

Natam

Research Report of the Offices and Industrial Market

**Natam Report
No. 48**

Second Half of 2021



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48

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The Income Bearing Real Estate Market

Real Estate Transactions – Survey of the Second Half of 2021

Record-Breaking Demand for Real Estate Investments in Most Sectors

High demand for real estate investments has been evident during the past year – prices have increased sharply, sometimes by dozens of percentages, primarily the prices of offices in Tel Aviv and of industrial and logistics properties throughout the country.

We expect COVID-19 will have a long-term effect on the market since it has accelerated processes that had already begun before its outbreak, including the development of e-commerce, with a direct impact on the fields of commerce and logistics, transformations in working habits and the incorporation of hybrid working models.

Introduction

The Natam Group's Research Department performs comprehensive market surveys that analyze prices and trends in the commercial real estate arena. These market surveys serve as an efficient and practical tool which is intended to reflect the market condition at a given time and to assist local and international tenants, banks, financial institutions, developers and investors in their decision-making processes.

Natam's semi-annual report surveys trends, prices and occupancy rates in the offices and industrial markets, alongside a comprehensive survey of income-bearing real estate which focuses on the real estate transactions during the relevant six-month period and the dynamic market developments.

Survey of Office Building Market

Principles of the Survey:

The Natam report surveys office buildings 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:

Office buildings that were built within the last 15 years and meet the following standards:

- 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 3,000 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

The Office Market – Demand by High-Tech and Technology Companies

The dominant factor in the office market during 2021 was the increase in demand for offices by technological companies. Despite the transition towards partial work from home, most companies did not significantly reduce the office space they rent. High liquidity along with fierce competition over skilled personnel have 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.

The Industrial/Logistics Market – COVID-19 as an Accelerating Factor

As a result of the increase in demand for storage areas, the trend of factories and storage areas relocating from the center of the country to the peripheral areas, and due to the fact that the logistics field requires large areas of land compared to other sectors – the prices of land and of industrial and logistics buildings increased this year by up to dozens of percentages.

Commerce – Stability in Commercial Centers

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 **57** 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 **2,029,499 square meters**.

Summary of the Survey's Data

Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate First Half of 2021	Occupancy rate Second Half of 2021	Average Asking Price First Half of 2021 (Shekel/sm)	Average Asking Price Second Half of 2021 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Ramat Hahayal	10	209,106	91.33%	92.36%	71.50	74.50	19.80	690
M.Begin Corridor	18	824,770	98.58%	98.75%	120.29	144.17	15	1,500
City	5	104,204	97.91%	98.59%	126.60	135	22.10	1,310
Central Tel Aviv	2	29,850	99.06%	99.83%	114	121.50	22	1,300
Yigal Alon Corridor	8	360,930	99.27%	99.81%	121.94	138.13	17.75	962.50
Courthouse	5	127,680	93.61%	96.79%	105.83	118	20.40	1,350
Ramat Gan-Bourse	9	372,959	97.05%	99.31%	92.92	104.09	18.23	918.18
Total/ Average	57	2,029,499	97.30%	98.26%	107.58	119.34	19.33	1,147.24
The Change			+0.98% ↑		+9.85% ↑			

* 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 Class A office building market is experiencing sharp increases in demand and continues to present rising occupancy rates in all of the surveyed areas. The average occupancy rate is currently 98.26%, reflecting an increase of approximately 1% compared to the previous six-month period.
- The Class A office building market in Tel Aviv, which for the most part returned to pre-COVID-19 asking prices during the first half of 2021, is continuing during this six-month period as well to present rising asking rental prices which are the highest that this office market has seen to date. Examples of this are evident in the Menachem Begin area – with asking rental prices of 144.17 NIS per square meter, reflecting an increase of more than 15%; in the Yigal Alon area – with asking rental prices of 138.13 NIS per square meter, reflecting an increase of more than 10%; and in the City area – with asking rental prices of 135 NIS per square meter, reflecting an increase of more than 5%.
- The demand for office space in Tel Aviv and the shortage thereof, the new construction in this office market and the entering of new buildings into the

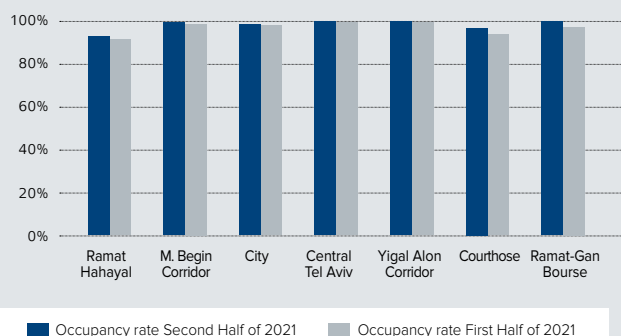
market in the “Bursa” area, have led companies to rent offices in such area, and the “Bursa” area is indeed presenting an increase of more than 10% in asking rental prices, alongside an increase in occupancy rates.

- The office market in Ramat Hachayal, which experienced the effects of the COVID-19 crisis last year, is demonstrating signs of recovery, with a slight increase in occupancy rates and an increase of approximately 4% in asking rental prices in the area.

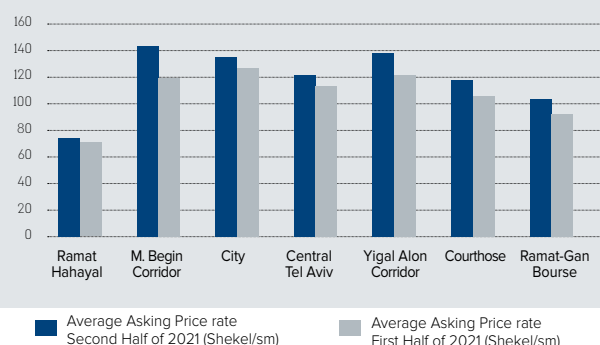
Forecast

- Start-up and high-tech companies are continuing to raise record-breaking funds. As long as this continues, we anticipate occupancy rates and asking rental prices to rise.
- Established and long-standing high-tech companies are also continuing to rent tens of thousands of square meters in this office market; along with the shortage in supply of office space for rent in Class A buildings, the high occupancy rates will remain stable.
- We expect changes to occur with the entry into the market of new office buildings which are expected to enter the market during 2025-2026.

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 Tel Aviv

The survey examined **44** 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 **554,224 square meters**.

Summary of the Survey's Data

Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate First Half of 2021	Occupancy rate Second Half of 2021	Average Asking Price First Half of 2021 (Shekel/sm)	Average Asking Price Second Half of 2021 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Ramat Hahayal	8	84,700	86.52%	89.94%	62.50	63.75	20	612.50
M.Begin Corridor	12	129,656	92.52%	96.22%	67.44	79.17	20.33	737.50
City	4	56,410	94.36%	98.10%	74.33	79.50	22	950
Central Tel Aviv	3	35,836	89.70%	98.33%	82.33	84	22.33	950
Yigal Alon Corridor	6	89,093	90.73%	96.26%	68.67	77.83	19	691.67
Courthouse	3	33,944	90.05%	92.56%	92.50	108.33	22	1,350
Ramat Gan-Bourse	8	124,585	89.67%	95.26%	70.38	77.75	19.88	781.25
Total/ Average	44	554,224	90.52%	95.15%	74.02	81.48	20.51	867.56
The Change			+4.87% ↑		+9.16% ↑			

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

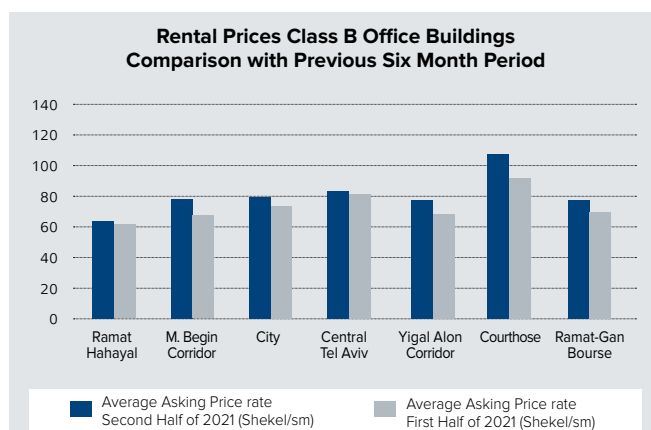
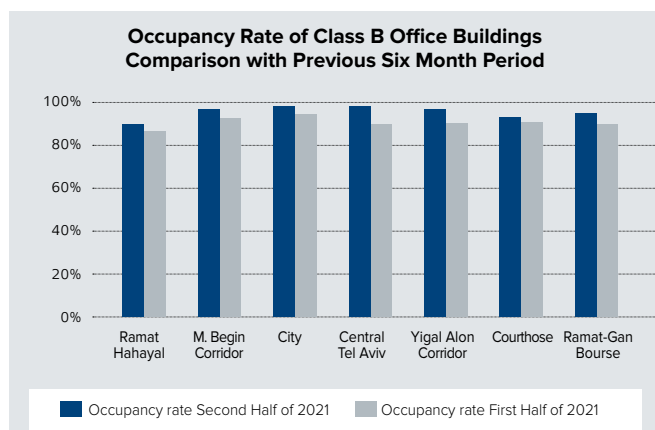
Data Analysis

- After presenting a decline during the previous six-month period, the Class B office building market in Tel Aviv is back to presenting rising occupancy rates in all surveyed areas. The occupancy rate is currently 95.15%, reflecting an increase of 4.87% compared to the previous six-month period.
- The rental prices in the Class B office building market are continuing to rise and are currently averaging at 81.48 NIS per square meter, reflecting an overall increase of 9.16%. The "Courthouse" area continues to lead with the highest rental prices in this market, averaging at 108.33 NIS per square meter.
- The area with the sharpest increase in asking rental prices is the Menachem Begin axis, with an increase of approximately 15% in asking rental prices, averaging at 79.17 NIS per square meter.

Forecast

- The shortage in supply of office space in the Class A office market in Tel Aviv and the desire of companies to stay in the city, along with the increase in asking rental prices, lead to an increase in occupancy rates in Class B buildings by high-tech companies and service providers. We expect that this office market will remain stable also during the first half of 2022.

* בסקר הנוכחי בוצעו שינויים בבניינים שנסקרו בשל כניסת שטחים ומגדלי משרדים חדשים לשוק, אשר השפיעו על מחיר השכירות למ"ר ושיעור האכלוס הממוצע.



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

The survey examined **87** 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 **1,712,612 square meters**.

Summary of the Survey's Data

Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate First Half of 2021	Occupancy rate Second Half of 2021	Average Asking Price First Half of 2021 (Shekel/sm)	Average Asking Price Second Half of 2021 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Herzliya Pituach	16	231,817	96.09%	98.29%	90.31	98.44	21.31	615.63
Modi'in and Ben Gurion Airport Area	10	165,170	82.76%	91.09%	69.30	70.60	17.80	510
Petach Tikva	15	311,172	86.10%	85.53%	73.29	74.27	19.84	532.67
Ra'anana	9	158,597	80.01%	88.11%	65	67.78	18.11	480
Netanya - Poleg	10	120,200	94.41%	94.88%	58.90	63.10	13.80	380
Rehovot – Ness Ziona	9	122,700	85.17%	92.15%	70.89	71.11	13.89	452.78
South Ra'anana Kfar Saba / Hod Hasharon	6	112,836	95.79%	96.22%	73	81.67	16.40	490
Rosh Haayin	4	63,840	88.60%	91.39%	46.25	47.50	14.75	362.50
Bnei Brak	8	426,280	87.19%	85.58%	65.71	65.38	18.25	710
Total/ Average	87	1,712,612	88.29%	90.10%	68.07	71.09	17.13	503.73
The Change			+2.01% ↑		+4.25% ↑			

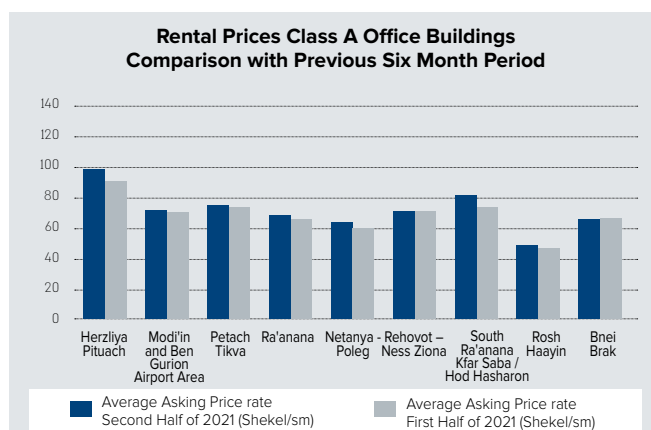
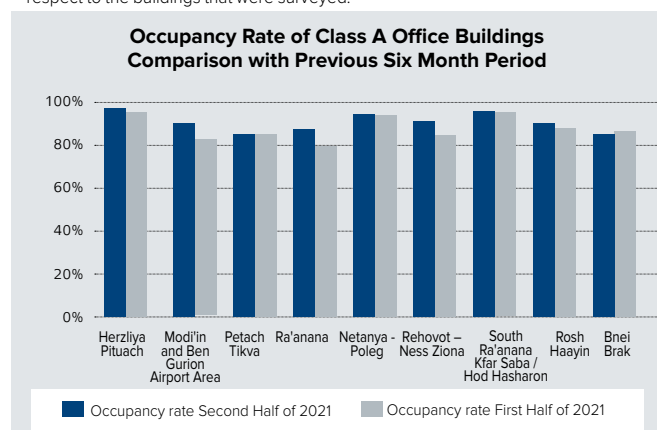
Data Analysis

- After demonstrating a decline in the previous six-month period, the Class A office building market in the cities around Tel Aviv has remained stable and is presenting a rise of approximately 2% in occupancy rates, which are averaging at 90.10%.
- The average asking rental price in this office market increased by approximately 4% compared to the previous six-month period and is currently 71.09 NIS per square meter. The Herzliya area continues to lead with the highest rental prices in this market – averaging at 98.44 NIS per square meter.
- Despite the new supply of space that has entered the market in Petach Tikva and Bnei Barak during this past six-month period, this office market is still experiencing the impacts of COVID-19 and is not managing to attract new companies. This situation is creating a supply surplus and the occupancy rates in these areas are continuing to decline.
- The Ra'anana industrial zone, which also experienced the impacts of COVID-19 over the past year, is now demonstrating recovery with rising occupancy rates, currently averaging at 88.11%, and rising asking rental prices which are averaging at 67.78 NIS per square meter.

Forecast

- After demonstrating a decline in the previous six-month period, the Class A office building market in the cities around Tel Aviv has remained stable and is presenting a rise of approximately 2% in occupancy rates, which are averaging at 90.10%.
- The average asking rental price in this office market increased by approximately 4% compared to the previous six-month period and is currently 71.09 NIS per square meter. The Herzliya area continues to lead with the highest rental prices in this market – averaging at 98.44 NIS per square meter.
- Despite the new supply of space that has entered the market in Petach Tikva and Bnei Barak during this past six-month period, this office market is still experiencing the impacts of COVID-19 and is not managing to attract new companies. This situation is creating a supply surplus and the occupancy rates in these areas are continuing to decline.
- The Ra'anana industrial zone, which also experienced the impacts of COVID-19 over the past year, is now demonstrating recovery with rising occupancy rates, currently averaging at 88.11%, and rising asking rental prices which are averaging at 67.78 NIS per square meter.

* Due to new office buildings 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.



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

The survey examined **87** 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 **968,033 square meters**.

Summary of the Survey's Data

Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate First Half of 2021	Occupancy rate Second Half of 2021	Average Asking Price First Half of 2021 (Shekel/sm)	Average Asking Price Second Half of 2021 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Herzliya Pituach	15	132,586	85.09%	95.79%	71	76.40	19.27	590
Modi'in and Ben Gurion Airport Area	9	83,126	89.15%	87.86%	53.63	53.25	13.72	388.89
Petach Tikva	12	142,713	92.04%	92.12%	56	57.58	14.76	428.75
Ra'anana	7	93,477	91.28%	89.63%	58.33	56.67	17.04	375
Netanya - Poleg	6	113,032	93.69%	93.36%	53.60	54.50	11.30	351.67
Rehovot – Ness Ziona	17	166,292	94.08%	96.17%	59.18	59.81	13.25	414.06
Kfar Saba / Hod Hasharon	11	81,564	97.24%	96.37%	65.50	67	16.20	465
Rosh Haayin	7	72,830	94.89%	93.50%	42.21	44.29	13.36	311.43
Bnei Brak	4	82,413	89.68%	82.83%	50	52.50	18.25	562.50
Total/ Average	87	968,033	91.86%	92.82%	56.61	58.05	15.19	433.11
The Change			+1.03% ↑		+2.48% ↑			

Data Analysis

- After demonstrating a decline in the previous six-month period, positive stability is evident in the occupancy rate in the Class B office market in the cities around Tel Aviv, which is currently 92.82%.
- The Herzliya area, which during the previous six-month period had demonstrated a trend of downsizing office space, due to hybrid working models and reductions in force, is back to demonstrating high occupancy rates, which currently stand at 95.79%.
- The rental prices in this office market increased by approximately 2.5% compared to the previous six-month period, and currently average at 58.05 NIS per square meter. The Herzliya area continues to lead with the highest rental prices in this market –76.40 NIS per square meter.

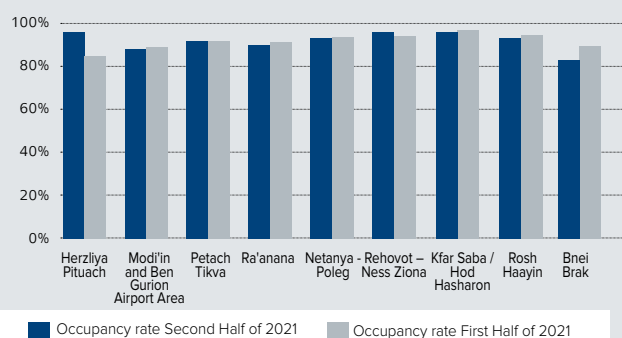
Forecast

- This office market is expected to remain stable also during the first half of 2022 and to be impacted by changes in the Class A office building market in this area.

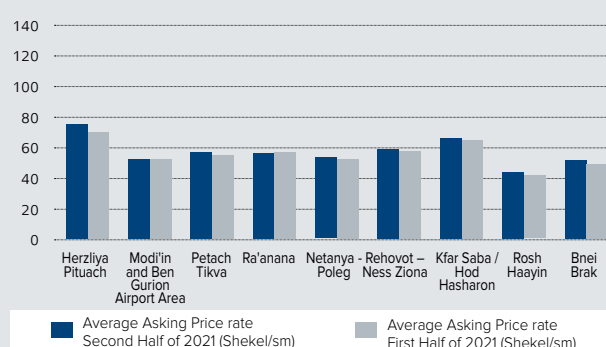


רחובות K-Center
בניהול ואחזקה של Natam

**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 Haifa and the Northern Region

The survey examined **14** Class A buildings located in 3 central areas in Haifa and the northern region. total area of the surveyed buildings is **181,670 square meters**.

Summary of the Survey's Data

Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate First Half of 2021	Occupancy rate Second Half of 2021	Average Asking Price First Half of 2021 (Shekel/sm)	Average Asking Price Second Half of 2021 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Haifa	3	38,700	97.95%	98.97%	57.08	61	15.33	450
Yoqneam	5	47,000	91.49%	97.87%	68.75	70	12.40	367
Matam Haifa	6	95,970	99.58%	99.90%	69	74.33	18.33	425
Total/ Average	14	181,670	97.62%	99.17%	64.94	68.44	15.35	414
The Change			+1.56% ↑		+5.12% ↑			

Data Analysis

- The average occupancy rate in the Class A office market in Haifa and the northern region demonstrated an additional increase of 1.56% compared to the previous six-month period and is currently 99.17%. The MATAM area continues to maintain a particularly high occupancy rate – averaging at approximately 99.90%. The central Haifa area is close behind with an occupancy rate of 98.97%.
- The Yokneam area, which had demonstrated a significant increase in occupancy rates during the previous six-month period, is continuing with this trend with a current occupancy rate of 97.87% - and an overall increase of 22.17% in the occupancy rate over the past year.
- Alongside the increase in occupancy rates, rental prices in this office market are also rising at a rate of 5%, and are currently averaging at 68.44 NIS per square meter.

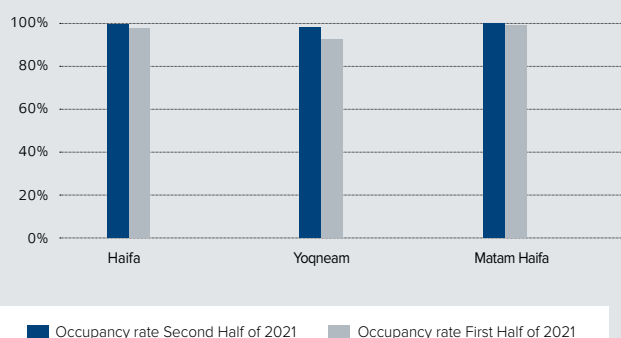
Forecast

- This office market is expected to remain stable also during the first half of 2022, due to high demand for offices in the employment and industrial areas in the north, alongside a shortage of large immediately available office spaces.

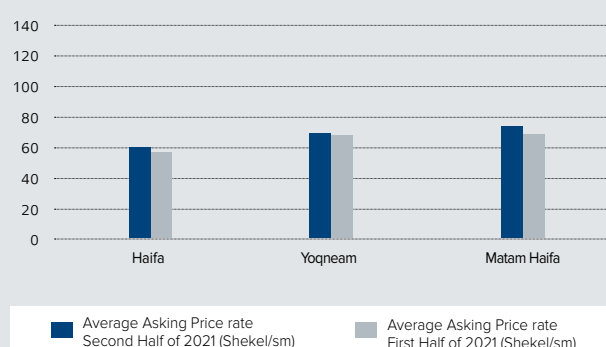


Armon Tower Haifa,
Managed and Maintained by Natam

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 Haifa and the Northern Region

The survey examined **19** Class B buildings located in 4 central areas in Haifa and the northern region.

The total area of the surveyed buildings is **229,942 square meters**.

Summary of the Survey's Data

Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate First Half of 2021	Occupancy rate Second Half of 2021	Average Asking Price First Half of 2021 (Shekel/sm)	Average Asking Price Second Half of 2021 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Haifa	3	48,740	92.97%	94.24%	48.08	46.57	15	366.67
Yoqneam	4	41,500	89.52%	99.95%	55	56.50	13.25	362.50
Matam Haifa	5	69,852	97.89%	98.57%	63.75	65.80	20	380
Nesher / Chekpost	7	69,850	96.78%	97.35%	51.44	54.29	10	250
Total/ Average	19	229,942	94.68%	98.18%	54.32	56.17	14.56	339.79
The Change			+3.56% ↑		+3.29% ↑			

Data Analysis

- The average occupancy rate in the Class B office building market is continuing to stabilize and is presenting a 3.56% increase, averaging at 98.18%.
- Following a slight decline in occupancy rates during the last six-month period, the MATAM business park is stabilizing with average occupancy rates of 98.57%.
- As is the case in the corresponding Class A market, the area in this office market that is demonstrating the sharpest occupancy rate increase is Yokneam, with a current occupancy rate of 99.95%.
- The rental prices in this office market remain stable, with a 3.29% increase, and are currently averaging 56.17 NIS per square meter.

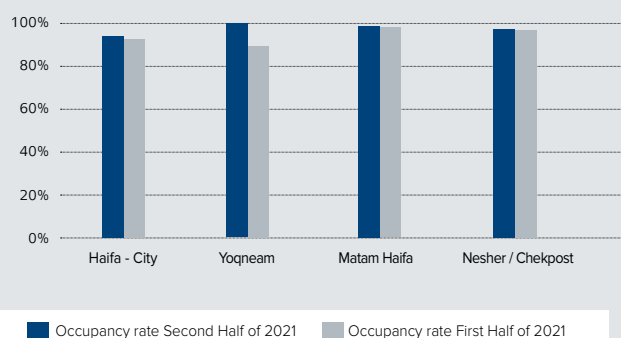
Forecast

- This office market is expected to remain stable also during the first half of 2022.

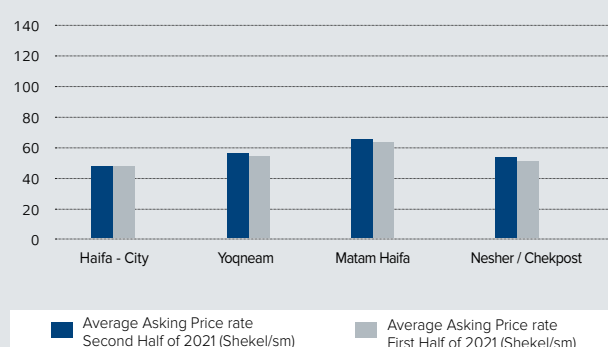


Nesher Erco House,
Managed and Maintained by Natam

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 Jerusalem

The survey examined **23** Class A buildings located in 5 central areas in the Jerusalem region. The total area of the surveyed building is **276,802 square meters**.

Summary of the Survey's Data

Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate First Half of 2021	Occupancy rate Second Half of 2021	Average Asking Price First Half of 2021 (Shekel/sm)	Average Asking Price Second Half of 2021 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Givat Shaul	6	78,552	90.27%	92.96%	81.67	82.50	17	600
Har Hotzvim	5	93,240	85.95%	86.38%	83	86	18.60	560
Central Jerusalem	6	52,850	95.50%	96.12%	88	88.83	17.33	746.67
Malha	1	20,000	99.90%	99.90%	90	90	16	450
Talpiot	5	32,160	83.52%	83.99%	88.40	86.40	17.60	540
Total/ Average	23	276,802	89.73%	90.81%	86.21	86.75	17.38	574.17
The Change				+1.19% ↑	+0.62% ↑			

Data Analysis

- After presenting a decline in the previous six-month period, the Class A office market in Jerusalem is now presenting a moderate stabilization of occupancy rates which are currently 90.81%.
- The rental prices in this office market are also continuing with a moderate upward trend, averaging at 86.75 NIS per square meter, with an overall increase in asking rental prices of approximately 1%.

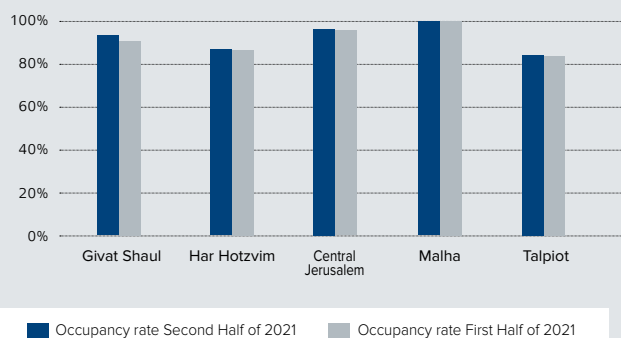
Forecast

- We expect that upon the completion of the construction of central traffic arteries at the entrance to the city and within the city, the market in the city's various employment areas will demonstrate recovery and the occupancy rates will demonstrate stability over the upcoming six-month periods.
- In the Talpiot, Har Hotzvim and city center areas the construction of a number of new projects is expected to reach completion, and they are expected to have an impact on the occupancy rates and the asking rental prices in these areas.

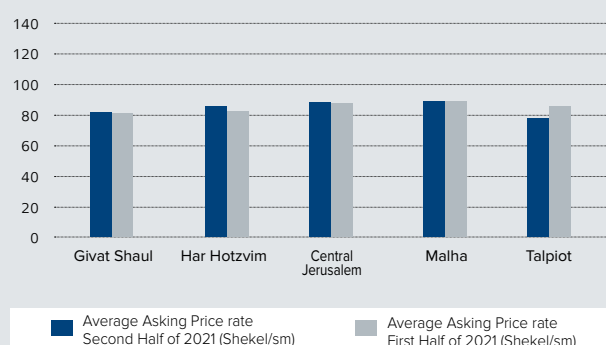


בית הדר ירושלים
בניהול ואחזקה של Natam

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 Jerusalem

The survey examined **31** Class B buildings located in 5 central areas in the Jerusalem region.

The total area of the surveyed building is **330,719 square meters**.

Summary of the Survey's Data

Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate First Half of 2021	Occupancy rate Second Half of 2021	Average Asking Price First Half of 2021 (Shekel/sm)	Average Asking Price Second Half of 2021 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Givat Shaul	5	86,500	95.57%	94.76%	71	70	13.60	480
Har Hotzvim	8	95,986	85.78%	90.02%	69.13	69.13	14.38	525
Central Jerusalem	4	34,700	98.47%	87.20%	76.25	80	15.75	700
Malha	4	31,400	99.49%	98.69%	72.50	76.25	12	462.50
Talpiot	10	82,133	96.70%	95.48%	73.33	74.50	12.30	480
Total/ Average	31	330,719	93.61%	93.08%	72.44	73.98	13.61	529.50
The Change				-0.57% ↓	+2.08% ↑			

Data Analysis

- The average occupancy rate is 93.08%, demonstrating a decline of 0.57% 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 further decline in the occupancy rate, the rental prices in this area remain relatively stable, and are even demonstrating an average increase at a rate of 2.08%, with an average price of 73.98 NIS per square meter. The City area remains the area with the highest rental prices in the surveyed area, averaging at 80 NIS per square meter.

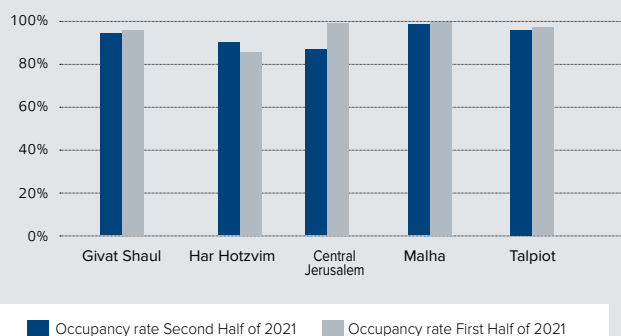
Forecast

- This office market is expected to remain stable also during the first half of 2022..

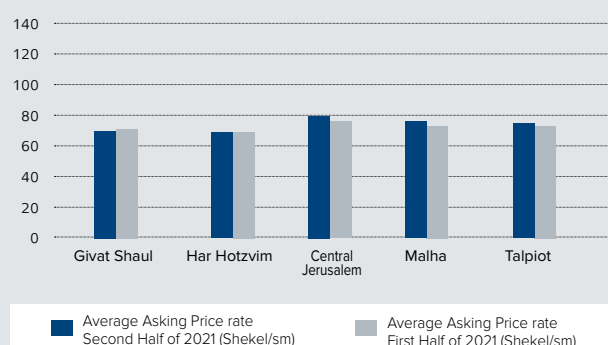


Hadarim House Har Hotzvim,
Managed and Maintained by Natam

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 Office Buildings in the Beer Sheva Area

The survey examined **15** buildings located in central areas in the Beer Sheva area. The total area of the surveyed buildings is **200,675 square meters**.

Summary of the Survey's Data

Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate First Half of 2021	Occupancy rate Second Half of 2021	Average Asking Price First Half of 2021 (Shekel/sm)	Average Asking Price Second Half of 2021 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Gav-Yam Negev Park	4	60,000	99%	97.50%	70	70	15	-
The Change			-1.54% ↓		No change			

Location	Number of Buildings in Survey	Total Space in Survey (sm)	Occupancy rate First Half of 2021	Occupancy rate Second Half of 2021	Average Asking Price First Half of 2021 (Shekel/sm)	Average Asking Price Second Half of 2021 (Shekel/sm)	Average management fees (Shekel/sm)	Parking (Shekel/sm)
Hi-Tech Park Omer	4	36,200	96.96%	93.92%	42.50	43.75	10	-
Beer Sheva City	6	103,975	92.95%	87.30%	62.80	65	14.67	346.67
Advanced Technologies Park	2	9,500	91.58%	91.58%	45	45	10.25	150
Total/ Average	12	149,675	93.89%	89.18%	50.10	51.25	11.64	248.34
The Change			-5.28% ↓		+2.24% ↑			

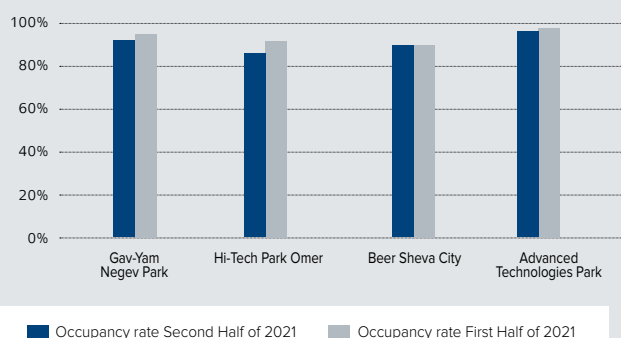
Data Analysis

- The general occupancy rate in the areas of activity in the city is 91.56%, with the Gav-Yam Negev Park area being the most occupied area, with an average occupancy rate of 97.50%. The entry into the market of new office buildings in other areas in this office market during this six-month period, has impacted the average occupancy rates.
- This office market is presenting an additional increase in asking rental prices, which currently average at NIS 55.94 per square meter. The rental prices in the Gav-Yam Park have remained stable and are currently averaging at 70 NIS per square meter.

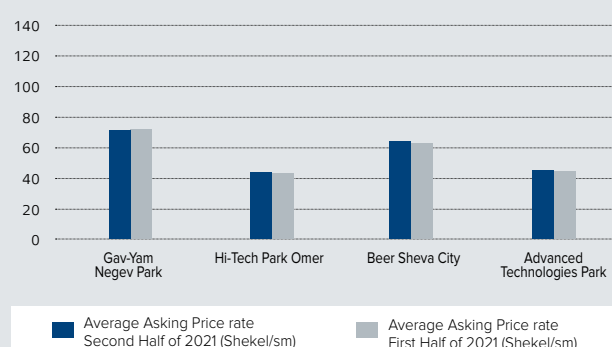
Forecast

- The trend of construction and development in the city is continuing, and an additional office building has already been opened this past year in the Gav-Yam Negev Park, the high-tech and technology park of the south, as well as additional office buildings in the center of the city. This office market is expected to remain stable also during the first half of 2022, and once the new buildings in the area become occupied, the occupancy rates are also expected to stabilize.
- We expect rental prices in this office market to remain stable also during the upcoming six-month period.

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



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



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 2021	Price per square meter Second Half of 2021
Center	Petach Tikva (Kiryet Arie, Segula)	50 NIS per square meter	55 NIS per square meter
	Ramla	50 NIS per square meter	55 NIS per square meter
	Shoham	50 NIS per square meter	55 NIS per square meter
	Rishon Lezion	50–55 NIS per square meter	55 NIS per square meter
Hasharon	Caesarea	42 NIS per square meter	42 NIS per square meter
	Emek Hefer	50–55 NIS per square meter	55 NIS per square meter
	Kfar Saba	50 NIS per square meter	55 NIS per square meter
	South Netanya	45 NIS per square meter	45 NIS per square meter
Shfela	Modi'in - The Technology Park	42–45 NIS per square meter	50 NIS per square meter
	Modi'in- Einat Center	50 NIS per square meter	42–45 NIS per square meter
	Ashdod	47–50 NIS per square meter	50 NIS per square meter
	Kanot	43–45 NIS per square meter	50 NIS per square meter
	Yavne	43–45 NIS per square meter	45 NIS per square meter
South	Kiryat Gat	38–40 NIS per square meter	45 NIS per square meter
	Ashkelon	35 NIS per square meter	37 NIS per square meter
	Sderot, Netivot, Ofakim	30 NIS per square meter	30 NIS per square meter
	Beer Sheva	30 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	35–38 NIS per square meter	40 NIS per square meter
North	Haifa	40 NIS per square meter	40–45 NIS per square meter
	Karmiel, Bar Lev, Misgav, Tefen	35 NIS per square meter	35–40 NIS per square meter
	Migdal HaEmek	35 NIS per square meter	35 NIS per square meter
	Acre	35–40 NIS per square meter	35–40 NIS per square meter
	Mevo Carmel	35–40 NIS per square meter	35–40 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.

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

		Price per square meter First Half of 2021	Price per square meter Second Half of 2021
Center	Petach Tikva (Kiryet Arie, Segula)	43 NIS per square meter	50 NIS per square meter
	Ramla	40 NIS per square meter	45 NIS per square meter
	Holon	45 NIS per square meter	45 NIS per square meter
	Rishon Lezion	45 NIS per square meter	45 NIS per square meter
Hasharon	Caesarea	38 NIS per square meter	40 NIS per square meter
	Emek Hefer	45 NIS per square meter	45–50 NIS per square meter
	Kfar Saba	45 NIS per square meter	45 NIS per square meter
	Kadima	42–45 NIS per square meter	42–45 NIS per square meter
	North Netanya	40 NIS per square meter	45 NIS per square meter
	South Netanya	40 NIS per square meter	45 NIS per square meter
Shfela	Ashdod	42–45 NIS per square meter	42–45 NIS per square meter
	Kanot	38 NIS per square meter	40 NIS per square meter
	Yavne	38–40 NIS per square meter	40 NIS per square meter
South	Kiryat Gat	32–35 NIS per square meter	35 NIS per square meter
	Ashkelon	25–30 NIS per square meter	30 NIS per square meter
	Sderot, Netivot, Ofakim	20–25 NIS per square meter	22–25 NIS per square meter
	Beer Sheva	20–25 NIS per square meter	20–25 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	35 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	25–30 NIS per square meter	25–30 NIS per square meter
	Acre	25–30 NIS per square meter	37–30 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 2021	Price per square meter Second Half of 2021
Center	Petach Tikva (Segula)	7,000,000 NIS	8,000,000 NIS
	Petach Tikva (Kiryat Arie)	7,000,000 NIS	8,000,000 NIS
	Holon	7,000,000 NIS	8,000,000 NIS
	Rishon Lezion	7,000,000 NIS	8,000,000 NIS
	Lod / Remla	4,200,000 NIS	5,000,000 NIS
	Shoam	5,000,000–6,000,000 NIS	8,000,000 NIS
Hasharon	Emek Hefer	3,000,000–3,300,000 NIS	4,500,000 NIS
	North Netanya	4,000,000 NIS	5,500,000 NIS
	South Netanya	5,000,000 NIS	5,500,000 NIS
	Kfar Saba- Industrial Area	4,500,000–5,000,000 NIS	5,000,000 NIS
	Kfar Saba 50	4,500,000 NIS	4,500,000 NIS
Shfela	Modi'in - Yishpro	4,500,000 NIS	5,500,000 NIS
	Modi'in – Li Gad	4,000,000 NIS	5,500,000 NIS
	Be'er Tuvia	2,500,000–2,800,000 NIS	3,500,000 NIS
	Yavne	3,200,000 NIS	4,000,000 NIS
	Ashdod	4,500,000 NIS	6,000,000 NIS
	Kanot	4,000,000 NIS	4,000,000 NIS
South	Kiryat Gat	2,300,000 NIS	2,600,000 NIS
	Beer Sheva	1,400,000 NIS	1,450,000 NIS
	Ashkelon	2,000,000 NIS	3,000,000 NIS
Jerusalem	Mishor Adumim	1,500,000 NIS	1,700,000 NIS
	Beit-Shemesh	2,500,000 NIS	3,000,000–3,500,000 NIS
North	Haifa Bay	3,000,000 NIS	3,500,000 NIS
	Tirat Carmel	3,000,000 NIS	3,000,000 NIS
	Checkpoint / Nesher	3,000,000 NIS	3,000,000 NIS
	Carmel	3,000,000 NIS	3,000,000 NIS

Real Estate Transactions - A Review of the Second Half of 2021



Increase in Demand for Real Estate Investments in Most Sectors

High demand for real estate investments has been evident during the past year, resulting from a number of factors:

- High liquidity among real estate investors.
- Inexpensive and available financing by banks, the Stock Exchange and other non-banking credit institutions.
- An increase in activity in the economic market, in general, and in the high-tech and logistics industries, in particular, which has led to demand by users that are competing with investors for the same properties.
- Against the background of developing inflation factors, investing in real estate is a means to hedge inflation risks, particularly when most lease agreements are linked to the index.
- The alleviation of concerns relating to the long-term impacts of the COVID-19 pandemic, as well as the internalization that the pandemic has strengthened certain sectors, including high-tech and local commerce.

As a result of these factors, prices have increased sharply, sometimes by dozens of percentages, primarily the prices of offices in Tel Aviv and of industrial and logistics properties throughout the country.

We expect COVID-19 will have a long-term effect on the market since it has accelerated processes that had already begun before its outbreak. In this context we shall note two main processes that we also mentioned in previous reports:

1. The development of e-commerce and its implications (in opposite directions) for the fields of commerce and logistics.
2. Technological developments and transformations in working habits which will continue to support the hybrid working model.

Industry / Logistics

The increase in recent years in demand for storage areas also continued during 2021, in parallel to the consistent trend of increasing e-commerce, which was accelerated by COVID-19. Certain industries even experienced significant growth during this period, including server farms, retail and fast food, medical products and pharmaceuticals, as well as retailers that operate e-commerce platforms. The increased demand in these industries required increasingly growing scopes of storage and distribution space.

An additional factor that is impacting the demand for logistics areas stems 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 regions. 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.

As a result of the above-mentioned factors, as well as due to the fact that the logistics field requires large areas of land compared to other sectors (which are typically located in multi-story properties), the prices of land and of industrial and logistics buildings increased this year by up to dozens of percentages.

The prices of logistics centers increased to the range of NIS 10,000-NIS 12,000 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 NIS 3,500 and NIS 5,000 per square meter for Class B buildings in peripheral locations.

Rental prices for Class A industrial and logistics buildings are currently 50-55 NIS per square meter in the central region, and approximately 25-40 NIS per square meter in peripheral areas.

Rental prices in this field did not increase in a proportionate manner compared to the increase in property prices, and therefore there has been a decline in returns from income-bearing assets – less than 6% in new buildings in “prime” locations and 6%-7% in peripheral areas, depending on the type, quality and location of the assets.

Looking forward: The 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 asking rental prices. There is currently significant demand to purchase land for industrial and logistics purposes throughout the country, and the prices of land are consistently rising. There is a trend of reducing price gaps also in locations that experienced relatively low demand compared to their surroundings. For example, we shall note that the prices of lots in Beit Shemesh increased in recent months to 3-3.5 NIS million per 1,000 square meters, compared to 2-2.5 NIS million per 1,000 square meters in 2020.

Significant growth in demand for cold and frozen storage and distribution centers is also evident throughout the country. The rental prices paid in this field are tens of percentages higher than, and occasionally even double, the rental prices that are paid for ordinary logistics and distribution structures.

As to risks – the strong Israeli shekel and the rising rental prices are adversely affecting local industry's profitability and competitiveness. The shutting down of non-profitable production lines could reduce demand for industrial buildings and lead to a reduced demand for industrial buildings.



The Office Market

The dominant factor in the office market during 2021 was the increase in demand for offices by technological companies. Despite the transition towards partial work from home, most companies did not significantly reduce the office space they rent. These companies raised a record-breaking amount that is estimated at approximately 25 billion dollars during 2021. The high liquidity along with fierce competition over skilled personnel have 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.



Record-Breaking Sale Prices and Rental Prices for Offices in Tel Aviv

Much of the demand for high quality office space in Tel Aviv comes from high-tech companies – from start-ups through established international companies.

The shortage in engineers results in competition among the technology companies for high-quality personnel. Since many young engineers and software developers prefer to work in Tel Aviv, this has created significant demand for Class A buildings in Tel Aviv. This demand compensates for the departure of large financial lessees that are relocating 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.

During the second half of 2021, the demand for high-quality office space resulted in prices increasing to levels of approximately 150 NIS per square meter, and even beyond, for offices in the area of the Sarona complex and the Shalom train station. However, it shall be noted that the term of lease agreements has shortened to approximately 3 years compared to 5 years and more that were prevalent in the past.

Concurrently with the rise in rental prices, the office sale prices also rose. The prices of Class A offices in central locations in Tel Aviv increased from levels of approximately 19,000-22,000 NIS per square meter at the beginning of the year, to levels of 25,000-28,000 NIS per square meter during the last months of 2021.

Demand for office space is also penetrating to cities outside of Tel Aviv, and there is an upward trend in rental prices and office sale prices in cities in these areas as well, mainly in transactions involving multiple floors in new office buildings.

On the other hand, the multitude of office space purchased in recent years by purchase groups, creates a large supply of small office spaces (parts of floors), both for sale and for rent. Small office spaces do not benefit from demand by most high-tech companies. Furthermore, owners of small office spaces compete with each other over potential lessees. Consequently, rental prices and sale prices in these projects remained low compared to office buildings that are owned by a single owner.

For example, in Petach Tikva and in the BBC complex, Class A offices that were purchased in the framework of a purchase group are currently being rented out at rental prices of approximately 50-55 NIS per square meter of core and shell construction.

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.

Commerce

Technological developments and transformations in e-commerce habits, are expected to challenge traditional commerce at shops and commercial centers. At present, since international travel restrictions are keeping Israelis local, local commerce is experiencing blooming demand.

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 even after the skies reopen, since neighborhood commercial centers provide an efficient and accessible solution for purchasing basic consumer products.

The prices of commercial assets reflect a return of approximately 5.5%-6% in central urban locations and in neighborhood centers, and a return of approximately 6%-6.5% in secondary urban locations.

Natam Group

The Natam group was established in 1985 and offers extensive real estate services to property owners, tenants and investors, in the fields of office, logistics and commercial real estate. Three divisions operate within the group, providing comprehensive real estate solutions for our clients.



Property Owners Division

The property owners division serves property owners and provides a range of services in the fields of managing and operating properties, as well as business services, which, together, are intended to maximize the value of the property, as property that generates income for its owners.

The effective and efficient combination of services is reflected in high occupancy rates in buildings that are managed by Natam and in a wide variety of projects of different sizes, that are marketed in various locations and at various terms and conditions. income-generating properties in the fields of office, logistics and industrial real estate.

Property Owners Division

The tenants division serves clients who are renting property, in order to optimize the entire leasing process, throughout all of its stages, and to improve the terms of the transaction. In the framework of the division's activity, the following services are provided:

- ✓ Accompanying and advising companies.
- ✓ International real estate services.
- ✓ Nation-wide realtor services.
- ✓ Research services.

The Investment Division

In the framework of the investment division's activity, two sectors of services are provided:

The Investment Department – Accompaniment of investors in the purchase of income - generating properties or properties for their own use. The process includes defining the investor's needs, locating the investment, analyzing alternatives and examining the final transaction.

NATAMINVEST – An investment house for income-generating real estate in Israel. Purchasing, improving, managing and realizing income-generating properties in the fields of office, logistics and industrial real estate.

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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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