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The Azrieli Group expands its strategic move to increase its foothold in the rental housing market

The Company signed an agreement for the purchase of land in Tel Aviv, currently occupied by the Abraham Hostel, which includes building rights of some 10,000 sqm for 110 apartments

The Azrieli Group today reports it has signed an agreement for the purchase of the full rights in a plot of land located at the junction of Mikveh Israel, Levontin and Harakevet streets in Tel Aviv, only tens of meters away from Rothschild Blvd., and next to a station under construction of the red line of the light rail, which is currently occupied by the Abraham Hostel, in consideration for some NIS 180 million, excluding purchase tax of some NIS 10.8 million.

The land area is about 2,400 sqm, and is currently occupied by a 5-floor building above a basement floor, with a total built-up area of about 9,500 sqm. Most of the building is now leased to Abraham Hostel under a contract until 2035, and is expected to yield an average annual NOI of about NIS 7 million under full occupancy, during the remaining lease years. Azrieli Group has a right to recover the building in 2029, after completing the planning and betterment activities.

This transaction is made in the context of a strategic move aimed to strengthen the Group's foothold in the rental housing sector, with a full, high-standard service system. Azrieli Group is currently promoting several multi-use projects which will combine offices, retail and rental housing. The prominent projects include Azrieli Town and the Spiral Tower, both in Tel Aviv, which alone are expected to include more than 450 high-end rental apartments. The Company now has 67 rental apartments in the Azrieli Modiin mall complex, which have been successfully rented out for over a decade, and is also building about 80 rental apartments as part of the Lot 21 project (which will also include office and retail space and an 84-room hotel), near Azrieli Modiin mall.

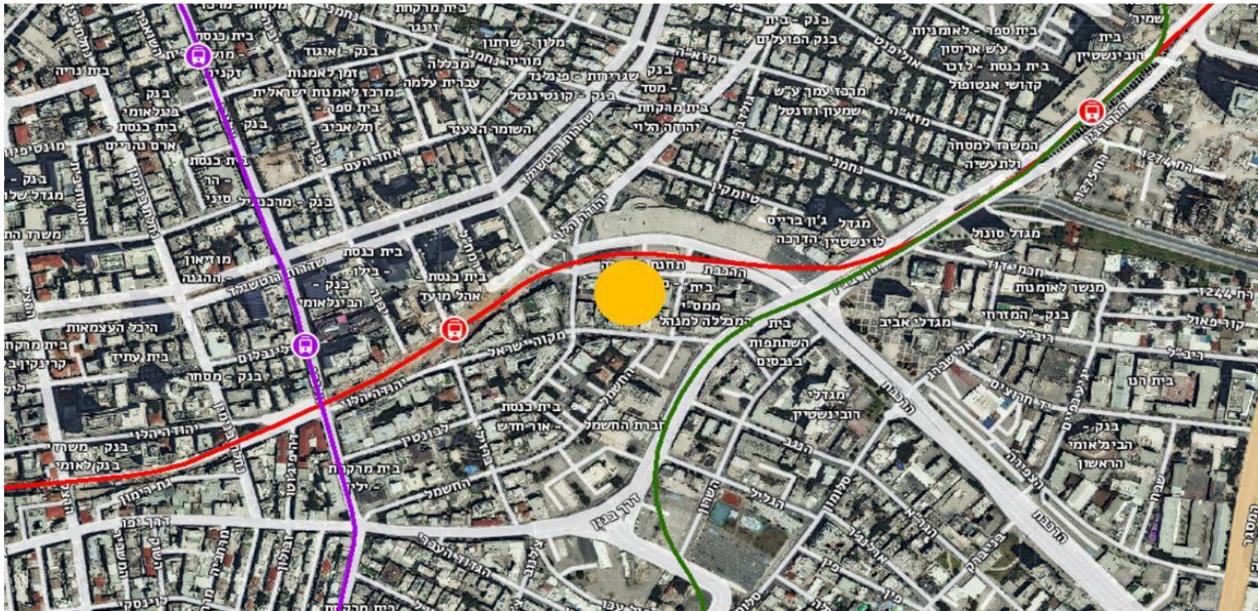
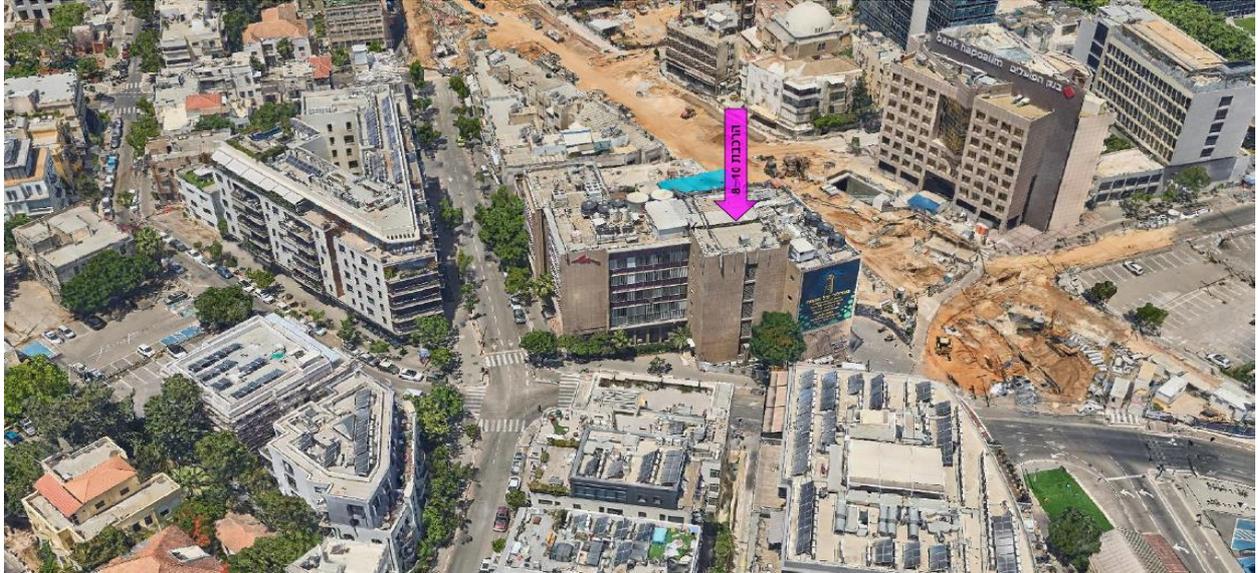
The Abraham Hostel transaction follows a process of in-depth review and consideration of the market. The Company intends to build on the land a new residential project to the Azrieli Group top standard, with some 110 rental apartments with a comprehensive and high-quality service package, whose construction will begin after expiration of the lease to Abraham Hostel.

Danna Azrieli, Chairman of the Azrieli Group: "We are pleased to announce today this transaction, which is an important milestone in the strategic move we are leading to expand our foothold in the rental housing market. Many of the new projects we are developing include multi-use plans, and this transaction is a natural continuation of the increase of our business in this sector. In view of the considerable experience we gained in planning complex projects, which include a variety of uses, and in view of the growing market in key cities worldwide, also in view of the rise in housing prices alongside a significant land shortage in high-demand areas, and the pressing need for a supply of high-quality, long-term rental housing, we believe that we can develop another significant business activity which will serve as a high-potential growth engine. The local rental housing market suffers a shortage of whole complexes which are held and managed by a single developer, and we are confident that the Azrieli Group has the ability to take the business to the next level in terms of

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quality of management, variety of tenant services and prime location. Our portfolio of properties under development now includes about 600 apartments, and together with this transaction, we will become one of the largest players in the field. Thanks to our exceptional financial soundness, we will continue to explore additional opportunities in this market".

The property and its location:



For further details:

Moran Goder, Head of Capital Markets & Business Development Analyst, Azrieli Group
Office: 06-6081310, Mobile: 054-5608151, Morango@azrieli.com

Azrieli Group Ltd.

Azrieli Center 1, 132 Menachem Begin, Tel Aviv, 6701101. Tel: +972-3-6081300, e-mail: ir@azrieli.com
website: www.azrieli.com