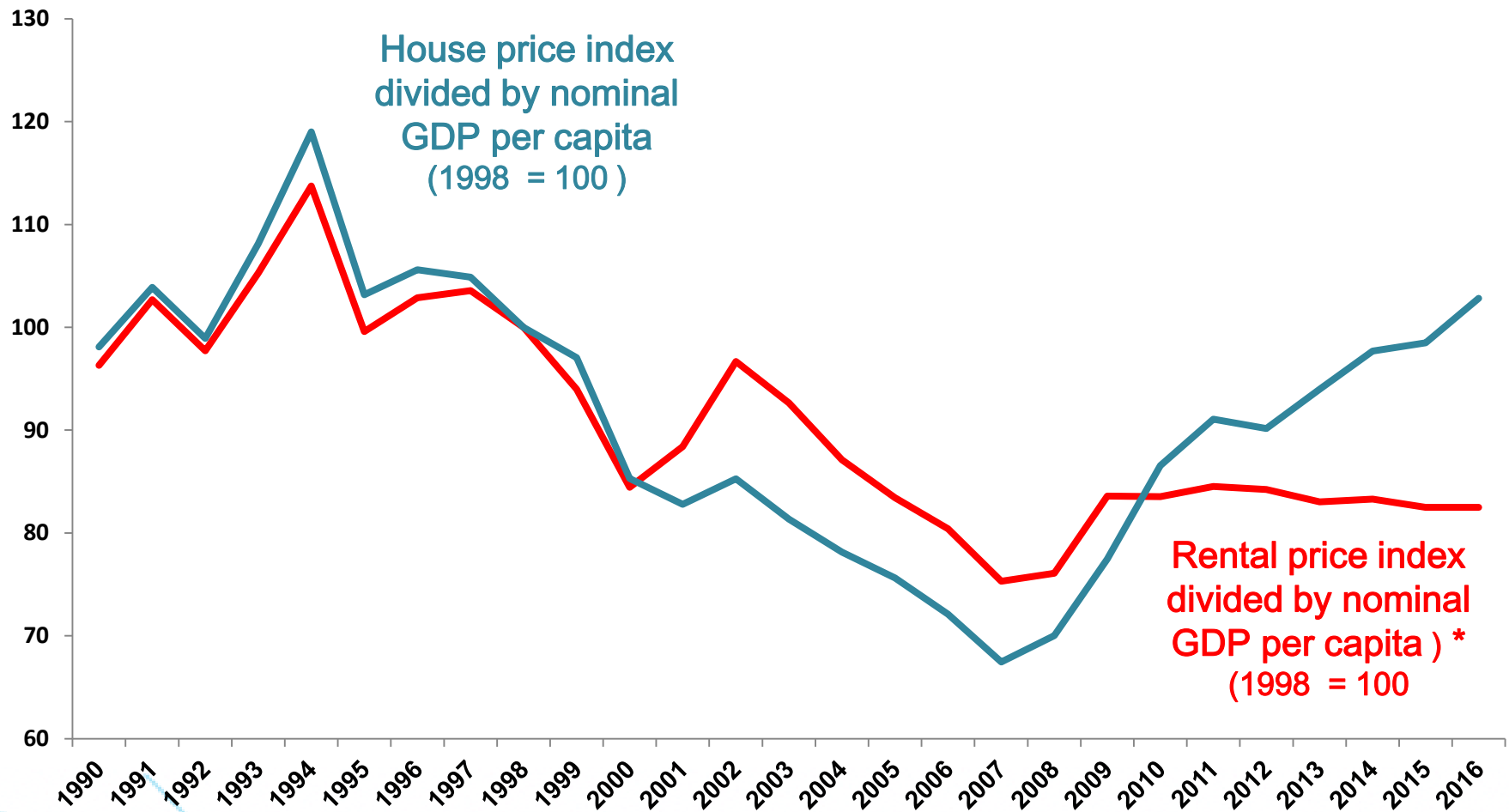


Housing costs in Israel – new Insights

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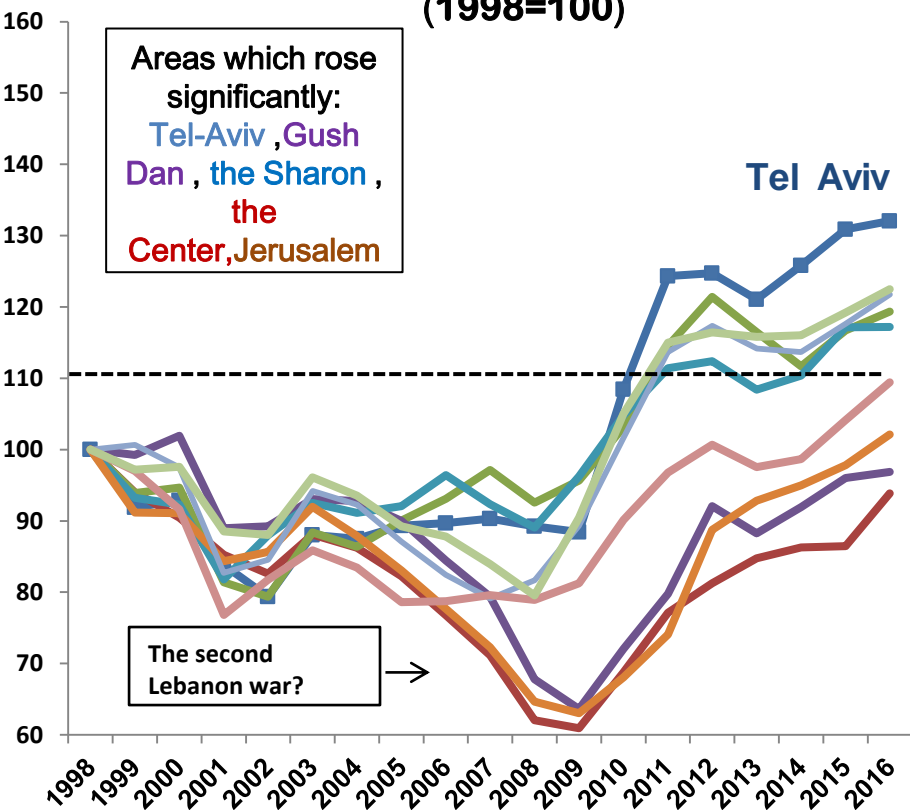
Housing costs in Israel increased significantly in per capita terms but are lower than in the 1990's. Rents have declined



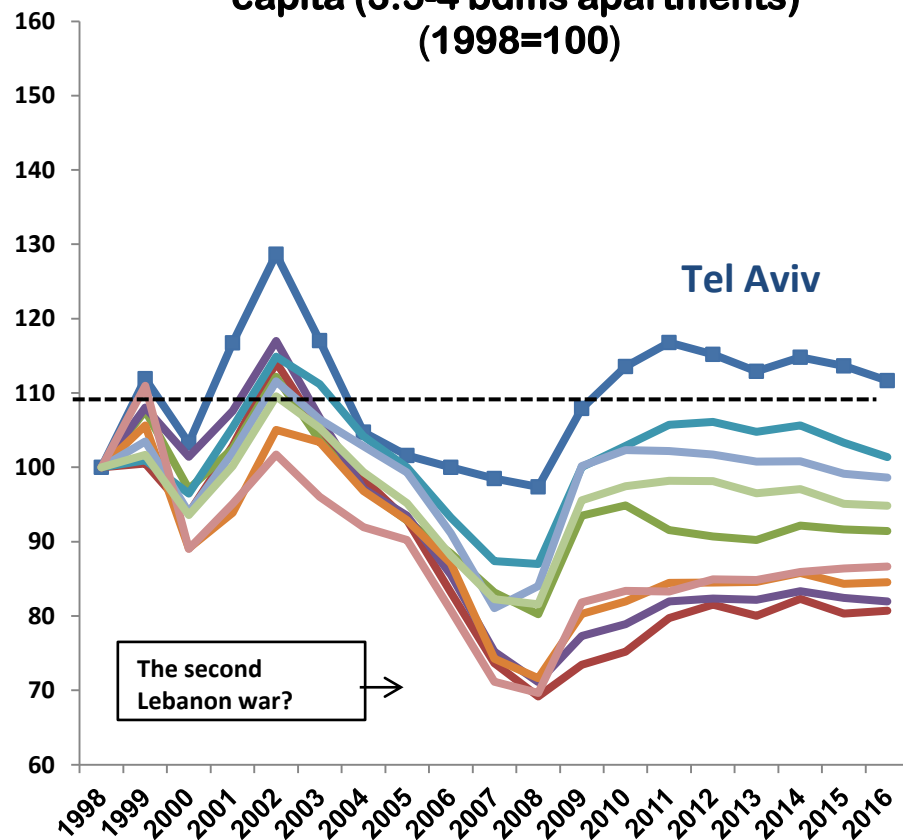
*Owned housing index from the consumers price index

Housing prices rose much more than rent prices; Tel Aviv leads the rise in both and the variance between areas increased

Housing price index divided by nominal GDP per capita (3.5-4 bdms. apartments) (1998=100)



Rental price index divided by nominal GDP per capita (3.5-4 bdms apartments) (1998=100)



Tel Aviv Qrayot-Haifa Jerusalem Haifa Sharon North Center South Gush Dan

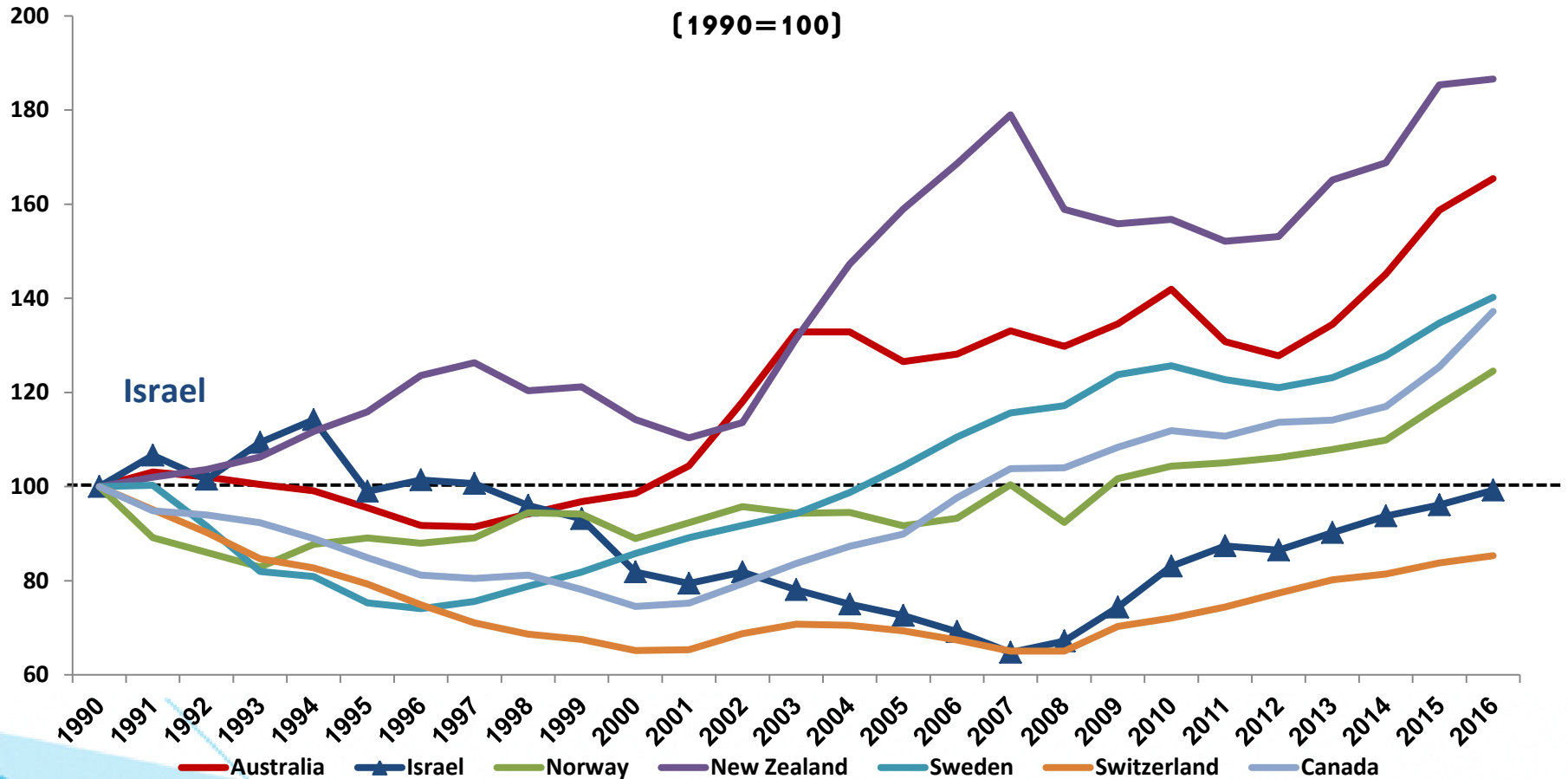
International comparison



From a long term perspective, the rise in housing prices in Israel is moderate compared to small developed economies*

International comparison- Housing price index divided by nominal GDP per capita

[1990=100]

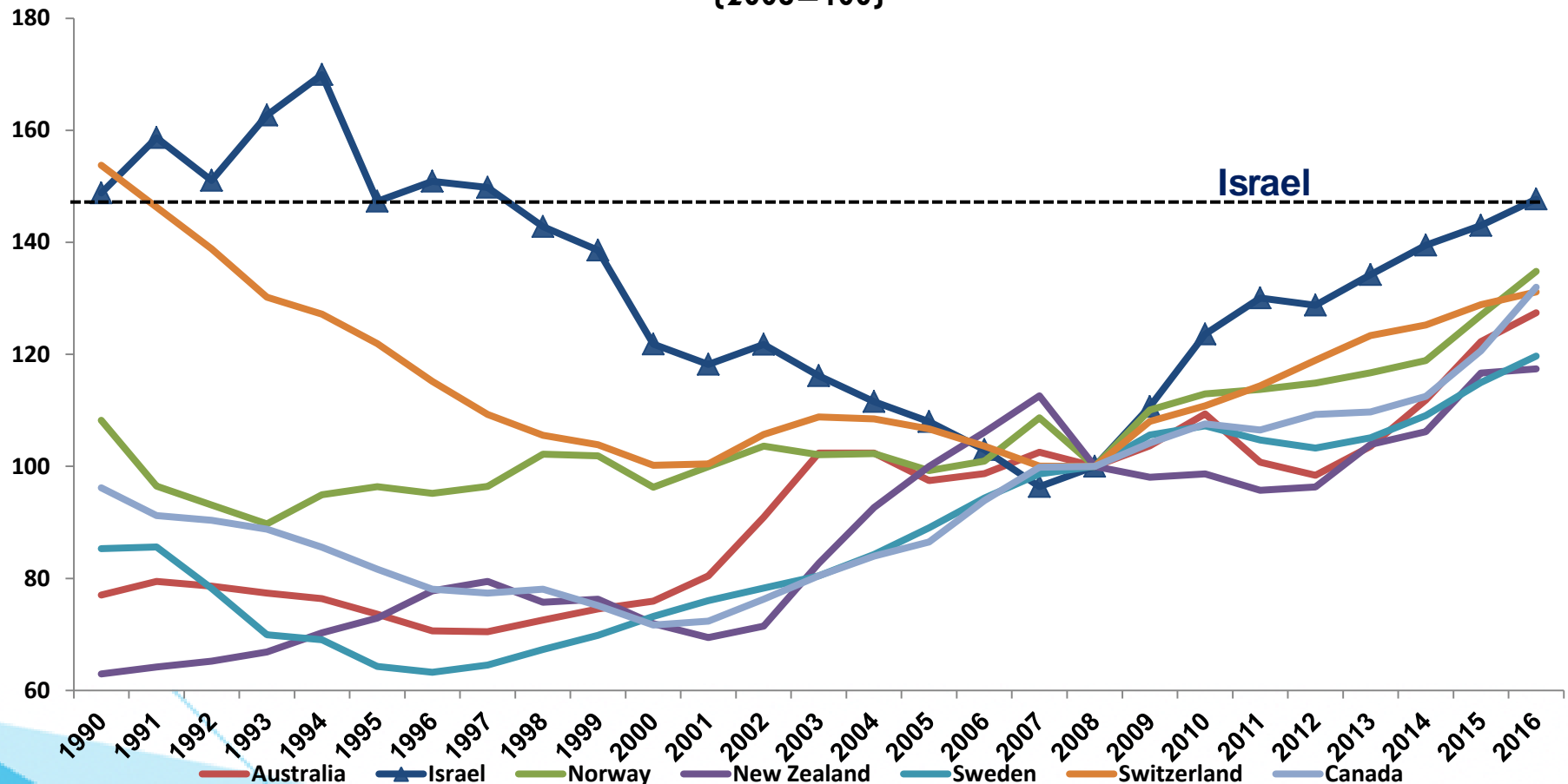


*Advanced, small, open, developed economies with independent currencies and which didn't undergo a crisis following 2008

Source: CBS , the Bank of Israel, Dallas fed and the countries individual statistical offices

Since 2008 housing prices have risen in all small developed economies*; the rise in Israel is more significant

**International comparison- housing price index
divided by nominal GDP per capita**
(2008=100)



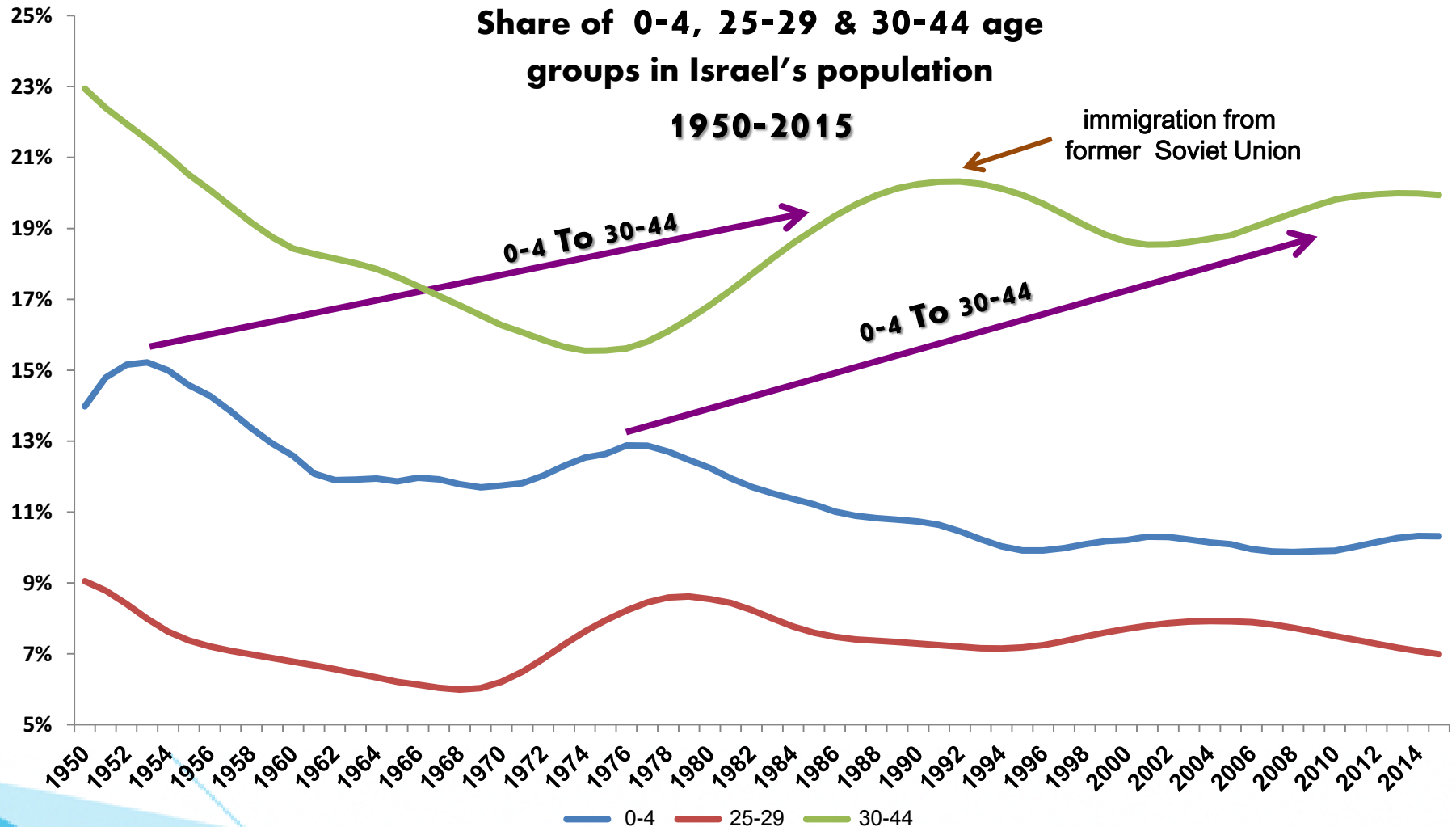
*Advanced, small, open, developed economies with independent currencies and which didn't undergo a crisis following 2008

Source: CBS, the Bank of Israel, Dallas fed and the countries individual statistical offices

Demographics

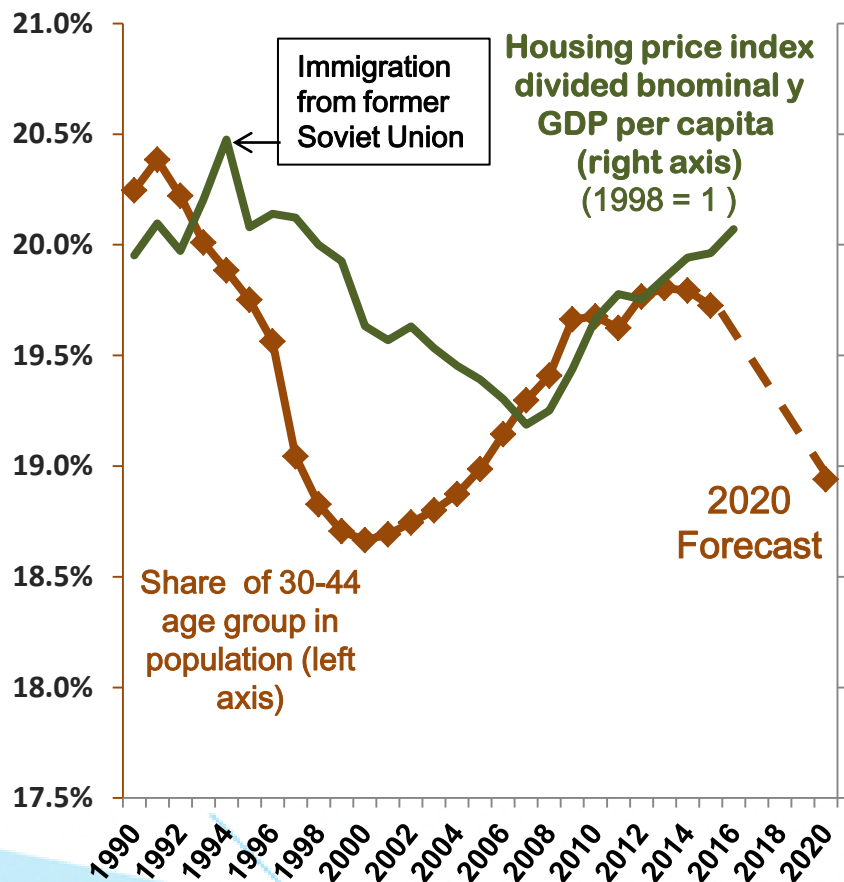


"Baby boom's" in the 50's and 70's and immigration from the former Soviet Union explain recent rise in share of 30-44 age group in Israel

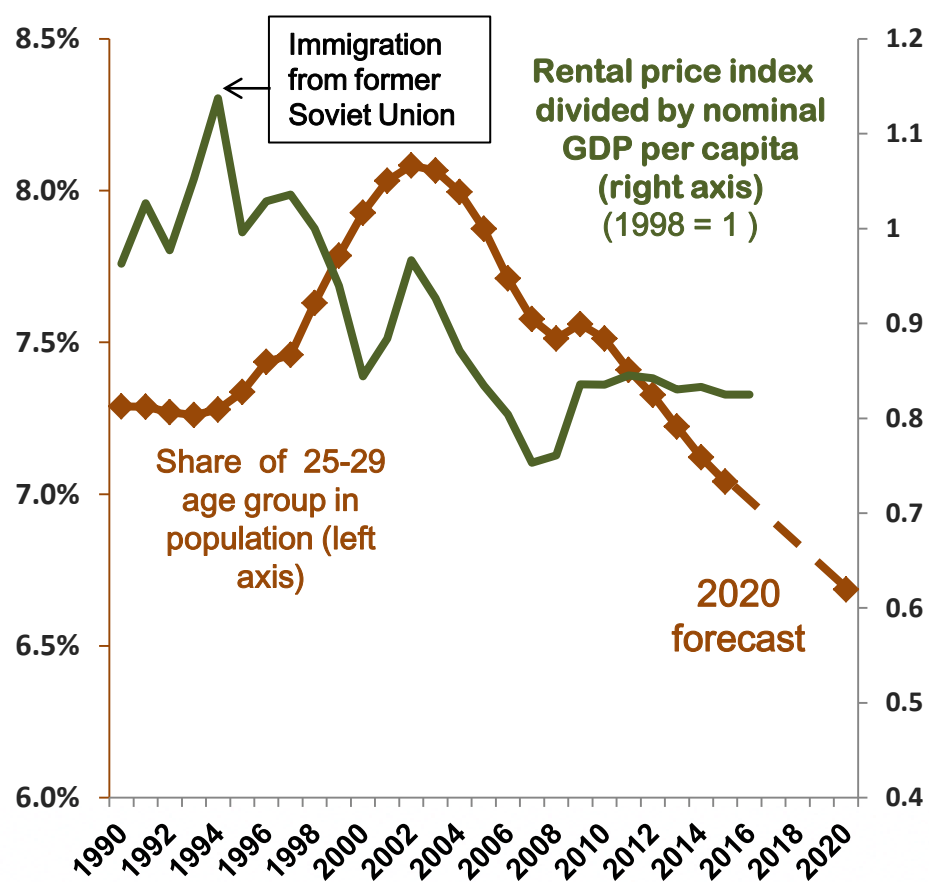


Housing prices are correlated with the share of the 30-44 age group; rental prices are correlated with the share of the 25-29 age group*

**Share of 30-44 age group in population,
Housing price index divided by nominal
GDP per capita**



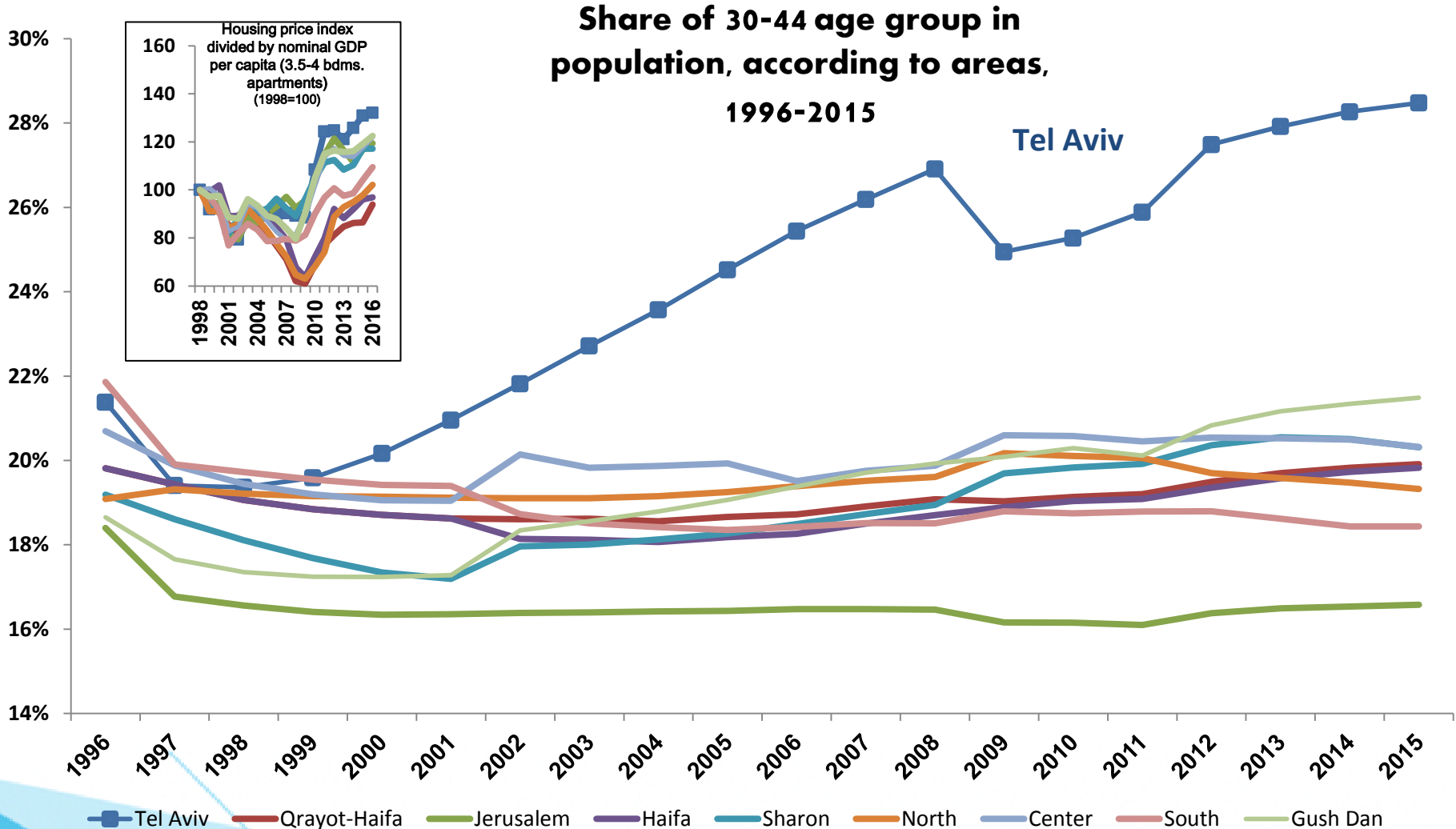
**Share of 25-29 age group in population,
rental price index divided by nominal
GDP per capita**



*following the significant immigration from the Soviet Union

**since 2009 the population data is according to the new CBS census

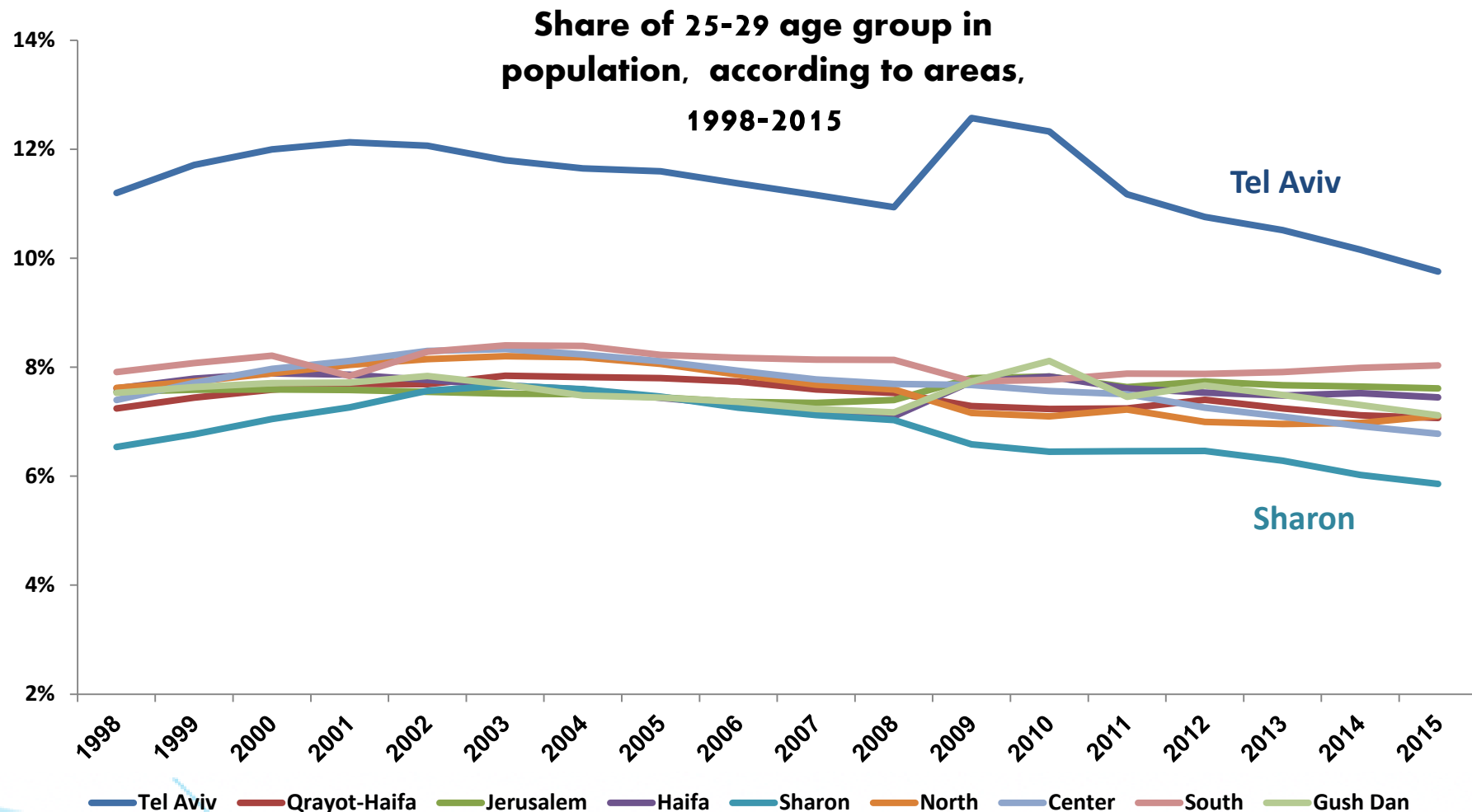
The rise in the share of 30-44 age group in Tel Aviv is consistent with the sharp rise in Tel-Aviv's housing prices



*since 2009 the population data is according to the new CBS census

Source: CBS and the Bank of Israel

Share of 25-29 age group is highest in Tel Aviv; recently Tel Aviv has become less affordable for renters



*since 2009 the population data is according to the new CBS census

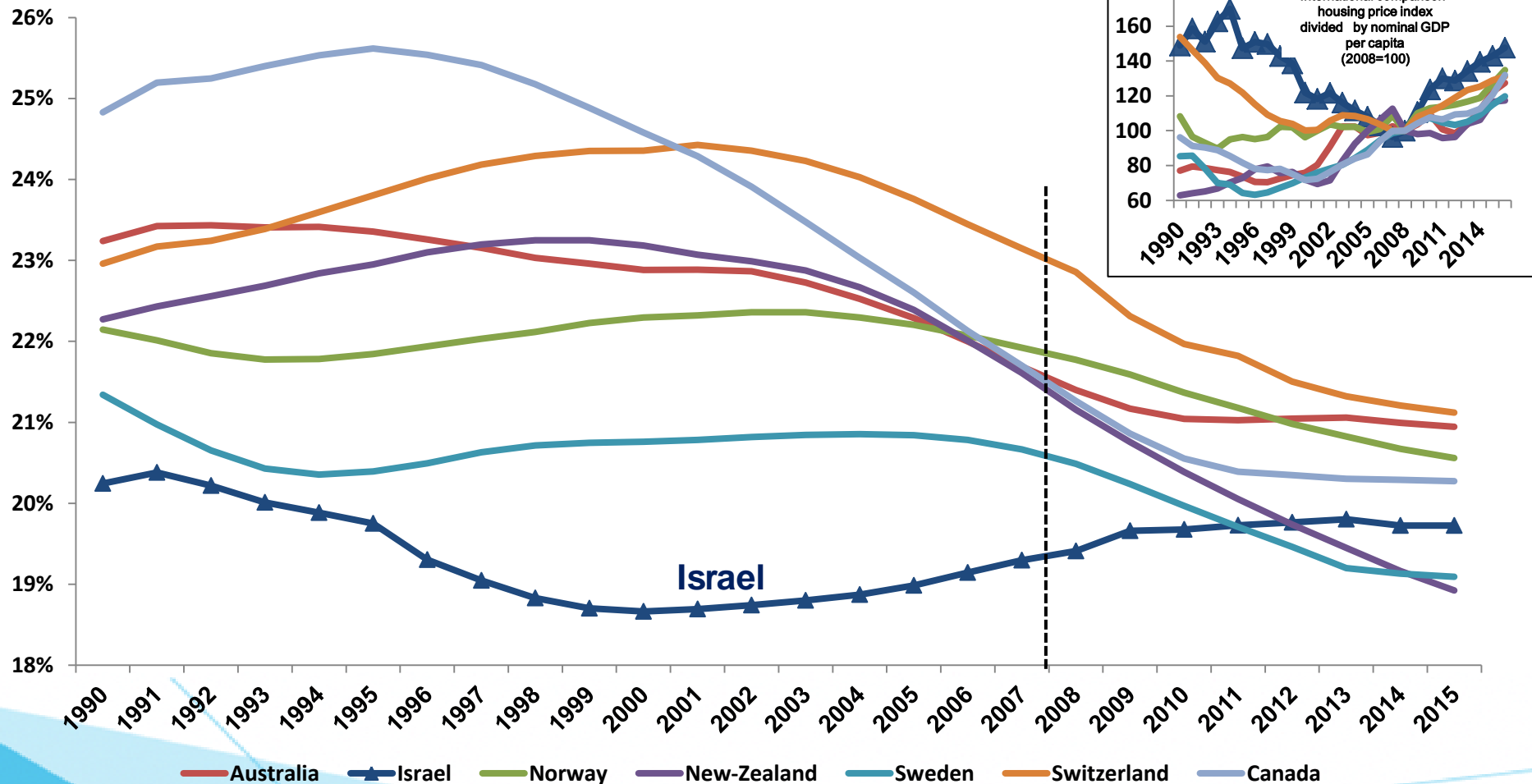
Source: CBS and the Bank of Israel

מקור: הלשכה הלאומית

In contrast to small open economies*, the share of 30-44 age group in Israel has increased; this is consistent with the higher rise in housing prices in Israel since 2008

International comparison- Share of 30-44 age group in population

1990-2015

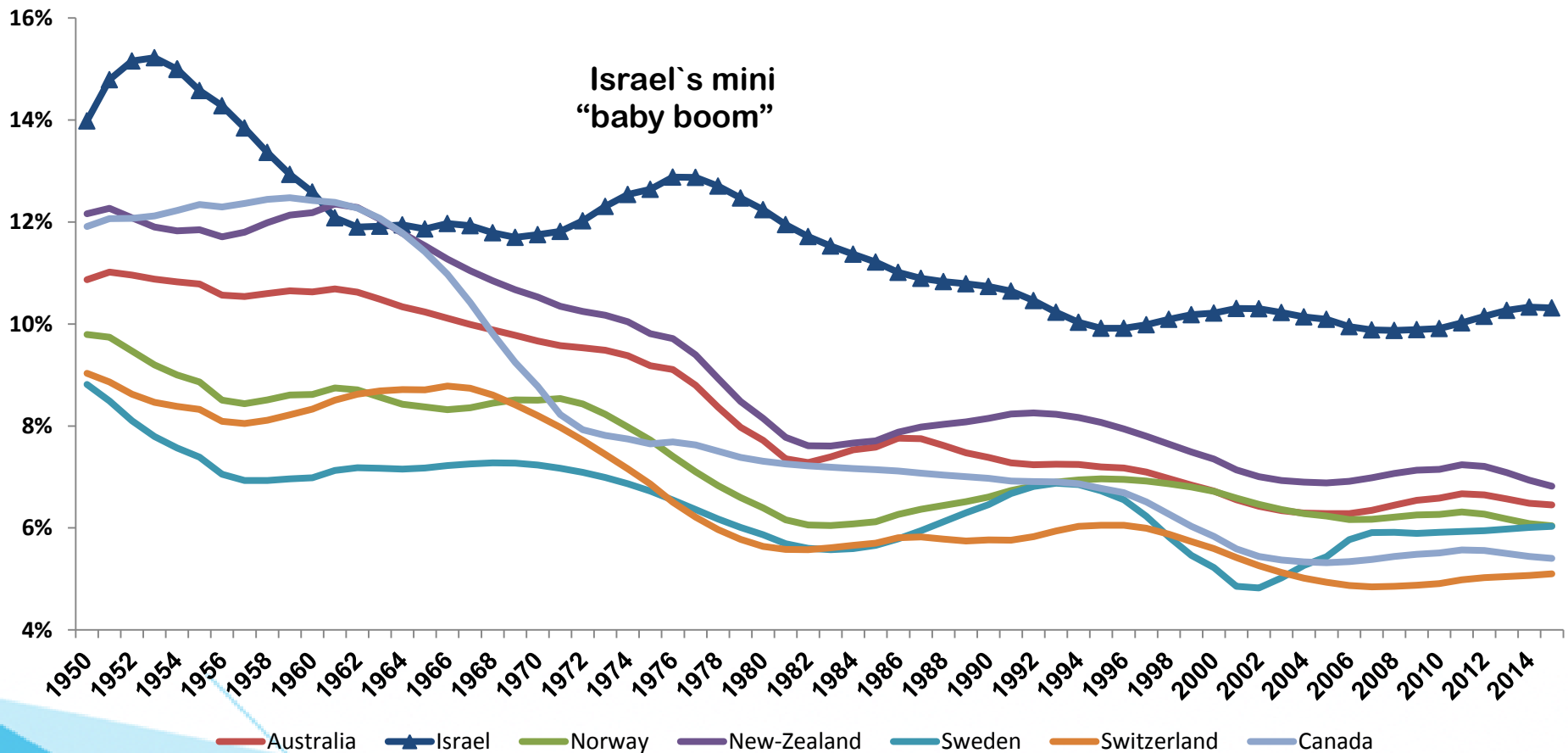


*Advanced, small, open, developed economies with independent currencies and which didn't undergo a crisis following 2008

Source: CBS, the Bank of Israel, UN and OECD

Appendix: many small developed economies* experienced a “baby boom” during the 90’s; this demographic change can cause a demand shock to housing in the coming years

International comparison- Share of 0-4 age group in population 1950-2015



*Advanced, small, open, developed economies with independent currencies and which didn't undergo a crisis following 2008

The Bank of Israel's Recommendations



Bank of Israel's recommendations for effective housing market policy

- ✓ Creating a large planned supply over time, in areas of high demand
- ✓ increasing congestion in cities and areas of high demand
 - Investment in the necessary infrastructure, in particular mass transit systems
 - Urban renewal: prioritizing “evacuation & building” plans over Tama 38*
 - Improving the incentive packages of local authorities (increasing the volume of housing construction and supporting infrastructure in their area)

* Plans which include renovating, strengthening and adding 1-2 floors to existing buildings

Bank of Israel's recommendations for effective housing market policy

- ✓ **Improving the planning and pre-construction process:** shortening the required time from the initial design stage to the start of construction
 - shortening the planning process without lowering quality
 - Increase the synchronization between construction plans and infrastructure development
 - Adjusting the housing mix to demographic changes (age structure, social norms)
- ✓ **Optimization of construction:** prioritizing the integration of foreign construction companies owning advanced technologies over importing foreign workers
- ✓ **Preferring long-term considerations over short-term considerations :** measures must be taken to maintain appropriate rate of construction starts in high demand areas, over time



Thank You