

## Bat Yam – The City

The city of Bat Yam lies adjacent to Tel Aviv. It developed from a small neighborhood right next to Tel Aviv into a full blown city in Israel. The breathtaking beach strip takes you along the boardwalk on Ben Gurion Road; a bustling nightlife and cafes swarming with people at all hours of the day are changing the face of the city, enriching it with European tourism. The city has been undergoing an incredible developmental boost thanks to unbeatable prices. Just 1km away, huge cranes dot the coastline and high-rise buildings are popping up. The industrial zone, several hundred meters away from the coast, is changing and shifting, from an outdated industrial area to a complex of office-cum-apartment buildings. Houses on the secondary strip are in the process of massive renovation, rapidly selling, and high demand for beachfront property is swiftly drawing Bat Yam to the prices at neighboring Tel Aviv, just footsteps away.



## Real Estate in the City

Real estate prices in Israel have not stopped rising in the past decade. The global geopolitical reality is driving diaspora Jews to purchase a home or land in the Jewish State in order to guarantee a shared future. Despite global fluctuations, the financial stability in Israel is drawing many investors. Strict Israeli bureaucracy and regulation are driving up prices in popular areas in Tel Aviv and Jerusalem, rivaling Manhattan and London.

Bat Yam is located south of Tel Aviv and north of Rishon LeTzion. A step away from the “Israeli nerve center” and dominating the coastline, Bat Yam is undergoing an incredible developmental upswing. Real estate rates had gone way up, and apartments on the coastline are selling for a minimum of 40,000 ILS per meter; a similar apartment in Tel Aviv sells for at least 80,000 ILS per meter. This data was retrieved from the Israeli Tax Authority website, which contains reports on real estate transactions conducted at any city, at any given moment. The area’s pricing trend is not only preserved, but actually rising due to constant demand for apartments in coastline cities in general, and beachfront properties in particular.

### 101 Ben Gurion Road

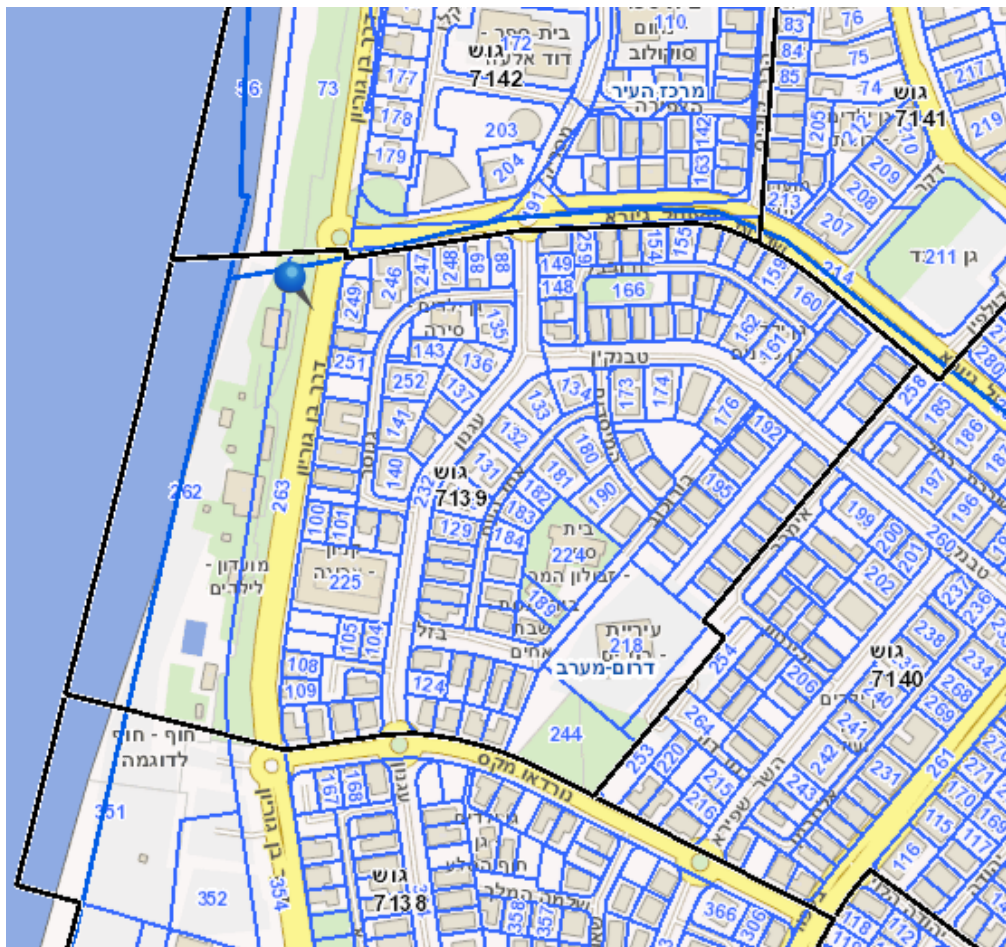
Ben Gurion Road lies adjacent to the city's boardwalk. The proffered lot currently houses a municipal playground. Under city law, the municipality utilizes abandoned lots for the benefit of the city until they are sold by the owner of the lot.

The lot is privately owned without lease from the Israel Land Authority and is not assigned to a company (does not require VAT at purchase). It is situated within a zone which allows building for residence purposes, with a commercial ground floor.

The building authorized by the current zoning plan hosts one commercial floor and five additional, full floors, as well as a half-floor on the top floor, to be used for penthouses. According to the zoning plan and facilitation permitting, the lot could house 17 units, as well as storage space and parking for each apartment, as needed, in the basement floor.

Construction will be possible once detailed plans conforming to the zoning plans permitted for this lot are submitted. Permits are expected to be received within a year from the purchase date of the lot, and construction may begin immediately after. Perhaps when selling the lot, the top floor should not be sold, applying instead for a new zoning plan that would permit additional floors. Calculations were done regardless of these proposed additions.

The lot is adjacent to the Leonardo hotel, pictured above, with direct access to a declared beach. Block 7139 parcel 106 (adjacent to parcel 225).



### **The Transaction**

The lot is owned by several inheritors, and partially owned by the fund for the estates of Holocaust victims. It was submitted to Tender by a law office and presented to us by a local realtor. As of this moment no offers for purchase have been given, but this does not guarantee that no other offers shall be placed. The final deadline for bidding is Sunday, January 15. If several bids are placed, the lawyers must open it up for auction, and at the end sign a contract that must be verified by the Tel Aviv district court. If only one bid is placed, it shall gain ownership, subject to court approval.

A proposal to the law offices must be comprised of a check or bank guarantee signed to the lawyer assigned to the sale of the lot, amounting to 10% of the bid sum. If the winning bid rises, the buyer must pay the 10% within 7 days of winning. The rest of the payments will be paid after court approval and subject to a fair contract (within no less than 45 days from the day of winning). Transaction calculation shows that bidding up to 15,000,000 ILS per lot will give considerable profit for this investment, but since we do not know whether or not other bids will be given, we should not propose the maximal price but rather the minimal bid of 12,000,000 ILS. A transaction price exceeding 15,000,000 is attractive for entrepreneurs, but the final bid is subject to the agreement of all partners. It should be emphasized that a lot with an approved zoning plan would be applicable for funding of up to 50% of the transaction value by local banks, subject to a confirmation of the lot owners' credibility and their return abilities.

### **Investment and Profit Calculation**

#### **Investment**

Purchase – 15,000,000  
Mediation, purchase tax, lawyer, architect – 1,750,000  
Building permits – 500,000  
Construction – 13,500,000  
Total investment including incidentals – 30,750,000

#### **Required equity**

For purchase – 7,500,000  
Purchase expenses (mediation tax, lawyers, architect) – 1,250,000  
Construction – 7,500,000

The remainder of the investment will be funded by a bank at a 4.5% yearly cost. The loan shall be taken as the project advances and not all at once.

Sales – will not fall under 30,000 ILS per sq. meter on average (even for rear-facing apartments with partial sea view). Prices do not include VAT (should the transaction be performed via a company rather than a registered partnership).

Total sq. meters for sale approximately 1700 (depending on municipality facilitation), baseline calculation.

Sales value – 51,000,000  
Double value for penthouses was not taken into consideration, nor was a commerce floor.  
Profit on equity – 18%  
Profit on entire investment – 90%

It should be noted that in early sales, equity may be returned as early as the submittal for building permits, **even before construction begins.**

### **Entrepreneurship**

**Entrepreneurship in Israel for partner representatives includes complete management of the project.**

Submittal for bid, accompanying lawyer, promotion of banking accompaniment, submittal of building permits, active construction, and sales.

The total profit will be distributed after investor capital and bank funding are repaid, thus:

Yearly rebate – 8% of equity (for the period of active investment only);

65% - addition to yearly yield after completion of the entire project, for investors;

35% profit for entrepreneurs after completion of the project.

The project's entrepreneurs specialize in locating properties with considerable value rise, and properties with considerable future value. The entrepreneurs do not manage mega-companies which lord over thousands of housing units, but rather focus on unique projects that yield considerable profit, more so than widespread construction with minimal profits.

The entrepreneurs specialize in luxury building and uncompromising quality.