

# Tel Aviv on shifting sands

Israel property | City's prime market has stalled amid state curbs and currency moves, writes *Melissa Lawford*



Two-bedroom apartment, Meier on Rothschild Tower, NIS 10.2m



Jaffa promenade and the Mediterranean in Tel Aviv — Getty Images

In 2014, the architect Irma Orenstein designed a penthouse in Tel Aviv that featured a vast balcony overlooking the Mediterranean, a 220-piece glass staircase and a hermetic training room that replicates high altitude. Its buyer certainly seemed to be accustomed to elevation — the property sold for NIS 120m (\$35m), the highest price ever paid for a home in Israel.

The country's property market has had a long period of rapid growth — prices increased 135 per cent between 2007 and November 2017, according to Savills world research. And Tel Aviv is the country's most expensive city — homes in 2017 cost 30.1 per cent more than in Jerusalem, which ranks second, according to Israel's Central Bureau of Statistics. Average prices in prime central Tel Aviv in February sat at NIS 53,000 per sq metre, says Matthew Bortnick, founding partner at The Maki



The Neve Tzedek district — Getty Images

Group, 76.7 per cent up on their 2009 average of NIS 30,000. "If you want something luxurious, you're looking at NIS 70,000 or 80,000," says Bortnick — though it's only north of NIS 100,000 per sq metre that it "has to be special".

But in the past year, the market seems to have hit a tipping point.

The average price of a dwelling in the wider Tel Aviv district in 2017 was NIS 2,791,100, representing a 2 per cent increase on 2016, according to Israel's Central Bureau of Statistics, but prices in the fourth quarter of 2017 were 4.3 per cent down on the average of the year's first three quarters.

And prime transactions have stalled. Between June 2015 and July 2016, there were 435 transactions of homes priced above NIS 5m, says Inna Flesher, marketing manager at Israel Sotheby's International Realty. In the same period between 2016 and 2017, there were 318:



Morning coffee in one of Tel Aviv's cafés — Getty Images

a drop of 26.9 per cent. The numbers are even down 13.8 per cent on the 2013-2014 period, when there was last a dip in the market. Sales volumes in 2017 represent "an all-time low", says Bortnick.

Tel Aviv's price growth has been driven primarily by its booming tech sector, according to agents. According to a 2017 AT Kearney report, Tel Aviv has one of the highest start-up densities in the world and 300 multinational research and development centres.

The new-build market in central Tel Aviv is almost entirely high-end, says Bortnick, which has long been a magnet for investors. New high-rise projects include the David Promenade Residences on Jerusalem Beach — a 28-storey tower due for completion in 2018. More than half the units have sold off plan, says Gil Sabo, real estate agent for Israel Sotheby's International Realty.

But the government has taken



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**Silicon Wadi booming**

It was started in the 1960s with spin-offs from the military. It boomed in the 1990s and is now awash with buzzwords and venture capital — this isn't San Francisco, but "Silicon Wadi", Israel's high-tech cluster centred on Tel Aviv.

Today, Israel has a higher concentration of start-ups than any other country. The diverse sector has been home to everything from Zebra, which develops algorithms to help diagnose cancer, to Viber, a WhatsApp competitor with nearly a billion users.

As with everywhere in the start-up world, the big prize is acquisition by a tech giant, and Israelis punch above their weight there too. Google bought Waze, a mapping company, for \$1.15bn in 2013, and last year Intel spent more than \$15bn on Mobileye with a view to using its computer vision technology in self-driving cars.

Israel still spends a larger proportion of its GDP on research and development than any other country, a mantle it first claimed in 2000. And if Tel Aviv's almost Californian mix of lively incubators and sleek co-working spaces is anything to go by, it has no intention of letting up.

Fergus Peace



Jaffa's harbor and old town — Getty Images/Westend61 RM

**i / BUYING GUIDE**

The buyer and the seller each pay agent's fees of 2 per cent (plus VAT) of the closing price of the transaction

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Foreign buyers should allow four to seven months to make a purchase in Tel Aviv to account for government checks

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bomb shelters," says Bortnick, "they have their own air filtration systems". Israel shares a disputed border with Syria and the country's conflict with Palestine is on-going.

Yet many westerners seem unfazed. The pound is still down against the shekel but UK buyers, "are moving here in droves", says Bortnick, "since the referendum and even more so since the election". Between June 2014 and June 2016, the Maki Group had a total of 121 inquiries from the UK looking to buy in Tel Aviv, says Bortnick. From June 2016 to February, there have been 158 — a leap of 30.6 per cent, despite the shorter time period. "I have had people looking to move here who have never really had a big connection to Tel Aviv," says Bortnick. "I do see there is a general angst — people are worried."

"I don't ask if it's because of Brexit or if it's because they're Tory voters who are worried about a second election . . . but you can extrapolate whatever you like".

measures to slow price growth and curb investors. In 2015, the finance minister increased tax for buyers of second homes and increased the discounted sale of land to developers who must sell to first-time buyers at low prices.

Foreign buyers have also been deterred by international currency fluctuations, says Bortnick. "Most of the foreign buyers are coming from the US, the UK and France, all of whose currencies have weakened against the shekel". The shekel currently trades at 3.5 to the dollar — in March 2015, the rate was 4.

The Lev HaIr — in Tel Aviv's Bauhaus White City — and the historic Neve Tzedek districts are most popular, says Bortnick. A two-bedroom apartment in the Meier on Rothschild tower in Lev HaIr, with a concierge, sea views and 3m high ceilings, is on the market with The Maki Group for NIS 10.2m. Those buying holiday homes are inevitably drawn



Five-bedroom penthouse, NIS 78m



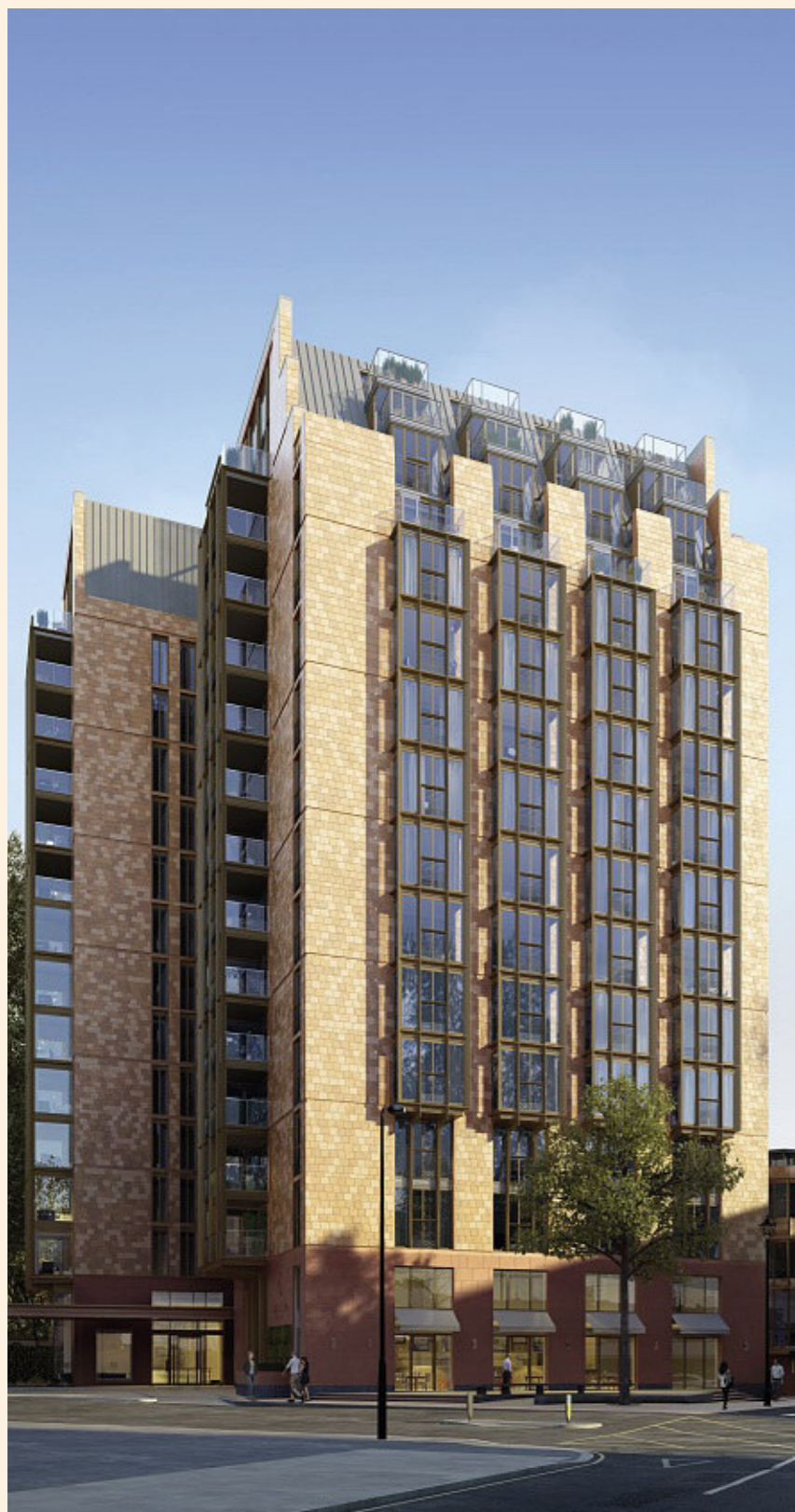
Diners in Tel Aviv — Getty Images

to the seafront, says Sabo. Some will let out their properties while they're away, but rental yields sit at a meagre 3 per cent. "It's not a good investment," says Sabo of the prime rental market, "but the clients are not looking for investment" — particularly the Russians, who "prefer to leave their apartments empty".

Sotheby's International Realty is marketing a four-bedroom penthouse apartment a few minutes' drive from the beach for NIS 78m.

About 20 per cent of international purchasers are looking to relocate, says Sabo, noting that most are Jewish people who want "an option in Israel".

It is not necessarily a safe option. Life in Tel Aviv comes with substantial risks. It is a legal requirement that homes built after 1993 have concrete shafts in the middle of the building. "We call them safety rooms but effectively they are



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