CHAPTER XII

BUILDING

INVESTMENTS IN BUILDING and earthworks[1] were 12 per cent larger in 1961 than in 1960, reaching approximately IL. 770 million. This followed a decline in 1960, when the upward trend of the preceding years was arrested. The expansion in 1961 affected all types of construction, and was mainly due to an increase in the demand for both residential and business premises.

Residential building grew as regards both immigrant housing and other types of construction. The large expansion of publicly financed immigrant housing was the result of increased immigration, while the greater demand for private residential building stemmed from the growth of the population, the rise in incomes, and the inflationary investments in flats due to the anticipation of devaluation. The larger demand for business premises was felt in almost every sector, but was particularly pronounced as regards industry, hotels, commercial buildings, and transportation. The expansion of industrial construction constituted part of the general growth of investment in this sector. The increased construction of hotels and other guest houses was designed to cater to the needs of tourism and the local holiday traffic, which have been developing very rapidly. As for transportation, the larger volume of construction was chiefly due to the building of Ashdod harbor.

The considerable expansion of activity in the building sector caused by the growth of demand raised most input prices, while output prices went up even faster than was warranted by the rise in input prices (except for land). Most input items became more expensive because it proved impossible to enlarge their supply parallel to the growth of demand for them. Though the production costs of various input items increased following the raising of duties on several building materials as well as of wages, under circumstances of rapidly growing demand this could hardly have been the cause of the general rise in input prices, nor did it have any influence whatever on output prices.

The rise in the prices of inputs the supply of which is inelastic, such as land or gravel, far exceeded that justified by the higher production costs, thus proving that the main factor responsible for the increase in input prices was the growth

[1] The building sector covers many types of construction differing from each other in character and destination. Apart from the erection of buildings for residential and other purposes, it includes earthworks such as building, drainage, levelling, etc. With the exception of construction for residential purposes and services, building activities are closely linked with investments in equipment in the other economic sectors concerned.

TABLE XII-1

Investments in Building and Earthworks, by Destination, 1960–61

(IL. million)

Sector of destination	1960	1961 at 1960 prices	1961 at current prices	Increase or decrease (–) from 1960 to 1961: at 1960 prices	Per cent: Value	Per cent: Volume
Housing						
Private building	165.8	181.5	201.9	15.7	21.8	9.5
Public building	140.1	170.3	189.5	30.2	35.3	21.6
Total	305.9	351.8	391.4	45.9	28.0	15.0
Productive sectors						
Agriculture and irrigation	87.5	85.0	93.0	–2.5	6.3	–2.9
Industry	45.4	59.1	65.8	13.7	44.9	30.2
Minerals and drilling	8.1	9.2	10.0	1.1	23.5	13.6
Electricity	19.2	18.3	19.7	–0.9	2.6	–4.7
Transportation and posts	33.0	36.8	39.9	3.8	20.9	11.5
Total	193.2	208.4	228.4	15.2	18.2	7.9
Services						
Hotels and other guest houses	8.2	14.5	16.2	6.3	97.6	76.8
Commercial premises	14.9	20.3	22.6	5.4	51.7	36.2
Public buildings	99.9	101.8	112.6	1.9	12.7	1.9
Less: Payments for connection to the electric power network	1.4	1.2	1.3	–0.2	–7.1	–14.3
Total	121.6	135.4	150.1	13.8	23.4	11.3
Grand total	620.7	695.6	769.9	74.9	24.0	12.1

SOURCE: Central Bureau of Statistics.

of demand. This conclusion is further corroborated by the increases in wages, which in practice exceeded the increases in official wage rates. The same development is reflected by the increase in the prices of residential building, which exceeded the increase in the cost of building.

The rise in building costs accelerated in 1961, amounting to 11 per cent. All cost components contributed to the increase in varying degrees, but the rise in wages was the largest, driving up the average level of building costs even more than all the other input items together. The increase in wages and total costs in the building sector in 1961 was greater than in any single year since 1956.

The area of publicly financed residential building started in 1961 was more than twice as large as in 1960, while the area of such building completed was some 25 per cent smaller. The big increase in building started occurred chiefly in immigrant housing. The decrease in the area of completions reflects the tendency that prevailed in 1960 to restrict building operations. Non-residential building started was 10 per cent larger than in 1960, while the area of such building completed was 2 per cent smaller. Most of the growth in the volume of building started was due to the increased rate of constructing public institutions, business enterprises, and industrial undertakings. The larger number of public institutions erected also partly reflected the growing stream of immigration.

Housing conditions continued to improve, though more slowly than in 1960. The per capita dwelling stock increased by 4 per cent in 1961, continuing a trend already prevailing in previous years. The average density of occupation declined from 1.87 persons per room at the end of 1960 to 1.85 persons per room at the end of 1961.

1. The Volume of Building[1]

The real increase in investments in the building sector during 1961 amounted to 12 per cent as compared with 1960. Building costs rose by 11 per cent on the average, so that the increase in the value of building at current prices was 24 per cent. The growth encompassed all types of building except that in agriculture and the electric power branch, where there was a slight decline.

The biggest expansion took place in the volume of residential building, which increased by 15 per cent, accounting for 61 per cent of the total increase in building operations. The growth affected both private and most types of public housing. The latter has fluctuated sharply ever since 1955. On the other hand, the volume of private residential construction declined from 1955 to 1957, but has been increasing steadily ever since (although the extent of the increase has varied from year to year). The fluctuations in the volume of public housing

[1] Estimates of investment cited in this chapter do not include improvements of existing buildings, maintenance work, or construction for security purposes.

have been due to changes in the Government's scale of priorities arising partly from changes in the scope of immigration. The influence of the latter factor was particularly pronounced in 1961, when public housing was considerably expanded, after having contracted in the preceding year.

The increase in building for the services sector reached 11 per cent, accounting for 18 per cent of the total increase in the volume of building. Especially marked was the faster pace of investment in hotels and other guest houses and business premises. Investments in public buildings increased only slightly, the larger area of commencements being offset by the smaller area of completions. Industrial construction likewise accounted for 18 per cent of the total increase in the volume of building in 1961; it advanced 30 per cent, largely because of the considerably accelerated rate of investment in Israel Shipyards. Investments in the transportation sector rose by 11.5 per cent as compared with 1960, representing 5 per cent of the total increase in building activity. The main growth factor here was the start of work on Ashdod harbor. Investment in harbor construction at Haifa also expanded, and even exceeded that at Ashdod. The larger building investments of Israel Railways were also connected with the building of Ashdod harbor.

As already mentioned, investments in agricultural construction declined in 1961. The increased investment in the National Water Scheme and in regional irrigation projects were more than offset by the smaller volume of investment in farm buildings. The marked increase in building investment during the year reviewed came after a decline in 1960, and as compared with 1959, the volume of building in 1961 was 9 per cent larger. As regards residential construction, which constitutes approximately half the total investment in building, the increase as against 1959 was also 9 per cent.

During the last three years, trends in residential building paralleled those in other types of construction. Consequently, the proportion of residential housing within the total volume of building remained more or less unaltered at approximately 50 per cent. Building for the services sector expanded more rapidly during this period, and its weight in the total volume of building increased accordingly. On the other hand, the proportion of construction for the productive sectors declined somewhat.

In 1961 there was a marked expansion of all types of building, but the actual growth was smaller than it would have been had the supply of all the inputs increased in accordance with demand. The growth of demand and the inelastic supply of certain inputs led to considerable increases in the prices of such inputs and in output prices. The pressure on the building sector from the sudden stream of immigration was unexpected, but the expansion of other types of building could in most cases have been anticipated. However, not enough was done to prepare for the big increase in demand or to prevent the expansion of less essential building. Together with the expansion of residential building for immigrants, other types of publicly financed building, as well as private building for residential and business purposes, were also increased.

At the end of November 1961, the Ministerial Economic Committee decided to take steps to regulate building activities. An inter-ministerial committee appointed to implement this policy decided to restrict the construction of office buildings and educational institutions. However, these measures did not relieve the pressure on inputs in 1961, and their effect may only be felt in 1962. Another possible method of tackling the problems posed by excessive demand was to extend mechanization, substituting machines for manual labor. But at the beginning of November 1961, when the shortage of building workers was already acute, import duties on heavy building equipment were raised from 30 per cent to 50 per cent *ad valorem*. This was intended to encourage local production of heavy equipment and to terminate imports of equipment at an unrealistic exchange rate. However, the raising of duties by two-thirds just at the time when a growing labor shortage was slowing down the expansion of building made construction companies and contractors more reluctant to purchase equipment—at any rate until local production would be expanded.

TABLE XII-2

The Composition of Buildings, by Sector of Destination, 1959–61
(percentages—at current prices)

Sector of destination	*1959*	*1960*	*1961*
Housing			
Private	25.7	26.7	26.2
Public	24.6	22.6	24.6
Total	50.3	49.3	50.8
Productive sectors			
Agriculture and irrigation	12.3	14.1	12.1
Industry	7.4	7.3	8.5
Minerals and drilling	1.3	1.3	1.3
Electricity	3.1	3.1	2.6
Transportation and posts	7.9	5.3	5.2
Total	32.0	31.1	29.7
Services	17.7	19.6	19.5
Grand total	100.0	100.0	100.0

SOURCE: Central Bureau of Statistics.

Table XII-3

Area of Building Started and Completed, by Type, 1960–61
(thousands of square meters)

Type of building	Building started 1960	Building started 1961	Increase or decrease (–) from 1960 to 1961 (%)	Building completed 1960	Building completed 1961	Increase or decrease (–) from 1960 to 1961 (%)
Residential						
Built by Government and Jewish Agency	723	1,426	97.2	1,044	728	–30.3
Built by others	1,044	1,128	8.0	894	984	10.1
Total	1,767	2,554	44.5	1,938	1,712	–11.7
Non-residential building						
Business premises	138	205	48.6	92	106	15.2
Hotels and other guest houses	66	55	–16.7	15	90	500.0
Total	204	260	27.5	107	196	83.2
Of which:						
Built by Government	(12)	(13)	(8.3)	(11)	(7)	(–36.4)
Built by others	(192)	(247)	(28.6)	(96)	(189)	(96.9)
Industrial building						
Built by Government	9	11	22.2	11	12	9.1
Built by local authorities	162	253	56.2	150	179	19.3
Built by others	217	143	–34.1	183	263	43.7
Total	388	407	4.9	344	454	32.0
Public buildings						
Built by Government and Jewish Agency	93	113	21.5	95	79	–16.8
Built by others	190	261	37.4	228	187	–18.0
Total	283	374	32.2	323	266	–17.6
Agricultural buildings (by Jewish Agency)	149	82	–45.0	257	96	–62.6
Total non-residential building	1,024	1,123	9.7	1,031	1,012	–1.8
Grand total	2,791	3,677	31.7	2,969	2,724	–8.3
Of which:						
Built by Government and Jewish Agency	986	1,645	66.8	1,418	922	–35.0
Built by others	1,805	2,032	12.6	1,551	1,802	16.2

Source: Central Bureau of Statistics.

The expedient used to relieve the excessive pressure of demand was the construction of asbestos huts for immigrants. This was a poor policy from several aspects:

(1) The quality of asbestos huts is inferior to that of ordinary buildings, while the difference in cost is not great.

(2) The life of asbestos huts is shorter than that of ordinary buildings; in fact it is estimated to be only half as long.

(3) The erection of asbestos huts requires more land than other types of urban building, thus resulting in the inefficient utilization of land, the prices of which have been rising rapidly.

(4) The building of single-storey units spread over relatively large areas increases the expenditure on municipal services.

The use of asbestos huts became more widespread towards the end of the year when demand pressure grew still further.

2. Building Costs and Input Prices

The main factor pushing up input prices was the increase in demand. This is evidenced by the higher prices of building plots, especially for those in urban areas,[1] by the fact that other input prices went up more than the rise in their production costs warranted, and that wages in the building sector rose above the official rates.

The average level of building costs,[2] apart from land, was 11 per cent higher in 1961 than in 1960. This was the steepest rise since 1956, and it was caused by the increase in the prices of most building materials and increases in wages.

(a) *Wages*

Average wages in the building sector were 14 per cent higher in 1961 than in 1960. This was the sharpest rise since 1956, and it was due to three factors:

(1) The raising of basic wage rates for daily labor and of piece rates by 5 per cent in April 1961.

(2) The higher cost-of-living allowance paid as from July 1961.

(3) The paying of wages in excess of the official rates owing to the labor shortage.

Additional proof of the shortage of building workers is provided by the data

[1] This should actually be sufficient proof that demand governed the extent of price increases in the sector, for had there been no increase in demand, input prices would have risen at the expense of the economic rent on land.

[2] The rise in the index of building costs published by the Central Bureau of Statistics is smaller, totalling 9 per cent. But this index appears to have a downward bias, chiefly because it does not cover certain wage increases which are not reflected in official wage rates. Such increases occurred during 1961 owing to the shortage of labor in the building sector.

TABLE XII-4

Building Costs,[a] by Items, 1960–61

(1950 = 100)

Item	*Weight in 1950*	*Average index in 1960*	*Average index in 1961*	*Per cent increase from 1960 to 1961*	*Contribution to total rise in index (%)*
Wages	60.0	396.8	452.4	14.0	58.5
Transport	11.0	262.1	270.2	3.1	1.6
Gravel	5.0	246.0	272.8	10.9	2.3
Sea sand	3.0	417.8	450.3	7.8	1.7
Cement	6.5	1,066.1	1,166.9	9.5	11.5
Wood	8.0	1,203.7	1,295.4	7.6	12.9
Iron	6.5	824.3	925.0	12.2	11.5
Total	100.0	510.9	567.9	11.2	100.0

[a] This index is not identical with that published by the Central Bureau of Statistics, since different data are utilized for the measurement of wage increases.
SOURCE: Central Bureau of Statistics and estimates of the Bank of Israel.

from the labor exchanges, which show that in 1961 skilled building workers accounted for an average of 22 per cent of all unfilled requests for labor placed with the exchanges, and for 36 per cent of all unfilled requests for skilled labor. The proportion of unskilled building workers whom the exchanges were unable to supply on request was also high, despite the fact that only 9 per cent of Israel's gainfully employed population work in the building sector.

The first two above-mentioned factors, which are reflected in official wage rates, together caused a rise of 9 per cent in the average wages paid in the sector. The rise in wages was responsible for 58 per cent of the total increase in building costs.

(b) *Building materials*

The prices of most building materials rose in 1961. The general rise in these prices was due, as already mentioned, to the greater demand occasioned by the larger volume of building, but in some cases prices went up because of the imposition of additional duties or because of higher production costs. Consequently, there were also some changes in the relative prices of building materials.[1] Besides raising prices, the growing demand reduced exports of building materials during the year reviewed by 4.2 per cent, with the decrease being particularly sharp in certain products.

[1] Since most of the price increases were due to increased demand, reative prices were affected by the elasticity of supply. However, increases in production costs also had a certain effect.

The prices of building materials comprising the index of building costs rose by an average of 9.3 per cent.[1] These increases were responsible for 42 per cent of the total increase in building costs, and took place mainly in the first quarter of 1961.

The biggest rise was in gravel prices, which went up 29 per cent during the year. This occurred at a time when the input prices of gravel production were increasing much more slowly, and was due to the greater demand for gravel and the inelastic supply of this commodity.

There was also a big increase in the price of building iron. This totalled 18 per cent, and was partly due to the new duties imposed in February, though iron prices continued to rise to an extent far beyond that warranted by the higher duty. Cement prices climbed by 11 per cent during 1961 owing to the increase in taxes. As a result of the growth of local demand, cement exports declined by 18 per cent in 1961 as compared with 1960. The prices of other building materials were also raised in 1961.

In the case of certain building materials the rise in prices in 1961 was greater than increases in duty rates justified, after allowance is made for higher production costs. Such a development is only possible under conditions of rapidly growing demand for the input items concerned.

3. Prices of Residential Building

In 1961 the cost of residential building went up much more rapidly than the index of building costs. Between January 1959 and July 1961, there was a rise of 27 per cent in the index of residential building prices, as compared with 20 per cent in the index of building costs.

The main reason for this difference was the rapid increase in land prices, especially in urban areas. This followed the expansion of the demand for housing, the supply of building plots being less elastic than that of any other input item in the building sector. In private residential construction land presently constitutes approximately 30 per cent of the cost of a finished housing unit, as against only 15 per cent in 1958. In Tel Aviv the share comes to some 45 per cent as compared with 23 per cent in 1958. On an average for the country as a whole, land prices were about four times higher in 1961 than in 1958.[2]

The rapid rise in land prices was chiefly due to the booming demand for housing and the larger speculative demand for land as fears of inflation and devaluation became more widespread. In 1961 alone land prices rose 30 to 40 per cent. The inelastic supply of land on the one hand, and the investments

[1] The percentage increases cited here refer to the growth from January to December 1961, whereas those in Table XII–4 refer to the average annual increase.

[2] According to data of the Statistical Department of the Builders' and Contractors' Association.

TABLE XII–5

Index of Residential Prices and of Building Costs, January 1959 to July 1961

Period	Housing prices		Building costs	
	Index[a]	Per cent increase over preceding period	Index[a]	Per cent increase over preceding period
January 1959	100.0	—	100.0	—
July 1959	102.0	2.0	101.5	1.5
January 1960	106.0	2.9	103.2	1.7
July 1960	110.9	5.6	107.8	4.5
July 1961[b]	126.7	14.2	119.7	11.0

[a] This index reflects the changes during the periods shown in the table, which are in turn reflected by the consumer price index after a six-months time lag.
[b] Since the index of building costs has a downward bias, the increase in such costs from July 1960 to July 1961 has been estimated at 11 per cent.
SOURCE: Central Bureau of Statistics and Bank of Israel estimates.

in land designed to safeguard the value of money as well as the growing demand for housing on the other, were responsible for the fact that the prices of finished housing units rose faster than the index of building costs.

Taxes on land and on building materials, per housing unit, rose between April 1960 and April 1961 at a faster rate than the prices of flats. However, the level of taxation is still low as compared with the taxes on other durable goods. This is especially true of luxury flats. It should be recalled that under the existing conditions of excess demand, every additional increase in taxes will cause a decrease in the price of land.

In April 1960 the rate of tax per housing unit was slightly higher for large than for small units. However, the increases in taxation between April 1960 and April 1961 were in inverse ratio to the size of the residence: the larger the flat or house, the smaller was the rise in the rate of tax. Consequently, by April 1961 taxes were roughly proportional to the size of the unit. Taxes on building materials were in April 1961 actually levied at higher rates for smaller flats, the rate decreasing as the size of the housing unit increased. This was due to the fact that in the large units the weight of building materials within total building costs is smaller while that of labor costs is larger.

Though the overall rate of tax per housing unit is relatively low, the fact that the taxes are largely levied at a high rate on a small number of input items tends to cause distortions in the allocation of resources—e.g. the exaggerated use of iron in place of cement.

TABLE XII-6

Taxes on Building Materials and Land, as a Percentage of the Price of the Finished Housing Unit, April 1960 and April 1961

Size of unit (square meters)	Price of unit (IL. thousand)		Taxes as a percentage of price of unit		Per cent increase in price of unit	Per cent increase in rate of tax
	1960	1961	1960	1961		
Built by the Ministry of Housing						
35	5.1	5.5	10.8	11.4	7.8	5.6
53	7.1	7.7	9.8	10.4	8.5	6.1
58	8.0	8.7	11.3	11.9	8.7	5.3
68	9.8	10.6	12.4	13.0	8.2	4.8
Private building						
80	16–25	18–28	8–13	8–13	12.0	—
100	22–32	25–35	8–12	9–12	11.0	5.0

SOURCE: Report on State Revenues, 1960/61.

4. THE STRUCTURE AND LABOR FORCE OF THE BUILDING SECTOR

Some 2,200 building companies and contractors were active in the building sector in 1961.[1] The average number of gainfully employed was 67,900, i.e. 4.5 per cent more than in 1960. This paralleled the increase in the total number of gainfully employed in the economy, so the building sector's share of the total labor force remained unchanged. Between the first and the last quarter of 1961, the number of gainfully employed in the sector increased by 11 per cent. The number of wage-earners in the sector was 5.4 per cent higher in 1961 than in 1960, reaching 48,500.

In previous years the building sector's share of the total labor force had been declining, chiefly because of the reduction of the weight of this sector—that is, output increased more slowly in building than in other economic sectors. In 1961, however, the output of the building sector grew by as much as 12 per cent. Nevertheless, its share of total employment did not increase. This was due primarily to the larger average number of days worked per employee, more overtime, and a somewhat greater degree of mechanization. The last-mentioned development was mainly caused by the relative unattractiveness of the building sector to new workers and the tendency for workers to leave the sector owing to the difficult conditions and the impermanence of employment. This tendency

[1] According to statistics of the National Insurance Institute. The figure should not be compared with that cited in the same connection in the Annual Report of the Bank of Israel for 1960, because of a difference in definition.

TABLE XII-7

Employment in Building, 1958–61

Year	*Average No. of gainfully employed*	*Per cent increase over preceding year*	*Gainfully employed in building as a percentage of all gainfully employed*
1958	64,000	—	9.8
1959	65,000	1.6	9.6
1960	65,000	—	9.5
1961	68,000	4.5	9.3

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

becomes particularly strong under conditions of full employment, when the demand of other sectors for labor is an important factor in influencing workers to leave the building trade.

5. RESIDENTIAL BUILDING

Investments in residential building expanded rapidly during 1961, as already mentioned. Investments in residential construction financed by public bodies increased more than twice as fast as investments in private housing, reflecting the substantial expansion of building for immigrants. However, even private building rose more rapidly than in the preceding years.

The considerable fluctuations in public housing in recent years took place chiefly because of fluctuations in the scope of immigration. The proportion of public housing for persons other than immigrants has been gradually decreasing.

The average time required for the erection of residential buildings ranges from 9 to 12 months, and consequently data on the volume of building completed mainly reflect the trends which prevailed in 1960. The smaller area of completions in 1961 was thus the result of the smaller investments made by the public sector in residential building in 1960, which were also reflected in the smaller area of public housing started during that year. In 1961 the area of publicly financed residential building started was almost doubled.

Investments in private residential building have been on the rise ever since 1957, but the rate of expansion has varied. The general upward trend has been due to the rise in average per capita incomes and to the natural increase. The fluctuations in the volume of private building accompanying this general trend may be explained by the expectations of devaluation and by the larger immigration of 1959 and 1961, which increased the demand for housing. The fluctuations in the volume of publicly financed residential construction have been almost entirely due to changes in the flow of immigration.

Table XII-8

Investments in Residential Building, 1957–61
(at 1955 prices)

Year	Private building: IL. million	Private building: Increase or decrease (–) as against preceding year (%)	Public building: IL. million	Public building: Increase or decrease (–) as against preceding year (%)	All residential building: IL. million	All residential building: Increase or decrease (–) as against preceding year (%)
1957	110.6	..	127.2	..	237.8	..
1958	114.7	3.7	118.7	–6.7	233.4	–1.9
1959	128.4	11.9	123.1	3.7	251.5	7.8
1960	130.2	1.4	95.2	–22.7	225.4	–10.4
1961	142.6	9.5	115.8	21.6	258.4	14.6

Source: Central Bureau of Statistics.

Table XII-9

Public Residential Building, by Type, 1960–61

Type	Number of housing units: Started 1960	Started 1961	Completed 1960	Completed 1961	Per cent: Started 1960	Started 1961	Completed 1960	Completed 1961
For immigrants								
Urban housing projects	3,528	15,636	6,405	5,836	29.3	60.0	36.5	44.1
Liquidation of transit camps and huts	2,564	2,466	3,439	2,625	21.3	9.5	19.6	19.8
Housing in agricultural settlements	1,235	271	1,025	458	10.3	1.0	5.8	3.5
Total	7,327	18,373	10,868	8,919	60.9	70.5	61.9	67.4
For others								
Housing projects in development areas:								
For veterans	579	1,507	—	314	4.8	5.8	—	2.4
For young couples	345	721	—	234	2.9	2.8	—	1.8
For minorities	255	360	164	377	2.1	1.4	0.9	2.8
Savings-for-Housing Scheme	3,179	4,122	5,822	2,930	26.4	15.8	33.2	22.1
Slum-clearance projects	344	969	691	460	2.9	3.7	4.0	3.5
Total	4,702	7,679	6,677	4,315	39.1	29.5	38.1	32.6
Grand total	12,029	26,052	17,545	13,234	100.0	100.0	100.0	100.0

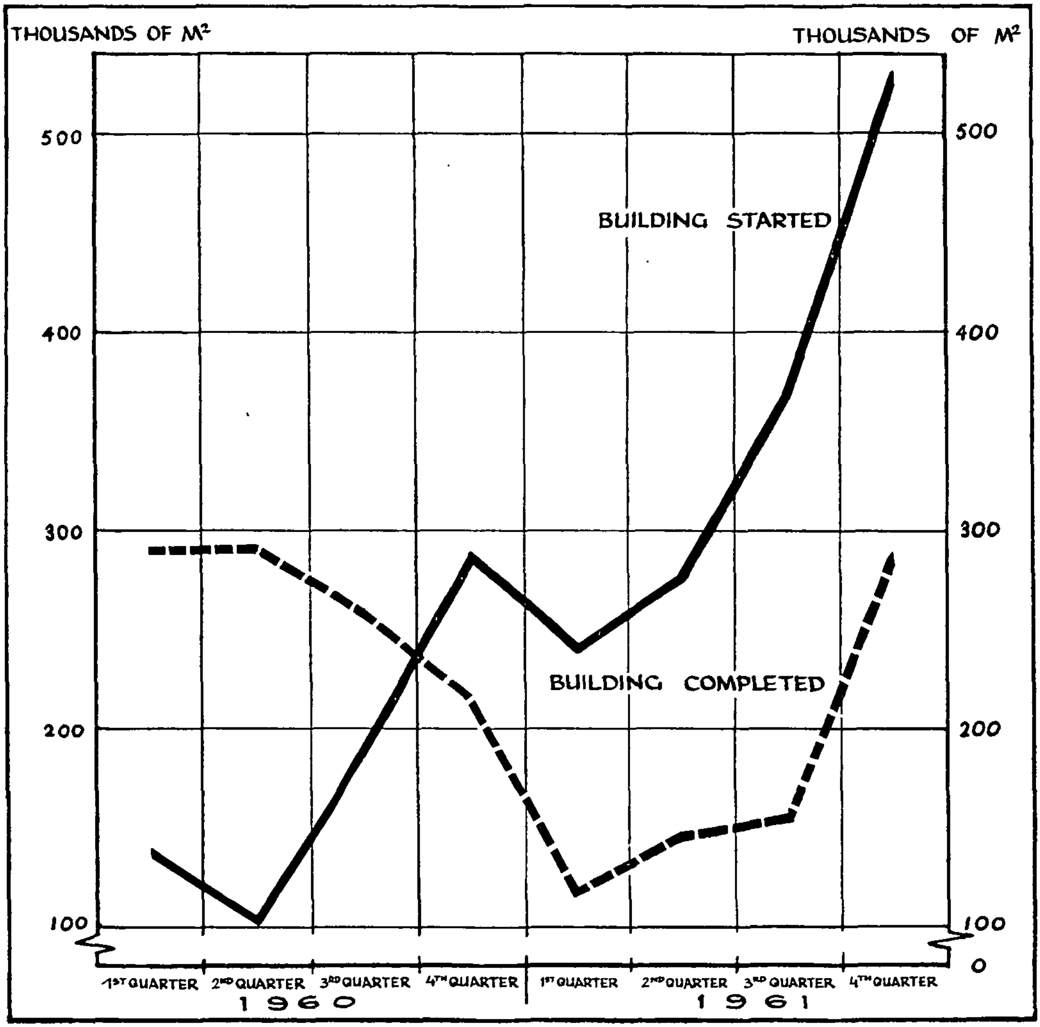
Source: Central Bureau of Statistics.

The pace of residential building by the public sector was not uniform in either 1960 or 1961. However, in contrast to 1960, during the year reviewed the volume of building did not expand and contract at frequent intervals. Instead, there was a steady increase throughout the year, as regards both commencements and completions. The same trend characterized the volume of employment in the building sector.

In 1961 construction was started of some 26,000 housing units financed

DIAGRAM XII – 1

Public Residential Building, by Quarters, 1960–61



SOURCE: Central Bureau of Statistics.

from public funds. This was an increase of 117 per cent as compared with 1960. The number of publicly financed housing units completed in 1961 was 13,000, which was 25 per cent less than in 1960. Approximately 71 per cent of the housing units started by public bodies were earmarked for immigrants, as against only 61 per cent in 1960. It is noteworthy that the number of publicly financed units started for persons other than immigrants also increased rapidly (by 63 per cent), though a slowing down here might have eased the shortage of production factors.

The number of housing units started by the private sector in 1961 was 12,100, as compared with 12,600 in 1960. The number of such units completed was 11,000, the same as in 1960.

The number of privately built residential units was some 2 per cent smaller in 1961 than in 1960, but the average area of each unit increased by 11 per cent. As the first factor partly offset the effect of the second, the volume of investment in private residential construction rose by 9.5 per cent.

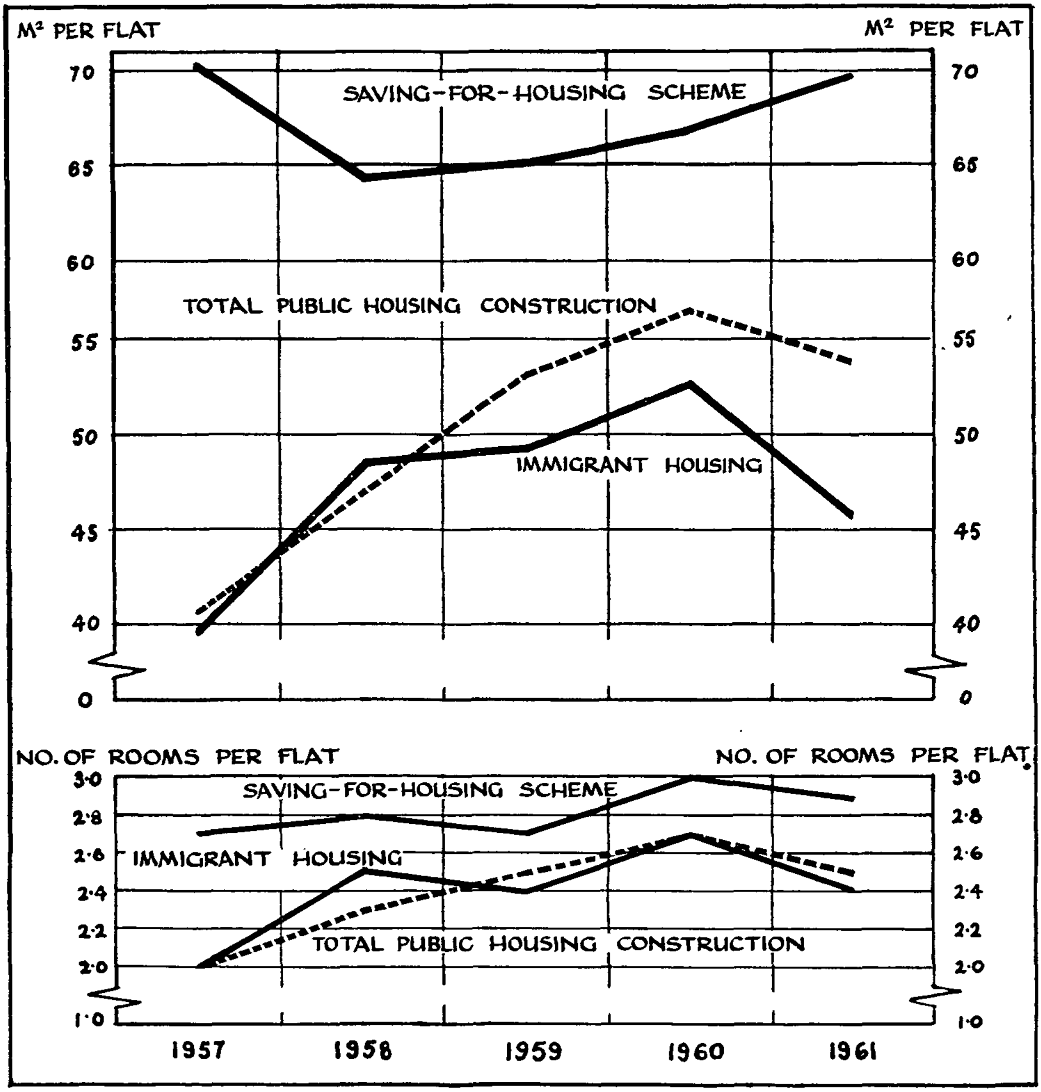
6. Housing Conditions

The year 1961 witnessed the addition of some 64,000 newly-built rooms, but on the other hand there was a reduction of some 7,350 rooms owing to the dismantling of temporary structures and the demolishing of dilapidated buildings. The net addition to the number of habitable rooms totalled 5 per cent. Over the same period, the population increased by 82,000 persons, i.e. by 3.8 per cent. Thus the rate of increase in the number of rooms was slightly faster than that of the population, and the tendency for the density of occupation to drop, which has been in evidence ever since 1953, continued. The average number of persons per room declined from 1.87 at the end of 1960 to 1.85 at the end of 1961. The weight of the groups with a density of occupation at or below the average increased, whereas that of the groups with an above-average density became smaller (see Table XII–10). Differences in housing standards between the newly-built rooms and the demolished rooms (i.e. in average housing standards) are not, of course, taken into consideration when calculating the density of occupation. In general, the new rooms are of a higher than average standard, while the demolished rooms are normally in temporary structures and abandoned Arab property. Hence the decline in the density of occupation does not fully reflect the improvement in housing standards. A more reliable indicator is the amount of capital invested in housing per capita. The per capita dwelling capital stock has been expanding continuously over the last few years, and in 1961 it increased by 4 per cent as compared with an average annual increase of 5 per cent in previous years.

The average number of rooms per housing unit erected by the public sector rose by 25 per cent between 1957 and 1961. However, for the first time since 1957, both the average area and the average number of rooms per housing unit declined in 1961. This was due to the renewed construction of asbestos structures owing to the pressure of the housing shortage. The decline was most marked in the case of immigrant housing, but in other types of public residential construction as well, except for that within the Savings-for-Housing

DIAGRAM XII-2

Average No. of Rooms and Area of Public Housing Construction, 1957–60



SOURCE: Ministry of Housing.

TABLE XII-10

Density of Occupation Among Jewish Families,[a] 1957 and 1960

(percentages)

No. of persons per room	*November 1957*	*November 1960*
Less than 1	5.6	7.0
1.00 to 1.99	38.5	41.4
2.00 to 2.99	33.1	30.9
3.00 to 3.99	10.6	10.3
4.00 and over	12.2	10.4
Total	100.0	100.0
Number of families	477,100	512,300

[a] Including kibbutzim, but excluding institutions.
SOURCE: Central Bureau of Statistics.

Scheme, there was no increase in the average area of the housing units. In contrast, the average area of housing units erected by the private sector increased by some 11 per cent, from 81 to 90 square meters.

The transition from rented accommodation to owner occupation, which has been characteristic of recent years, continued in 1961 as well. This trend is due to several factors:

(1) The Tenant Protection Law and the uncertainty about rents and key money. These reduce the profitability of building investments for rental purposes as compared with other possible investments. Consequently, the overwhelming majority of newly-built houses or flats are erected for sale rather

TABLE XII-11

Tenancy and Ownership of Dwellings, 1956/57 and 1959/60

(in percentages)

	1956/57	*1959/60*
Owner-occupied	42.7	54.1
Rented	56.3	44.7
Sub-let	1.0	1.2
Total	100.0	100.0

SOURCE: Central Bureau of Statistics, Survey of Family Expenditures, 1959/60.

Table XII–12

Purchases of Public Housing Units and Size of Mortgages, by Type of Housing, 1960/61

Type of housing	No. of housing units purchased	Value of units purchased (IL. thousand)	Total mortgages granted (IL. thousand): By banks and the Government	Total mortgages granted (IL. thousand): By building companies	Average price per unit (IL.)	Mortgage as a percentage of value of unit
In development areas						
Savings-for-Housing Scheme	538	5,672	3,014	—	10,543	53.1
New immigrant absorption	165	1,181	994	—	7,155	84.2
Liquidation of huts and transit camps	338	2,378	2,121	—	7,035	89.2
Slum clearance	104	777	653	—	7,470	84.0
Veterans' housing projects	300	2,996	2,282	—	9,987	76.2
Professionals' and public servants' housing projects	35	264	227	—	7,530	86.0
Exchanges	91	635	559	—	6,978	88.0
Total	1,571	13,903	9,850	—	8,850	70.8
In other areas						
Savings-for-Housing Scheme	3,177	47,235	12,626	1,625	14,868	30.2
Young couples' housing scheme	46	413	263	—	8,978	63.7
Liquidation of huts and transit camps	1,150	10,889	7,969	790	9,469	80.4
New immigrant absorption	531	5,282	3,378	240	9,947	68.5
Slum clearance	151	1,739	906	20	11,519	53.2
Professionals' housing projects	83	914	546	67	11,009	67.1
Total	5,138	66,472	25,688	2,742	12,937	42.8
Whole country						
Savings-for-Housing Scheme	3,715	52,907	15,640	1,625	14,241	32.6
New immigrant absorption	696	6,463	4,372	240	9,286	71.4
Liquidation of huts and transit camps	1,488	13,267	10,090	790	8,916	82.0
Slum clearance	255	2,516	1,559	20	9,867	62.8
Veterans' housing projects	300	2,996	2,282	—	9,987	76.2
Professionals' and public servants' housing projects	118	1,178	773	67	9,983	71.3
Exchanges	91	635	559	—	6,978	88.0
Young couples' housing scheme	46	413	263	—	8,978	63.7
Grand total	6,709	80,375	35,538	2,742	11,980	47.6

Source: Ministry of Housing.

than for rent. Moreover, the uncertainties mentioned above make the public chary of investing in key money.

(2) The flight from money occasioned by fears of inflation and devaluation, and the tendency to invest in real estate in order to safeguard the value of one's assets. Inflation turns the saver into an investor in real estate. This phenomenon became considerably more widespread in 1961, owing to the increased expectations of devaluation.

(3) The availability of long-term credit for financing the purchase of homes, especially those erected by the public sector, in an amount covering an appreciable proportion of the total cost.

(4) The fact that housing erected by the public sector is intended for sale only, except for some immigrant housing projects.

The proportion of families living in self-owned homes continued to increase in 1961, when some 6,350 houses and flats were sold to the tenants previously renting them. Of these, some 2,350 were sold to immigrants, while the remaining 4,000 were sold to tenants living in dwellings of the Development Authority.

The possibility of obtaining loans against long-term mortgages for a large percentage of the cost of the housing unit enabled even persons with no ready savings to buy their homes. The smaller the purchase price of the dwelling, the larger the percentage that was covered by the loan. This percentage was also higher in development areas than in other parts of the country. Interest on such loans was charged at a relatively low rate, though most of the loans granted were linked to the consumer price index or to the rate of exchange. It cannot be assumed that the linkage condition constituted a deterrent, and the possibility of obtaining long-term credit for the purchase of homes erected by public bodies no doubt resulted in an increase in such purchases. Despite the easy purchase terms, only half the housing units built by the public sector were purchased, whereas the other half were rented. Publicly financed housing is rented in immigrant housing projects, and to a lesser extent in housing projects for young couples.