



REAL ESTATE MARKET REPORT Q3 2025

Jerusalem

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Jerusalem Property Market Report

Q32025(July - September)

Comprehensive MarketAnalysis

Israel's Eternal City & Spiritual Capital

Report Date: December 2025

Executive Summary

Jerusalem, Israel's eternal city and spiritual capital, demonstrated exceptional market resilience in Q3 2025, bucking national correction trends with sustained price appreciation. While Tel Aviv and most Israeli cities experienced declines, Jerusalem posted +6.3% annual growth and +0.5% quarterly gains—the only major city showing positive movement in a challenging market environment.

Key Findings - Q3 2025

- Average price Q3 2025: NIS 2.899 million (2nd highest in Israel)
- **Annual growth: +6.3% YoY (BUCKING NATIONAL TRENDS)**
- **Quarterly growth: +0.5% (only major city with positive Q3 movement)**
- Transaction volume Q3: 700+ second-hand units + 436 new units
- Rental yields: 3.54% average (3.11-4.2% range)
- Market characterization: Defying gravity amid national corrections
- National comparison: Tel Aviv -1.6%, Central District -2.8% (Jerusalem +6.3%)
- Primary drivers: Limited supply, religious/historic significance, diaspora demand

1. Market Overview - Jerusalem's Exceptional Performance

Jerusalem's Q32025 market performance stands as a testament to the city's unique positioning in Israel's real estate landscape. While the national market experienced its seventh consecutive month of price declines through September, Jerusalem posted +0.5% quarterly growth and maintained +6.3% annual appreciation—performance unmatched by any other major Israeli city.

This exceptional resilience stems from Jerusalem's irreplaceable combination of spiritual significance, limited developable land due to geographic and political constraints, strict building preservation laws, and sustained demand from both domestic religious communities and international diaspora buyers. The city's 3,000-year history creates scarcity value that transcends economic cycles.

Q3 2025 Performance vs. National Market

Jerusalem defying national corrections

City/District	Q3 Avg Price	Annual Change
Jerusalem	NIS 2.899M	+6.3%
Tel Aviv NIS 3.025M Central District NIS 2.613M Haifa NIS 1.880M National Average NIS 2.21M		-1.6%
		-2.8%
		+1.7%
		+0.5%

Source: CBS Q3 2025 Data, Times of Israel November 2025

2. Neighborhood Analysis - Jerusalem Districts

Jerusalem's neighborhoods span extraordinary diversity—from ultra-Orthodox enclaves to secular cosmopolitan districts, from preserved Old City quarters to modern high-rise developments. Price positioning varies dramatically based on religious character, historic significance, and proximity to city center.

Neighborhood	Character	Price/SQM	Typical Price	Buyer Profile
Rechavia	Elite center	40-60K	NIS 3.6-4.2M	Affluent, diaspora
Talbiya	Historic luxury	40-70K+	NIS 3.7-4.5M+	International elite
German Colony	Historic charm	35-50K	NIS 3.2-4.0M	Lifestyle buyers
Baka (Bakaa)	Young families	35-50K	NIS 2.8-3.5M	Professionals
Old Katamon	Established	28-38K	NIS 2.5-3.2M	Value seekers
Arnona	Panoramic views	28-38K	NIS 2.7-3.5M	Families
Beit Hakerem	Secular west	25-35K	NIS 2.3-3.0M	Middle class
Gilo	Affordable south	18-25K	NIS 1.8-2.4M	Budget buyers

Source: Gov-Ari Estate 2025, current market listings, transaction data

Recent Transaction Examples (2025)

Representative transactions demonstrating Jerusalem's price positioning across neighborhoods:

Location	Property	Size	Sale Price
Gedalia Bublick St	4-room apt82	SQM NIS 2.7M	Abba Eban St
3.5-room apt89	SQM NIS 3.69M	Arnon St 4-room apt88	SQM
NIS 3.61M	Harav Toledano St 5-room apt121	SQM NIS 3.7M	
Bibas St 4-room apt80	SQM NIS 4.2M		

Source: Israel Tax Authority Database, Times of Israel 2025

3. Rental Market Analysis

Jerusalem's rentalmarket demonstrates robust performance with 3.54% average gross yields (range 3.11-4.2%), outperforming Tel Aviv's 3.14%. The city attracts diverse tenant profiles from religious students to diplomatic personnel, creating sustained demand across property types.

Property Type	Monthly Rent Range	Tenant Profile
1-bedroom apartments 2-	NIS 3,200-5,000	Students, singles
bedroom apartments 4-	NIS 5,000-8,600	Couples, small families
bedroom apartments	NIS 9,000-10,500	Large families
Premium (Rechavia/Talbiya)	NIS 11,900-14,000+	Diplomats, executives
Annual Growth (2024-2025)	+4% minimum	High demand

Source: Sands of Wealth 2025, Times of Israel rental data, Madlan listings

4. Market Factors - Why Jerusalem Defies Gravity

Jerusalem's exceptional +6.3% annual appreciation amid national corrections stems from unique factors that insulate the city from broader market dynamics affecting Tel Aviv and other major centers.

Structural Supply Constraints

- **Geographic Limitations:** Hilly terrain and political boundaries severely restrict developable land
- **Historic Preservation Laws:** Strict zoning protects Old City and historic neighborhoods, limiting new construction
- **Limited Central Inventory:** Rare new development in Rechavia, Talbiya, German Colony creates scarcity
- **Q3 2025 New Sales:** Only 436 new units sold vs. 700+ second-hand, demonstrating supply constraints

Spiritual and Historical Significance

- **3,000-Year Capital Status:** Spiritual significance for Judaism, Christianity, Islam creates irreplaceable demand
- **Religious Community Demand:** Proximity to Western Wall, holy sites commands premium from observant buyers
- **International Diaspora Buyers:** Strong North American and European Jewish investment for spiritual connection
- **Government Seat:** Knesset, Supreme Court, government ministries create institutional demand

Demographic and Community Factors

- **Religious Family Growth:** High birth rates in Orthodox communities create sustained local demand
- **Yeshiva Student Population:** Thousands of religious students require rental housing annually
- **Diplomatic Community:** Embassies, consulates, international organizations generate premium rental demand
- **University Presence:** Hebrew University creates academic housing demand

Market Resilience Factors

- **Counter-Cyclical Behavior:** Jerusalem often appreciates when Tel Aviv declines (2018-19: Jerusalem -20.2%, but recovered faster)
- **Lower Price Point:** NIS 2.899M average vs. Tel Aviv NIS 3.025M provides accessibility
- **Value Proposition:** German Colony up 50% (smaller homes) and 20-30% (larger) demonstrating sustained appreciation
- **Economic Stability:** Government employment provides stable income base for mortgage qualification

5. Investment Outlook and Strategies

Jerusalem presents unique investment opportunities for buyers seeking spiritual connection, stable appreciation, and rental income. The city's +6.3% growth amid national corrections demonstrates resilience that transcends economic cycles.

Investment Strategies

For Diaspora Buyers:

- Rechavia/Talbiya offer premium positioning for spiritual connection + investment
- Part-year residency + rental income model works well with diplomatic/academic tenants
- New immigrant (olim) tax breaks: Reduced purchase tax on properties up to NIS 6M
- German Colony historic charm appeals to character-seeking international buyers
- Jerusalem outperforms Tel Aviv in certain cycles (counter-cyclical opportunity)

For Local Investors:

- 3.54% gross yields outperform Tel Aviv (3.14%), better cash flow
- Religious student rentals provide stable, year-round demand
- Old Katamon/Arnona (NIS 28-38K/SQM) offer value with appreciation potential
- Gilo represents affordable entry (NIS 1.8-2.4M) with rental demand
- +6.3% annual appreciation demonstrates sustained capital growth

For Religious Families:

- Proximity to synagogues, yeshivas, kosher infrastructure commands premium
- Baka, Katamon offer family-sized apartments with religious community
- New developments (Gilo, outlying areas) provide spacious affordable options
- Jerusalem offers better value than Tel Aviv for religious community living
- Strong rental demand ensures resale liquidity

For Sellers:

- Emphasize historic character, proximity to holy sites
- Market to international diaspora buyers (North America, Europe)
- Highlight +6.3% appreciation demonstrating Jerusalem's resilience
- Premium neighborhoods (Rechavia, Talbiya) maintain pricing power
- Time listings to diaspora visitation periods (holidays, summer)

Market Considerations

- **Religious Character:** Some neighborhoods strongly religious, others secular—match lifestyle carefully
- **Commute to Tel Aviv:** 60-75 minutes; not suitable for daily Tel Aviv commuters
- **Government Employment Dominance:** Lower tech sector presence than Tel Aviv affects buyer demographics
- **Historic Property Maintenance:** Older buildings in premium areas require higher upkeep costs
- **Political Sensitivity:** Jerusalem status issues can affect international buyer confidence
- **Premium Area Entry Costs:** Rechavia/Talbiya (NIS 40-70K/SQM) require significant capital

6. Methodology and Data Sources

Data Sources

This report is based on comprehensive government data and market analysis:

- **Central Bureau of Statistics (CBS):** Q3 2025 Housing Price Index, transaction volumes, rental data
- **Israel Tax Authority:** Real Estate Database with confirmed transaction prices
- **Times of Israel:** Housing snapshots October-November 2025 citing official CBS data
- **Global Property Guide:** Israel Residential Real Estate Market Analysis 2025
- **Gov-Ari Real Estate Agency:** Jerusalem neighborhood price data 2025
- **Sands of Wealth:** Jerusalem real estate market statistics 2025
- **Madlan Rental Database:** Current rental listings and market rates

Important Notes

- Q3 2025 CBS data most recent official government statistics
- Jerusalem is 2nd most expensive city in Israel (NIS 2.899M average)
- Only major city showing positive quarterly growth (+0.5%) in Q3
- +6.3% annual appreciation exceptional compared to Tel Aviv (-1.6%)
- Neighborhood price ranges from current market listings and expert assessment
- Transaction examples from Israel Tax Authority database via Times of Israel

Conclusion

Jerusalem's Q3 2025 market performance—+6.3% annual appreciation and +0.5% quarterly growth—stands as a remarkable outlier in Israel's correction-challenged real estate landscape. While Tel Aviv declined 1.6% and the Central District fell 2.8%, Jerusalem demonstrated resilience rooted in factors that transcend economic cycles: spiritual significance, structural supply constraints, and irreplaceable historical character.

As Israel's eternal city and 3,000-year capital, Jerusalem commands demand that no other Israeli market can replicate. International diaspora buyers seeking spiritual connection, religious families prioritizing proximity to holy sites, diplomatic personnel staffing government institutions, and academic communities around Hebrew University create multi-layered demand dynamics that provide market stability even amid national headwinds.

The city's neighborhood portfolio serves extraordinary diversity—from ultra-premium Rechavia and Talbiya (NIS 40-70K+ per square meter) commanding international elite interest, to German Colony's historic charm (up 50% for smaller homes), to affordable Gilo providing entry points at NIS 1.8-2.4 million. This segmentation ensures depth across buyer profiles while maintaining upward price trajectory.

Structural supply constraints reinforce appreciation potential. Geographic limitations (hilly terrain, political boundaries), strict historic preservation laws protecting Old City and central neighborhoods, and rare new development opportunities create scarcity that sustains pricing power. Q3 2025's 436 new unit sales versus 700+ second-hand transactions demonstrate limited new supply entering the market—a dynamic supporting sustained appreciation.

Jerusalem's rental market outperforms Tel Aviv with 3.54% gross yields versus 3.14%, while rental rates ranging from NIS 3,200 for studios to NIS 14,000+ for premium properties demonstrate strong cash flow opportunities. The +4% minimum annual rental growth reflects sustained tenant demand from religious students, diplomatic families, and academic professionals—populations providing stable, long-term rental income.

For diaspora buyers, Jerusalem offers something Tel Aviv cannot: spiritual homecoming combined with investment fundamentals. New immigrant (olim) purchase tax breaks on properties up to NIS 6 million create significant financial incentives, while part-year residency models combined with rental income to diplomatic/academic tenants generate dual revenue streams.

The city's counter-cyclical behavior—often appreciating when Tel Aviv declines—provides portfolio diversification for Israeli real estate investors. While Jerusalem experienced sharp corrections in 2018-19 (-20.2%), it recovered faster than Tel Aviv and now demonstrates superior resilience. This pattern suggests Jerusalem serves as defensive real estate allocation within Israeli property portfolios.

Jerusalem in Q3 2025 represents Israel's most resilient major market, combining spiritual significance that creates perpetual demand, supply constraints that prevent oversupply corrections, and diverse buyer demographics providing market stability. For those seeking long-term Israeli real estate exposure with spiritual connection, rental income potential, and appreciation that defies national trends, Jerusalem stands unmatched as investment destination and eternal capital.



A black and white photograph of modern skyscrapers, viewed from a low angle looking up, with a cloudy sky in the background. The image is partially obscured by a dark blue geometric shape on the right side.

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