

CHAPTER XI

BUILDING¹

THE ACCELERATED rate of building constituted one of the outstanding features of the development of the economy in 1957. It brought in its wake an expansion of the building materials industry, created full employment for existing building workers and absorbed thousands of additional skilled and unskilled workers. In certain development areas, building constituted the primary and sometimes practically the only source of employment for new immigrants. The channelling of resources to building created many additional jobs at a relatively low outlay in foreign currency. The alternative channelling of resources to agriculture and industry would have supplied less immediate employment, but would have created more opportunities for permanent employment upon the maturing of the investment in these sectors.

In 1957, the greatest increase in building occurred in the field of immigrant housing. There was also intensified activity in private residential construction, as well as in the construction of commercial and public buildings.

The existence of unused capacity in the building materials industry and of under-employment at the beginning of the year rendered possible the expansion of building without an undue rise in building costs. Urban land prices, however, particularly in the Tel Aviv district, soared upwards and constituted the limiting factor to a more rapid expansion of private construction.

Tight credit ceased to constitute a primary problem for private building in 1957, as it had been in 1956. With a rise in the demand for private apartments, emanating both from the recipients of personal restitution payments and from immigrants with financial means, a larger part of the building operations was financed by the prospective home-owners, thus alleviating the credit difficulties of the contractors. However, for Government-financed building, credit difficulties did arise, as a result of the ordinary budgetary difficulties of the Government and of the Jewish Agency.

1. BUILDING ACTIVITY

The value of total building construction in 1957 is estimated at IL.360 million, representing an increase of 33 per cent over 1956 at 1957 prices, while the value of housing construction for immigrants doubled.

¹ Excluding farm buildings and construction other than building.

TABLE XI-1
Value of Building Construction, by Type of Building, 1955-1957^a
 (Millions of IL.)

Type of building	Current prices		1957 prices			Percentage increase or decrease (-) at 1957 prices	
	1955	1956	1955	1956	1957	1955 to 1956	1956 to 1957
<i>Residential building</i>							
Public building ^b							
For immigrants	47	55	58	58	122	—	110
For others	53	40	67	43	40	-36	- 7
<i>Total</i>	100	95	125	101	162	-19	60
Private building	101	109	122	118	125	- 3	6
<i>Total residential building</i>	201	204	247	219	287	-11	35
<i>Non-residential building</i>							
Commercial buildings ^c	8	9	10	10	14	—	40
Industrial buildings	6	7	8	7	8	-13	14
Public buildings	27	36	36	38	52	6	37
<i>Total non-residential building</i>	41	52	54	55	74	2	35
<i>Grand total</i>	242	256	301	274	361	- 9	32

SOURCE: Central Bureau of Statistics.

^a Revised data for 1955 and 1956. Provisional data for 1957.

^b Partly or wholly financed by the Government and the Jewish Agency, including expenditure on utilities (sewage pipes, water mains and roads).

^c Including hotels and pensions.

The area under construction as estimated on the basis of the average of building starts and completions, rose by 33 per cent. The area of building starts rose by 80 per cent, while completions fell off somewhat (see Table XI-2). In 1957, work was begun on 44,800 dwelling units, as against 22,800 in the previous year. However, the number of dwelling units completed remained virtually unchanged in both years (32,000 in 1957 against 31,300 in 1956).

The acceleration of public building began during the second quarter of the period under review, with the beginning of the new fiscal year and the rise in immigration. During the six months from April to September, work was begun on 21,300 dwelling units (17,900 of which were for immigrants), as compared with 15,300 units (10,600 of which were for immigrants) over the whole of

TABLE XI-2

Area of Starts and Completions, by Type of Building, 1956-1957
(thousands of square metres)

<i>Type of building</i>	<i>Building starts</i>			<i>Building completions</i>		
	1956	1957 ^a	<i>Percentage increase or decrease (-)</i>	1956	1957 ^a	<i>Percentage increase or decrease (-)</i>
<i>Residential building</i>						
<i>Public building</i>						
For immigrants	382	1,098	187	513	782	52
For others	211	394	87	361	147	- 59
<i>Total</i>	593	1,492	152	874	929	6
Private building	644	926	44	864	669	-23
<i>Total residential building</i>	1,237	2,418	95	1,738	1,598	- 8
<i>Non-residential building</i>						
Commercial buildings ^b	100	118	18	56	112	100
Industrial buildings	70	64	- 9	71	91	28
Public buildings ^c	110	124	13	98	110	12
<i>Total non-residential buildings</i>	280	306	9	225	313	39
<i>Grand total</i>	1,517	2,724	80	1,963	1,911	- 3

SOURCE: Central Bureau of Statistics.

^a Provisional figures.

^b Including hotels and pensions.

^c Partial figures.

1956. During the last quarter, there was a slackening in the rate of building starts, while the volume of building completions increased.

In private building, as in public building, the upturn in construction activity began during the second quarter, following a period of stagnation. The relaxation of border tension after the Sinai campaign, together with the arrival of thousands of new immigrants, engendered increased demand for new housing.

Data relating to the actual building area under construction are available only for public housing. These figures show an uninterrupted upward trend for the whole of 1957, as opposed to the downward trend prevailing in the previous year (see Table XI-3 and Diagram XI-1).

TABLE XI-3
*Area of Public Immigrant Housing under Construction, by Quarters,
1956-1957*

	<i>Average area* sq.m.</i>	<i>Index 1956=100</i>
1956 First quarter	554	127
Second quarter	423	97
Third quarter	396	91
Fourth quarter	368	85
1957 First quarter	421	97
Second quarter	598	137
Third quarter	807	186
Fourth quarter	886	204

SOURCE: Housing Department, Ministry of Labour.

* Average area under construction as at the end of each quarter.

2. BUILDING COSTS

The index of building costs rose by an average of 5 per cent as compared with 1956, while the rise from the beginning to the end of 1957 was only 2.6 per cent. This index is, however, based on the cost of the frame of the building only, and refers to standard immigrant housing. Moreover, the labour component, with an index weight of 40 per cent, measures only the fluctuations in official trade-union wage rates, and does not allow for wages paid above or below those rates, or for overtime pay.

The average rise in total building costs is estimated at 7 per cent as compared with 1956. In view of the building boom, this rise may be considered moderate.

(a) *Building materials*

Locally produced and imported building materials together accounted for 45 per cent of building costs in immigrant housing, and for over 50 per cent in higher-grade building construction.

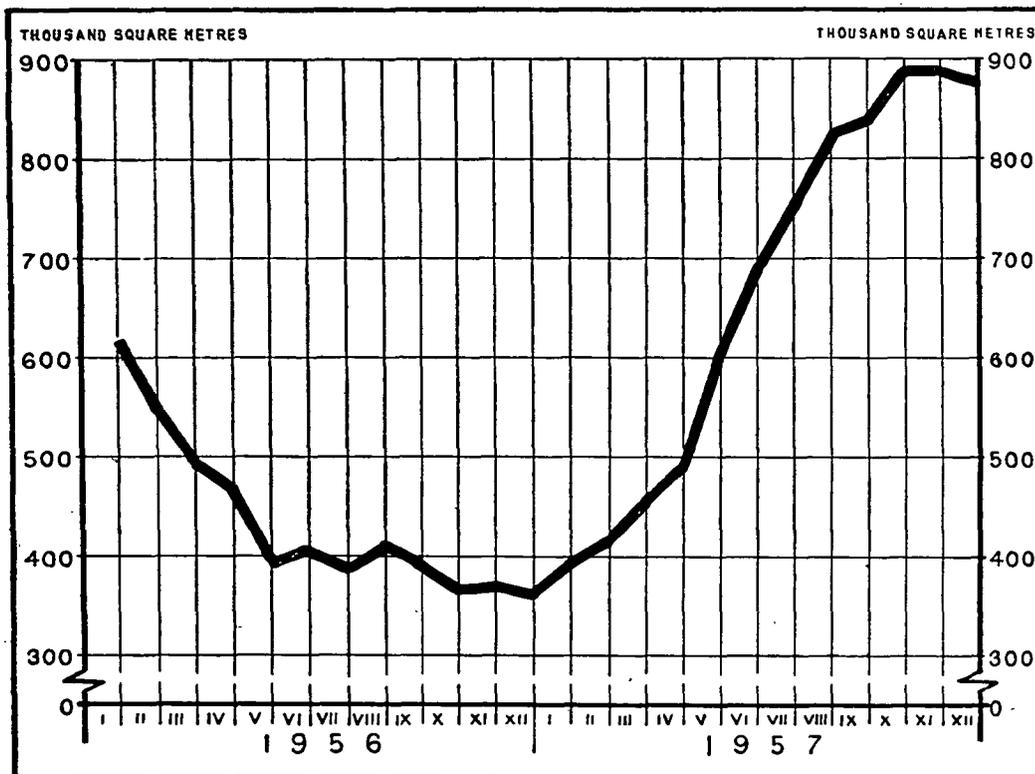
The prices of building materials hardly rose from the beginning of 1957 up to the end of August. However, from September until the end of the year, prices of most locally produced building materials, including cement, cement products, sand, gravel and oil paint, rose at a rate of 2 to 10 per cent.

At the beginning of 1957, the building materials industry was in a state of depression, and operated at under-capacity. Considerable stocks of imported building materials had accumulated. With the increased demand for building materials it was possible to step up domestic production by 25 per cent and more within a short space of time, and supplies of imported timber and steel were withdrawn from the warehouses. Output of cement—which represents 25 to 30 per cent of the building materials element in construction costs—was stepped

DIAGRAM XI-1

Area of Building Under Construction, 1955-1957 (Average of starts and completions)

(End of each month)



up with the installation of the second furnace at the "Shimshon" cement factory in April 1957, and with operation of the two "Nesher" plants at full capacity. Domestic sales of cement rose by 23 per cent, while exports remained at the 1956 level. In view of the decline in cement requirements for defence purposes in 1957 as compared with the preceding year, it may be assumed that the relative rise in 1957 in cement used for civilian building was even greater than the rise in total domestic sales.

(b) *Wages*

Direct wages represent a substantial part of building costs—as much as 40 per cent in immigrant housing—much more than in other forms of capital formation. While there are no satisfactory data on the increase in wage rates paid in this sector, it is generally known that, during the spring and summer months, skilled workers were in a position to demand and receive wages in ex-

cess of the contract wage-rate which, apart from two cost-of-living rises, totalling 8 per cent, remained unchanged over the year.

3. EMPLOYMENT IN BUILDING

The increase in the number of workers engaged in the construction field as a whole (including public works as well as building) in 1957 as compared with the previous year is estimated at 10,000, or 20 per cent. Over 60,000 men, representing one-tenth of all the gainfully occupied, were engaged in this sector.

With the beginning of the building boom, unemployment among skilled building workers disappeared rapidly, and the urgent need to train additional skilled workers was recognized. A vocational training scheme covering about 3,000 workers in the course of the year, mostly new immigrants, was carried out by the Ministry of Labour in conjunction with the building workers' trade union. The Builders' and Contractors' association also sponsored an on-the-job training programme covering hundreds of additional workers.

The need to shift additional unskilled manpower to the building sector posed no serious problem, in view of the existence of thousands of totally or partially unemployed in the cities and in development areas at the beginning of the year. Extra workers were also recruited among the new immigrants who arrived in the course of the year.

4. RESIDENTIAL BUILDING CONSTRUCTION

(a) *The housing situation*

The accelerated rate of new building construction during the year under review rendered possible some alleviation in the dwelling density in spite of the magnitude of the immigration wave. In 1957 one new room was added on the average for every 1.8 additional persons, while the overall dwelling density (according to the Manpower Survey of November 1957) amounted to one room per 2.1 persons. It may be assumed that, in 1958, with the expected decline in immigration and the completion of houses begun in 1957, there will be a further improvement in this respect.

Another yardstick for measuring improvement in the housing situation is the shift from temporary to permanent housing. During the period under review, about 5,300 families were transferred to permanent dwelling units within the framework of the plan for the liquidation of tin-hut transit camps, as compared with 4,800 families in 1956. At the end of 1957, 3,200 families and 500 single persons remained in these camps.¹

However, simultaneously with the transition from temporary to permanent

¹ In addition, 18,200 families and 2,200 single persons were still living in the wooden-hut transit camps and in the former British army camps.

housing, over 3,500 new temporary structures were erected in 1957 (see Table XI-5) as against 3,100 in 1956. Declared government policy is to avoid as far as possible the erection of additional temporary housing quarters which will have to be replaced in a few years. However, because of the need to provide immediate housing for an unknown number of immigrants from Egypt and Eastern Europe, prefabricated houses were imported at the beginning of the year and asbestos huts were erected.

(b) *Public housing*

The term "public housing" as used in this chapter refers to dwellings financed partly or wholly by the Government and by the Jewish Agency.

Over 60 per cent of all new dwelling units erected in 1957 were built under public housing schemes, and over 80 per cent of all public housing units were built for immigrants (both new arrivals and the residents of transit camps). The very high proportion of immigrant housing in total new residential construction in 1957—exceeding by far that prevailing in the last few years—constituted the outstanding feature of residential building during the period under review (see Table XI-4).

TABLE XI-4
Percentage Share of Dwelling Units Built for Immigrants, 1955-1957

	<i>As percentage of total residential building</i>			<i>As percentage of public building</i>		
	1955	1956	1957	1955	1956	1957
Building starts	36.3	46.4	61.6	56.2	69.2	81.5
Building completions	36.5	41.8	65.5	53.6	66.4	90.2

SOURCE: Central Bureau of Statistics.

The actual construction under the "Save to Build" scheme introduced in 1955, began in 1957 with the erection of 3,300 dwelling units. This scheme, like its predecessor, the Popular Housing Scheme, is designed to improve the housing conditions of the resident population. In 1957, about 4,500 new savers registered for this project, while total deposits rose by IL.16 million.

A new project, the "Immigrants' Save to Build" scheme, was initiated in May 1957 and is designed to aid immigrants who arrived after October 1956 or residents of transit camps to acquire on easy credit terms better quality flats than those provided by standard immigrant housing. Up to the end of 1957, 1,500 registrations were received, deposits amounted to IL. 1.7 million, and work was begun on 1,900 dwelling units.

Another new immigrant housing plan relates to the integration of immigrants

in kibbutzim. Under this plan, the Jewish Agency erected 2,700 dwelling units in established kibbutzim. Immigrants who leave the kibbutz after a specified period will be guaranteed their rights to assistance from the Jewish Agency as new immigrants in the form of urban housing and employment. Ownership of the vacated flats will be transferred to the kibbutz on easy credit terms.

TABLE XI-5
Public Residential Building Construction, by Type, 1957

	<i>Building starts</i>		<i>Building completions</i>		<i>Average area per dwelling unit (sq.m.)</i>
	<i>Dwelling units</i>	<i>Percentage</i>	<i>Dwelling units</i>	<i>Percentage</i>	
Permanent housing for immigrants ^a	19,003	57.9	13,450	58.6	41
Housing in agricultural settlements	3,962	12.1	3,524	15.4	35
"Save to Build" project, including the immigrant project, and others	6,326	19.3	2,437	10.6	62
Provisional housing for immigrants ^b	3,504	10.7	3,529	15.4	28
<i>Total</i>	32,795	100.0	22,940	100.0	43

SOURCE: Housing Department, Ministry of Labour.

^a Excluding wooden houses and housing in settlements.

^b Including wooden houses. Data published by the Housing Department include wooden houses under permanent immigrant housing, while data published by the Central Bureau of Statistics define them as provisional housing. This table has been adjusted in accordance with the definitions used by the Central Bureau of Statistics.

(c) *The geographical distribution of immigrant housing*

The immigrant housing programme as a whole has been planned as an instrument of population dispersion to areas outside the coastal plain. In 1957, there was a certain shift in the area of construction of new immigrant housing. In view of the different occupational structure of the immigrants who arrived in that year as compared with those who arrived in previous years and in view of the need to erect permanent housing for residents of transit camps in the vicinity of these camps, a greater part (17.5 per cent of the dwelling units started as against 8 per cent in 1956), this year was erected in the Tel Aviv and Haifa areas. The percentage share of dwellings erected in the South and in Galilee declined. The natural limitation of the new areas remaining to be opened up to agricultural exploitation brought about a slowing down in the creation of new agricultural settlements. A larger proportion of the new immigrants was, therefore, directed to existing agricultural settlements or to urban development areas where the emphasis will be placed on industrial development.

Forty-two per cent of the new dwelling units started in 1952 were erected in urban areas, mainly in medium-sized and small towns, as against 27 per cent in

1956. Non-urban housing fell from 73 per cent of total residential building in 1956 to 58 per cent during the period under review (see Table XI-6). The trend towards increased housing construction in urban development areas continued in 1957. But, in rural areas, apart from kibbutzim, there was a large relative decline.

(d) *Private residential building construction*

During the period under review, accelerated activity was felt in the private building sector—i.e. building not financed by the Government—though not to the same degree as in public housing. From April onwards, building starts rose considerably. In 1957, the area of building starts exceeded that of 1956 by 44 per cent, while the area of building completions fell by 23 per cent. This reflects the substantial decline in building starts during the tense defence situation at the end of 1956 and in the beginning of 1957 (see Table XI-2).

TABLE XI-6
Building Starts of Dwelling Units for Immigrants, by Area, 1956-1957
(Percentages)

	1956	1957
<i>Towns and cities</i>		
Jerusalem, Tel Aviv and Haifa	5.2	9.3
Other cities	21.6	32.9
<i>Total</i>	26.8	42.2
<i>Other areas</i>		
Urban areas	19.0	25.4
Rural areas, of which:	54.2	32.4
Smallholders' settlements	23.5	13.0
Kibbutzim	1.1	11.2
Other rural areas	29.6	8.2
<i>Total</i>	73.2	57.8
<i>Grand total</i>	100.0	100.0
<i>Total number of dwelling units started</i>	10,607	27,565

SOURCE: Central Bureau of Statistics.

The limiting factor to the greater expansion of private building was the sharp increase in urban land prices, especially in Tel Aviv and Ramat Gan. According to the Builders' and Contractors' Association, land prices rose on the average by 40 per cent in Tel Aviv, 25 per cent in Jerusalem and 30 per cent in Haifa.

Private building activity was also affected by the large immigration wave, since a number of the new immigrants were in a financial position to purchase

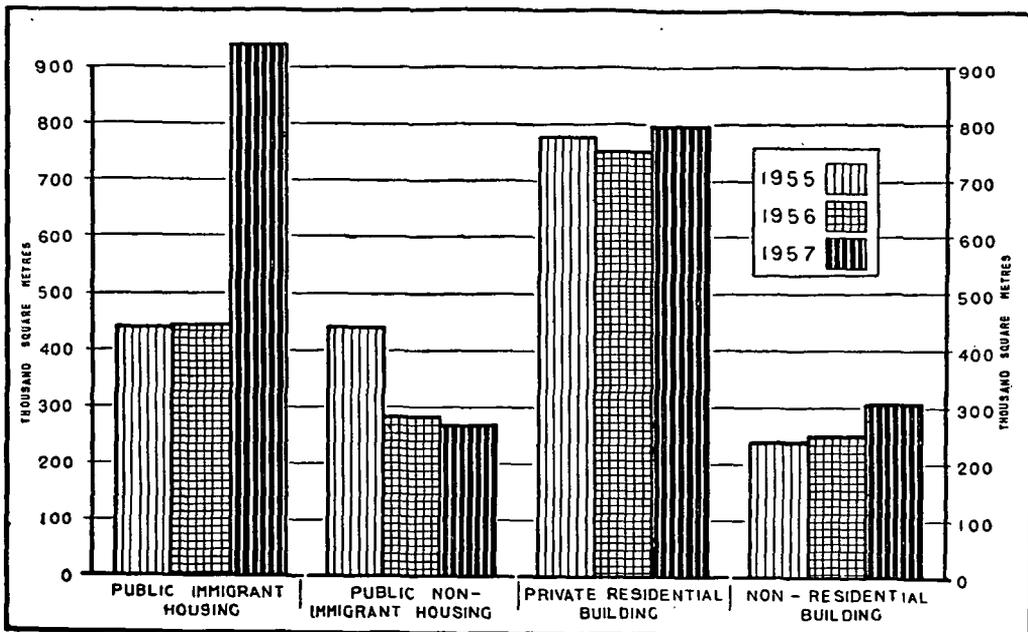
apartments outside the public housing scheme. Another factor was the impact of the increased flow of personal restitution payments.

5. NON-RESIDENTIAL BUILDING CONSTRUCTION

The value of residential building construction in 1957 is estimated at IL.75 million, or 20 per cent of the total value of building, as against IL. 55 million in 1956 (at 1957 prices).

A considerable increase took place in commercial building, including new bank branches, cinemas, shops and hotels (additional rooms in existing hotels as well as new hotel construction).

DIAGRAM XI-2
Area of Building Construction
(Average of starts and completions), 1955-1957



There was also a rise in the construction of public buildings—including progress on the Hebrew University campus, the new Hadassah Health Centre, the building of the Chief Rabbinate, the Mann Auditorium in Tel Aviv and the new campus of the Haifa Technion (Institute of Technology). Furthermore, with the increase in population and the opening up of new residential areas, new

schools, kindergartens, synagogues, dispensaries, club rooms for young people and other institutions were erected.

There was no marked rise in the value of new industrial buildings as compared with 1956, while the area of building starts declined. Most of the new construction was for storage facilities and additional work-rooms for established plants; the building of new factories was of less importance.

6. THE FINANCING OF BUILDING CONSTRUCTION

(a) *Bank credit*

Bank credit for building purposes was substantially expanded in 1957 as compared with the previous year. Outstanding credit balances from the banking institutions' own resources rose IL. 6 million from the end of 1956 to the end of 1957, or by 28 per cent. Credit balances from government deposits rose IL. 1.3 million or 12 per cent during the corresponding period (see Table XI-7).

TABLE XI-7
Outstanding Balances of Credit Granted to Building Construction by the Banking System and the Mortgage Banks, 1955-1957
(millions of IL.)

<i>End of period</i>	1955	1956	1957	<i>Increase</i>	
				<i>1955 to 1956</i>	<i>1956 to 1957</i>
<i>Banking system</i>					
From own means	19.8	21.4	27.4	1.6	6.0
From Government deposits	9.2	11.0	12.3	1.8	1.3
<i>Total</i>	29.0	32.4	39.7	3.4	7.3
<i>Mortgage banks</i>					
From own means	10.7	12.9	14.5	2.2	1.6
From Government deposits	44.3	56.2	64.4	11.9	8.2
<i>Total</i>	55.0	69.1	78.9	14.1	9.8

SOURCE: Bank of Israel.

Long-term credit from Government deposits is granted to builders of public housing schemes and originates in the Development Budget. Credit from the banking institutions' own resources is extended to both public and private builders and serves as working capital for contractors and for the purchase of building materials from the Reparations Corporation.

(b) *The financing of public housing*

Public housing is almost wholly financed by the Government and the Jewish Agency. A small part is financed through intermediate credit supplied by housing associations and contractors, as well as by the saving deposits from the "Save to Build" project.

The problem of financing public housing became more acute during the period under review. The amounts appropriated for this purpose in the original budget were inadequate and efforts to interest private investors from abroad did not succeed. Larger appropriations had, therefore, to be included in the supplementary Development Budget submitted to the Knesset in December 1957.

In 1957, the expenditure of the Government and the Jewish Agency on housing amounted to about IL. 140 million. Most was spent on housing which remained the property of the Government and the Jewish Agency. The remainder represented loans granted through banking and mortgage institutions or directly to housing companies.

(c) *The financing of private residential construction*

Private residential construction, in contrast to public housing (apart from the Save to Build project), is financed in part in its initial stages by buyers' advances made to contractors and housing companies. The first payment is made to the contractor upon the signature of the contract (sometimes even before actual construction has begun), while additional payments are effected at various stages of construction. When the real estate market is depressed, as was the case in 1956, a stock of finished flats accumulates for which there are no buyers. However, in 1957, this stock was depleted in areas like Tel Aviv. This increased contractors' liquidity and led to increased buyers' participation in the financing of new building. The increased flow of personal restitution payments from Germany played an important role in this development.

The suppliers of building materials, "Otzar Hakablanim Ltd." (the credit arm of the federation of Builders and Contractors Association in Israel), and non-bank credit constitute additional sources of credit.

(d) *The financing of acquisition of new apartments*

In the private building field, the prospective owner must pay the major part of the price of the apartment before entry, and is granted a mortgage for the remainder for a limited number of years. Most of these mortgages are granted directly by the contractor, while only a limited number is extended through the mortgage banks.

In public housing, when the occupant purchases the flat, he pays a low down-payment before entry in the case of immigrant housing. In the case of the "Save to Build" scheme, 60 per cent of the purchase price is paid before entry.¹ On the

¹ This sum is made up of a deposit paid upon registration, and monthly payments paid up to the date of entry into the apartment. Entry dates are fixed by lot.

remainder, he is granted a long-term mortgage by a mortgage bank. These mortgages are granted largely from Government deposits out of the Development Budget and, to a small extent only, from the mortgage banks' own means and from funds of the housing association responsible for the building operations. Data on the financing of the acquisition of new apartments are available only for new mortgages granted by the mortgage banks. The other sources, however, include "key money" (when the buyer moves from an old flat to a new one); personal restitution payments from Germany; personal savings; and loans from various sources—provident funds at the place of employment, relatives and friends, and institutions.

The outstanding credit balances of mortgage banks rose by IL. 9.8 million (or by 23.5 per cent) from the end of 1956 to the end of 1957, of which IL. 1.6 million came from the banks' own resources and IL. 8.2 million from Government deposits (see Table XI-7).

Only 4,300 new mortgages, totalling IL. 10 million, were granted to purchasers of dwellings under public housing schemes in 1957. The corresponding figures for 1956 were 6,400 mortgages amounting to IL. 16.5 million, and for 1955—9,000 mortgages totalling IL. 21.9 million. These figures do not reflect the greatly increased scope of public housing construction, because in 1957 a greater part of such construction remained Government property¹ and was let to immigrants on a rental basis. Another large part had either not yet been completed or not yet been transferred to the prospective purchasers by the end of the year.

¹ Mostly via "Amidar," the Government housing corporation.