



Ron Cohen VAS
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Israel Real Estate MARKET RECAP

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Israel Real Estate Market

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Private conviction and public pricing parted ways in Israeli property this August. Tzachi Abu and the owners of Yishpro paid Chaim Katzman's Norstar about 9% above the market for control of G City, one of Israel's largest listed shopping centre owners, with a plan to refocus it on Israel. BIG sold in Nevada and France to bring its capital back to the shopping centres at the core of its business. Electra Consumer signed for about 20,000 sqm of offices in Rishon LeZion, the clearest signal yet of occupier demand beyond the Tel Aviv core. And Fisher Brothers, a New York property dynasty, judged Tel Aviv worth a \$100 million bond prospectus even after a run of failures among offshore issuers in the local debt market.

The stock market took the other side. The TA Commercial Real Estate index fell a further 3.2% in the month to 26 August and stands 6.2% lower for the year, sixteen and a half percentage points behind the broad TA-125. The results season gave it little reason: Azrieli lifted shopping centre turnover 8.3% even as smaller revaluation gains cut net profit, and BIG grew half-year revenue 4.6% with its fully let Gliot centre still absent from the numbers.

Our Real Estate Monitor, whose second-quarter reading appears later in this issue alongside the monthly path of the indices, frames the tension. Even after this year's fall, the equity market still values the six largest listed landlords about 18% above their net asset value, the reverse of the discounts to NAV at which American and British REITs trade. The sellers of 2026 have marked the shares down without ever marking them below net asset value.

Yishpro and Tzachi Abu take control of G City in ₪661 million deal with Norstar

Yaron Adiv and Kidan Dahari, owners of the Tnuport-Yishpro group, have joined Tzachi Abu's ARI Real Estate in buying control of G City, one of Israel's largest listed shopping centre owners, four years after their first attempt to take over the company. A limited partnership held equally by the two will pay Chaim Katzman's Norstar, G City's longtime parent, ₪661 million

(\$220 million) for about a quarter of the shares, valuing the company at ₪2.55 billion (\$850 million), with an option on a further 7% that would lift the holding to 33% and cut Norstar's stake from about 54% to 21%. G City owns and manages 85 income-producing assets, principally shopping centres, worth some ₪29 billion (\$9.7 billion) across Israel, Poland, Scandinavia, the United States, Canada and Brazil. Its shares rose about 7% on the news, to a market value of ₪2.36 billion (\$787 million), still about 9% below the transaction price.

The deal caps a long pursuit for Adiv and Dahari, who bought Tnuport from the receivers of the collapsed tycoon Eliezer Fishman in 2017, added Yishpro three years later and bid for Norstar itself in 2022 at a ₪2.15 billion valuation before rising interest rates ended the offer. The new owners plan to refocus G City on Israel, with Dahari managing the company day to day alongside Abu, halving overheads that ran above ₪280 million (\$93 million) in 2025, cutting leverage and selling assets overseas while keeping the Israeli and Polish portfolios. On completion G City is to raise about ₪1 billion (\$333 million) of equity to strengthen its balance sheet and allow Norstar to reduce its debts.

BIG sells in Nevada and France as it narrows its overseas business to the Balkans

BIG, Israel's largest owner of open-air shopping centres, has moved

closer to a full exit from the United States with the sale of its 80% holding in Sparks at Legends, an open-air centre in Reno, Nevada, at a price reflecting an asset value of \$103 million (₪309 million), about 10% above book value. The group is financing much of the deal itself, with a \$75 million (₪225 million) six-month bridge loan to the buyer at a fixed 6%, secured on the asset. One American asset remains, The Waterfront shopping centre in Pennsylvania, which BIG plans to put up for sale by the end of 2026 as it concentrates its overseas business on shopping centres in the Balkans and Eastern Europe. In parallel BIG agreed to sell its 50% holding in its French storage and logistics business to its local partner for about €23.4 million, close to book value, payable by the end of 2028, with about €19.9 million of shareholder loans to be repaid early, by the end of 2027. If the full amount is not paid by October 2029 BIG may take control of the partnership and realise its assets. Chief executive Hay Galis said the two disposals free cash for the shopping centre portfolio at the heart of the group's strategy.

Electra Consumer takes about 20,000 sqm in Rishon LeZion's 1000 District, at a rent estimated at ₪17 million a year

Electra Consumer Products, one of Israel's largest consumer goods and retail groups, has signed for about 20,000 sqm of offices at the RISHON project in the 1000 District of Rishon LeZion, the clea-

rest signal yet of occupier demand in the new office quarter south of Tel Aviv. The letting, from the insurer Phoenix and the construction group Ashtrom, covers roughly eight floors, with occupation expected at the end of the year. The rent has not been disclosed, but market estimates put rents in the 1000 District at about ₪70 (\$23) psm per month, implying some ₪17 million (\$5.7 million) a year.

RISHON is a rental project owned jointly by Ashtrom, with about 26%, and Phoenix. Its first phase is three office buildings of about 120,000 sqm above commercial floors and parking, out of building rights of about 305,000 sqm, and Phoenix is erecting its own two-building campus of about 50,000 sqm alongside, outside the partnership.

Azrieli's shopping centre turnover rises 8.3% as smaller revaluation gains cut net profit to ₪155 million

Azrieli Group, Israel's largest listed property company, chaired by Danna Azrieli, lifted tenant turnover across its 23 Israeli shopping centres, some 387,000 sqm of lettable area, by about 8.3% in the second quarter, even as smaller revaluation gains cut net profit to ₪155 million (\$52 million) from ₪320 million (\$107 million) a year earlier. Net rental income (NOI) came in at about ₪651 million (\$217 million), a shade above the same quarter last year, with funds from operations slightly higher at about ₪426 million (\$142 million). Retail NOI rose to ₪261 million (\$87 million) from ₪239 million (\$80 million), despite conflict-related closures that cost about ₪7 million (\$2.3 million) and the temporary loss of about 3,000 sqm at the group's flagship Tel Aviv centre, where works connecting it to the Spiral tower will eventually add about 16,000 sqm of retail space.

In data centres, which Azrieli operates mainly abroad, NOI fell to ₪103 million (\$34 million) from

₪115 million (\$38 million), though in constant currency the segment grew 3%, and two agreements signed recently in London and Norway are expected to add about ₪125 million (\$42 million) of annual NOI. Occupancy remains high across the group, at about 99% in Israeli retail and data centres, and the ₪202 million (\$67 million) drop in revaluation gains that drove the profit fall was partly offset by a larger contribution from associates. The American income-producing portfolio, at about 64% occupancy, remains the exception.

BIG lifts half-year revenue to ₪1.37 billion, and keeps its Giliot centre out of the numbers

BIG Shopping Centres grew first-half revenue about 4.6% to some ₪1.37 billion (\$457 million), while net profit fell about 9% to some ₪639 million (\$213 million). The figure the market most wanted to see is absent: BIG Fashion Giliot, the 44,000 sqm centre north of Tel Aviv that opened in February 2025 on an investment of about ₪2 billion (\$667 million) and is fully let, appears only within a new-projects line alongside four smaller schemes, being neither pledged to lenders, the trigger for asset-level disclosure, nor material under the reporting rules. Chief executive Hay Galis told investors that weekday footfall averages about 25,000 and Saturdays about 40,000, and industry estimates put turnover on a run rate approaching ₪1.5 billion (\$500 million) a year.

The group's next major project, a centre of about 65,000 sqm in Petah Tiqva on an investment estimated at about ₪2.2 billion (\$733 million), suffered a fire on site on 8 August. BIG is still assessing the damage but says the opening, planned for the second half of 2029, will not slip, with about 60% of the space already let to leading Israeli fashion and electronics chains. Among the centres the report does detail, BIG Fashion Ashdod is the strongest, with net operating in-

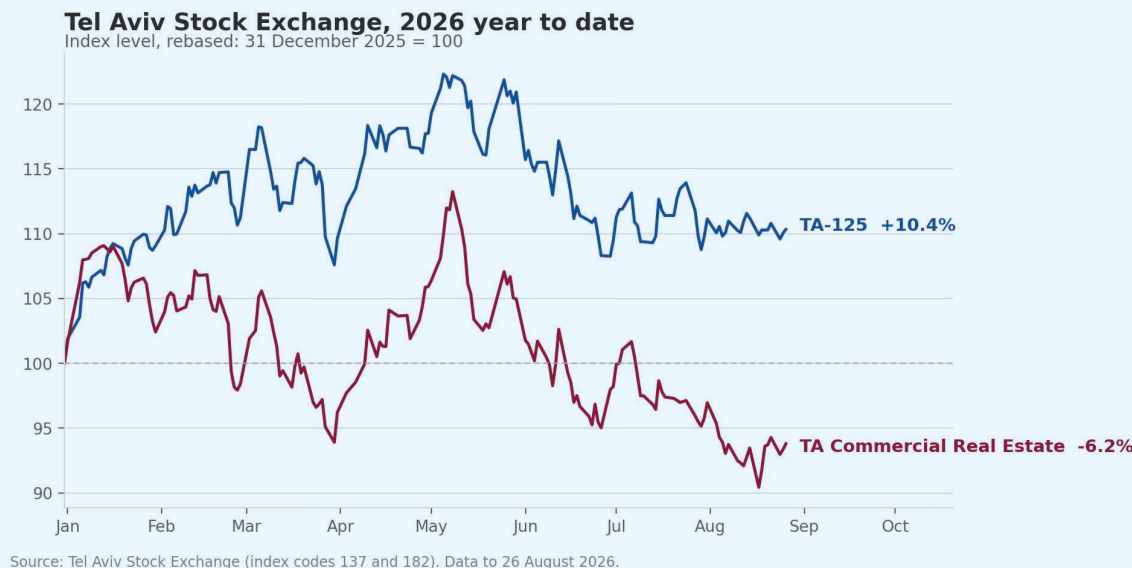
come of about ₪23.7 million (\$7.9 million) in the quarter and average rents up from ₪119 to ₪151 psm per month, while at Gedera occupancy slipped to 92% even as rents on let space rose from ₪87 to ₪103 psm.

Fisher Brothers tests Tel Aviv's appetite for offshore debt with a \$100 million bond prospectus

Fisher Brothers, a New York property company in family hands since 1915, is testing Tel Aviv's appetite for offshore debt with a prospectus for a bond issue estimated at about \$100 million (₪300 million). As other foreign issuers have done, the company will raise the debt through a new British Virgin Islands company holding its interests in ten residential and office assets valued at \$2.5 billion (₪7.5 billion) on its share, led by five New York office buildings that produced net operating income of about \$99.5 million (₪299 million) last year. The bonds will be unsecured and are expected to be rated by S&P Maalot. Control rests with the cousins Winston and Kenneth Fisher alongside the American lawyer Martin Edelman, a figure of unusually wide connections: regarded as close to President Donald Trump, who appointed him this year to the board of the UN-mandated body responsible for the rehabilitation of the Gaza Strip, he is also general counsel of the Abu Dhabi artificial intelligence company G42 and a senior adviser to Mubadala, the emirate's investment arm, which holds about 11% of Israel's Tamar gas field.

Market indices: the property index extends its decline

The divergence of July carried into August. The TA Commercial Real Estate index fell a further 3.2% in the month to 26 August and stands 6.2% lower in 2026, having touched its low for the year in mid-August. The TA-125, the broad market benchmark, slipped 0.7% and remains 10.4% higher for the year. Sixteen and a half percentage points now separate the property index from the wider market. The year-to-date path of both indices, rebased to 100 at 31 December 2025, is charted below.



The TA-125 and the TA Commercial Real Estate index, rebased to 100 at 31 December 2025. Data to 26 August 2026. Source: Tel Aviv Stock Exchange.

Real Estate Monitor: investors keep paying a premium for Israel's listed property

Our Real Estate Monitor asks a simple question each quarter: what yield does the stock market place on the property held by Israel's listed landlords, and how does that compare with the yield in their own books and with the 10-year government bond? It covers six of the largest listed property companies and REITs – Melisron, Amot, Gav Yam, Mivne, Reit 1 and Sella – which together hold some ₪85 billion (\$28 billion) of investment property. Azrieli and BIG are left out; their data centres and overseas activities would muddy the comparison.

The second-quarter answer: 5.16%, almost exactly where it stood at the end of March. The

companies' combined market value finished the quarter roughly where it began, at some ₪53 billion (\$18 billion), while the income kept building – net operating income rose 6.0% on the same quarter last year, and funds from operations, on the securities regulator's definition, rose 13.0% to ₪2.90 billion (\$970 million) over the trailing four quarters. What did move was the bond market: the 10-year yield fell from 4.07% to 3.65% after the ceasefire, stretching the sector's spread over bonds from 110 to 151 basis points.

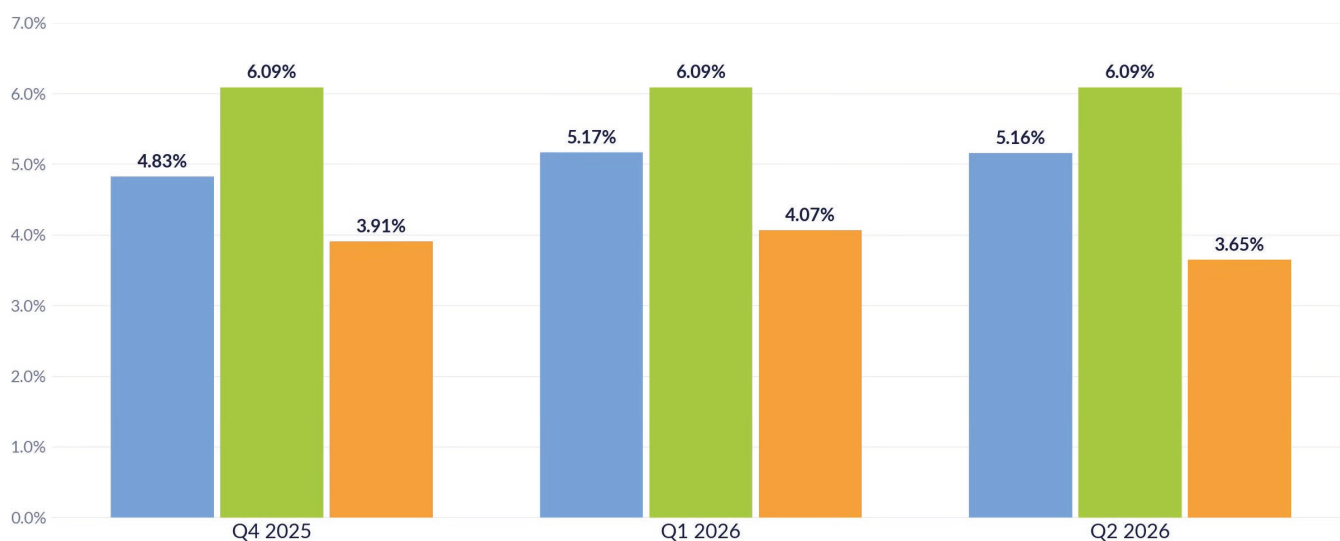
The 5.16% the market accepts remains well below the 6.09% at which the same portfolios stood in the companies' books at the end of 2025 – and pricing property at a lower yield means pricing it at a higher value. The market values these portfolios roughly 18% above their book values. That premium is what

makes Israel unusual. In the United States, REIT shares trade at a median discount of about 9% to their net asset value; in Britain the gap runs far deeper – the largest REITs trade at discounts of around 30%.

Implied yield vs the 10 year government bond

Israel Real Estate Monitor - quarterly - the valuation cap rate is annual (IREI™), held constant between updates

■ Market implied yield ■ Valuation cap rate (IREI™, annual) ■ Israel 10 year government bond



The yield the equity market implies for the six companies' property, the implied cap rates in their books (IREI™, annual) and the 10-year government bond, quarterly. Data to 30 June 2026. Source: Ron Cohen VAS, Israel Real Estate Monitor.

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