



No. 39 | First Half 2017

Natam Report

Office and Industrial Market

Introduction	2
Survey of Office Market in the Tel Aviv Area	3
Survey of Office Market in the Periphery of Tel Aviv	6
Survey of Office Market in Haifa and the Northern Region	9
Survey of Office Market in Jerusalem	12
Survey of Office Market in Beer Sheva	15
Survey of Industrial and Logistics Buildings	18
The Natam Group	19

Natam

Introduction

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 3 classes of office buildings: Class A, Class B and Class C, in light of the quality and price differences among them. All of the surveyed office space is available for occupancy within 6 months.

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 built out space or shell and core space with landlord contribution towards finishing of NIS 1,500 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 which are perceived as lower quality than Class A buildings and are appropriate for tenants seeking a less expensive alternative.

Class C:

- At least 2,500 square meters of built space above ground floor.
- Suitable / Basic standard of internal finishing in the public spaces.
- Buildings which are perceived as an alternative that is less expensive than the preferred buildings in the area of demand.

General Trends

- The commercial real estate market is maintaining its strength. An increase in demand by end users to rent offices, industrial and logistics buildings has been evident throughout the country in the recent six month period. Additionally there has been a significant increase in demand by investors for all kinds of commercial real estate transactions.
- The office market in Israel is continuing to demonstrate stability in most regions, both in terms of high occupancy levels and in terms of maintaining the level of asking prices. In the Tel Aviv area we anticipate asking prices for office space to begin declining in the upcoming six month period, due to new supply entering the market. In the peripheral areas further from Tel Aviv, such as Jerusalem, Beer Sheva and Haifa, on the other hand, a moderate increase of prices is expected due to a shortage of new construction.
- In the industrial and logistics buildings market, we anticipate the asking rental prices to continue to rise due to a moderate increase in the prices of the land designated for construction, alongside an increase in demand for industrial and logistics spaces due to companies becoming more logistically efficient.
- The returns on income-bearing real estate transactions have dropped to levels of 6.5%-7.5% for office, industrial and commercial assets. There is an increase in demand by private investors who are interested in expanding their investment portfolio to the commercial real estate field, at the expense of investing in the residential sector.

Office and Industrial Spaces Marketed by NATAM



Midtown Tower, Tel Aviv



Hacarmel Gate, Haifa



Cargal Complex, Lod

Survey of Class A Office Buildings in the Tel Aviv Area

The survey examined **61** Class A buildings in 9 central areas in the Tel Aviv area, which constitute a representative sample of all of the office areas located in this urban district. The total area of the surveyed buildings is **1,729,972 square meters**.

Summary of the Survey's Data

Location	# of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate of Summer 2016	Occupancy rate of Winter 2017	Average Asking Price Summer 2016 (Shekel/sm)	Average Asking Price Winter 2017 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Courthouse	7	159,774	97.29%	97.4%	121.19	118.57	22	1140
M. Begin Corridor	10	398,493	98.66%	96.64%	110.14	106	21	905
Yigal Alon Corridor	5	193,268	94.72%	92.44%	109.21	103.75	18	800
Manshia	3	62,687	100%	96.59%	100	85	18.5	700
City	5	104,204	99.28%	97.65%	127.16	121.40	23	1150
Central Tel Aviv	2	18,720	91%	92.05%	91.6	98.5	22	1060
Ramat Hahayal	13	244,186	91.21%	95.98%	74.69	80.40	19.3	650
Ramat Gan-Bourse	10	303,204	96.21%	97.51%	95.2	98	20	894
Bnei Brak	6	245,436	94.37%	96.71%	67.12	73.83	17	583
Total/ Average	61	1,729,972	95.86%	96.31%	99.6	98.4	20.1	875.8
The Change			+0.46% ↑		-1.2% ↓		+3.0% ↑	

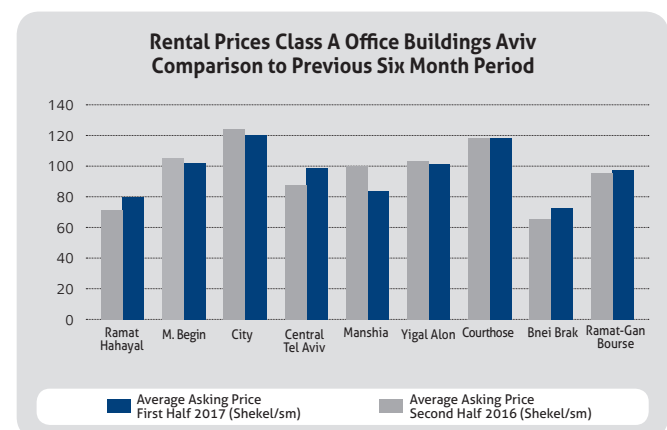
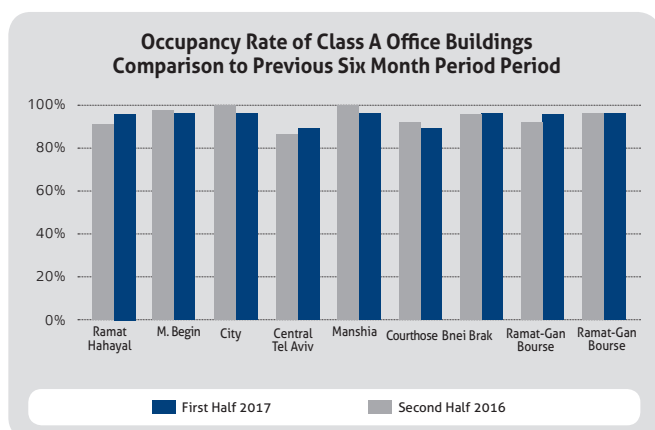
Data Analysis

- The Tel Aviv Class A office market is maintaining high occupancy levels that exceed 95% in most of the buildings that were surveyed. Additionally, the average asking price in the area is maintaining its previous level.
- The average occupancy rate for the first six months of 2017 is 96.31%. In most of the areas that were surveyed the occupancy levels remained stable without significant fluctuations compared to the previous report.
- Compared to the second half of 2016, the average rental asking price declined by 1.2% and is currently NIS 98.4 per square meter. The Tel Aviv City area and the Courthouse area continue to be the most expensive areas averaging approximately NIS 120 per square meter, due to small available spaces which skew the prices upwards.

- There is an increasingly growing gap between the asking prices of large office spaces and small office spaces.

Forecast

- We anticipate that in the next half of 2017, occupancy rates will decline due to the completion of construction of new building that have not been surveyed in this survey, such as the Alon Towers, the HaArbaa Towers, the Midtown Tower. Consequently, competition shall increase and we shall begin to see a decline in rental asking prices for small-medium spaces.
- An increase in asking prices of shops is expected due to growing shortage in the area.



Survey of Class B Office Buildings in the Tel Aviv Area

The survey examined **50** Class B buildings in 9 central areas in the Tel Aviv area, which constitute a representative sample of all of the office areas located in this urban district. The total area of the surveyed buildings is **623,016 square meters**.

Summary of the Survey's Data

Location	# of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate of Summer 2016	Occupancy rate of Winter 2017	Average Asking Price Summer 2016 (Shekel/sm)	Average Asking Price Winter 2017 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Courthouse	2	25,400	96.42%	96.06%	104.13	96.5	23	950
M. Begin Corridor	9	92,876	91.95%	89.54%	65.12	72.89	18	633
Yigal Alon Corridor	8	107,275	98.18%	95.67%	69.92	73	18	608
Manshia	3	39,635	92.80%	93.76%	65.88	61.67	23	667
City	3	53,210	96.45%	87.78%	72.01	79.3	18	833
Central Tel Aviv	5	69,406	98.23%	97.69%	81.19	93	21	840
Ramat Hahayal	9	92,455	89.29%	91.84%	74.46	68.1	18	567
Ramat Gan-Bourse	8	98,166	97.64%	95.42%	75.34	70	19	706
Bnei Brak	3	44,593	94.95%	96.69%	61	58.83	14	500
Total/ Average	50	623,016	95.10%	93.67%	74.3	74.8	19.1	700.4
		The Change		↓ -1.5%		↑ +0.67%	↓ -0.98%	↑ +2.08%

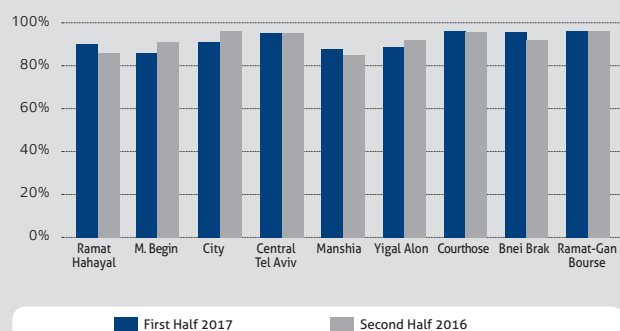
Data Analysis

- The Class B office market in Tel Aviv is characterized by stability in asking prices alongside slight declines in occupancy rates.
- The average asking price for this area is NIS 74.8 per square meter, demonstrating a 0.67% increase compared to the previous six month period. The Courthouse area demonstrates the highest asking price among all of the areas, with an average asking price of NIS 96.5 per square meter.
- The occupancy rates in this survey declined on average by 1.5%, however continue to be high, with an average occupancy rate of 93.67%. In the Tel Aviv City area there was an 8.98% decline which is the sharpest decline in occupancy rates among the surveyed areas,

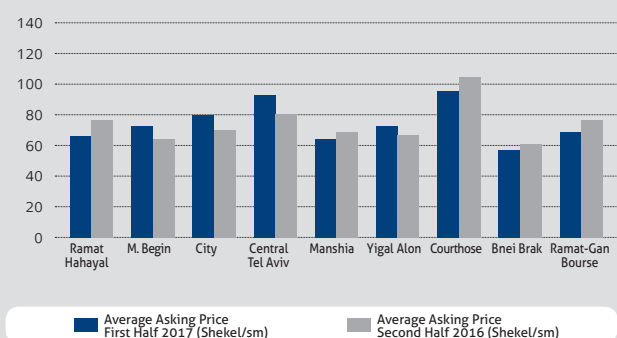
Forecast

- Due to an increasingly growing supply of office spaces in new buildings, we anticipate that in the upcoming six month period, we will see the beginning of a decline in asking prices for office spaces that constitute a less expensive alternative (Class B).

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



Rental Prices Class A Office Buildings Aviv Comparison to Previous Six Month Period



Survey of Class C Office Buildings in the Tel Aviv Area

The survey examined **19** Class C buildings in 7 central areas in the Tel Aviv area, which constitute a representative sample of all of the office areas located in this urban district. The total area of the surveyed buildings is **71,241 square meters**.

Summary of the Survey's Data

Location	# of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate of Winter 2017	Average Asking Price Winter 2017 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Ramat Hahayal	3	10,644	94.16%	57.67	11	567
M. Begin Corridor	3	5,485	91.61%	51.67	7	-
City	2	3,600	77.35%	82.5	8	560
Central Tel Aviv	2	13,150	99.85%	60	19	700
Yigal Alon Corridor	3	14,362	93.23%	66.67	10	575
Bnei Brak	3	19,150	87.52%	51	9	450
Ramat Gan-Bourse	3	4,850	78.25%	51.5	6	500
Total/ Average	19	71,241	91.11%	60.1	10	558

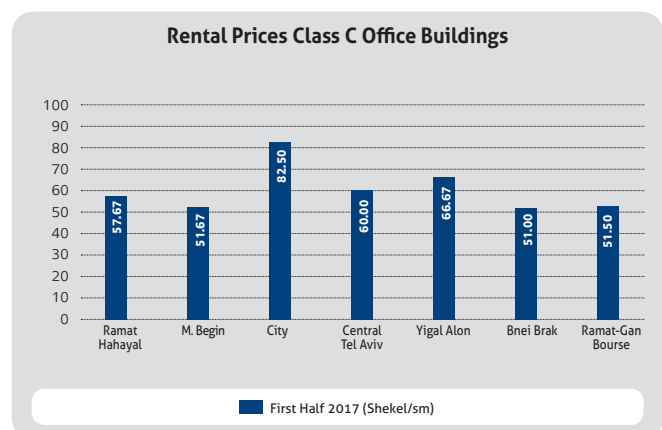
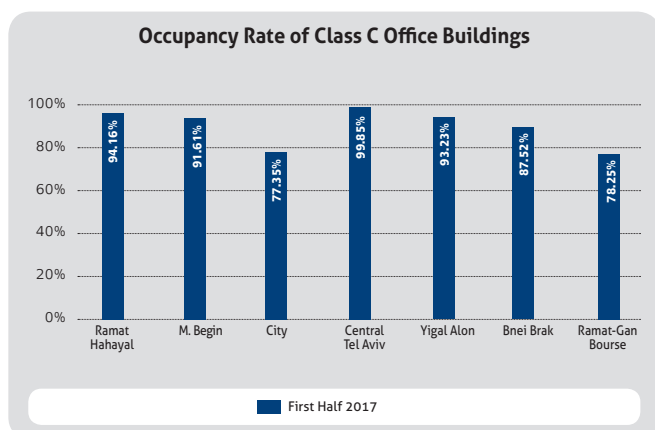
* This survey is the first time we are presenting a representative sample of Class C buildings in the Tel Aviv area and therefore no comparison is made to the previous six month period.

Data Analysis

- Significant variance among the areas is evident, both with respect to the occupancy levels and the asking prices.
- The average asking price per square meter is NIS 60.1. The Tel Aviv City area demonstrates the highest price in the area, with an average price of NIS 82.5 per square meter. In contrast, the average asking price per square meter in the Bney Barak area is NIS 51, and is the lowest in the area.
- The average occupancy rate in this survey is 91.11%. In the area of the center of Tel Aviv there is full occupancy, compared to the "City" which has the lowest occupancy rate in the area – 77.35%.

Forecast

- No material changes in the asking prices or in the occupancy rates are expected in the upcoming six month period. To the extent the asking prices and occupancy rates of Class A and Class B buildings shall decline, the impact on Class C buildings will only be felt a number of months thereafter.



Survey of Class A Office Buildings in the Periphery of Tel Aviv

The survey examined **58** Class A buildings in 8 central areas located up to 30 kilometers from the center of Tel Aviv. The total area of the surveyed building is **895,083 square meters**.

Summary of the Survey's Data

Location	# of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate of Summer 2016	Occupancy rate of Winter 2017	Average Asking Price Summer 2016 (Shekel/sm)	Average Asking Price Winter 2017 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Herzliya Pituach	15	193,167	92.88%	92.99%	88.35	92.5	20	612
Ben Gurion Airport Area	6	124,000	84.91%	94.48%	66.90	66	15	430
Petach Tikva	13	204,475	85.23%	92.77%	72.92	70.64	19	440
Raanana	7	111,565	92.97%	82.52%	67.78	72.5	18	485
Netanya - Poleg	8	93,700	73.63%	88.32%	54.10	55.71	14	300
Rehovot - Ness Ziona	4	64,000	95.26%	93.91%	66.05	67.4	12	390
Kfar Saba / Hod Hasharon	2	37,336	84.36%	90.62%	66.47	68.5	16	450
Rosh Haayin	3	54,840	81.29%	88.09%	60.90	51.67	15	350
Total/ Average	58	895,083	86.32%	90.44%	67.93	68.11	16.1	432.1
The Change			↑ +4.77%		↑ +0.26%		↑ +3.2%	↑ +3.1%

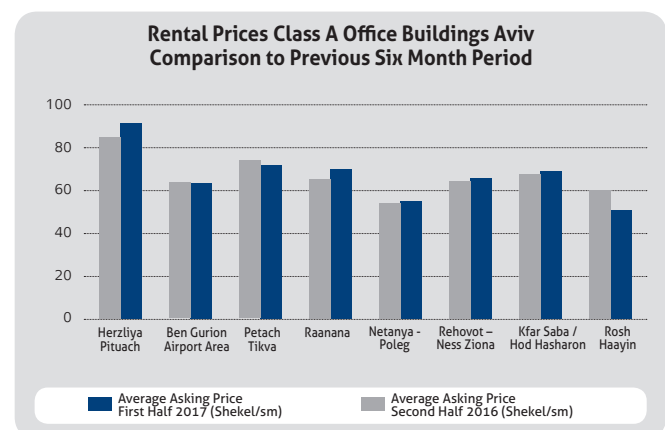
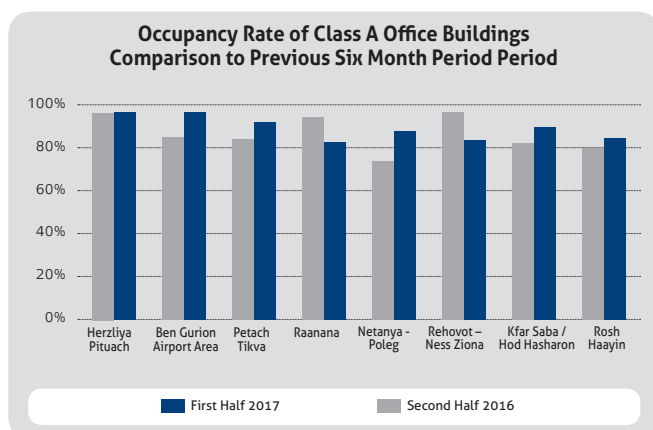
Data Analysis

- The Class A office market in this area continues to demonstrate a trend of gaining strength in terms of both occupancy rates and asking price levels.
- The average asking price per square meter is NIS 68.11. The rental prices in most of the areas of demand increased. The highest increase was surveyed in the Raanana area, with an increase of approximately 7% and in Herzliya there was an increase of 4.6% compared to the previous six month period. In contrast, Rosh Haayin demonstrates a 15% decline in asking prices (this decline in the asking prices impacted the occupancy rates in this area which increased significantly).

- The occupancy rates remained high and currently average at 90.44% reflecting a 4.77% increase compared to the previous six month period. The highest increase was surveyed in Netanya as opposed to a 10.45% decline in occupancy rates in the Raanana area.

Forecast

- We anticipate slight declines in the occupancy rates in the upcoming six month period due to the completion of construction of a number of new projects which will become available for rent during the upcoming six month period.



Survey of Class B Office Buildings in the Periphery of Tel Aviv

The survey examined **61** Class B buildings in 8 central areas located up to 30 kilometers from the center of Tel Aviv. The total area of the surveyed building is **622,912 square meters**.

Summary of the Survey's Data

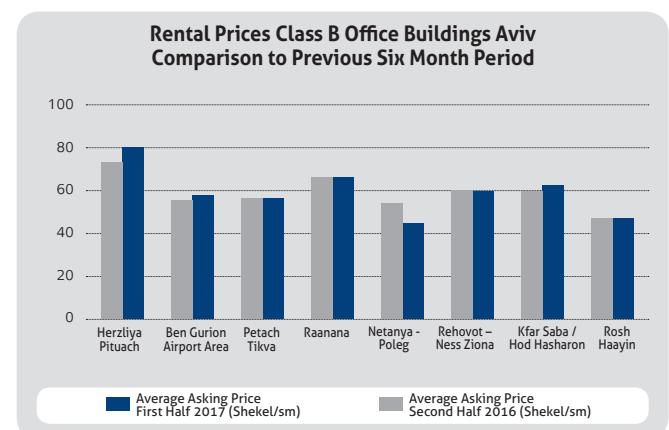
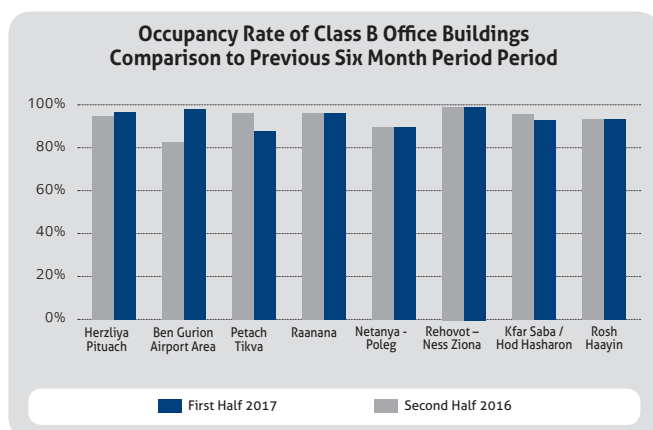
Location	# of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate of Summer 2016	Occupancy rate of Winter 2017	Average Asking Price Summer 2016 (Shekel/sm)	Average Asking Price Winter 2017 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Herzliya Pituach	14	128,636	96.66%	92.21%	74.97	78.57	18	554
Ben Gurion Airport Area	10	77,221	97.71%	82.64%	53.24	58.38	13	386
Petach Tikva	8	95,900	89.38%	94.83%	55.40	54.13	12	400
Raanana	6	43,477	95.71%	96.87%	67.28	66.5	17	445
Netanya - Poleg	4	83,232	91.42%	93.03%	51.38	44.75	9	275
Rehovot - Ness Ziona	6	69,192	97.94%	97.90%	60.84	62	12	380
Kfar Saba / Hod Hasharon	8	73,124	93.22%	95.91%	60.69	64.13	16	364
Rosh Haayin	5	52,130	93.22%	93.70%	46.63	45.6	14	300
Total/ Average	61	622,912	94.41%	93.05%	58.80	59.26	13.8	388
The Change			↓ -1.44%		↑ +0.78%		↑ +0.7%	↑ +2.6%

Data Analysis

- The Class B office market in the periphery of Tel Aviv is maintaining stability, both in terms of occupancy rates and in terms of average prices per square meter, without material changes compared to the previous report.
- The average asking price per square meter increased by 0.78% and is currently NIS 59.26. The Herzliya Pituach area continues to be the most expensive area, averaging at NIS 78.57 per square meter (similar to the asking price for Class B offices in the Tel Aviv City area).
- The occupancy rate declined by 1.44% compared to the previous six month period, but remains relatively high, at 93.05%. The highest occupancy rate, averaging 97.9% was surveyed in Rechovot.

Forecast

- Due to new supply entering the market in this area, we anticipate the beginning of an impact on the market which shall be expressed in slight occupancy rate declines.



Survey of Class C Office Buildings in the Periphery of Tel Aviv

The survey examined **30** Class C buildings in 8 central areas located up to 30 kilometers from the center of Tel Aviv. The total area of the surveyed building is **290,143 square meters**.

Summary of the Survey's Data

Location	# of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate of Winter 2017	Average Asking Price Winter 2017 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Herzliya Pituach	4	64,784	95.79%	66.25	19	588
Ben Gurion Airport Area	3	30,366	99.51%	44.5	8	325
Petach Tikva	5	31,316	83.99%	50	9	380
Raanana	3	20,204	95.61%	61	12	460
Netanya - Poleg	5	51,103	92.02%	46.8	8	295
Rehovot - Ness Ziona	2	16,805	91.66%	55	9	275
Kfar Saba / Hod Hasharon	5	42,865	86.39%	54	12	360
Rosh Haayin	3	32,700	97%	40.67	11	300
Total/ Average	30	290,143	92.74%	52.28	11	300

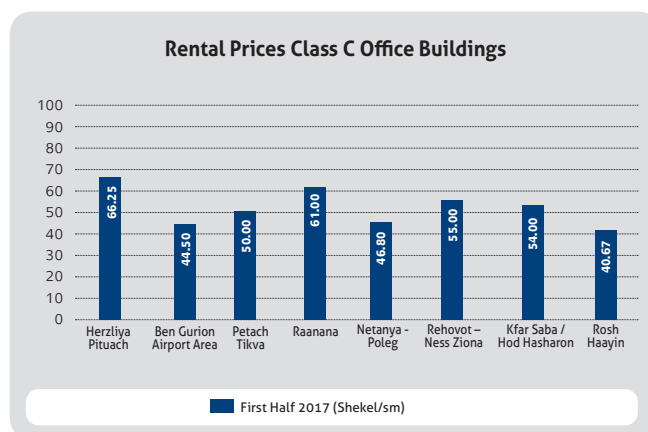
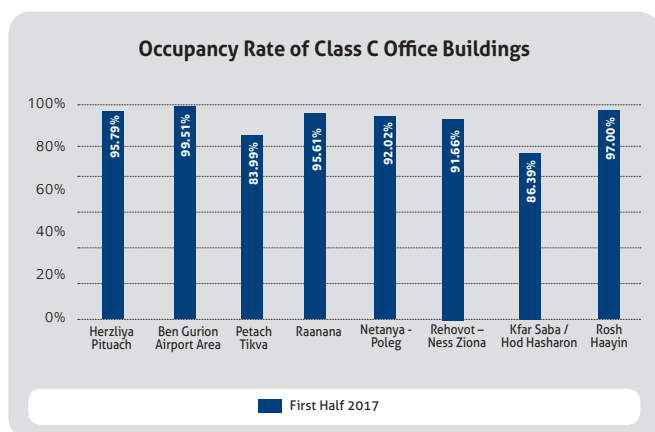
* This survey is the first time we are presenting a representative sample of Class C buildings in the periphery of Tel Aviv and therefore no comparison is made to the previous six month period.

Data Analysis

- The Class C office market in this area demonstrates high occupancy rates alongside significant variance among the different cities with respect to the levels of the asking prices.
- The average asking price per square meter is NIS 52.28. Among the cities, the Herzliya Pituach area is the area with the highest asking prices, with an average price of NIS 66.25 per square meter. In contrast, the average price in Rosh Haayin is NIS 40.67 per square meter, and it is the lowest among the various cities for this class of buildings.
- The average occupancy rate is 92.74%. The Petach Tikva area demonstrates an average occupancy rate of 83.99% which is the lowest among the various cities,

Forecast

- No material change is expected in the areas of high demand such as Herzliya and Raanana, which shall continue to maintain high occupancy levels and stable asking prices.



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

The survey examined **11** Class A buildings located in 3 central areas in Haifa and the northern region. The total area of the surveyed buildings is **165,170 square meters**.

Summary of the Survey's Data

Location	# of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate of Winter 2017	Average Asking Price Winter 2017 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Haifa - City	2	28,700	90.94%	60	16	350
Yoqneam	3	30,000	79%	65	13	350
Matam Haifa	6	106,470	97.97%	61.3	17.8	350
Total/ Average	11	165,170	93.30%	62.1	15.6	350

* This is the first time the Natam Report has differentiated between the various types of buildings in the northern region and therefore a comparison cannot be made to the previous six month period.

Data Analysis

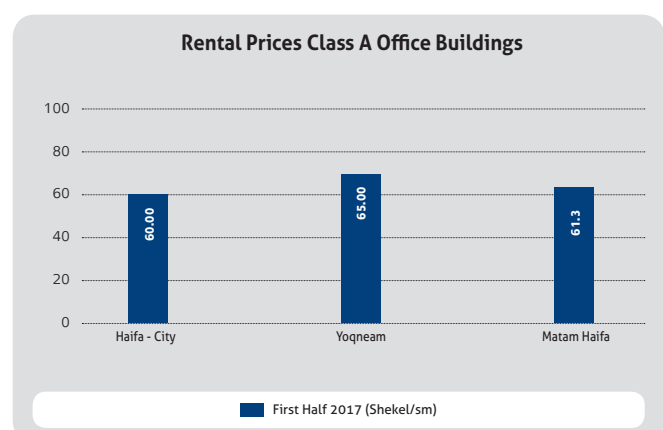
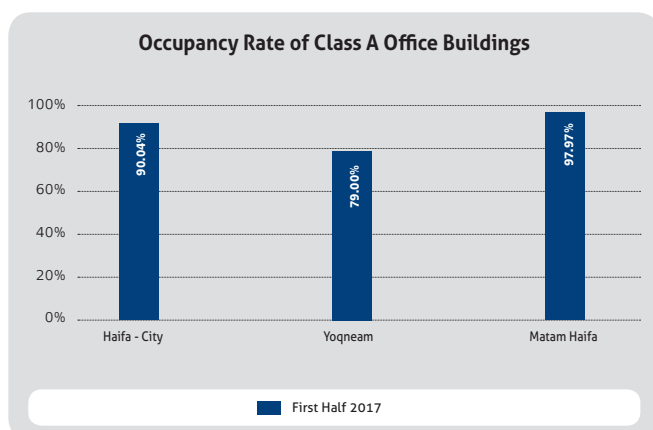
- The average asking rental price is NIS 62.1 per square meter. Among the 3 areas, the Yokneam area was surveyed with the highest average asking price, at NIS 65 per square meter. It is evident that there is a significant difference between the asking prices for this class of buildings compared to similar buildings in the central region.
- The Class A office market in the northern region demonstrates high occupancy rates with an average occupancy rate of 93.3%. The highest occupancy rate of 97.97% is in the MATAM area, as opposed to the Yokneam area which demonstrates an average of only 79% (due to new supply that entered the market in this area during the past six month period).

Forecast

- An improvement in the occupancy rates in the Yokneam area is expected due to an increase in demand by companies that are interested in relocating from Haifa and its environs.
- The MATAM area will continue to maintain a high occupancy level since the level of demand in this area is high and stable. Additionally, a moderate increase in asking prices is expected.



Armon (Palace) Tower Haifa, **Managed and Marketed by Natam**



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

The survey examined **18** Class B office buildings located in 3 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	# of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate of Winter 2017	Average Asking Price Winter 2017 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Haifa - City	3	48,740	80.30%	45	16	366
Yoqneam	4	41,500	99.16%	60	13.5	350
Matam Haifa	4	47,352	97.89%	54.5	14	362.5
Nesher / Chekpost	7	69,850	96.77%	56.4	10.3	178.6
Total/ Average	18	207,442	93.63%	54	13.45	314.275

* This is the first time the Natam Report has differentiated between the various types of buildings in the northern region and therefore a comparison cannot be made to the previous six month period.

Data Analysis

- The average asking rental price is NIS 54 per square meter. Among the 3 areas, the Yokneam area was surveyed with the highest average asking price, at NIS 60 per square meter. The Haifa city area demonstrates the lowest average asking price, NIS 45 per square meter.
- The average occupancy rate is 93.63%. The occupancy levels are high in all of the various areas, except the area of the city of Haifa, which demonstrates an average occupancy rate of 80.3% compared to Yokneam which demonstrates an especially high occupancy rate of 99.16%.

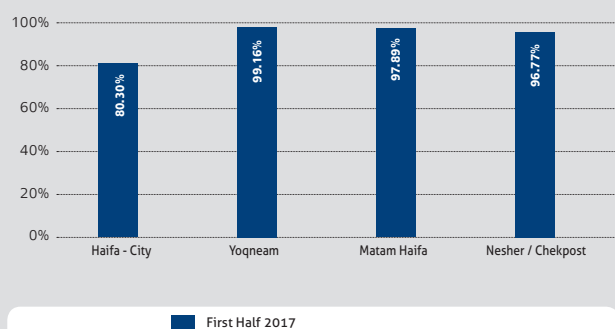
Forecast

- The Yokneam area will continue to lead in the price levels and the occupancy rates, due to an increasingly growing preference among companies to relocate to this area.
- We expect occupancy levels to rise in the city of Haifa due to an increase in demand in the downtown area (the increase in demand can be attributed to the improvement of the public transportation in the area).

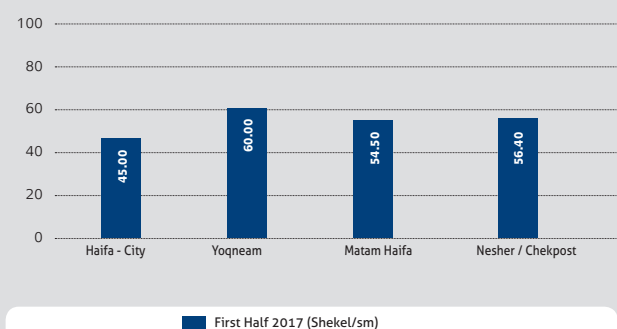


Erco Nesher House, **Marketed and Managed by Natam**

Occupancy Rate of Class B Office Buildings



Rental Prices Class B Office Buildings



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

The survey examined **10** Class C office buildings located in 3 central areas in Haifa and the northern region. The total area of the surveyed buildings is **74,810 square meters**.

Summary of the Survey's Data

Location	# of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate of Winter 2017	Average Asking Price Winter 2017 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Haifa - City	2	7,250	96.55%	42.5	9	350
Yoqneam	3	31,000	97.10%	45	10	300
Matam Haifa	2	12,300	91.87%	38.5	11	275
Nesher / Chekpost	3	24,260	95.54%	50	10	116.7
Total/ Average	10	74,810	95.68%	44	10	260.4

* This is the first time the Natam Report has differentiated between the various types of buildings in the northern region and therefore a comparison cannot be made to the previous six month period.

Data Analysis

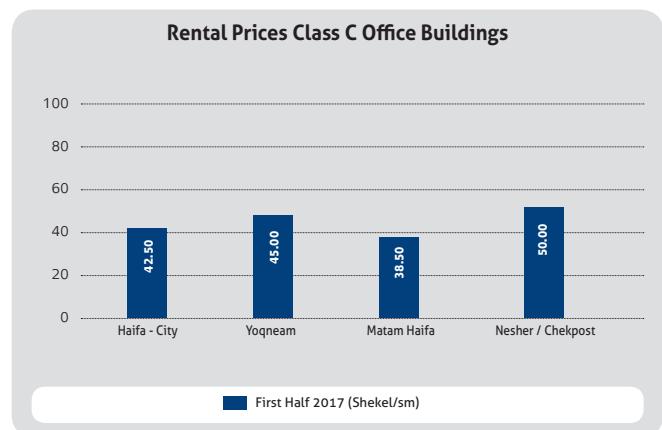
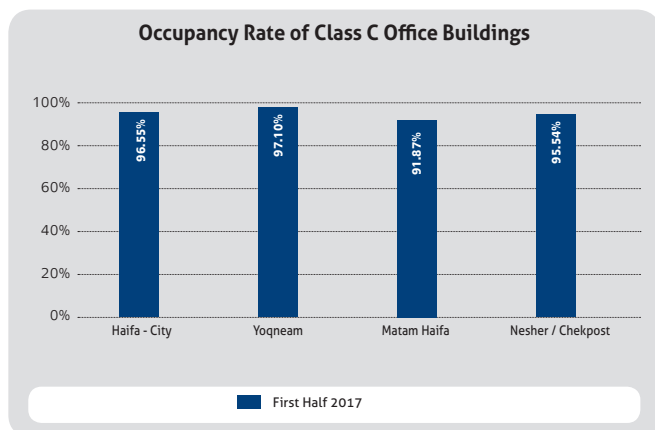
- The average asking rental price is NIS 44 per square meter. Among the 4 surveyed areas, the Nesher area was surveyed with the highest average asking price, at NIS 50 per square meter. The Tirat Hacarmel area demonstrates the lowest average asking price, NIS 38.5 per square meter.
- The average occupancy rate is 95.68%. The occupancy levels are high in all of the various areas. The Yokneam area is leading with occupancy rates of 91.7%.

Forecast

- Due to the continued trend of companies relocating to newer buildings, we expect that the occupancy level and the asking prices for the older buildings will slightly decline.



Haznek Building Yokneam, **Marketed by Natam**



Class A Office Buildings in Jerusalem

The survey examined **15** Class A buildings located in 4 central areas in the Jerusalem region. The total area of the surveyed building is **228,096 square meters**.

Summary of the Survey's Data

Location	# of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate of Winter 2017	Average Asking Price Winter 2017 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Givat Shaul	6	88,552	98.61%	87.5	16.2	533
Har Hotzvim	6	108,044	93.75%	70.8	16.83	516
Central Jerusalem	2	11,500	94.35%	95	16.5	575
Malha	1	20,000	97.25%	85	18	550
Total/ Average	15	228,096	95.97%	84.6	16.9	543.5

* This is the first time the Natam Report has differentiated between the various types of buildings in the northern region and therefore a comparison cannot be made to the previous six month period.

Data Analysis

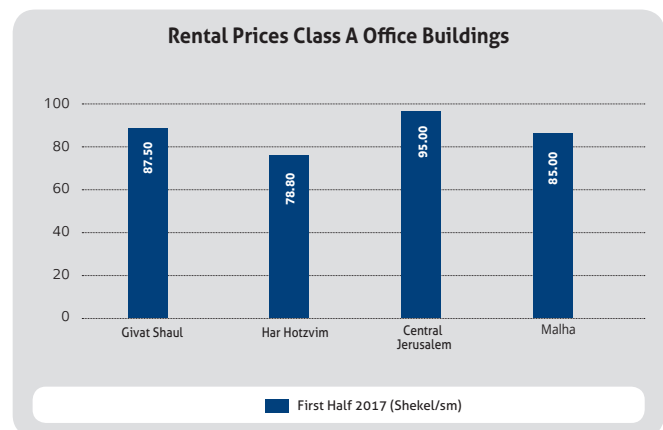
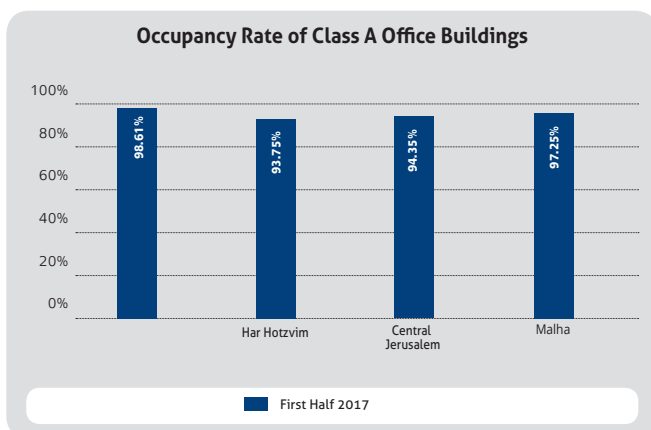
- The average asking rental price is NIS 84.6 per square meter. This average price is higher than the average asking price that was surveyed in the survey of Class A buildings in the periphery of Tel Aviv, which is NIS 68.1 per square meter. The highest average rental price is in the city area, and this derives from the supply of small office spaces which are offered at high prices, and due to a small number of high level buildings that were surveyed in this area.
- The average occupancy rate is 95.97%. The occupancy rates are very high in all of the different areas.

Forecast

- In light of the high occupancy rates and the shortage of beginnings of construction of new office space, it is expected that the occupancy rates and the asking price levels will gain strength.



Toyota House Jerusalem, **Managed and Maintained by Natam**



Class B Office Buildings in Jerusalem

The survey examined **15** Class B office buildings located in 5 central areas in the Jerusalem region. The total area of the surveyed building is **133,375 square meters**.

Summary of the Survey's Data

Location	# of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate of Winter 2017	Average Asking Price Winter 2017 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Givat Shaul	3	31,500	91.90%	78.3	13	566
Har Hotzvim	3	25,782	99.77%	71.7	13.3	500
Central Jerusalem	2	25,200	96.03%	70	17.5	700
Malha	4	31,400	93.94%	70	13	500
Talpiot	3	19,493	83.94%	78.2	14	500
Total/ Average	15	133,375	93.52%	73.7	14.2	553.2

* This is the first time the Natam Report has differentiated between the various types of buildings in the Jerusalem region and therefore a comparison cannot be made to the previous six month period.

Data Analysis

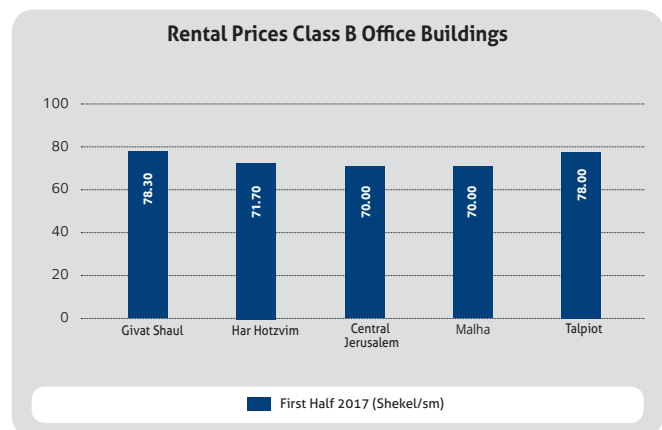
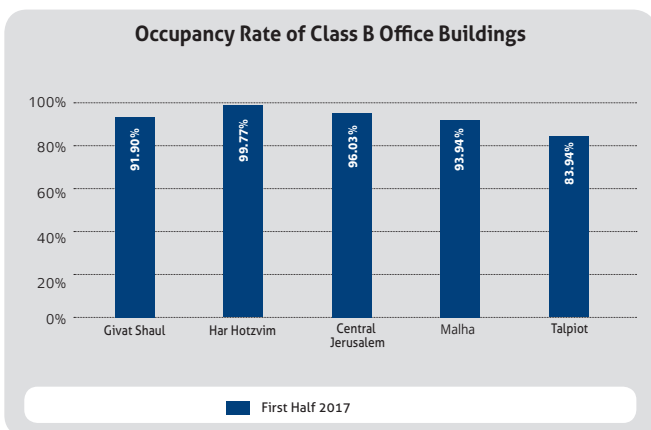
- The average asking rental price is NIS 73.7 per square meter. The Givat Shaul area demonstrates the highest average price at NIS 78.3 per square meter.
- The average occupancy rate for this class of buildings is 93.52%. The occupancy levels are very high in most of the various areas, except the Talpiot area, which has an average occupancy rate of 83.94%.

Forecast

- The Givat Shaul area, Har Hotzvim area and the office area at the entrance of the city will continue to be the areas that are preferred by the high-tech company and the service providers, and therefore we expect the asking prices and the occupancy rates in these areas to rise.



Hadarim House, Har Hotzvim, **Managed and Maintained by Natam**



Class C Office Buildings in Jerusalem

The survey examined **11** Class C office buildings located in 4 central areas in the Jerusalem region. The total area of the surveyed building is **144,138 square meters**.

Summary of the Survey's Data

Location	# of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate of Winter 2017	Average Asking Price Winter 2017 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Givat Shaul	2	53,000	99.15%	66	11.5	450
Har Hotzvim	1	10,000	100%	65	11	450
Central Jerusalem	2	46,738	99.08%	67.5	17.5	850
Talpiot	6	34,400	76.65%	60.8	10.3	475
Total/ Average	11	144,138	93.82%	64.8	12.6	556.3

* This is the first time the Natam Report has differentiated between the various types of buildings in the Jerusalem region and therefore a comparison cannot be made to the previous six month period.

Data Analysis

- The average rental price for Class C buildings in the Jerusalem area is NIS 64.8 per square meter. Among the different areas, the city center area demonstrates the highest average price, at NIS 67.5 per square meter, as opposed to the Talpiot area, which has the lowest average price among all of the areas, at NIS 60.8 per square meter.
- The average occupancy rate for this class of buildings is 93.82%. The occupancy levels are very high in most of the various areas, except the Talpiot area, which has an average occupancy rate of 76.65%.

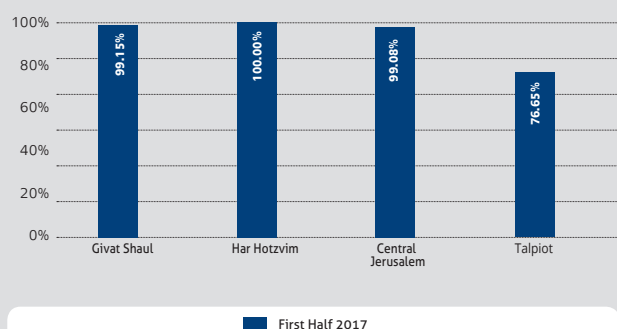
Forecast

- Due to shortage of new supply, it is expected that in those areas of Jerusalem with demand for Class C buildings the asking prices and the occupancy rates will continue to gain strength. Additionally, these spaces will serve as an inexpensive alternative to better office buildings in which the asking prices are much higher.

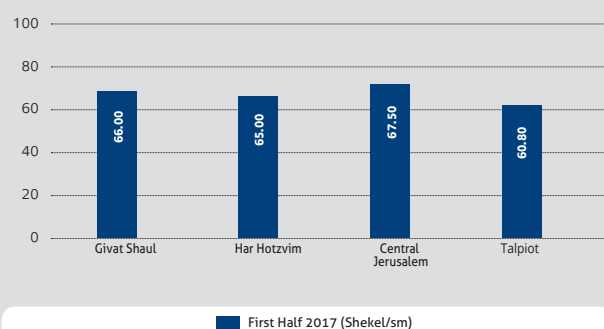


Co-op House, Jerusalem, Marketed by Natam

Occupancy Rate of Class C Office Buildings



Rental Prices Class C Office Buildings



Survey of Class A Office Buildings in the Beer Sheva Area

The survey examined 4 Class A buildings located in 3 central areas in the Beer Sheva area. The total area of the surveyed buildings is 65,975 square meters.

Summary of the Survey's Data

Location	# of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate of Winter 2017	Average Asking Price Winter 2017 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
High-Tech Park Omer	1	22,000	99.27%	45	10	0
Beer Sheva - City	2	25,975	100%	65	15	350
Kiryat Atidim	1	18,000	100%	70	20	0
Total/ Average	4	65,975	99.76%	60	15	350

* This is the first time the Natam Report has differentiated between the various types of buildings in the Beer Sheva area and therefore a comparison cannot be made to the previous six month period.

Data Analysis

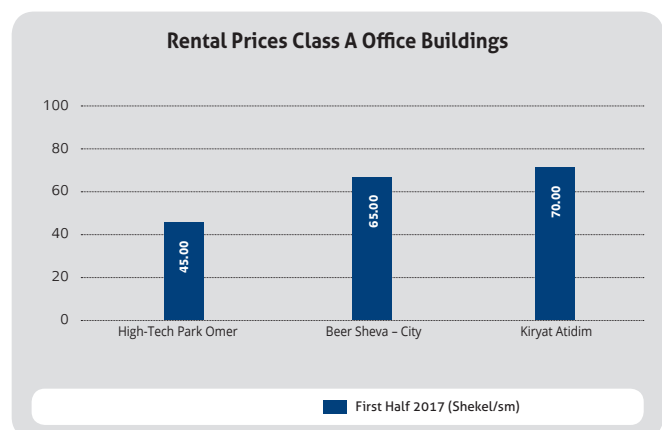
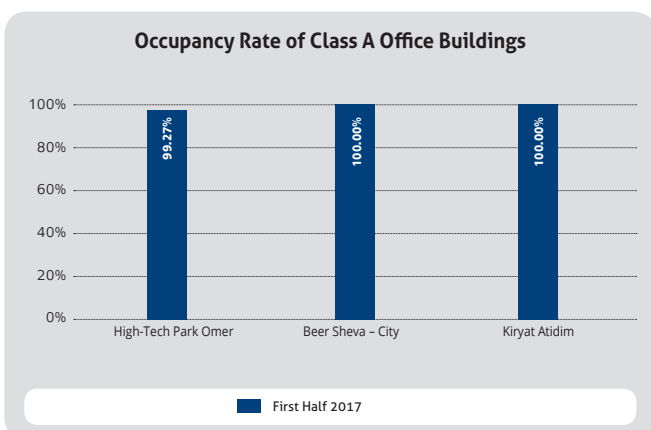
- The average rental price is NIS 60 per square meter. Among the areas in the region, the Kiryat Atidim area demonstrates the highest average price, at NIS 70 per square meter, as opposed to the Omer area where the asking prices in the most desired building are only NIS 45.
- This survey demonstrates full occupancy. The occupancy rate for this class of buildings is 99.76%.

Forecast

- A significant shortage of available high-quality office space is evident. Until new construction begins in the area which shall bring an influx of new supply into the market, we expect prices to continue to rise.
- In areas where parking is not charged, we will begin to see a change of trend regarding this matter in two-three years.



Gav-Yam Negev High-Tech Industrial Park Beer Sheva



Survey of Class B Office Buildings in the Beer Sheva Area

The survey examined **6** Class B office buildings located in 3 central areas in the Beer Sheva area. The total area of the surveyed buildings is **62,300 square meters**.

Summary of the Survey's Data

Location	# of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate of Winter 2017	Average Asking Price Winter 2017 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
High-Tech Park Omer	2	11,800	100%	42.5	10	0
Beer Sheva - City	2	41,000	95.48%	60	15	325
Kiryat Atidim	2	9,500	84.21%	40	13	250
Total/ Average	6	62,300	94.62%	47.5	12.7	192

* This is the first time the Natam Report has differentiated between the various types of buildings in the Beer Sheva area and therefore a comparison cannot be made to the previous six month period.

Data Analysis

- The average rental price is NIS 47.5 per square meter. The city area demonstrates the highest average price, at NIS 60 per square meter, as opposed to the Kiryat Atidim area where the average price is NIS 40 per square meter.
- The average occupancy rate for this class of buildings is 94.62%. The occupancy levels are very high in most of the different areas, except the Kiryat Atidim area which has an average occupancy rate of 84.21%.

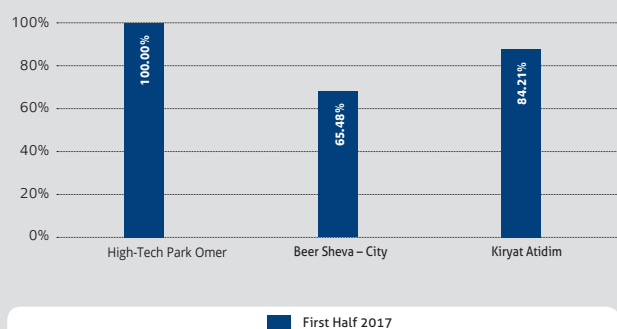
Forecast

- An increase in the rental prices is expected due to shortage of available office space

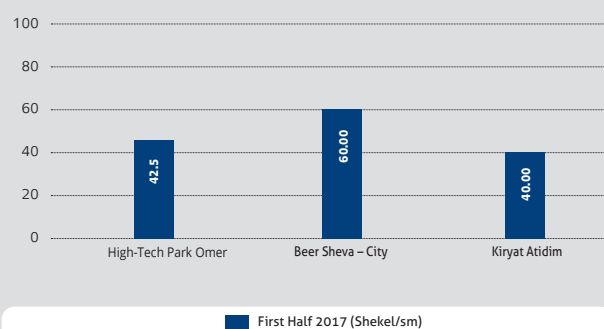


Matrix House, Omer, **Marketed and Managed by Natam**

Occupancy Rate of Class B Office Buildings



Rental Prices Class B Office Buildings



Survey of Class C Office Buildings in the Beer Sheva Area

The survey examined **3** Class B office buildings located in 2 central areas in the Beer Sheva region. The total area of the surveyed buildings is **10,004 square meters**.

Summary of the Survey's Data

Location	# of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate of Winter 2017	Average Asking Price Winter 2017 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Beer Sheva - City	2	6,004	95%	52.5	12.5	175
Kiryat Atidim	1	4,000	100%	35	10	-
Total/ Average	3	10,004	97%	43.8	11.3	175

* This is the first time the Natam Report has differentiated between the various types of buildings in the Beer Sheva area and therefore a comparison cannot be made to the previous six month period.

Data Analysis

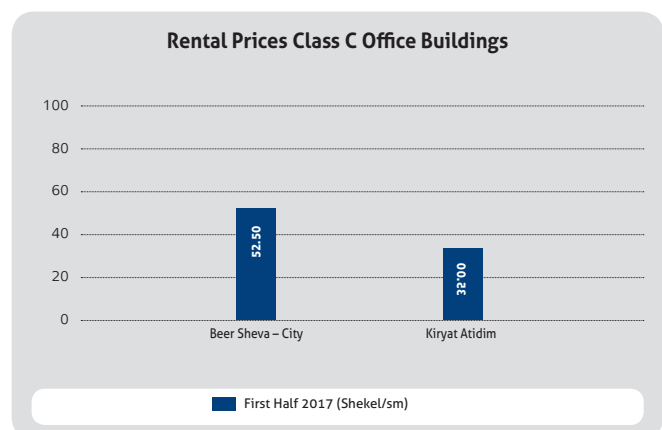
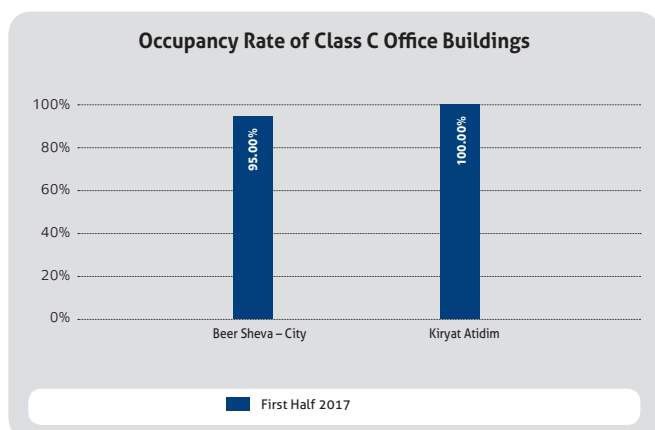
- The average asking rental price is NIS 43.8 per square meter. There is a material difference between the different areas. The city area demonstrates an average price of NIS 52.5 per square meter while the average price in the Kiryat Atidim area is NIS 35 per square meter.
- The average occupancy rate for this class of buildings is 97%.

Forecast

- An increase in the rental asking prices is expected and the occupancy rates are expected to remain high.



Atzmaut 52, Beer Sheva, Managed by Natam



Industrial and Logistics Buildings Market in Israel

The Natam report surveys a number of industrial areas in various regions in Israel.

Built-to-Suit: New buildings that are tailor made to the customer's specific needs. The prices of the built-to-suit construction reflect average rental rates and include a 9-12 meter high building including 3-phase electricity, lighting, sprinklers and development of the exterior surroundings. The final price is determined based on the specific needs of the customer.

Existing Buildings: Buildings, some of which were built during the last 10 years and some earlier, that are at least 6 meters high and have an operational area accessible for loading and unloading. The prices relate to an average rental on the ground floor.

Lots: The prices of the lots are average asking sale prices. Price differences result from the location, size and shape of the lot, proximity and accessibility to traffic routes, etc.

Survey of Average Asking Prices per Square Meter – Industrial/Logistics Buildings

	Central Area	Sharon Area	Shfela Area	Southern Area	Northern Area
Built-to-Suit	45-50 Shekel/sm	45-50 Shekel/sm	40-45 Shekel/sm	27-32 Shekel/sm	30-35 Shekel/sm
Existing Buildings	40-45 Shekel/sm	30-35 Shekel/sm	35-42 Shekel/sm	22-30 Shekel/sm	20-25 Shekel/sm

Survey of Average Asking Prices per Dunam – Industrial/Logistics Lots

Central Area	Petach Tikva – Segula	3,000,000 - 3,500,000 Shekel	Shfela Area	Shoham	2,250,000 - 2,500,000 Shekel
	Petach Tikva – Kiryat Arie	4,500,000 - 5,000,000 Shekel		Modi'in – Ishpro	2,250,000 - 2,500,000 Shekel
	Holon	4,500,000 - 5,000,000 Shekel		Modi'in – Li Gad	2,000,000 - 2,200,000 Shekel
	Rishon Lezion	3,500,000 - 4,000,000 Shekel		Beer Tuvia	1,700,000 Shekel
	Lod	3,000,000 - 3,500,000 Shekel		Yavne	3,000,000 - 3,500,000 Shekel
Sharon Area	Emek Hefer	2,200,000 - 2,500,000 Shekel	Ashdod	2,000,000 - 2,500,000 Shekel	
	Caesarea	1,800,000 - 2,000,000 Shekel	Kanot	2,000,000 - 2,500,000 Shekel	
	Netanya	2,500,000 - 3,000,000 Shekel	Southern Area	Kiryat Gat	1,500,000 Shekel
	Kfar Saba	2,500,000 Shekel		Beer Sheva	600,000 - 800,000 Shekel
Northern Area	Haifa Bay	1,200,000 - 1,500,000 Shekel		Ashkelon	650,000 - 800,000 Shekel
	Tirat Carmel	1,200,000 - 1,500,000 Shekel	Jerusalem	Mishor Adumim	350,000 - 450,000 Shekel
	Tirat Carmel	1,500,000 - 1,700,000 Shekel		Beit Shemesh	1,000,000 - 1,500,000 Shekel
	Carmel	1,000,000 - 1,100,000 Shekel			

Data Analysis

- In many areas in the center of the country and in the interior Shfela, there is low supply of small-medium-sized spaces for rent, alongside an increase in demand, which has led to an increase in prices in these areas.
- The prices of lots have increased in the central and southern regions.

Forecast

- During the upcoming year or two, a trend of increased prices for industrial and logistics rentals is expected (the government tender prices which were recently closed are higher than in the past, along with expensive construction costs).
- The demand by large customers for industrial and logistics buildings is expected to increase.



Natam Real Estate Group – All the Services One Choice

Natam Group provides comprehensive real estate services to the commercial real estate market.

For more than 30 years Natam has been leading the Israeli commercial real estate market, offering its clients unique experience, knowledge, and uncompromising professionalism.

The Natam Group was founded in 1985. The Group's team currently consists of 82 skilled professionals in all aspects of commercial real estate business, who provide the company's customers professional services of the highest quality, from the headquarters located in Tel Aviv and from its branches in Herzilya, Jerusalem, Haifa and Beer Sheva.

Services provided by the Natam Group

Advisory Services: Representing end users in determining and implementing real estate strategy, including financial consultation, location of properties and management of real estate projects.

Brokerage: Brokering office and high-tech spaces, industrial buildings, halls, warehouses, commercial projects and lots across the country.

Marketing: Marketing of projects, including branding buildings, advertising and campaign management, public relations and direct sales.

Investments: The investment department offers a variety of investment opportunities in purchasing income-bearing assets or assets for one's own use.

Research: The Group's Research Department publishes periodic surveys that are widely circulated and serve the business sector, in general, and the real estate industry, in particular. The group conducts designated research for entrepreneurs, public entities, banks and foreign clients.

Property Management: Our company manages over 800,000 square meters of office space, industrial and commercial buildings and exclusive residential complexes, nationwide.

Natam Invest: Organizing and managing groups of private investors for the purchase of income-bearing real estate properties, managing the investment and selling the properties.

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The Julio Shutz Fund, founded by the Natam Property Group in cooperation with Shutaf, supports inclusion for children with special needs in the community.

The report was prepared by Natam Research Department

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