



Market Overview & General Information

- Tel Aviv is the main part of Israel's largest and most populous metropolitan area called Gush Dan; the city has a population of 379,000 that is growing at a rate of one percent per year; and its real GDP is growing at a rate of 5.2% yearly
- According to recent statistics, Tel Aviv's socio-economic status was classified as high (8 out of 10)
- Tel Aviv is a flourishing technological center; *Newsweek* magazine named it one of the top ten most technologically influential cities in the world



Office Market

- The office space market in Tel Aviv continues to lead the country of Israel
- Numerous companies that have not yet established themselves in Israel are gaining interest in the market and are considering options for new representation there
- The increasing demand of offices is eliminating the previously abundant supply of office space
- Availability of office space has declined from 17% in the last quarter of 2005, to 10% in the second quarter of 2006
- As a result, rental rates have steadily risen over the past three quarters

Office Rental Rates (US\$/Sq. ft./Month)		
Average Occupancy Rate	Average Rental Fee	Average Selling Rate
90%	\$1.34	\$198.88

Retail Market

- Retail space is an integral part of the Tel Aviv real estate market
- Occupancy rates have risen dramatically in the past year
- The rising occupancy and rental rates reflect the considerable improvement in commercial activity in Israel in general, and in Tel Aviv in particular



Tel Aviv at night

Industrial Market

- The Central Business District in Tel-Aviv is located mainly across Rothschild Blvd. and its crossing streets which are referred to as "the City"
- The majority of telecommunication and Information Technology companies tend to be located outside the Central Business District and in the suburbs of Tel Aviv
- Due to the weak demand in the Central Business District, industrial occupancy rates have remained stable at 84% for the last three quarters
- Rental rates have remained relatively stable over this time period as well, rising slightly to account for the cost of living

Industrial Rental Rates (US\$/Sq. ft./Month)		
Average Occupancy Rate	Average Rental Fee	Average Selling Rate
84%	\$1.05	\$151.86

Retail Rental Rates (US\$/Sq. ft./Month)		
Average Occupancy Rate	Average Rental Fee	Average Selling Rate
90%	\$3.35	\$483.74

Typical Leases

- Standard Lease Term: 3-5 Years
- How rental information is expressed: Rent per square meter (gross) per month. Rates are quoted in U.S. dollars
- Method of measurement: Space is expressed in terms of gross area, measured from external wall to external wall. Common areas shared are expressed pro rata over all rentable area
- Rent Payment: Typically, quarterly payments
- Review / Indexation: Normally, rent is translated to NIS upon signing the contract. The rent thereof is linked to the Israeli CPI and rises by an average of 5% upon renewal of the lease term
- Bank Deposit / Guarantee: 1-6 Months is normally requested, depending on the lease terms and the specific tenant
- Services included in the rent: Landlord is responsible for the structural repairs to the building
- Additional Charges to Tenants: Tenant is responsible for internal repairs and common charges

Some Multinationals with Operations in Israel

- Applied Materials
- Motorola
- Intel
- GE
- Siemens
- HP
- IBM
- BMC Software
- Unilever
- SAP

Additional Costs

- **Service Charges:** Typically they run at between \$3 and \$4 m² per month. This will include a contribution to the costs of the overall maintenance of the building
- **Taxes:** \$5.00 m² per month. (This rate varies from location to location / district to district)
- **VAT:** All the aforementioned costs will be subject to VAT at the prevailing rate which is presently 16.5%
- **Legal Fees:** Charged on an hourly basis or fixed by agreement



Reflection of Azrieli Towers – Tel Aviv

Office Accommodation

- Office accommodation is typically handed over in a “shell and core” finish
- Once the common areas are completed, the services to the office areas are “tapped” off at the entrance. The exact configuration will depend on the size and layout of the floor plates
- Thereafter the landlord will either fit out the accommodation to a specification set or provide a period for these works to be undertaken before the lease starts or the lease has been signed. Additional incentives (capital or rent free periods) are rare in Israel

Logistics

- Tel Aviv has 4 Israel Railways railroad stations that stop along its major highway, the Ayalon Highway
- It is estimated that over 1 million people use the Tel Aviv trains every month
- The Dan Bus Company and Egged Bus Cooperative, which is the world’s second-largest bus company, service the Tel Aviv Central Bus Station, which is located in southern Tel Aviv
- The Dov Hoz Airport is located in northern Tel Aviv and offers mainly domestic flights
- The Ben Guiron International Airport, Israel’s main international airport, is located less than 10 miles southeast of Tel Aviv
- The Tel Aviv Subway system is scheduled for completion in 2012

Labor Market

- 24% of Israel's workforce holds university degrees – which ranks third in the world; 12 % hold advanced degrees; and over 95% of the population is literate
- Tel Aviv University is the largest college in Israel, and is world renowned for its physics, computer science, and chemistry departments
- High-technology industries are Israel's fastest-growing businesses, with emphasis on computers, software, telecommunications, biotechnology, and medical electronics



Cymbalista Synagogue – Tel Aviv University