analysis

- After demonstrating increases in recent years, the Class A office building market in Tel Aviv is showing a continued correction to the asking rental prices with a decline of approximately 7.94% – currently averaging at NIS 129.96 per square meter, in the vicinity of the pre-COVID-19 average rental prices. This is primarily due to the secondary sub-lease market.

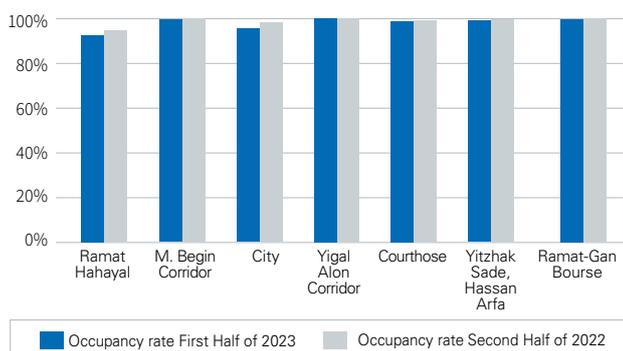
Examples of this are evident in areas which had demonstrated significant increases during 2021-2022, and are now presenting corrections, including the "Menachem Begin" area – with asking rental prices of approximately NIS 149.06 per square meter, reflecting a decline of approximately 6.65% compared to the previous six-month period; the "Yigal Alon" area – with asking rental prices of approximately NIS 145 per square meter, reflecting a decline of approximately 18.6%; and the "City" area – with asking rental prices of NIS 159 per square meter, reflecting a decline of approximately 5.91%.

- The Class A office building market is demonstrating stable demand, although there is a slight decline in average occupancy rates – which are currently at 97.96%.

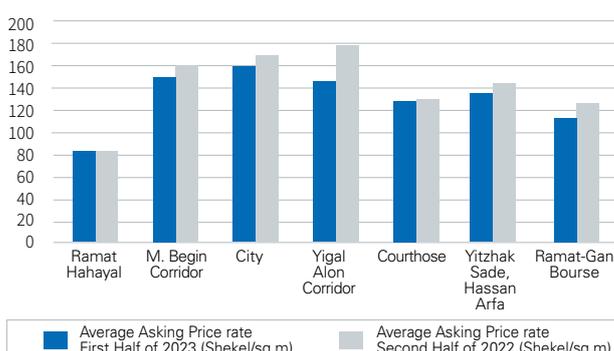
## Forecast

- During the second half of 2023, we expect that high-tech companies that leased tens of thousands of square meters in this office market will continue with the trend of offering sublease space, which will increase the supply of office space, and in conjunction with the trend of mid-sized high-tech companies leasing space on an as-needed basis, rather than future expansion space, the average rental prices are expected to remain in the current price range.
- We anticipate that the entry into the market of new office buildings which are expected to enter the market during 2024-2026, will impact occupancy rates.

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 Buildings in Tel Aviv

The survey examined **46** Class B 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 **604,984 square meters**.

## Summary of the Survey's Data

Location	Number of Buildings in Survey	Total Space in Survey (sq m)	Occupancy Rate Second Half of 2022	Occupancy Rate First Half of 2023	Average Asking Price Second Half of 2022 (Shekel/sq m)	Average Asking Price First Half of 2023 (Shekel/sq m)	Average Management Fees (Shekel/sq m)	Parking (Shekel/sq m)
Ramat Hahayal	8	91,425	96.24%	<b>97.36%</b>	66.88	<b>66.88</b>	19.75	755.00
M.Begin Area	12	155,496	96.37%	<b>92.41%</b>	113.33	<b>100.36</b>	19.73	725.45
City	4	56,410	94.31%	<b>96.56%</b>	85	<b>85.00</b>	22.25	1016.67
Yigal Alon Area	7	97,073	97.48%	<b>98.41%</b>	91.71	<b>88.57</b>	19.29	728.57
Courthouse	3	33,944	90.57%	<b>95.02%</b>	116.67	<b>111.67</b>	21.83	1300.00
Yitzhak Sade, Hassan Arfa	3	35,001	99.50%	<b>90.00%</b>	106.67	<b>93.33</b>	16.67	983.33
Ramat Gan-Bourse	9	135,635	97.41%	<b>97.61%</b>	82	<b>78.11</b>	20.49	811.11
<b>Total/ Average</b>	<b>46</b>	<b>604,984</b>	<b>96.42%</b>	<b>94.87%</b>	<b>94.61</b>	<b>89.13</b>	<b>20.00</b>	<b>902.88</b>
			<b>The Change</b>	<b>-1.60%</b>			<b>-5.79%</b>	

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

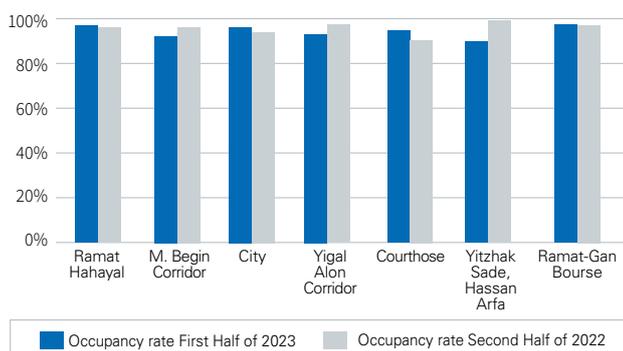
## Data Analysis

- Similar to the Class A office market in this area, the Class B office building market in Tel Aviv is demonstrating slight declines in occupancy rates and a correction in the average asking rental prices.
- Class B office buildings in Tel Aviv, directly impacted by the Class A office market in the Tel Aviv area, are presenting a correction in asking rental prices – which are currently at NIS 89.13 per square meter, a correction of approximately 5.79% compared to the previous six-month period.
- The area with the sharpest correction in asking rental prices is the “Itzhak Sade, Hassan Arfa” area, with a correction of approximately 12% in rental prices, averaging at NIS 93.33 per square meter.
- Some areas presented a correction in asking rental prices, including the “Yigal Alon” area – with a decline of approximately 3.42% in rental prices during this six-month period.

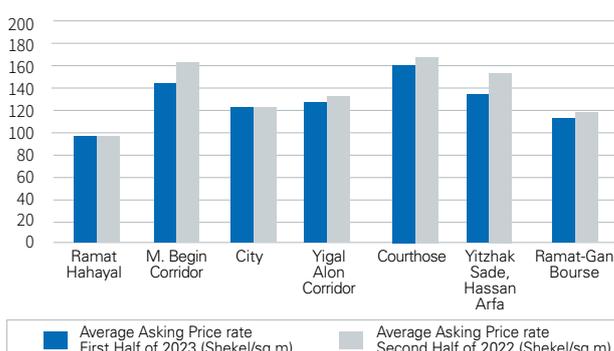
## Forecast

- The current trend will continue during the second half of 2023. Property owners in this office market are revamping the office buildings to meet the demands of high-tech companies that are seeking attractive buildings, aiming to stay in the central Tel Aviv area, and opting to pay lower rent than in Class A buildings. The refurbishments are characterized by upgrading and renovating the buildings' public areas, including main lobbies and floor lobbies, making the communal roofs spaces that can be used for events, etc. As long as this trend continues, we expect that this office market will maintain stable price levels and occupancy rates also during the second half of 2023.

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



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



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

The survey examined **105** 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 **2,199,162 square meters**.

## Summary of the Survey's Data:

Location	Number of Buildings in Survey	Total Space in Survey (sq m)	Occupancy Rate Second Half of 2022	Occupancy Rate First Half of 2023	Average Asking Price Second Half of 2022 (Shekel/sq m)	Average Asking Price First Half of 2023 (Shekel/sq m)	Average Management Fees (Shekel/sq m)	Parking (Shekel/sq m)
Herzliya Pituach	18	253,817	97.57%	<b>97.68%</b>	103.82	<b>103.53</b>	20.94	650.00
Modi'in and Ben Gurion Airport Area	10	165,170	89.56%	<b>91.57%</b>	75.10	<b>75</b>	19.70	510.90
Petach Tikva	20	498,472	62.98%	<b>70.65%</b>	74.80	<b>75.30</b>	17.98	697.00
Ra'anana	10	244,397	91.63%	<b>92.93%</b>	71.22	<b>72.00</b>	18.50	500.00
Netanya - Poleg	12	154,200	91.46%	<b>90.45%</b>	69.42	<b>69.42</b>	14.42	405.00
Rehovot – Ness Ziona	12	154,030	96.05%	<b>87.17%</b>	76.78	<b>80.83</b>	14.17	460.42
South Ra'anana Kfar Saba / Hod Hasharon	9	162,956	94.75%	<b>94.64%</b>	81.25	<b>81.11</b>	17.78	533.33
Rosh Haayin	5	75,840	93.54%	<b>88.13%</b>	61.40	<b>57.00</b>	15.40	370.00
Bnei Brak	9	490,280	88.20%	<b>87.29%</b>	75.56	<b>75.56</b>	16.89	874.44
<b>Total/ Average</b>	<b>105</b>	<b>2,199,162</b>	<b>84.68%</b>	<b>85.13%</b>	<b>76.59</b>	<b>76.64</b>	<b>17.31</b>	<b>555.68</b>

## Data Analysis

The Change

**+0.53%**

**+0.06%**

- The average occupancy rate in the Class A office building market in the cities around Tel Aviv is showing a moderate increase and is currently averaging at 85.13%, an increase of less than 1% compared to the previous six-month period.
- The asking rental prices in this office market are demonstrating a slight correction, of less than 0.5%, averaging at NIS 76.64 per square meter.
- Similarly to the previous six-month period, the Herzliya area continues to lead with the highest and most stable rental prices in this market – averaging at approximately NIS 103.53 per square meter.
- The Herzliya area is also presenting the highest occupancy rates in the Class A office building market in the cities around Tel Aviv – averaging at 97.68% – a slight increase compared to the previous six-month period, despite the fact that there was a slowdown in demand during this six-month period and it is evident that there is a trend of downsizing and streamlining by leading high-tech companies in the area, which are offering to sub-let “Plug & Play” standard office space for periods of two to three years (from parts of floors through independent floors and even larger spaces), at prices that range from NIS 100 - NIS 130 per square meter. During this six-month period, there have been several sublease transactions.

- Despite the evident slowdown in some of the surveyed areas, we expect that during the second half of the year, this office market will continue to maintain similar price levels and occupancy rates due to the stability of this office market over the past six-month period.
- In the Petach Tikva and Bnei Barak area, we expect that the completion of the light rail will improve access to the cities in this office market and impact the occupancy rates and asking rental prices favorably.
- New projects totaling thousands of square meters are currently under construction in the Kfar Saba, Southern Ra'anana-Hod Hasharon areas, which currently have relatively high occupancy rates (prior to physical occupancy), and this is expected to contribute to the trend of continued stability in occupancy rates also during the second half of 2023.
- A number of new commercial and office projects, totaling approximately 60,000 square meters, are currently underway in the Atir Yeda area of Kfar Saba, which over the past 2 decades has benefitted from high occupancy rates, due to good access from Road no. 6 and 531. Some of the buildings are under construction, and some are pending occupancy. To date, only about 30% of the office space in these projects has been leased out. The absence of a train station within walking distance from the Atir Yeda area presents challenges to marketing the office space in these projects.
- In the North Ra'anana, (Kiryat Etgarim) area, the apparent high occupancy rate (approximately 94.64%) could change dramatically during the next six-month period, due to the upcoming completion of the Shufersal Gav-Yam project, which will add approximately 40,000 square meters of commercial and office space and may attract a number of leading companies from within the area. This potential “internal relocation”, will vacate thousands of meters in Class A and Class B buildings.

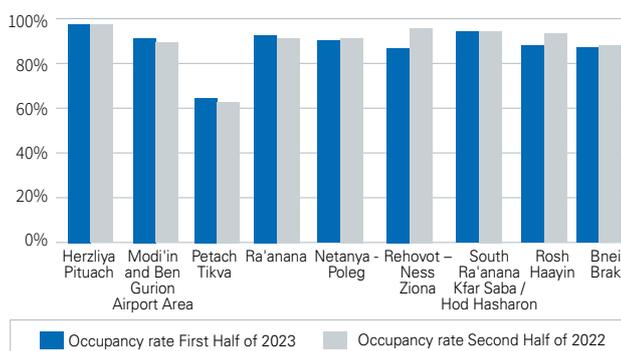
## Forecast

- In the Rehovot and Ness Ziona area demand is stable and is expected to remain so in the immediate short term, primarily due to construction in the area that is suitable for the life sciences, food-tech and bio-medical fields, that includes laboratory spaces and appropriate infrastructure. There are noticeable differences between projects that are located in the Weizmann Institute and Science Park area, and those in other areas.

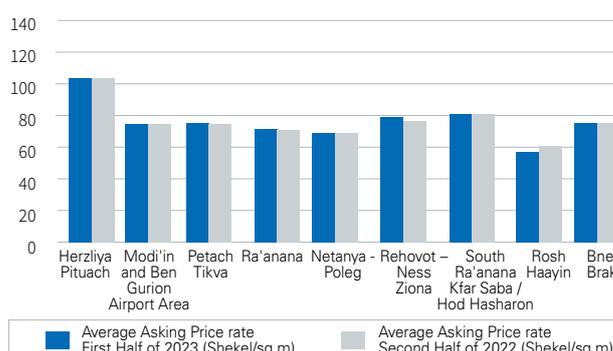
\* Due to new office projects and spaces entering the market and impacting the rental price per square meter and the average occupancy rate, changes were made in this survey with respect to the buildings that were surveyed.

\*\* Three office building in High-Park Ness Ziona, which have a direct impact on the occupancy rate, were added to this survey.

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 A Office Buildings in Haifa and the North

The survey examined **16** Class A buildings located in 4 central areas in Haifa and the northern region. The total area of the surveyed buildings is **210,170 square meters**.

## Summary of the Survey's Data:

Location	Number of Buildings in Survey	Total Space in Survey (sq m)	Occupancy Rate Second Half of 2022	Occupancy Rate First Half of 2023	Average Asking Price Second Half of 2022 (Shekel/sq m)	Average Asking Price First Half of 2023 (Shekel/sq m)	Average Management Fees (Shekel/sq m)	Parking (Shekel/sq m)
Haifa	3	38,700	98.01%	<b>93.93%</b>	62.67	<b>64.67</b>	14.67	483.33
Yokneam	5	47,000	98.51%	<b>97.87%</b>	71.00	<b>73.00</b>	12.40	367.00
Matam Haifa	6	95,970	99.79%	<b>96.14%</b>	76.00	<b>98.33</b>	16.83	750.00
Nesher / Check Post	2	28,500	97.19%	<b>96.84%</b>	90.00	<b>90.00</b>	15.00	550.00
<b>Total/ Average</b>	<b>16</b>	<b>210,170</b>	<b>98.82%</b>	<b>96.22%</b>	<b>74.92</b>	<b>81.50</b>	<b>14.73</b>	<b>537.58</b>
			<b>The Change</b>	<b>-2.63%</b>		<b>+8.78%</b>		

## Data Analysis

- After demonstrating increases in the previous six-month period, the Class A office building market in Haifa and the northern region is now demonstrating relative stability in the average occupancy rates, with a slight correction of approximately 2.63%, and a total of 96.22% occupancy.
- The MATAM area continues to maintain a relatively high occupancy rate – averaging at approximately 96.14%. The Yokneam area follows, maintaining stability with a moderate decline in the occupancy rate of 97.87%.
- Alongside the corrections in occupancy rates, rental prices in this office market are demonstrating an upward trend and are currently averaging at NIS 81.50 per square meter.
- The increase in rental prices in this area is primarily derived from high-quality finished spaces that were added in the MATAM park, following an extensive period during which the park was fully occupied.

## Forecast

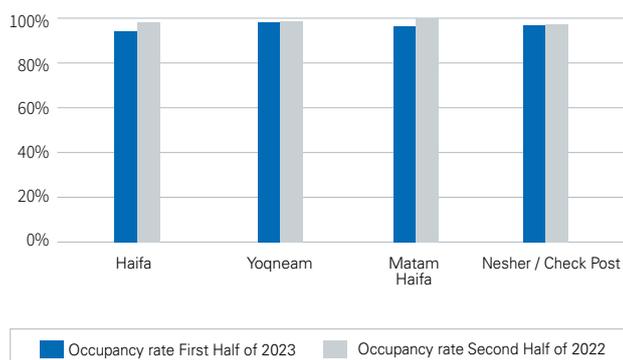
- This office market is expected to remain stable also during the second half of 2023, due to high demand for offices in the employment and industrial areas of the north. In parallel, construction of new office space continues which will be

added to the market in the coming years in the areas of Nesher, Yokneam, Nof Hagalil, etc.

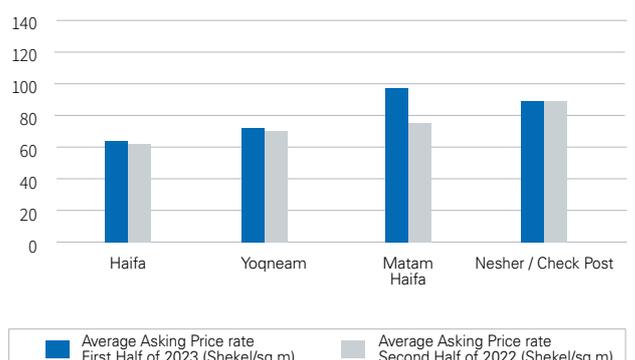


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Occupancy Rate of Class A Office Buildings Comparison with Previous Six Month Period



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



# Survey of Class A Office Buildings in Jerusalem

The survey examined **24** Class A buildings located in 5 central areas in the Jerusalem region. The total area of the surveyed building is **311,202 square meters**.

## Summary of the Survey's Data:

Location	Number of Buildings in Survey	Total Space in Survey (sq m)	Occupancy Rate Second Half of 2022	Occupancy Rate First Half of 2023	Average Asking Price Second Half of 2022 (Shekel/sq m)	Average Asking Price First Half of 2023 (Shekel/sq m)	Average Management Fees (Shekel/sq m)	Parking (Shekel/sq m)
Givat Shaul	7	108,552	91.97%	<b>83.68%</b>	82.50	<b>85.71</b>	16.93	621.43
Har Hotzvim	5	93,240	95.17%	<b>90.58%</b>	85.40	<b>90.40</b>	19.00	580.00
Central Jerusalem	7	65,850	98.33%	<b>98.79%</b>	88.60	<b>87.57</b>	18.57	740.00
Malha	1	20,000	99.90%	<b>99.75%</b>	90.00	<b>90.00</b>	16.00	450.00
Talpiot	4	23,560	91.09%	<b>88.96%</b>	92.50	<b>101.25</b>	15.25	537.5
<b>Total/ Average</b>	<b>24</b>	<b>311,202</b>	<b>95.01%</b>	<b>90.38%</b>	<b>87.80</b>	<b>90.99</b>	<b>17.15</b>	<b>585.79</b>
			<b>The Change</b>	<b>-4.87%</b>		<b>+3.63%</b>		

## Data Analysis

- The average occupancy rate in the Class A office building market in the Jerusalem area is demonstrating corrections and is presenting an average decline of approximately 4.87% compared to the previous six-month period, with a current average occupancy rate of 90.38%, primarily following the entry into the market of new projects that received occupancy permits during this six-month period.
- Following a significant increase in its average occupancy rate, the Har Hotzvim area is now stabilizing at an average of 90.58%. The Malcha area continues to lead with the highest occupancy rates in this market – averaging at 99.75%.
- The rental prices in this office market also continue with a moderate upward trend, averaging at NIS 90.99 per square meter, having also been impacted by the entry into the market of new projects.

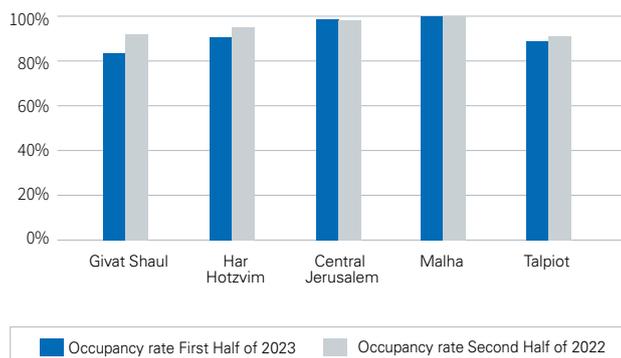
## Forecast

- This office market is expected to remain stable also during the second half of 2023. The urban development planning, along with the entry into the market of new projects during the coming years in the Talpiot, Har Hotzvim and City Center areas, are expected to impact the occupancy rates and the asking rental prices in these areas.

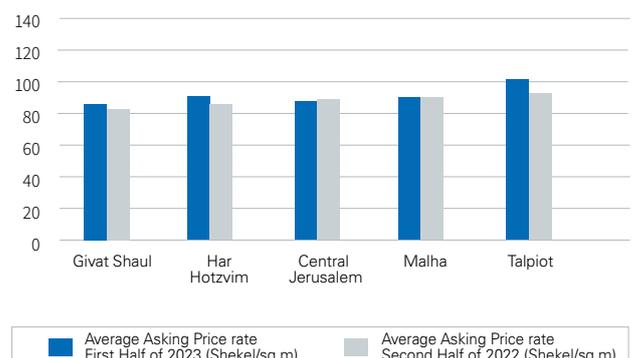


Beit Hadar Jerusalem,  
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Occupancy Rate of Class A Office Buildings  
Comparison with Previous Six Month Period



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



# Survey of Office Buildings in the Beersheba Area

The survey examined **18** buildings located in central areas in the Beersheba area. The total area of the surveyed buildings is **219,675 square meters**.

The Gav-Yam Negev Park – A high-tech industrial park that includes academic, technological and industrial companies, alongside a communications and cyber complex.

## The characteristics of the park:

- Development Area A – State and Beer Sheva Municipality-supported economic incentives.
- Proximity to central traffic arteries and to Ben-Gurion University.
- Partnerships between the public and business sectors.

## Summary of the Survey's Data:

Location	Number of Buildings in Survey	Total Space in Survey (sq m)	Occupancy Rate Second Half of 2022	Occupancy Rate First Half of 2023	Average Asking Price Second Half of 2022 (Shekel/sq m)	Average Asking Price First Half of 2023 (Shekel/sq m)	Average Management Fees (Shekel/sq m)	Parking (Shekel/sq m)
Gav-Yam Negev Park	4	60,000	99.83%	<b>99.33%</b>	75	<b>75</b>	15.00	300.00

The Change

**-0.50%**

No Change

Location	Number of Buildings in Survey	Total Space in Survey (sq m)	Occupancy Rate Second Half of 2022	Occupancy Rate First Half of 2023	Average Asking Price Second Half of 2022 (Shekel/sq m)	Average Asking Price First Half of 2023 (Shekel/sq m)	Average Management Fees (Shekel/sq m)	Parking (Shekel/sq m)
Hi-Tech Park Omer	5	40,200	94.90%	<b>95.52%</b>	45	<b>45.00</b>	10.20	-
Beersheba City	7	109,975	83.80%	<b>88.85%</b>	66.57	<b>65.86</b>	14.79	382.86
Advanced Technologies Park	2	9,500	95.84%	<b>95.84%</b>	47.50	<b>47.50</b>	10.25	150.00
<b>Total/ Average</b>	<b>14</b>	<b>159,675</b>	<b>87.31%</b>	<b>89.69%</b>	<b>53.02</b>	<b>52.79</b>	<b>11.75</b>	<b>177.62</b>

The Change

**+2.72%**

**-0.43%**

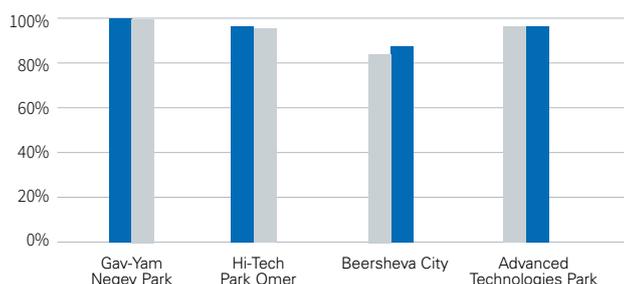
## Data Analysis

- The office market in Beer Sheva and the surrounding areas continues with a trend of stability. A moderate increase can be seen in occupancy rates, which are currently at 89.69%.
- The Gav-Yam Negev Park continues to present the highest occupancy rates in this office market – averaging at 99.33%.
- This office market is presenting a slight decline of less than 0.5% in the average asking rental prices, which are currently at NIS 52.79 per square meter.

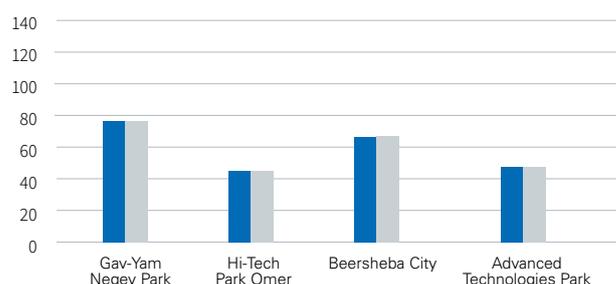
## Forecast

- Alongside the trend of construction in recent years, and the continued development of the city of Beer Sheva as the High-Tech capital of the south, this office market is expected to remain stable also during the second half of 2023.
- The entry into the market of new projects during the coming years in the areas of Omer High-Tech Park and the City Center, are expected to impact the occupancy rates and the asking rental prices in these areas.

Occupancy Rate of Office Buildings in the Beersheba Area Comparison with Previous Six Month Period



Rental Prices Office Buildings in the Beersheba Area Comparison with Previous Six Month Period



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

		Price per square meter Second Half of 2022	Price per square meter First Half of 2023
<b>Center</b>	Petach Tikva - Segula	9,000,000 NIS per square meter	9,000,000 NIS per square meter
	Petach Tikva- Kiryat Aryeh	9,000,000 NIS per square meter	9,000,000 NIS per square meter
	Holon	9,000,000 NIS per square meter	8,500,000- 9,000,000 NIS per square meter
	Rishon Lezion	9,000,000 NIS per square meter	8,500,000- 9,000,000 NIS per square meter
	Lod / Ramla	5,500,000 NIS per square meter	5,500,000 NIS per square meter
	Shoam	8,000,000 NIS per square meter	8,000,000 NIS per square meter
<b>Hasharon</b>	Emek Hefer	5,500,000-6,000,000 NIS per square meter	5,500,000-6,000,000 NIS per square meter
	North Netanya	6,000,000 NIS per square meter	6,000,000 NIS per square meter
	South Netanya	6,000,000 NIS per square meter	6,000,000 NIS per square meter
	Kfar Saba- Industrial Area	6,000,000 NIS per square meter	6,000,000 NIS per square meter
	Kfar Saba 50	6,000,000 NIS per square meter	6,000,000 NIS per square meter
<b>North</b>	Haifa Bay	5,000,000 NIS per square meter	5,000,000 NIS per square meter
	Tirat Carmel	4,500,000 NIS per square meter	4,500,000 NIS per square meter
	Checkpost / Nesher	4,500,000 NIS per square meter	4,500,000 NIS per square meter
	Carmel	5,000,000 NIS per square meter	5,000,000 NIS per square meter
<b>Shfela</b>	Modi'in- Einav Center	7,000,000 NIS per square meter	8,500,000 NIS per square meter
	Modi'in- The Technology Park	6,500,000 NIS per square meter	7,000,000 NIS per square meter
	Be'er Tuvia	4,500,000 NIS per square meter	4,500,000-5,000,000 NIS per square meter
	Yavne	5,000,000 NIS per square meter	5,000,000 NIS per square meter
	Ashdod	7,500,000 NIS per square meter	7,500,000 NIS per square meter
	Kanot	5,500,000-6,000,000 NIS per square meter	5,500,000 NIS per square meter
<b>South</b>	Kiryat Gat	3,500,000-4,000,000 NIS per square meter	3,500,000-4,000,000 NIS per square meter
	Beersheba	1,800,000-2,000,000 NIS per square meter	1,800,000-2,000,000 NIS per square meter
	Ashkelon	3,500,000 NIS per square meter	3,500,000 NIS per square meter
<b>Jerusalem</b>	Mishor Adumim	2,000,000 NIS per square meter	2,000,000 NIS per square meter
	Beit-Shemesh	4,500,000 NIS per square meter	4,500,000 NIS per square meter

# 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 two classes of industrial buildings: Class A and Class B.

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

New industrial buildings (up to 8 years old) and/or modern logistics buildings of at least 8-9 clear height, sprinklers, dock levelers, operational yards and accessibility for loading and offloading.

Center	Price per square meter Second Half of 2022	Price per square meter First Half of 2023	
<b>Center</b>	Petach Tikva (Kiryat Aryeh, Segula)	55 NIS per square meter	55 NIS per square meter
	Ramla	55 NIS per square meter	55 NIS per square meter
	Shoham	55 NIS per square meter	55 NIS per square meter
	Holon	55 NIS per square meter	60 NIS per square meter
	Rishon Lezion	55 NIS per square meter	60 NIS per square meter
<b>Hasharon</b>	Caesarea	45 NIS per square meter	45 NIS per square meter
	Emek Hefer	55-60 NIS per square meter	52-58 NIS per square meter
	Kfar Saba	55-60 NIS per square meter	55-60 NIS per square meter
<b>Shfela</b>	Modi'in- The Technology Park	55-60 NIS per square meter	55 NIS per square meter
	Modi'in- Einav Center	60 NIS per square meter	55-60 NIS per square meter
	Ashdod	55 NIS per square meter	55 NIS per square meter
	Kanot	50 NIS per square meter	50 NIS per square meter
	Yavne	53 NIS per square meter	56 NIS per square meter
<b>South</b>	Kiryat Gat	45 NIS per square meter	45 NIS per square meter
	Ashkelon	38 NIS per square meter	38 NIS per square meter
	Sderot, Netivot, Ofakim	32-35 NIS per square meter	32-35 NIS per square meter
	Beersheba	35 NIS per square meter	35 NIS per square meter
<b>Jerusalem</b>	Mishor Adumim	45NIS per square meter	45NIS per square meter
	Atarot	48 NIS per square meter	50 NIS per square meter
	Beit-Shemesh, Har Tov, Tzora	47 NIS per square meter	50 NIS per square meter
<b>North</b>	Haifa	45 NIS per square meter	45 NIS per square meter
	Karmiel, Bar Lev, Misgav, Tefen	45 NIS per square meter	45 NIS per square meter
	Migdal HaEmek	35 NIS per square meter	35 NIS per square meter
	Acre	35NIS per square meter	35NIS per square meter
	Mevo Carmel	45 NIS per square meter	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.

Second-generation industrial buildings, a minimum of 5 meters clear height, operational yards and accessibility for loading and offloading.

		Price per square meter Second Half of 2022	Price per square meter First Half of 2023
<b>Center</b>	Petach Tikva (Kiryat Aryeh, Segula)	50 NIS per square meter	50 NIS per square meter
	Ramla	45 NIS per square meter	45 NIS per square meter
	Holon	45-50 NIS per square meter	45-50 NIS per square meter
	Rishon Lezion	45-50 NIS per square meter	45-50 NIS per square meter
<b>Hasharon</b>	Caesarea	40 NIS per square meter	40 NIS per square meter
	Emek Hefer	50 NIS per square meter	50 NIS per square meter
	Kfar Saba	50 NIS per square meter	50 NIS per square meter
	Kadima	45-50 NIS per square meter	45-50 NIS per square meter
	North Netanya	45 NIS per square meter	45 NIS per square meter
	South Netanya	45 NIS per square meter	55 NIS per square meter
<b>Shfela</b>	Ashdod	48 NIS per square meter	48 NIS per square meter
	Kanot	45 NIS per square meter	45 NIS per square meter
	Yavne	44 NIS per square meter	44 NIS per square meter
<b>South</b>	Kiryat Gat	35 NIS per square meter	35 NIS per square meter
	Ashkelon	32 NIS per square meter	32 NIS per square meter
	Sderot, Netivot, Ofakim	27 NIS per square meter	27 NIS per square meter
	Beersheba	30 NIS per square meter	30 NIS per square meter
<b>Jerusalem</b>	Mishor Adumim	40 NIS per square meter	38 NIS per square meter
	Atarot	40 NIS per square meter	38 NIS per square meter
	Beit-Shemesh, Har Tov, Tzora	40 NIS per square meter	45 NIS per square meter
<b>North</b>	Haifa	35 NIS per square meter	35 NIS per square meter
	Karmiel, Bar Lev, Misgav, Tefen	30 NIS per square meter	30 NIS per square meter
	Migdal HaEmek	30 NIS per square meter	30 NIS per square meter
	Acre	30 NIS per square meter	35 NIS per square meter

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

# Real Estate Transactions - A Review of the First Half of 2023



A slowdown in demand and the significant reduction of purchase and rental transactions, as a result of the sharp rise in interest rates and the impact of the political and legal legislation processes.

The low interest rates that had been prevalent since 2008 with central banks around the world, had flooded the markets with “cheap” capital, leading to sharp increases in property prices, and since 2021, also to rising prices of services and consumer goods.

In order to restrain inflation, the Bank of Israel raised the interest rate from 0.1% in 2022 to the current level of 4.75% - a 20-year record level. Additionally, the political legislative processes that the current government is pursuing, have encountered widespread public resistance, including by the majority of the business sector, and have led to a dramatic reduction of investments, particularly in the high-tech industry.

These developments have a direct impact on some of the factors that had led to the continuous increasing demand and rising real estate prices that had been experienced in recent years:

- >> Financing costs that had been at historically low levels, have increased sharply, and are narrowing the financial margin and harming the cash flow for real estate investors.
- >> An additional increase in financing costs stems from the increased financial margin that lenders are charging as a result of the increased risk in the market, and as a result of the financing costs becoming more expensive for the lenders themselves.
- >> Reduced supply of financing and increased financing rates by the banking system and the Stock Exchange, as a result of the increased risk in the market, and as a result of credit limits for the real estate sector, hinders real estate transactions that largely lean on a significant financing element.
- >> Hiring freezes and layoffs at part of the high-tech sector, lead to a slowdown in demand for office space. High-tech companies accounted for a significant share of the total office rental transactions in the central region, thus reduced demand on their part, along with downsizing by some companies, leads to a decline of dozens of percent in the scope of rental transactions, compared to the previous year.
- >> In the development arena, a certain increase in supply of land for construction is evident, primarily on the part of developers that purchased the land during the past year and are now finding it difficult to bear the increase in financing costs.

On the other hand, there are other factors that support demand in the market, including:

- >> Some of the leading real estate companies are holding cash balances that are available for investment.
- >> Supply of land and properties in the logistics market is not high considering the demand, particularly in the areas between Kiryat Gat and Haifa.
- >> Against the background of developing inflation factors, investing in real estate is a means to hedging inflation risks (subject to the term of the lease agreements), since most lease agreements are linked to the Israeli CPI.

The markets in Israel and around the world are in the midst of significant changes, and at the moment the market is not in a state of equilibrium, and therefore it is difficult at this stage to evaluate the anticipated effects on the real estate market. We expect the trends of moderated demand and declining prices in all real estate sectors to continue in the near future.

There are market trends that have developed quickly since the outbreak of the COVID-19 pandemic. We shall therefore state the two main processes that were also mentioned in previous reports:

1. The development of e-commerce and its implications (in opposed directions) for the retail and logistics markets.
2. Technological developments and transformations in work habits which will support continued hybrid working models.

**The low interest rates that had been prevalent since 2008 with central banks around the world, had flooded the markets with cheap capital, leading to sharp increases in property prices, and since 2021, also to rising prices of services and consumer goods. In order to restrain inflation, the Bank of Israel raised the interest rate from 0.1% in 2022 to the current level of 4.75% - a 20-year record level. Additionally, the political legislative processes that the government is pursuing, have encountered widespread public resistance, including by the majority of the business sector, and have led to a dramatic reduction of investments, particularly in the high-tech industry.**

## Industry / Logistics

The increase in recent years in demand for storage areas has continued this year as well. The demand for storage areas has been fueled by the trend of consistent growth in e-commerce activity, which was accelerated by COVID-19. Certain industries even experienced significant growth during this period, primarily in the food - retail and fast food (deliveries), medical products and pharmaceuticals industries, as well as retailers that operate e-commerce platforms. The increased demand in these industries requires increasingly growing scopes of storage and distribution space.

Demand for logistics space is also impacted by the demand for office and residential space in the center of the country, as well as the added building rights that are being granted by the authorities in these regions. This demand creates a trend whereby industrial and warehouse operations are relocating from the center of the country to peripheral areas, and are replaced by residential and office buildings.

As a result of the above-mentioned reasons, as well as due to the fact that the logistics market requires large areas of land compared to other sectors (which are typically located in multi-story properties), there was an increase of dozens of percentages in the price of land and of industrial and logistics buildings over the past years.

During the first half of 2023 the upward trend of prices ended, due to two main reasons:

1. The sharp increase in interest rates in the market.
2. The rental prices in the market did not rise proportionately to the increase in the asset prices, such that the yields on income-producing assets dropped to approximately 6%, making it difficult for developers and investors to finance the purchase of assets, especially against the background of the increased financing costs.

The prices of logistics centers are in the range of NIS 11,000-13,000 per square meter for ground floor space in a new building in the center of the country and near the main north-south roads, and between NIS 4,500 and NIS 5,500 per square meter for Class B buildings in peripheral locations.



**Looking forward:** The population growth in Israel, in conjunction with the growth of e-commerce, are expected to contribute to continued demand for logistics spaces. To date, despite the slowdown in real estate activity, there is still a significant demand to purchase land for industrial / logistics purposes throughout the country.

During the first half of 2023, a decline was recorded in the number of transactions in the market, concurrently with an increase in the supply of land for sale, primarily on the part of developers who prefer to realize assets, against the background of the increasing financing costs.

The increase in supply is expected to lead to a moderation in the prices of assets. However, in the long-term, we expect a continued demand for logistics spaces is anticipated.

## The Office Market

The dominant factor in the office market in recent years was the increase in demand for offices by technological companies.

The transition towards partial work from home during COVID-19 and thereafter, did not significantly reduce demand for office space. High-tech companies that raised record-breaking amounts of investment capital and the high liquidity of this sector, along with fierce competition over skilled personnel, led to high demand and rising rental prices, primarily for Class A offices in Tel Aviv and Herzliya Pituach, and in locations adjacent to train stations or the light rail.

During 2022, and even more so this year, there has been a sharp decline in investments in technological companies, many of which are forced to reduce costs and lay off employees. Consequently, demand for offices has dropped sharply, and in addition, there is an ever-growing supply of sublease office space by companies that are downsizing.



### Continued Decline from the Record-Breaking Rental Prices in Tel Aviv

The shortage in software engineers in recent years resulted in competition among technology companies for high-quality personnel. Since young software personnel prefer to work in Tel Aviv, this has created significant demand for Class A buildings in the city. This demand compensated for the departure of large financial lessees that relocated from Tel Aviv to cities in the second circle of the Dan region, such as the employment areas that are developing in Rishon Lezion and in the northern industrial zone in Lod.

The demand for high-quality office space led to rental prices rising to record-breaking levels of approximately NIS 150-200 per square meter, and beyond, for offices in the area of the Sarona complex and the Shalom train station in Tel Aviv.

During the first half of 2023, prices declined in most of the areas in Tel Aviv. The average rental prices for Class A office on the Begin axis declined to approximately NIS 149.06 per square meter, compared to approximately

**The demand for high-quality office space led to rental prices rising to record-breaking levels of approximately NIS 150-200 per square meter, and beyond, for offices in the area of the Sarona complex and the Shalom train station in Tel Aviv.**

NIS 159.69 per square meter during the second half of 2022. For example, in the Yigal Alon area, average rent declined to NIS 145 per square meter, compared to approximately NIS 178.33 per square meter, during the previous quarter.

In parallel, lease terms shortened to approximately 3 years compared to 5 years and more that were prevalent in the past.

As a result of the lay-offs in technological companies, a secondary sublease market has evolved, most of which at discounted rental prices compared to market prices.

In some of the areas in the second circle of the central area, office projects were purchased in recent years by purchasing groups. This has led to the creation of a significant supply of small office spaces (parts of floors), both for sale and for rent. Small-sized offices do not benefit from demand by most high-tech companies. Furthermore, owners of small office spaces compete with each other over potential tenants. Consequently, rental prices and sale prices in these projects have remained low compared to office buildings that are owned by a single owner. In Petach Tikva and in the BBC complex, there is a significant supply of Class A offices that are currently being rented out at rental prices of approximately NIS 70-75 per square meter for finished space.

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 purchasing 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.

### The Light Rail

The light rail's "Red Line" began operation in August, 2023. Offices along its route are expected to be favored by tenants, and the demand for offices adjacent to the light rail's route is already evident. Demand for offices along the route is expected, over time, to counter the abundant supply of offices for rent that currently exists near the light rail's stations, particularly along the Jabotinsky street axis in Petach Tikva and Bnei Barak.

### Commerce

Technological developments and transformations in e-commerce are expected to challenge traditional street commerce of shops and commercial centers. Neighborhood commercial centers and discount stores are perceived to be immune to the growing e-commerce trend and are expected to continue to benefit from stable demand, since they provide an efficient and accessible solution for purchasing basic consumer products.

There is high demand for purchasing neighborhood commercial assets, and despite the increase in interest rate, investors are exhibiting willingness to purchase such assets at returns of approximately 6.5%-7%.



## Newmark Natam

Newmark Natam was founded in 1985 as Natam Group. Since July 2022, it is the local strategic partner of Newmark - a global leader in commercial real estate. Newmark Natam offers a full platform of real estate services and solutions to business owners, tenants, and investors, and is a leading player in the business real estate market in Israel.

Newmark Natam, which employs 110 professionals, specializes in the offices, industry, and logistics sectors providing its customers with comprehensive real estate solutions in Israel and abroad. Among its services are brokerage, marketing and project management, property management, consultation, investments, market survey, and follow up of trends in the local and global market - using advanced and highly accessible technologies for businesses and investors. Using three well synchronized departments with offices in Tel Aviv, Jerusalem, Herzliya, Beersheba, Haifa, and Rehovot, Newmark Natam offers its customers a unique combination of experience and knowledge, both international and domestic, at the highest professional level.

**Head Office**

53 Yigal Alon St. Tel Aviv  
t 972 3-689-4242  
Infolsrael@nmrk-global.com

[nmrk.co.il](http://nmrk.co.il)

**Sharon Branch**

14 Ha-Kharoshet St., Raanana

**Haifa and North Branch**

20 Hamesila St., Haifa

**Rehovot Branch**

2 Weisgal St., Park HaMada, Rehovot

**Jerusalem Branch**

6 Abba Even St., Jerusalem

**Beersheba Branch**

9 Hatzoref St., Beersheba

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