

CHAPTER XIII

CONSTRUCTION AND HOUSING

1. MAIN DEVELOPMENTS

Construction activity expanded at an accelerated pace in 1964. The value¹ of building and other² construction put in place totalled IL 1,558 million at current prices, representing an increase of about 10 percent in real terms, compared with some 5 percent in 1963. The relative share of construction activity in total domestic capital formation decreased slightly during the year reviewed, from 58 to 54 percent approximately.

Most of the 1964 increment was in residential construction—an advance of 12 percent. The value of new housing construction by the private sector was up 13 percent. This rate was similar to the average for the three preceding years, but in view of the sluggish state of the housing market in 1964, reflected by the accumulation of a stock of vacant dwellings and by the steadying of prices, it appears to be rather high. The continued expansion of private residential construction in spite of the weakening of the market was due to various factors, among them the higher municipal tax rates levied on empty lots and anticipation of the Government's restriction of building activity.

The value of public residential construction³ put in place rose by some 11 percent, compared with a decrease of about 20 percent in 1963. Immigrant housing showed a sharp uptrend, while a more moderate rise took place in other types of public construction, including that for the regular housing market. The figures on public housing starts display greater fluctuations: an increase of 32 percent in 1964, compared with a decrease of 23 percent in the previous year.

Construction for the productive and service sectors expanded at a lower rate—7 percent—and was accompanied by changes in composition. There was a steep upward trend in the transportation and communications sector, particularly in respect of roads, ports, and communications. Substantial increases were also registered in public buildings, commercial premises, industry,

¹ The output of the construction sector includes, in addition to the investment estimates presented below, defense construction and maintenance and repair work. However, owing to the lack of data on the latter activities, they have been excluded from this chapter.

² E.g. roads, ports, water and electric power lines, etc.

³ Construction initiated by the Government, National Institutions, local authorities, Amidar Ltd., and Israel Housing Development Ltd.

and electric power generation; on the other hand, expenditure on irrigation construction fell off precipitately with the completion of work on the National Water Carrier, while the figures for mining and quarrying and for agriculture were virtually unchanged.

The index of residential construction input prices, which was introduced in January 1964, went up by 7.5 percent during the year; this compares with a rise of 2 percent only in the index of building costs during 1963. Nevertheless,

Table XIII-1
VALUE OF NEW CONSTRUCTION, BY TYPE, 1963-64^a
(IL million)

	1963		1964		Percent increase or decrease (-)	
	At 1963 prices	At 1963 prices	At current prices	At current prices	At 1963 prices	At 1963 prices
Housing						
Private	407	459	482	18	13	
Public	275	304	320	16	11	
Total	682	763	802	18	12	
Productive and service sectors						
Agriculture ^b	34	34	36	6	—	
Irrigation	109	70	74	-32	-36	
Industry	88	104	111	26	18	
Mining and quarrying	46	47	49	7	2	
Electric power	27	29	31	15	7	
Transportation and communications	98	132	139	42	35	
Commercial premises and guest accommodation	54	63	66	22	17	
Public institutions and services	213	238	250	17	12	
Thereof:						
Buildings	176	196	206	17	11	
Other construction work	37	42	44	19	14	
Total	669	717	756	13	7	
Grand total	1,351	1,480	1,558	15	10	
Thereof:						
Buildings	1,036	1,156	1,216	17	12	
Other construction work	315	324	342	9	3	

^a For 1963, revised data; for 1964, preliminary estimate.

^b Excluding work that does not come under the category of construction, such as afforestation, land reclamation, etc.

SOURCE: Central Bureau of Statistics.

an examination of the index items exhibiting an upward movement suggests that the rises stemmed more from external factors than from excess pressure on inputs.

The average number of persons engaged in construction went up about 4 percent; the labor input increased at a similar rate, compared with a growth of 6 percent in 1963. The marked rise in the value of new construction during the year—10 percent—was thus made possible by an increase in output per worker. On the whole, no special shortage of workers was felt in this sector as compared with others. The advance in total hourly wages averaged 9 percent, slightly less than in the other sectors; apparently wage increments in excess of the official scale did not increase during the year. The 8.5 percent rise in the quantity of cement sold to this sector was not accompanied by a change in price. On the other hand, quarried products—building sand and stone—became appreciably dearer, while lumber and nonferrous metals also became more expensive because of the higher prices paid abroad.

Table XIII-2
VALUE OF NEW CONSTRUCTION, BY TYPE, 1955-64
(IL million, at 1963 prices)

	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964
Housing										
Private	240	216	211	230	266	282	325	365	407	459
Public	170	140	225	199	211	184	241	342	275	304
Total	410	356	436	429	477	466	566	707	682	763
Productive and service sectors										
Agriculture ^a and irrigation	124	104	92	101	103	114	113	139	143	104
Industry	17	23	23	52	69	67	83	83	88	104
Mining and quarrying	21	12	10	6	11	11	14	33	46	47
Electric power	29	37	23	20	27	24	23	27	27	29
Transportation and communications	30	25	65	43	63	43	59	71	98	132
Commercial premises and guest accommodation	17	19	22	21	24	38	50	53	54	63
Public institutions and services	87	87	117	133	150	151	159	168	213	238
Total	325	307	352	376	447	448	501	574	669	717
Grand total	735	663	788	805	924	914	1,067	1,281	1,351	1,480

^a Excluding work that does not come under the category of construction, such as afforestation, land reclamation, etc.

SOURCE: Central Bureau of Statistics.

In recent years there has been a growing tendency for construction activity to be concentrated in the hands of large companies. This is due to various factors: technological changes, such as greater mechanization; prefabricated and multiple-storey building, where there are economies of scale; and the need for large financial resources in order to maintain a reserve of building plots and to provide mortgage loans and interim financing. Added to these factors in 1964 were the depressed state of the real estate market and the tight credit situation. In such conditions, big companies backed by financial institutions providing convenient long-term financing are obviously better placed. A further advantage that has manifested itself of late is that in developing and erecting new residential quarters the big companies earn substantial capital profits on the consequent appreciation of land values.

The expansion of public construction for the regular housing market stood out all the more in view of the dullness of the housing market and the accumulation of a stock of vacant units by builders. The reference is to building in such

Table XIII-3

REAL CHANGE IN VALUE OF NEW CONSTRUCTION, BY TYPE, 1956-64^a
(percentages)

	Increase or decrease (-) as against previous year								
	1956	1957	1958	1959	1960	1961	1962	1963	1964
Housing									
Private	-10	-2	9	16	6	15	12	12	13
Public	-18	61	-12	6	-13	31	42	-20	11
Total	-13	22	-2	11	-2	21	25	-4	12
Productive and service sectors									
Agriculture and irrigation	-16	-12	10	2	11	-1	23	3	-27
Industry	35	—	126	33	-3	24	—	6	18
Mining and quarrying	-34	-17	-40	83	—	27	136	39	2
Electric power	28	-38	-13	35	-11	-4	17	—	7
Transportation and communications	-17	160	-34	47	-32	37	20	38	35
Commercial premises and guest accommodation	12	16	-5	14	58	32	6	2	17
Public institutions and services	—	34	14	13	1	5	6	27	12
Total	-6	15	7	19	—	12	15	17	7
Grand total	-10	19	2	15	-1	17	20	5	10

^a Calculated from Table XIII-2.

SOURCE: Central Bureau of Statistics.

schemes as Saving-for-Housing, young couples, veteran residents in development areas, and regular commercial building by Israel Housing Development Ltd.¹ The number of units started in such projects in 1964 was 35 percent larger, amounting to about 8,500. This development was to some extent in line with the above-mentioned tendency toward concentration, especially since the regular commercial construction of Israel Housing Development Ltd., which is completely publicly owned, is carried out in cooperation with private building and finance companies.

The geographical dispersion of residential building starts in 1964 did not fully accord with the population dispersal objectives. According to a Government decision, about 40 percent of the population increment was to be settled in areas other than the coastal plain, whereas the proportion of housing starts in such areas came to only 30 percent.

Table XIII-4

AREA OF CONSTRUCTION STARTED AND COMPLETED, BY TYPE, 1963-64
(thousands of square meters)

	Construction started		Percent increase or decrease (-)	Construction completed		Percent increase or decrease (-)
	1963	1964		1963	1964	
Housing						
Private	1,928	2,178	13	1,509	1,786	18
Public	1,232	1,631	32	1,406	1,194	-15
Total	3,160	3,809	21	2,915	2,980	2
Productive and service sectors						
Agriculture and irrigation	177	188	6	174	169	-3
Industry	542	690	27	476	538	13
Commercial premises, offices, and guest accommodation	214	320	50	110	212	93
Public buildings	456	537	18	403	388	-4
Total	1,389	1,735	25	1,163	1,307	12
Grand total	4,549	5,544	22	4,078	4,287	5
Thereof:						
Public building	1,547	2,024	31	1,713	1,499	-12
Private building	3,002	3,520	17	2,365	2,788	18

SOURCE: Central Bureau of Statistics.

¹ See note ^a to Table XIII-5.

2. VOLUME OF CONSTRUCTION

The value of new construction put in place totalled IL 1,558 million at current prices;¹ in real terms, this represented an advance of 10 percent over 1963. In addition to the rise in construction activity, which reflects the increase in factor inputs to the sector, it would be of interest to see how the incremental inputs were used.

It takes more than a year for a construction project to be completed, and it is therefore obvious that the volume of activity in a given year is influenced not only by the decisions taken during that year but also by decisions taken in the previous year. It emerges that the increased value of new construction in 1964 largely reflects a rise in the area of building started, whereas the area of completions went up only moderately.

The area of private housing starts expanded by 13 percent, similar to the rate in previous years. Public housing starts were up about 32 percent, compared with a decrease of 23 percent the year before.

Additions to and expansion of existing dwellings comprised about 9 percent of total residential completions in 1964. In private construction the proportion was higher—13 percent approximately—whereas in public construction it came to only 3 percent.

Table XIII-5
NUMBER OF NEW DWELLINGS, BY INITIATING SECTOR,^a 1963-64

	Starts		Percent increase or decrease (-)	Completions		Percent increase or decrease (-)
	1963	1964		1963	1964	
Public building	18,890	26,640	41	24,130	19,210	-20
Thereof:						
For immigrants etc. ^b	12,560	18,100	44	19,030	12,910	-32
Saving-for- Housing and similar schemes ^c	6,330	8,540	35	5,100	6,300	24
Private building	19,530	22,260	14	15,560	18,690	20
Total	38,420	48,900	27	39,690	37,900	-5

^a When various types of building are aggregated into two main groups, arbitrary decisions in borderline cases are unavoidable.

^b Urban housing projects, liquidation of transit camps, slum-clearance projects, and housing in agricultural settlements.

^c Popular Housing, projects in development areas for veteran settlers and young couples, and other residential building including that for the regular commercial market and in Arab communities.

SOURCE: Central Bureau of Statistics and Bank of Israel calculations.

¹ This does not reflect the market prices of buildings, since it excludes the value of the land and also because it represents the cost of construction, without taking into consideration fluctuations in the market prices of the completed buildings.

(a) *Residential construction*

Residential construction activity in 1964 was influenced by special factors which pulled in opposite directions. These included marked increases in property tax rates toward the end of 1963, the easing of demand for housing, rumors about the Government's intention to curb building, a temporary shortage of completed units for new immigrants, and the expansion of public construction for the regular housing market.

The turn in the housing market was the most striking development of the year. Beginning in 1961 demand for housing mounted rapidly, accompanied by soaring prices. This is ascribable to the expectation of devaluation—which materialized in 1962—and subsequently to the intensified conversion of foreign currency balances accumulated by the public¹ and the resultant monetary expansion. The flourishing state of this market attracted local and foreign speculators hoping to reap quick and large capital profits, and also home buyers who advanced their purchases. In 1962 and 1963 a trade even developed in purchase contracts. These speculative factors apparently led to the accumulation of a stock of empty dwellings. In response to the growing demand, the number of private dwelling units started was enlarged from 15,260 in 1961 to 17,620 in 1962 and 19,530 in 1963.

The speculative trade in property and the advancement of purchases can reasonably be expected to slacken and eventually come to an end. A change in trend became visible toward the end of 1963 and picked up momentum in 1964. The amendment in August 1963 of the Land Betterment Tax Law, even though its application to residential units is very limited, upset the calculations of speculative investors. This law has indirectly affected the housing market through its impact on the land market, where its application is most effective.

Together with this development, the year 1964 saw a decrease in personal restitution receipts from Germany, a large part of which are directed to the housing market, as well as a tightening of credit. On the other hand, there was a bigger supply of finished dwellings, erection of which was started in 1963 when the boom was at its peak.² The easing of demand and the expanded supply together caused a slump in the housing market, reflected as from mid-1964 in the firming and perhaps even in a slight dampening of prices³ and in the accumulation of a large dwelling inventory by contractors. This apparently led to a certain lengthening of average construction time in the case of private housing.

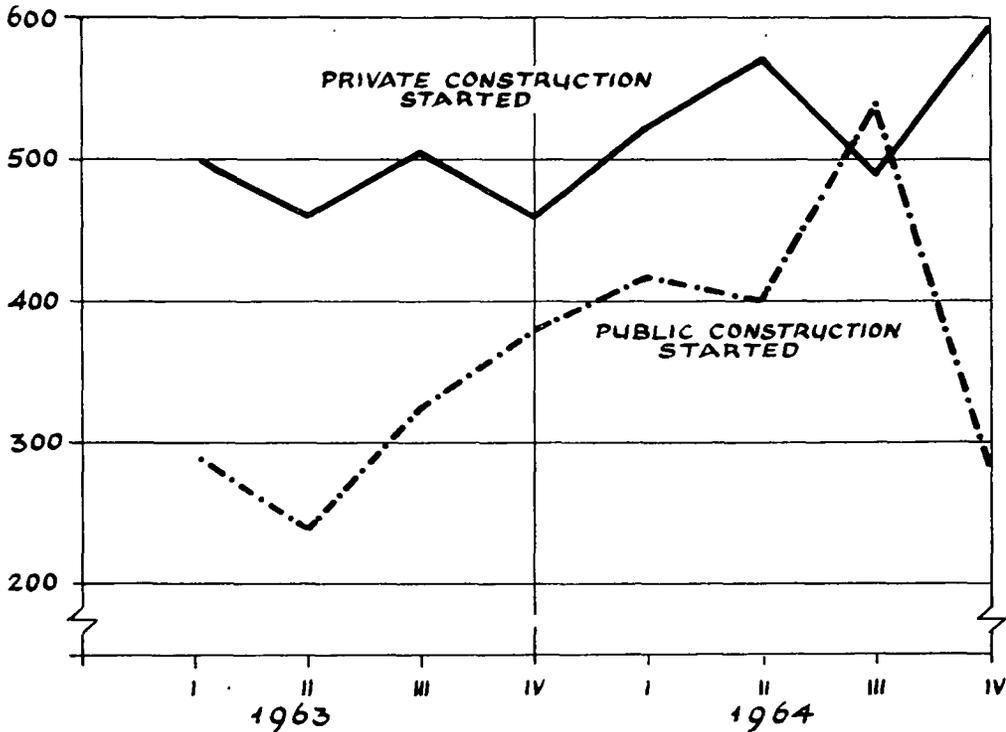
¹ One-time receipts from personal restitution constitute an important factor in housing demand, since some 40 percent of such receipts are used for purchasing real estate.

² In 1963 the number of completed housing units supplied by private builders increased by 1,130, and in 1964 by 3,130.

³ For a detailed discussion of the development of housing prices in 1964, see Chapter VI, "Prices".

Diagram XIII-1

RESIDENTIAL CONSTRUCTION STARTED, BY QUARTERS, 1963-64
(thousand sq. meters)



(b) *Private construction*

Despite the recession in the housing market in 1964, private construction starts expanded at a faster rate—by approximately 14 percent as against 11 percent in 1963. Developments in the land market apparently contributed to this. The much higher assessment of vacant lots for municipal tax purposes in 1963 made their retention more expensive, while the amendment of the Land Betterment Tax Law in August 1963 reduced the profitability of holding on to them. The combined result was to cause the market to stagnate and prices to move downward in the latter part of 1963. The fact that municipal taxes on housing sites are considerably lower than on empty plots induced landowners to build, especially since the depression in the housing market lagged behind that in the land market.

An additional factor stimulating new construction was the report of the Government's intention to restrict building as from the beginning of 1965.

Despite the fact that construction activity is subject to sharp fluctuations, it is

difficult to point with any certainty to the causes. A possible connection may exist between the influence of the two factors described above and the change in the volume of private residential starts in 1964 (see Diagram XIII-1). The higher volume of starts in the first half of the year may be ascribed to the change in taxation, the decline in the third quarter to the depressed state of the housing market, and the resumption of the upward trend in the last quarter of the year to the impending building curbs.¹

(c) *Public residential construction*²

The area of public residential construction started increased by 32 percent in 1964, bringing up its share of total housing starts from 39 percent in 1963 to 43 percent.³ During the year reviewed work was started on 26,640 units, compared with 18,890 in 1963. The relatively low number of starts in 1963 expressed itself in a smaller number of completions—19,210 in 1964 compared with 24,130 the year before.

The expansion of public residential construction was reflected mainly in immigrant housing starts, which rose by 50 percent. In the first half of 1963 new building for immigrants was held up, and the marked acceleration in the second half of the year could not prevent a temporary shortage of completed units in 1964. This shortage was overcome by the speedy erection of 920 provisional units (compared with approximately 70 in 1963), the housing of immigrants in some 2,000 units originally destined for other purposes or purchased in the regular housing market, and even by accommodating them in partially completed dwellings.

The stepped-up pace of new immigrant housing starts in 1964 was intended to replenish the supply for the immigration expected in 1965–66. Nevertheless, there can be no doubt that so large a volume of new construction was at the

¹ A further possible explanation for the rapid increase in private building starts despite the depressed state of the housing market is connected with the growing concentration of construction activity in the hands of large companies with access to convenient sources of finance. To the extent that these companies believe the market slump to be temporary, they are liable to prefer (and they are able to do so from the financial point of view) strengthening their position in the sector in the long run over short-term profit considerations. Moreover, the planning, organization, and preparation of the site, which involve considerable expenses, generally precede the start of excavation work, recorded in the statistics as "building started". It is evident, therefore, that there may be a time-lag in adjusting to new market conditions.

² Building initiated by the Government, National Institutions, local authorities, Amidar, and Israel Housing Development Ltd. By initiation is meant the planning (determination of the site, standard, and area) and supervision of construction.

³ The share of public construction in the total value of new housing construction dropped slightly in 1964 owing to the smaller volume of completions. This was actually a belated reflection of the decline in public construction starts in 1963, and hence is not indicative of the trend in 1964 itself.

expense of expediting the completion of dwellings for 1964 arrivals. Moreover, in 1964 there may have been a certain lengthening of the average time required for construction. As in previous years, the vital necessity for the planning and regularization of public residential construction activity made itself felt.

Together with the marked expansion of immigrant housing construction, there was a considerable increase in 1964 in both the commencement and completion of public construction for the regular housing market. Such construction is hardly likely to arrest the rise of housing prices in urban areas, since these prices largely reflect the pressure of demand for land, which is in very short supply in these places. On the other hand, enlarging the supply of publicly financed housing, even though it holds down prices somewhat, stands in opposition to the Government's policies in connection with the restriction of building and the dispersal of the population.¹

The geographical dispersal of construction is the principal means and a precondition for achieving the population dispersal objectives. A glance at Table XIII-6 shows that the geographical dispersion of building starts in 1964 did not conform to these objectives, particularly as far as the Tel Aviv District is concerned. Since one cannot expect private building in sparsely settled

Table XIII-6
DISTRIBUTION OF HOUSING STARTS, BY DISTRICT AND
INITIATING SECTOR, 1964
(percentages)

District	Actual distribution of population at Dec. 31, 1963	Distribution of population according to population dispersal policy	Distribution of building starts	
			Total residential construction	Public residential construction
North	13.0	18.7	10.5	12.7
South	7.3	14.0	13.0	21.1
Jerusalem	8.6	7.4	7.1	8.7
Haifa ^a	19.3	20.3	16.5	16.8
Center ^b	20.7	23.9	25.5	27.0
Tel Aviv	31.1	15.7	27.4	13.7
Total	100.0	100.0	100.0	100.0

^a Includes Nahariya and Acre.

^b Includes Ashdod and Ashkelon.

SOURCE: Central Bureau of Statistics; Economic Planning Authority; and Bank of Israel calculations.

¹ Restraining the advance of prices is possible only in the short run. In the long run public construction in urban centers increases the pressure of demand for land in these places, where it is already in short supply, and consequently raises housing prices there.

areas, it is not enough that public residential construction itself be distributed in conformity with the population dispersal objectives, but it must be concentrated in the underdeveloped areas, avoiding the coastal plain as far as possible.

(d) *Construction for the productive and service sectors*

New construction for the productive and service sectors in 1964 amounted to IL 756 million at current prices. In real terms, this represented a rise of 7 percent over 1963 (see Table XIII-1).

A big increase—about 35 percent—occurred in the transportation and communications sector. Construction activity here has expanded rapidly since 1961, but apparently has not yet caught up with the requirements, particularly in roads and communications. Large sums were expended in 1964 on the building of Ashdod Port and on the ports at Eilat and Haifa. Development of the inter-urban road network proceeded apace, and railway construction was considerably stepped up owing to the extension of the Negev line to Dimona. Outlay on communications was also appreciably higher.

In contrast to the marked increase in transportation and communications, there was a similar percentage, but larger absolute, drop in irrigation construction with the completion of the first stage of the National Water Carrier. In agriculture the figure was similar to that for 1963.

Industry showed a growth of 18 percent, compared with 6 percent in 1963. In the past two years a number of construction companies, some of them belonging to the public sector, have been putting up centers for housing industrial enterprises and workshops on a sale or rental basis. But no brisk demand appears to have developed for these premises, which are generally intended to replace dilapidated structures in residential and commercial areas. Consequently, contractors have been saddled with a stock of unsold buildings.

A moderate rise—about 2 percent—was recorded in the mining and quarrying sector, after marked increases in the three preceding years. Most of the expenditure in 1964, which totalled IL 50 million, was connected with the expansion of the Dead Sea Works.

Outlay on the erection of commercial premises, offices, and hotel and other guest accommodation rose by 17 percent, and amounted to IL 66 million. Building completions were up 93 percent in 1964, and here too there are signs that the supply of completed offices exceeded demand.

Construction for public institutions and the services expanded by 12 percent, reaching IL 250 million. The bulk of the sum was for putting up buildings—hospitals, schools, and offices—and a small proportion for installations—sewerage, gardens, lighting, etc. Construction for public institutions, which contains a relatively large element of electromechanic work, is hampered by a shortage of systems designers and skilled workers.

3. INPUTS

The index of residential construction input prices, which was instituted in January 1964, rose by 7.5 percent during the year. This increase was greater than that recorded in the old index of building costs in 1963, but was still moderate compared with 1961 and 1962, when the sector experienced a particularly big expansion. Moreover, a glance at the index items registering increases shows that these were mainly due to exogenous factors, and that as a rule material and factor inputs adjusted to the higher rate of activity without special difficulties.

Wage hikes were responsible for about two-thirds of the rise in the index. Quarry materials accounted for 10 percent, mainly because of the 21 percent increase in the price of building and quarry sand following the restriction of the exploitable area, and also because of the higher prices of stone and gravel. The rise in the prices of lumber and nonferrous metals on the world market was responsible for another 10 percent.

Table XIII-7
RISE IN INDEX OF RESIDENTIAL CONSTRUCTION
INPUT PRICES IN 1964

Item	Weight in index in Dec. 1964	Increase in Dec. over Jan.	Contribution to rise in index in 1964
	(pro mille)	(percentages)	
Materials			
Quarry materials, marble, and sanitary equipment	63.0	11.7	9.9
Cement, Ytong blocks, structural clay products	136.5	1.7	3.0
Plumbing equipment	68.5	5.7	5.2
Iron and metal products	85.6	3.0	3.5
Lumber and other materials	96.3	8.3	10.7
Total materials	449.9	5.4	32.3
Wages	479.1	10.3	65.8
Transport of equipment and misc.	71.0	2.0	1.9
Total index	1,000.0	7.5	100.0

(a) *Wages and employment*

Hourly wages in the construction sector went up by approximately 11 percent¹ during the year, and by 9.1 percent on an annual average.² Compared with the three preceding years, this was a small rise and was even below the national average for 1964. In contrast to former years, there was apparently no increase in unofficial wage increments (i.e. over and above the official wage rates), and in certain cases there may have been a decline.

The moderate rise in wages as compared with both earlier years and the average for the entire country largely reflects the employment situation in the sector. The number of gainfully employed went up 3.8 percent, less than the rate for the economy as a whole; hence there was a slight decline in the share of gainful construction workers in total employment, in contrast to the trend of the three preceding years. Labor input rose at a slightly lower rate than the number of employed, owing to the smaller average number of weekly man-hours per gainfully employed in 1964.

The training of new building workers remained at about the same level as in 1963, the number of participants in the various vocational courses standing at 1,017.³ A shortage of scaffolding erectors was felt in 1964, apparently because of the much higher number of building starts; consequently, more than half of the participants in the courses were being trained for such work.

Output per worker advanced approximately 6 percent during the year reviewed, about the same as the average for 1958–64. This rising trend can be attributed to the increased skill of the construction workers, as well as to capital investments, technological advances, and changes in the organization of construction, reflected *inter alia* by a growing resort to building equipment, a tendency to build on larger sites, and greater use of prefabricated materials. On the other hand, the labor productivity trend is not a steady one, fluctuating sharply from year to year (see Table XIII-8). The annual oscillations may be due to several factors which are not reflected by the aggregative data on the value of new construction⁴ during the year—namely, differences in the labor component of output, in respect of both the types of construction work and the various stages within each type; the degree to which annual construction spending is spread over the year; and fluctuations in the rate of acquisition and operation of building equipment.

¹ This rate is similar to the increase in the official wage scale and cost-of-living allowance. It appears, therefore, that the effect of the wage drift (upgrading etc.) was offset by the nonincrease of payments over and above the official wage rates.

² See Chapter X, "Wages", for a detailed discussion.

³ According to data of the Building Workers' Association.

⁴ In addition to construction work not treated as capital outlay and hence not included in the estimates—such as defense construction, maintenance, and repair work; those engaged in such work, however, are included in the figures on gainful construction employment.

Table XIII-8

EMPLOYMENT IN THE CONSTRUCTION SECTOR, 1958-64

Year	Average no. of gainfully employed	Percent increase over previous year	Percent real change in investment	Gainfully employed in construction as a percent of all gainfully employed
1958	64,000	—	—	9.8
1959	65,000	1.6	15	9.6
1960	65,000	—	-1	9.3
1961	68,000	4.6	17	9.3
1962	75,200	10.6	20	9.7
1963	79,700	6.0	5	9.8
1964	82,700	3.8	10	9.7
Annual average 1959-64	—	4.4	11	—

SOURCE: Central Bureau of Statistics and calculations of the Bank of Israel.

(b) *Land*

The weakening of land prices, which began at the end of 1963, carried over through 1964. The levelling and subsequent fall of prices was first discernible in areas adjacent to urban centers, which in 1962 and 1963 experienced very rapid rises. In 1964 this trend spread to the urban centers themselves. Nevertheless, it appears that individual vacant plots in areas where building was almost completed were not affected by the downswing.

The depression of prices can be ascribed to the reduced profitability of holding on to vacant plots as a result of several developments in 1963 and 1964. The raising of the assessed value of land for tax purposes in 1963 and the cancellation of concessions in 1964 considerably increased taxes. Another factor was the higher cost of financing in 1964. Coupled with these, profit expectations fell following the amendment of the Land Betterment Tax Law in August 1963, which caused the turnabout in the market.

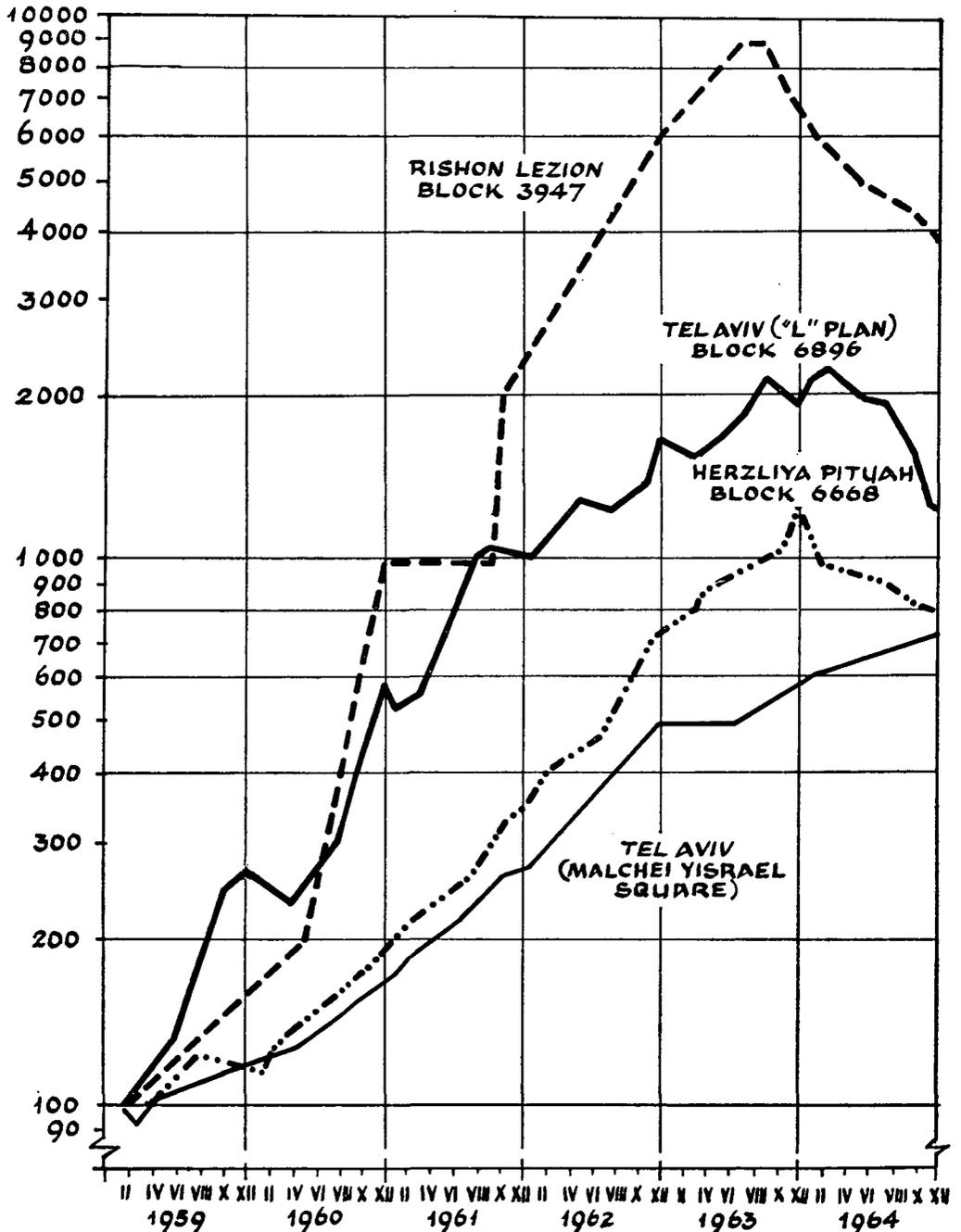
As a result of this situation, a larger number of vacant plots were offered for immediate building, a development partly responsible for the big increase in building starts at the beginning of 1964.

The downward movement of land prices during the year represents part of the process of adjusting to the new conditions—the increased cost of holding on to empty plots and the lower profit expectations of the landowners—a process still going on at the end of 1964. Nevertheless, it is clear that no long-run change has taken place in the basic conditions prevailing in this market—a limited supply of land on the one hand, and growing demand for this item,

Diagram XIII-2

INDEX OF VARIATION OF LAND PRICES IN FOUR SELECTED AREAS,
1959-64

(February 1959 = 100)



Semi-logarithmic scale.

Table XIII-9

DWELLINGS COMPLETED, BY NO. OF ROOMS, 1962-64

(percentages)

No. of rooms per unit	Private construction			Public construction			Total construction			Stock of dwellings in 1963
	1962	1963	1964	1962	1963	1964	1962	1963	1964	
1	5	5	4	1	1	0	3	2	2	17
2	32	29	25	55	39	30	46	35	28	45
3	49	53	57	43	60	68	45	58	63	33
4 +	14	13	14	1	0	2	6	5	7	5
Total	100	100	100	100	100	100	100	100	100	100
Total units completed	14,430	15,650	18,690	23,850	24,130	19,210	38,280	39,690	37,900	594,810
Total rooms in units completed	39,050	43,110	52,760	58,380	62,850	52,090	97,430	105,960	104,850	1,355,000
Average number of rooms per unit	2.71	2.77	2.82	2.45	2.60	2.71	2.55	2.67	2.77	2.3
Average area per unit (m²)	85.6	84.1	82.7	53.1	57.1	60.3	65.3	67.7	71.4	—

SOURCE: Central Bureau of Statistics and calculations of the Bank of Israel.

on the other. At the same time, landowners will be able to reap only relatively small profits from future price rises as compared with past years.

4. HOUSING CONDITIONS

Housing conditions continued to improve in 1964. Dwelling capital stock per capita went up by about 6 percent, to reach IL 3,400. The average number of rooms and floor space per unit has been rising as more and more three- and four-room homes are erected from year to year (see Table XIII-9). Although the annual increases are relatively small, a comparison between the average number of rooms in dwellings completed in 1964 and that for the stock of units at the end of 1963¹ indicates a marked change.

In private residential construction the average number of rooms per unit is on the rise, while average floor space per unit decreased over the past two years. In public building average floor space and the number of rooms both show an upward trend. The difference in respect of floor space stems mainly from the lower absolute average floor space per unit in public projects. Another possible cause of the difference is the fact that the price of land per privately built unit is higher, both because a larger portion of such construction is concentrated in development areas and because the Ministry of Housing is able to acquire land on easier terms. At any rate, it is clear that persons buying homes from private builders prefer a larger number of rooms, even if it means reducing the average area per room.

The improvement in the standard of housing is also reflected by the growing percentage of families possessing the basic facilities, as well as by a lower density of occupation. An international comparison of housing conditions²

Table XIII-10

**PERCENTAGE OF FAMILIES WITH SELECTED FACILITIES
IN THEIR HOMES, 1957, 1959, AND 1963**

Facility	1957	1959	1963
Electricity	82.9	87.2	93.3
Cooking facilities	95.7	93.4	94.7
Toilet	94.7	94.4	96.2
Bathtub or shower	83.8	84.8	87.6
Running water	92.8	94.1	97.0

SOURCE: Central Bureau of Statistics.

¹ According to the survey of housing conditions carried out by the Central Bureau of Statistics.

² The comparison relates to 1961. Housing conditions in Israel are compared with those in European countries with a similar per capita income level.

shows that the standard of amenities in Israeli homes is relatively high and that the density of occupation is similar to that of countries with a comparable per capita income level.

On the other hand, the distribution of rooms in Israel shows a greater imbalance, a larger percentage of the population relative to European countries living in units with an above-average density of occupation. Furthermore, it has been found that the greater the density of occupation the lower the standard of amenities; for example, where the number of persons per room does not exceed two, 90 percent of the families have a private bath for their own use, but where there are four or more persons per room, only 45 percent of the families possess this facility. This situation can be traced to the period of rapid absorption during the first years of statehood, when a big percentage of the immigrants, among them families with numerous children, were accommodated in abandoned Arab homes and in small dwellings put up in immigrant housing quarters and lacking in amenities. The relatively large share of total construction activity devoted to the enlargement of existing dwellings in recent years—about 9 percent—was apparently motivated by the desire to add facilities and reduce the density of occupation. At the same time, Amidar Ltd. is razing and demolishing old and temporary structures, which are lacking in facilities and small in area.

Table XIII-11

PERCENTAGE DISTRIBUTION OF JEWISH FAMILIES,^a BY NUMBER
OF PERSONS PER ROOM, 1957-63
(annual averages)

No. of persons per room	1957	1958	1959	1960	1961	1962	1963
Less than 1	6.1	5.5	6.1	6.6	7.8	7.4	9.3
1.00-1.99	38.0	37.5	37.0	40.9	46.7	46.8	49.0
2.00-2.99	31.7	34.1	34.0	31.7	27.7	27.5	25.1
3.00-3.99	11.5	10.6	10.7	10.3	9.4	9.8	9.2
4.00 +	12.7	12.3	12.2	10.5	8.4	8.5	7.4
Total	100	100	100	100	100	100	100
Total families	455,200	486,500	499,600	505,700	530,900	553,000	577,200

^a Excluding families in institutions.

SOURCE: Central Bureau of Statistics.