

## CHAPTER XI

# BUILDING<sup>1</sup>

THE TOTAL VALUE of building construction was slightly higher in 1958 than in 1957, when building activity was also intensive in comparison with the preceding years. No changes occurred in the number of employees in this branch, and building costs remained more or less constant.

The value of residential building fell somewhat, the considerable contraction in immigrant housing exceeding the increase in private and public building construction for non-immigrants. The value of non-residential building rose, due to the larger number of new industrial buildings and to the expansion of established plants, as well as to the construction of new public buildings.

During the year under review, average dwelling density dropped from 2.1 to 2.0 persons per room.

### 1. BUILDING ACTIVITY

The total value of all types of building, at constant prices, was 3 per cent higher in 1958 than in 1957, totalling IL. 371 million. The value of non-residential building rose by 13 per cent, while residential building declined by 0.3 per cent.

The area under construction, estimated by averaging commencements and completions, was 4 per cent higher than in 1957. The area of buildings commenced declined by 12 per cent, while completions increased by 26 per cent. In 1958, work began on 30,400 dwelling units, as against 43,200 in the previous year. The number of units completed totalled 33,500 in 1958 and 31,200 in 1957.

Two-thirds of the dwelling units erected in 1958 were publicly financed, mainly through long-term loans granted by the Government.

The most significant contraction in publicly financed building occurred in commencements of immigrant houses, since the rate of immigration slackened. The area of commenced buildings financed from public sources declined by 25 per cent, but the area of buildings reaching completion increased by 19 per cent, reflecting the greater number of commencements in 1957. While the volume of immigrant housing contracted, construction for the liquidation of immigrant transit camps and huts expanded considerably. A significant in-

<sup>1</sup> Excluding farm buildings and public works.

crease likewise occurred in the scope of building under the "Save to Build" project.

TABLE XI-1  
*Value of Building Construction, by Type of Building, 1957-1958\**  
(millions of IL.)

Type of building	Current prices		1958 prices	
	1957	1957	1958	percentage increase or decrease (-) 1957 to 1958
<i>Residential building</i>				
Publicly financed				
For immigrants	135.3	136.6	114.1	-16.5
For others	23.7	24.0	35.9	49.6
Total	159.0	160.6	150.0	-6.6
Privately financed	116.5	117.6	127.5	8.4
<i>Total residential building</i>	275.5	278.2	277.5	-0.3
<i>Non-residential building</i>				
Commercial buildings	13.7	13.8	12.4	-10.1
Industrial buildings	12.9	13.0	22.6	73.8
Public buildings	55.5	56.1	58.5	4.3
<i>Total non-residential building</i>	82.1	82.9	93.5	12.8
<i>Grand total</i>	357.6	361.1	371.0	2.7

\* Revised data for 1957 and provisional data for 1958.  
SOURCE: Central Bureau of Statistics.

The area of privately financed flats commenced in 1958 fell by 6 per cent, after increasing considerably in 1957. As the erection of a residential building usually requires 8 to 12 months, the 22 per cent increase in completions should be attributed to the large number of building commencements in 1957.

Non-residential housing construction expanded, but whereas the area of commercial buildings commenced declined by 22 per cent, that of industrial buildings increased.

The considerable increase in the completions of flats of a higher grade than the standard immigrant units stimulated the production of better quality articles required for this type of construction (such as enamelled baths, glazed tiles, etc.).

TABLE XI-2

*Area of Commencements and Completions, by Type of Building, 1957-1958*  
(thousands of square metres)

Type of building	Buildings commenced		Percentage increase or decrease (-) from 1957 to 1958	Buildings completed		Percentage increase from 1957 to 1958
	1957	1958		1957	1958	
<i>Residential building</i>						
Publicly financed of which:	1,443	1,084	-24.9	923	1,099	19.1
For immigrants	1,226	814	-33.6	822	891	8.4
For others	217	271	24.9	101	208	105.9
Privately financed	855	806	-5.7	628	768	22.3
<i>Total residential building</i>	<i>2,298</i>	<i>1,890</i>	<i>-17.7</i>	<i>1,551</i>	<i>1,867</i>	<i>20.4</i>
<i>Non-residential building</i>						
Commercial buildings	116	90	-22.4	99	100	1.0
Industrial buildings	98	207	111.2	146	214	46.6
Public buildings*	155	153	-1.3	98	207	111.2
<i>Total non-residential building</i>	<i>369</i>	<i>450</i>	<i>22.0</i>	<i>343</i>	<i>521</i>	<i>51.9</i>
<i>Grand total</i>	<i>2,667</i>	<i>2,340</i>	<i>-12.2</i>	<i>1,894</i>	<i>2,388</i>	<i>26.1</i>

\* Incomplete data.

SOURCE: Central Bureau of Statistics and the Housing Division, Ministry of Labour.

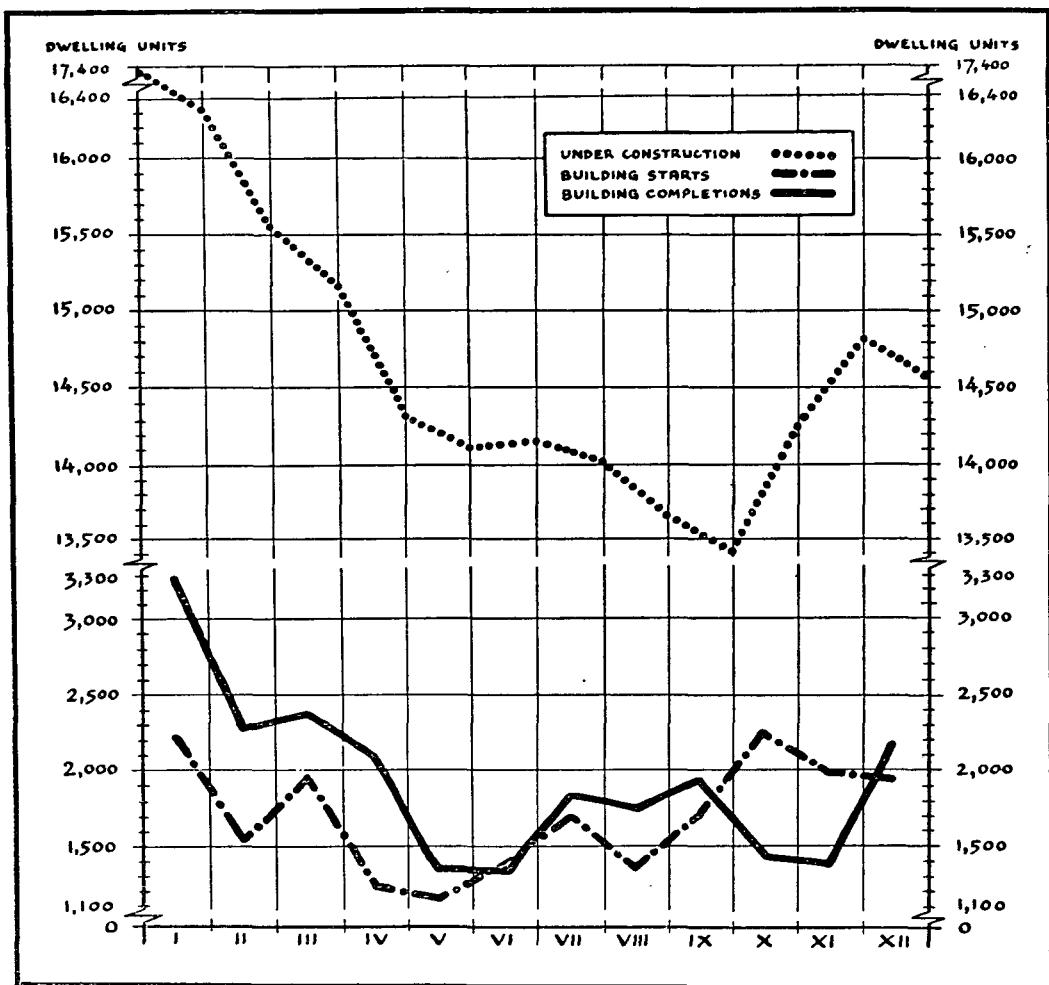
During the year, considerable fluctuations occurred in the volume of publicly financed housing. Building starts and completions gradually declined between January and May, rising again with the renewal of immigration from Eastern Europe (see Diagram XI-1). The level of private residential building was more or less constant throughout the year.

## 2. BUILDING COSTS

The index of building costs rose by an average of 1 per cent only as compared to 1957, but fell by 1 per cent between the beginning and the end of 1958. This is the first year during which this index has risen to such a limited extent.

Building costs per square metre in residential construction increased by 3 per cent, of which improved building standards account for 2 per cent. Standards of construction in publicly-financed residential buildings were likewise ameliorated, though costs per square metre increased by 1 per cent only. This increase, however, does not reflect the extent of the improvement, since the

DIAGRAM XI-1  
*Publicly Financed Building, 1958*  
(Dwelling units)



latter took place partly in site development, the cost of which declined owing to the policy of developing existing urban centres instead of founding new ones, and to the erection of a smaller number of several-storey houses instead of a large number of dispersed bungalows. The costs involved in actual construction increased.

(a) *Building materials*

Building materials represent 40 to 50 per cent of total building costs, depending on the type of building. During 1958, iron prices declined sharply,

being on the average 10.7 per cent lower than in the preceding year. Between the end of 1957 and the end of 1958 the fall was by as much as 22 per cent, following the drop in world iron prices. The average prices of white timber and pine wood declined by 1.6 per cent as compared to 1957, while prices of plywood remained stable. Other building materials, most of which are locally-produced, rose by 2 to 7 per cent. The cost of transporting building materials increased by an average of 6 per cent.

The drop in iron and wood prices was responsible for the fact that the index of building costs, in which they have a considerable weight, rose only slightly.

#### (b) *Wages*

According to the index of building costs, wages represent some 45 per cent of total building costs (excluding profits of contractors). The wages of building workers were increased once during the year—when a higher cost-of-living allowance began to be paid in July, following the rise in the consumer price index.

Average wage rates were 4 per cent higher in 1958 than in 1957. While no reliable data are available as regards increases in unofficial wage rates, it is known that the upturn in public building construction in the second half of the year led to skilled workers being paid higher wages in certain areas.

### 3. EMPLOYMENT

The increase in building activity being slight, no changes occurred in the level of employment in the year under review. Over 60,000 persons were employed in the building sector (including public works), of whom 45,000—representing 7 per cent of the gainfully employed population—were occupied in building. On the whole, there was no shortage of skilled labour, as this branch had absorbed a considerable number of workers in 1957.

The vocational training courses, organized by the Ministry of Labour in conjunction with the Building Workers' Union, continued. Yet, only 1,000 workers were trained in 1958, as against 2,300 in the preceding year, since the shortage of building workers felt during 1957 had already been largely alleviated by intensive vocational training.

### 4. RESIDENTIAL BUILDING CONSTRUCTION

#### (a) *The housing situation*

The average dwelling density per room decreased by 5 per cent—from 2.1 persons per room at the end of 1957 to 2.0 persons at the end of 1958. This may be attributed to the considerable improvement in the ratio between houses completed and net population growth. In 1958, the latter totalled 56,000 per-

sons—as agains 104,000 in 1957—while an estimated 78,300 dwelling rooms were constructed. Thus, an average of 1.4 rooms was added for every additional person.

Another yardstick for measuring the improvement in the housing situation is the shift from temporary to permanent housing. During the period under review, some 4,130 families and 650 individuals—in all 19,100 persons—left their temporary dwelling units. The construction of such units was virtually discontinued in 1958, only 208 asbestos huts being erected during the year.

(b) *Publicly financed housing*

This type of housing comprises dwellings, the construction of which is partly or wholly financed by the Government or the Jewish Agency.

Since the rate of immigration slackened, it was possible to accommodate new immigrants arriving in 1958, as well as those who had arrived in 1957 but had not yet been provided with dwellings, in permanent housing units. In 1958, the standard of construction was improved and the area of the average immigrant dwelling unit was increased. Whereas in 1957 the average permanent housing unit for immigrants consisted of 2 rooms with an area of 37.7 square metres, in 1958 it comprised 2.4 rooms with an area of 44.7 square metres. With the contraction of immigration, a larger proportion of publicly financed housing was earmarked for persons previously living in temporary transit camps. The housing conditions of the established population were likewise improved. A three-year programme was drawn up for the liquidation of huts, providing for the erection of 14,000 new flats, the conversion of 4,000 huts into permanent housing units and the restoration of 2,000 huts to accommodate freshly arrived immigrants—a total of 20,000 dwelling units. The implementation of this plan started in October 1957.

The programme provides for three types of flats, with an area of 36 to 54 square metres, and priced at IL 5,300 to IL 7,200. Part of this amount must be paid by the occupant, the remainder being financed by loans. The amount required before entry from persons of limited means would be lower.

These dwelling units are designed to accommodate immigrants who arrived in Israel during the last few years and have as yet not been provided with permanent housing.

During the year under review, 1,400 dwelling units were completed within the framework of this programme. Work started on a further 4,800 units, representing 23.6 per cent of total commencements in publicly financed housing schemes.

In 1958, 800 savers joined the “Immigrants’ Save to Build” scheme and 2,070 dwelling units were constructed under this project, which started in May 1957. Its object is to enable transit camp dwellers and immigrants who

TABLE XI-3

## Public Residential Building Construction, by Type, 1958

Type	Building commencements				Building completions			
	dwelling units	percentage of total building	average area per dwelling unit (sq.m.)	average number of rooms in unit	dwelling units	percentage of total building	average area per dwelling unit (sq.m.)	average number of rooms in unit
Permanent housing for immigrants								
For new immigrants	6,205	30.4	50.6	2.46	9,432	40.7	44.8	2.41
For liquidation of transit camps	636	3.1	49.1	2.52	1,085	4.7	43.8	2.15
Immigrants' "Save to Build" project	855	4.2	59.3	2.68	2,069	8.9	59.5	2.70
Huts liquidation project	4,815	23.6	53.2	2.57	1,393	6.0	49.1	2.38
Temporary housing for immigrants	92	0.5	28.8	1.80	208	0.9	28.6	1.91
Housing for experts	486	2.4	63.7	2.50	835	3.6	62.0	2.70
Housing in agricultural settlements	3,287	16.1	33.1	1.40	4,883	21.1	32.0	1.49
"Save to Build" project	3,897	19.1	67.6	2.77	3,082	13.3	64.5	2.75
Miscellaneous	115	0.6	60.5	2.38	175	0.8	54.0	2.04
<i>Total</i>	20,388	100.0	52.2	2.38	23,162	100.0	46.8	2.28

SOURCE: Housing Division, Ministry of Labour

arrived in the country after October 1956 to acquire better flats than the standard immigrant units, on easy terms.

In 1957, an additional programme was drafted, providing for the absorption of immigrants in kibbutzim, and within its framework the Jewish Agency erected 3,700 dwelling units in established kibbutzim during 1958.

Considerably more residential buildings were constructed under the "Save to Build" project partly owing to the "accelerated saving" scheme, whereby savers can receive their flats within one year. Altogether, 3,100 units were built in 1958, as against 1,100 in 1957. The normal area of these flats is 55 to 72 square metres—but a limited number of 80 to 90 square metre flats were also constructed during the year. Housing schemes were sited closer to urban centres than previously, some 70 per cent being erected in the vicinity of Tel-Aviv, Haifa and Jerusalem.

During the year under review, 3,100 savers joined the "Save to Build" project, increasing total deposits by IL. 12 million.

(c) *Privately financed building*

The area of privately financed buildings completed during 1958 was 22 per cent larger than in 1957, while the area of buildings commenced declined by 6 per cent. The total area under construction, estimated by averaging commencements and completions, increased by 6 per cent.

10,000 dwelling units, having an average area of 78 square metres, were commenced, while 10,350 units—averaging 72 square metres, were completed.

More than 80 per cent of privately financed building took place in the three main cities, or in their vicinity.

## 5. NON-RESIDENTIAL BUILDING

The value of non-residential building construction rose—at constant prices—from IL. 83 million in 1957 to IL. 94 million in 1958. The latter figure represents 25 per cent of the total value of building during the year. Thus, there was increase both in absolute terms and in relation to total building activity.

The chief expansion took place in industrial building, and consisted in the erection of new—and the extension of existing—plants. In comparison with 1957, the area of industrial structures commenced increased by 111 per cent and the area of completions—by 47 per cent. Completions of public buildings likewise increased considerably, especially as regards institutions for higher learning, health and the arts.

Moreover, new schools, kindergartens, dispensaries, synagogues, youth clubs and other public institutions were built, to meet the needs created by the growth of the population and the development of new residential areas.

The area of commercial buildings completed was somewhat higher than in 1957, but commencements declined by 22 per cent.

## 6. THE FINANCING OF BUILDING

### (a) *Bank credit*

Bank credit for building purposes expanded by IL. 7.4 million in 1958, as compared to 1957. Outstanding balances of credit granted from the banking institutions' own resources increased by IL. 0.8 million (or 3 per cent), while credits given from Government deposits expanded by IL. 6.6 million (or 54 per cent). Sponsors of public housing schemes generally receive long-term credits from the Government's Development Budget.

TABLE XI-4  
*Credit Balances Granted to the Building Sector  
 by the Banking System, 1956-1958*  
 (millions of IL.)

(End of period)

	1956	1957	1958	Increase <i>from end of 1956 to end of 1957</i>	Increase <i>from end of 1957 to end of 1958</i>
From own means	21.4	27.4	28.2	6.0	0.8
From Government deposits	11.0	12.3	18.9	1.3	6.6
<b>Total</b>	<b>32.4</b>	<b>39.7</b>	<b>47.1</b>	<b>7.3</b>	<b>7.4</b>

Credits from the resources of the banking institutions are extended to finance both public and private housing, and serve the contractors as working capital for the purchase of building materials through the Reparations Corporation.

### (b) *The financing of public building*

Public building is financed mainly by the Government and the Jewish Agency and only partly by credit from the means of housing companies and contractors and from the amounts accumulated under the "Save to Build" project.

During the year under review, Government and Jewish Agency housing expenditures totalled IL.121 million, as compared to IL. 144 million in 1957. Most of the money was spent on houses and flats which were let, remaining the property of these public authorities. The balance represents loans granted through banking institutions or directly to housing companies.

The amounts appropriated for housing in the Government Budget for the

year 1958/59 proved inadequate and advances had to be granted on account of next year's budget.

*(c) The financing of private building*

Private building is financed from various sources. On signing the contract, the contractor usually receives an advance from the buyer, additional payments being effected at various stages of construction. Sometimes, all stages of construction are financed by advances. When the real estate market is flourishing, buyers participate to a greater extent in the financing of the initial building stages. For some of the flats begun in 1957 and completed during 1958 the contractors were paid already last year.

The suppliers of building materials, "Otzar Hakablanim, Ltd." (the credit arm of the Israel Builders and Contractors Association), and loans from outside the banking system, constitute additional sources of credit.

*(d) Financing the acquisition of new apartments*

In the sphere of private building, the prospective owner must pay the major part of the price of the flat in cash, a mortgage for a limited number of years being granted on the remainder. Most of these mortgages are given directly by the contractor, only a small proportion being extended through the mortgage banks. In the case of immigrant housing, the prospective occupant pays a small down-payment in cash, while a long-term mortgage is granted him by a mortgage bank. Under the "Save to Build" project, the buyer has to pay a larger down-payment, but also receives a long-term mortgage. The cash payment comprises a deposit paid upon registration, and monthly payments up to the date of entry into the apartment. Mortgages are financed chiefly from the Government's Development Budget deposits; only a very small proportion is provided from the mortgage banks' own resources and from the funds of the housing companies executing the building.

The outstanding credit balances of Israel mortgage banks increased by IL. 14.3 million (or 46 per cent) between the end of 1957 and the end of 1958. Of the additional credit, IL. 2.5 million were granted from these banks' own resources and IL. 11.8 million from Government deposits.

Only partial data are available with regard to the financing of the acquisition of new apartments, relating chiefly to new mortgages granted by mortgage banks. Other sources include "key money" (when the buyer vacates his old flat), personal savings, personal restitution payments from Germany, and loans from various sources.