



Ron Cohen VAS
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Israel Real Estate MARKET RECAP

September 2026



nvidia

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Nvidia's Israel headquarters in Yoqneam, near Haifa. The company's Israeli operation is its largest outside the United States.

Israel Real Estate Market Recap | September 2026

Israel's property market is being valued in two different ways at once. The institutions that manage the country's long-term savings are buying at prices that imply confidence in a recovery. The stock market, which owns the same kind of assets through the listed property companies, is pricing them as if that recovery were in doubt. The two readings have diverged for most of 2026, and September widened the gap.

The scale of the institutional commitment is now considerable. The large insurers and pension funds have placed more than ₪2 billion (\$667 million) into Israeli property in the space of three months, the greater part of it in rental housing, a sector that institutional investors have entered only in the past decade. The largest buyer has given no indication that its programme is complete.

Public market investors have reached the opposite conclusion. The commercial property index has fallen 6.6% since the start of the year while the broad market index has risen by almost 12%, a gap of some eighteen percentage points. A rally in the first days of September was reversed within a fortnight. Investors in listed property appear to be discounting slower construction, a persistent labour shortage and the effect of the security position on foreign demand, none of which the direct buyers have found sufficient reason to pause.

Two pieces of research in this issue bear on the question. The Real Estate Monitor, relaunched this month as a half-yearly reading of initial yields by sector, records the Tel Aviv CBD office yield at 5.80%, almost a full percentage point above the level at which prime European offices are trading. That margin makes the domestic market attractive on income grounds alone.

A review of the real estate held in the members' funds of the five large insurance and pension groups shows about a quarter of US\$64 billion placed abroad, most

of it through funds and joint ventures. That share is unlikely to fall far: the Israeli market is too small to absorb the sums the groups manage. The currency may also have played a part. The shekel appreciated by up to 12% against the dollar by late May and remains some 4 to 5% stronger than in January, which lowers the shekel return on unhedged overseas assets and, through settlement gains on currency hedges, has left the groups with shekel liquidity to place. Whether the domestic purchases of recent months reflect that adjustment or a lasting change in allocation cannot be read from two quarters of disclosures.

Nvidia takes scarce data centre capacity near Tel Aviv

Nvidia, the American chip designer, is understood to have taken up to 4 megawatts of capacity at Serverz, a data centre in Kfar Saba, north-east of Tel Aviv, in a market where the completed high-specification facilities can be counted on one hand.

The hosting agreement was disclosed by Rani Zim Shopping Centres, the listed retail landlord that owns Serverz in partnership with Kardan-Geva. It is expected to bring the partnership between ₪8 million and ₪18 million (\$2.7 million to \$6 million) a year, depending on the capacity taken up. The customer was described only as an international company.

Serverz opened in 2025 with 20 megawatts of electrical capacity and counts HPE among its customers. It plans to expand to 200

megawatts, subject to approval by the Electricity Authority, which has stopped approving new grid connections for data centres. Most of Israel's planned facilities remain in planning or under construction, so the completed stock is scarce and lets quickly.

For Nvidia, whose Israeli operation is its largest outside the United States, the agreement extends a computing presence that has until now been concentrated in the north, at its Israel-1 facility in Yoqneam and at nearby Mevo Carmel, where a further facility is under construction. It recently took space at a Rishon LeZion site south of Tel Aviv. Kfar Saba is its first capacity in the central region.

Israeli pension money holds US\$16 billion of property abroad

Israel's five large insurance and pension groups, Migdal, Clal, Harel, Menora Mivtachim and Phoenix, held US\$64 billion (₪192 billion) of real estate in their members' funds at 30 June 2026, a tenth of their assets under management, according to our analysis of the asset lists they disclose each quarter. Three quarters of it is domestic. The US\$16 billion held abroad is the subject of this review.

North America accounts for just over half of the non-domestic total, continental Europe for about a third and the United Kingdom for a tenth. The route matters as much as the region: non-listed funds carry US\$7.0 billion, joint ventures and non-listed equity US\$2.3 billion, listed real estate debt US\$2.3 billion, listed real estate including

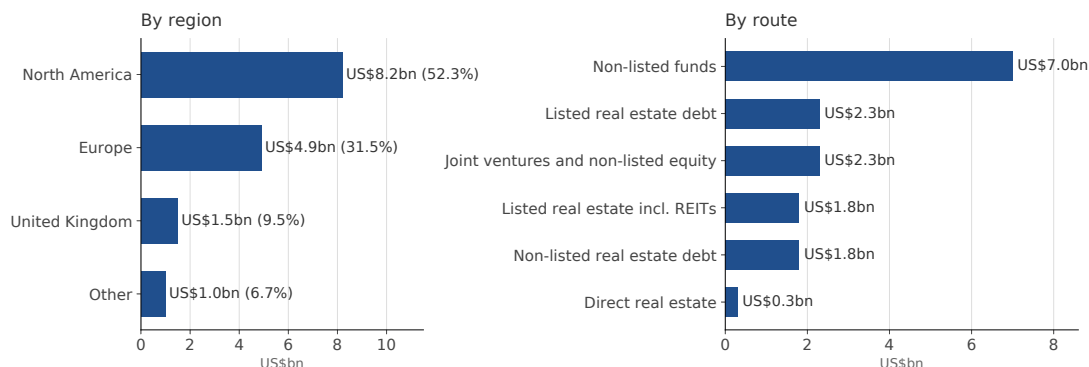
REITs US\$1.8 billion and non-listed debt US\$1.8 billion. Direct holdings abroad are only US\$0.3 billion.

Direct property and listed securities are, in other words, domestic businesses for the five. What goes

abroad goes through managers, and in about 60% of cases through non-listed funds and joint ventures.

Non-domestic real estate held by the five large Israeli institutions

Fair value, US\$15.6 billion in all, at 30 June 2026



Source: Ron Cohen VAS, from the quarterly asset lists filed by Migdal, Clal, Harel, Menora Mivtachim and Phoenix. Regions and routes as classified by the firm.

Non-domestic real estate held by the five large Israeli institutions, fair value at 30 June 2026, by region and by route. Source: Ron Cohen VAS, from the investors' quarterly asset lists.

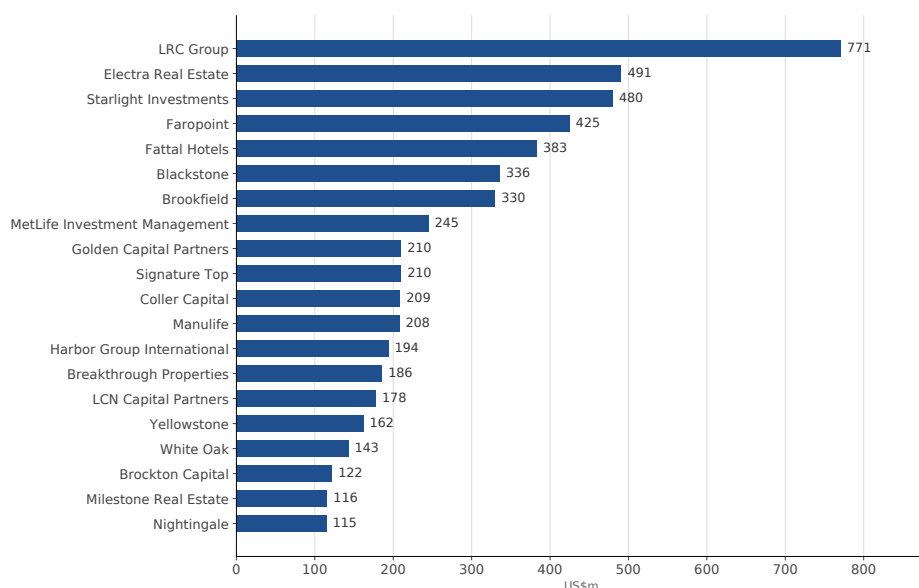
The managers are not, for the most part, the global names.

Of the US\$9.3 billion in non-domestic funds and joint ventures, the largest relationship is with LRC Group at US\$771 million, followed by Electra Real Estate, Starlight Investments, Faropoint and Fattal Hotels, so that four of the five largest are Israeli-run platforms investing abroad. Blackstone and Brookfield, at about US\$330 million each, come sixth and seventh. Appetite for overseas exposure varies widely. Menora Mivtachim holds about 35% of its real estate outside Israel, Harel about 30%,

Phoenix and Clal about 25%, and Migdal, the largest holder of the five, about 14%. Each investor's relative position is disclosed only to that investor, and customised benchmarking is available from the firm.

The fund managers behind the non-domestic money

Fair value held with each manager, US\$m, 30 June 2026. Twenty largest of the US\$9.3 billion in non-domestic non-listed funds and joint ventures, all five investors.

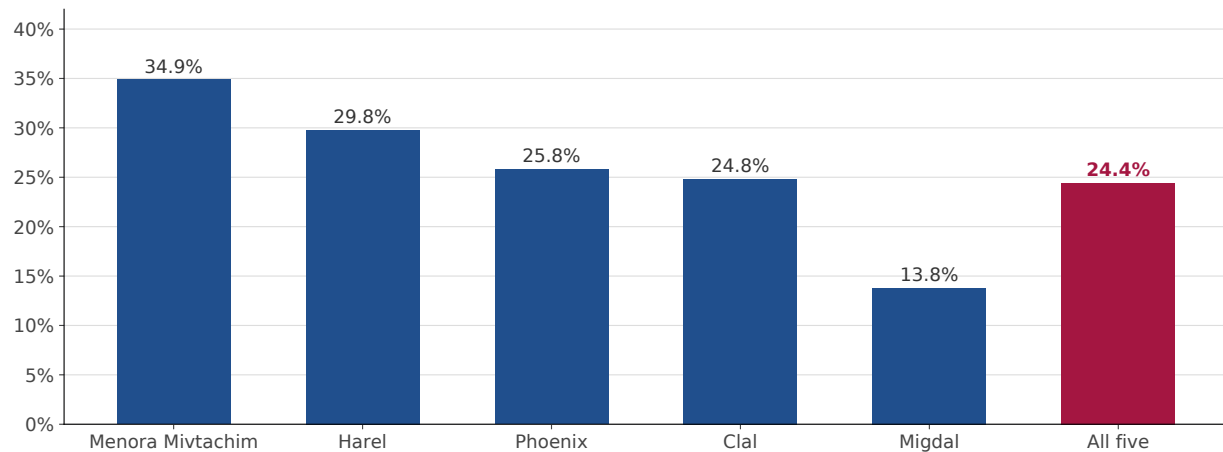


Source: Ron Cohen VAS, from the quarterly asset lists filed by the five investors. Managers as classified by the firm.

Fair value held with each fund manager, US\$m, 30 June 2026: the twenty largest of the US\$9.3 billion in non-domestic non-listed funds and joint ventures. Source: Ron Cohen VAS.

Non-domestic share of each investor's real estate

Per cent of real estate fair value held outside Israel, 30 June 2026



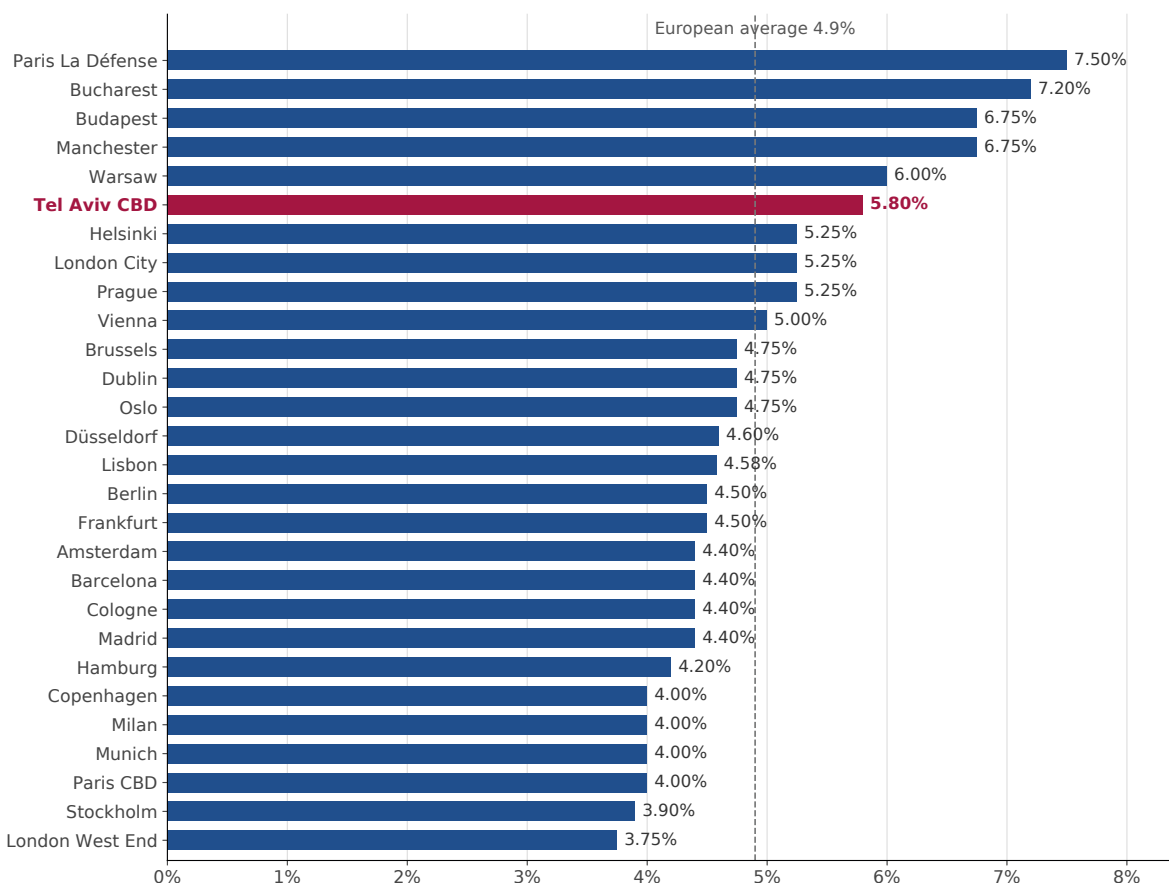
Source: Ron Cohen VAS, from the quarterly asset lists filed by the five investors.

Non-domestic share of each investor's real estate, per cent of fair value, 30 June 2026.

Source: Ron Cohen VAS.

Prime office yields, European cities and Tel Aviv

Second quarter 2026, per cent



Sources: Savills Research, European Office Investment, Q2 2026 (27 European cities); Ron Cohen VAS, Tel Aviv CBD average yield, first half 2026.

Prime office yields in 27 European cities, second quarter 2026, and the Tel Aviv CBD average office yield, first half 2026.

Source: Ron Cohen VAS, from published European market data.

Tel Aviv office yields run a point above Europe

Our Real Estate Monitor has been relaunched as a half-yearly reading of the average initial yields at which Israeli investment property is trading, by sector.

The first reading, at 30 June 2026, puts offices in the Tel Aviv CBD at 5.8%, offices elsewhere in Greater Tel Aviv at 6.5% and offices beyond it at 7.0%. Shopping centres stand at 6.5%, retail parks at 6.2% and industrial property at 6.8%, an average of about 6.5% across the sectors, with every sector marked stable on the half.

The figures are market yields derived from the firm's transaction database and from the deals disclosed by the listed companies, which came to about ₪2.1 billion (\$700 million) in the half. The next reading follows the close of the second half.

Set against Europe, Tel Aviv is high. The average prime office yield across 27 European cities stood at 4.9% in the second quarter. At 5.8% the Tel Aviv CBD sits between Warsaw at 6.0% and Helsinki, London City and Prague at 5.3%, some 90 basis points above the European average and about two points above London's West End at 3.8%. The comparison flatters the gap a little: the European figures are prime yields for the best buildings in each city, whereas ours is a sector average that takes in secondary stock, so a like-for-like prime Tel Aviv yield would sit somewhat lower.

Read with our second-quarter reading of the listed market, the figures bracket the sector. The stock market values the six largest listed landlords' portfolios at an implied yield of 5.2%, below both the 5.8% at which central Tel Aviv offices change hands and the 6.1% at which the companies carry their property in their books.

Migdal's property purchases pass ₪2 billion

Migdal, one of Israel's largest insurance and pension groups, is to buy half of three long-term rental housing projects from Prashkovsky, a listed housebuilder, for about ₪700 million (\$233 million), taking its property purchases since July past ₪2 billion (\$667 million).

The three schemes hold about 800 flats: a completed 286-flat project in Lod, east of Tel Aviv, a 298-flat project in Be'er Ya'akov at an advanced stage of construction, and land for about 200 flats in Ramat Gan. Prashkovsky will continue to manage the flats, expects about ₪156 million (\$52 million) of cash from the sale and has recognised a profit of about ₪111 million (\$37 million). Its shares rose 8% on the announcement.

The purchase is the fourth in a run that has made Migdal one of the most active domestic buyers of the year. In July it bought a quarter of the Golden Mall shopping centre in Rishon LeZion for ₪840 million (\$280 million), after the Competition Authority objected to a sale to Melisron, one of the country's largest shopping centre owners. It has since taken 14% of Guy and Doron Levy, a residential developer, for ₪325 million (\$108 million), and a fifth of Ashtrom Residential Rental for ₪451 million (\$150 million).

Migdal's property arm would rank as Israel's fourth-largest real estate company if it stood alone. Rental housing is now the largest component of its recent purchases, which indicates where the institutions see income they can hold for decades.

Phoenix takes a fifth of Fattal's office business

Fattal, Israel's largest hotel group, is bringing Phoenix, one of the country's large insurance and pension groups, into its office business

at a valuation of about ₪1.4 billion (\$467 million), in a transaction settled entirely in property.

Phoenix will contribute its half share in Beit HaVered, a 28,000 sqm office building in Givatayim on Tel Aviv's eastern edge, and receive about 20% of a company formed by merging Fattal Workspace, which runs the ROOMS co-working centres, with Switchup, a half-owned affiliate that fits out and lets offices on long leases. Fattal will hold about 45% of the combined business and the Switchup founders about 30%.

The merged company will control about 350,000 sqm of offices, most of them in Tel Aviv and Ramat Gan, of which about 280,000 sqm is open or opening and the balance due by the end of 2027. The two businesses produced revenue of about ₪315 million (\$105 million) and EBITDA of about ₪82 million (\$27 million) in 2025, and occupancy is expected to reach 95% this year.

The deal crystallises a gain for Fattal, which has invested about ₪240 million (\$80 million) in the venture since founding it six years ago under Yuval Bronstein, formerly chief executive of Azrieli Group, Israel's largest real estate company. Its holding is expected to be worth about ₪620 million (\$207 million) on completion. Fattal's shares have risen about 30% over twelve months, to a market value of about ₪11.9 billion (\$4 billion).

Property shares give back their September rally

Shares in Israel's listed property companies surrendered a sharp early-September rally within three weeks, leaving the sector further behind a domestic stock market that has otherwise had a strong year.

The TA Commercial Real Estate index, the benchmark for the listed landlords and developers, climbed 7.7% in the first four sessions of the month to its highest level since June, as investors positioned for lower interest rates after a softer inflation reading. The gains were reversed as the security position deteriorated and expectations of an early rate cut faded, and by 24 September the index had fallen 9.0% from its peak. It is 2.0% lower on the month and 6.6% down since the start of the year.

The broader TA-125 followed a milder version of the same path, rising 4.3% to 7 September before easing, and remains 1.1% higher on the month and 11.9% higher for 2026. The gap between property shares and the wider market has widened to eighteen and a half percentage points, from sixteen and a half at the end of August.

The weakness sits oddly with the prices being paid for the buildings themselves. The market values the six largest listed landlords' portfolios at an implied initial yield of 5.2%, below the 6.1% at which the companies carry their properties in their accounts, so that the shares trade at a premium to book value even after the year's decline. Investors appear to be pricing slower construction, a persistent labour shortage and the absence of foreign buyers rather than any fall in the value of the assets.

The year-to-date path of both indices, rebased to 100 at 31 December 2025, is charted below.

Tel Aviv Stock Exchange, 2026 year to date

Index level, rebased: 31 December 2025 = 100



The TA-125 and the TA Commercial Real Estate index, rebased to 100 at 31 December 2025. Data to 24 September 2026. Source: Tel Aviv Stock Exchange.

Prime housing: record prices on the thinnest volumes in years

The top of Israel's housing market is now priced by a handful of branded and seafront towers in Tel Aviv rather than by volume, and price and volume have moved in opposite directions.

At Rothschild 10, a 42-storey tower on Rothschild Boulevard with a Six Senses hotel on its lower floors, Bill Ackman, the American activist investor, paid about ₪70 million (\$23 million) in April for a flat, close to ₪200,000 (\$67,000) psm. On the seafront, Aviv Group's Herbert Samuel tower sold ten flats in 2025 at an average of about ₪145,000 (\$48,000) psm and none in the first half of 2026, which the developer attributes to the absence of foreign buyers since the Middle East conflict began.

Outside Tel Aviv the thinness is starker. Herzliya Pituah, the country's most expensive villa zone, turns on only 24 to 28 house sales a year, so a single large villa moves the median, which has ranged between ₪10.75 million and ₪15 million (\$5 million) over the past four years. Houses sell at about ₪36,000 to ₪77,000 psm of built area and vacant plots at about ₪22,000 psm of land, so that the purchase of an older house is in practice a land purchase followed by demolition. The zone's median rental yield of about 2.5% shows that buyers are paying for capital value, not income.

The Bereshit tower in Tel Aviv's Bavli quarter shows how far volume can fall. Only 76 of its 168 flats have sold in the decade since marketing began, and the developer and its contractor, Electra Construction, filed claims against each other in arbitration in September, for about ₪900 million (\$300 million) and ₪270 million (\$90 million) respectively, over delays that each blames on the other.

Yet the two most recent sales there, both high-floor four-room flats, went at about ₪110,000 (\$36,700) psm, among the highest prices recorded in the country. The family that controls the scheme says it is under no pressure to sell.

Start-up pays a top Tel Aviv rent at HaSolelim

Mivne, one of Israel's larger listed commercial landlords, has let about 1,400 sqm at its HaSolelim office towers in Tel Aviv to PointFive, a technology start-up, at a rent that works out at more than ₪200 (\$67) psm per month including service charges, among the highest levels in the city.

The lease runs for five years with an option for five more. Rent and service charges over the initial term come to about ₪18 million (\$6 million), and about ₪36.5 million (\$12.2 million) if the option is exercised.

HaSolelim, two towers of about 70,000 sqm beside HaShalom railway station, is now about 73% let. ROOMS and Switchup, the Fattal group's office businesses, anchor the scheme with about 37,000 sqm, and the Israel Securities Authority and Buildots, a construction

technology company, have taken floors. Mivne says further lettings are under negotiation.

The scheme's residential element has fared less well. Two towers of 360 flats, built with Tidhar, the construction and development group, are complete, but 110 flats remain unsold and only four were sold in the first half of 2026, a measure of how far demand for new flats in Tel Aviv has weakened while office demand has held.

Tel Aviv approves four towers on former dairy site

Tel Aviv's planning committee has approved the design for the Tara complex, four towers of 40 to 65 floors on a former dairy site beside HaShalom railway station that Gav Yam, one of Israel's largest listed commercial landlords, bought in May for ₪830 million (\$277 million). The site, between Yigal Alon Street and the Ayalon motorway at the

eastern gateway to the city, was occupied by the Tara dairy from the 1950s. The approved scheme combines offices, shops, housing and public uses above active ground floors, with a direct underground link to the future metro station serving the M1 and M2 lines. Up to 718 flats are permitted, 57 of them to be let at regulated rents for 20 years under the municipality's affordable housing policy, together with a ten-storey public building. The state retains a 10% interest in the land.

The approval consolidates Gav Yam's position in the zone. Tara adjoins ToHA, the tower it owns with Amot, and ToHA 2, now under construction, so that the partners' holdings now form a continuous frontage along the motorway. The scheme has been planned to accommodate a proposed decking over of the Ayalon, a project whose feasibility has yet to be established.

Senior living developer seeks ₪600 million from bond market

Oranim Al HaYam, a family-controlled developer, is seeking up to ₪600 million (\$200 million) from the bond market against One Sea, the senior living complex it has completed on the Rishon LeZion seafront south of Tel Aviv, in an issue that will test investors' appetite for a scheme that has only begun to fill.

The proceeds will repay about ₪510 million (\$170 million) of bank construction debt and a small loan from a related company, leaving the balance for working capital. The bonds are expected to pay

index-linked interest of 4%, about 5.5% effective, and are to be secured on the scheme's retail centre and, unusually, on residents' deposits, ranking behind the residents' trustee.

One Sea comprises two buildings of 56,000 sqm, of which 51,000 sqm is senior living with 270 units and a nursing wing and the balance mainly shops. Completion was certified in March, after delays in construction and letting, in part through the labour shortage since the Middle East conflict began, obliged the company to extend and enlarge its bank facility. Residents have begun to move in.

The company carries the scheme at ₪928 million (\$309 million). Its forecasts assume occupancy of 10% by the end of this year, 25% a year later and 45% by the end of 2028, with resident deposits of ₪2 million to ₪5 million a unit bringing in about ₪250 million (\$85 million) over two years. It recorded no operating revenue in the first half of 2026.

Menachem Oren, who founded the Oranim group in 1978 and whose schemes include the Royal Beach towers in Tel Aviv, holds 85% of the company, with his daughter holding the remainder.

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