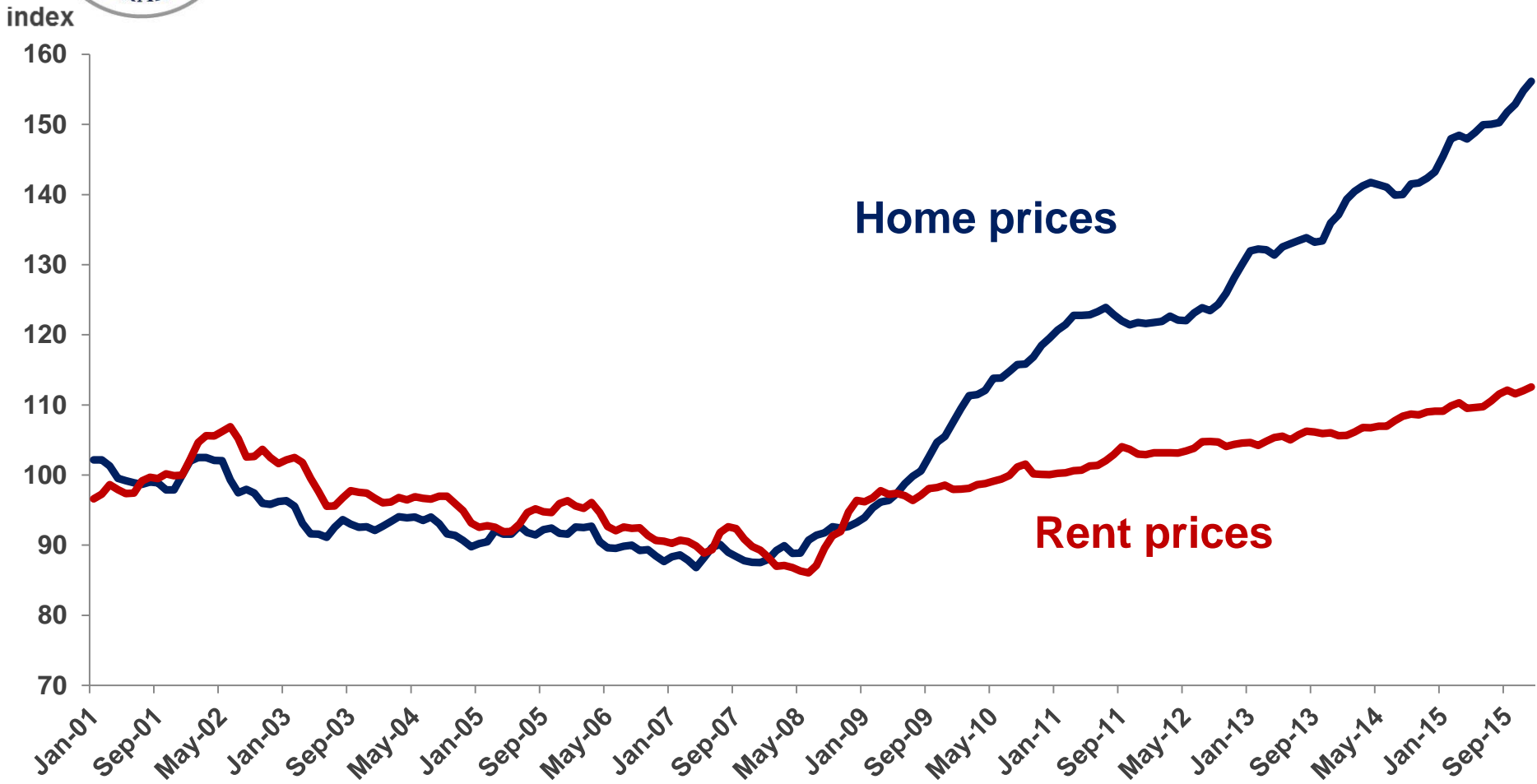




Demographics and Housing Affordability in Israel

Kobi Braude
Bank of Israel

Home Prices Rising Much Faster than Rents

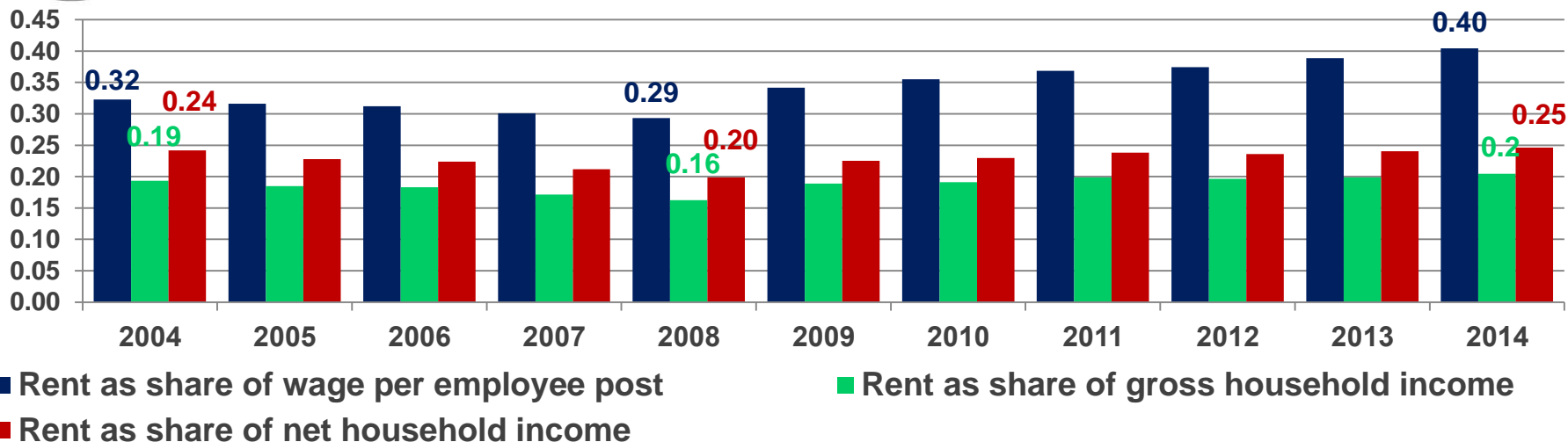


*CPI deflated, Dec. 2001=100

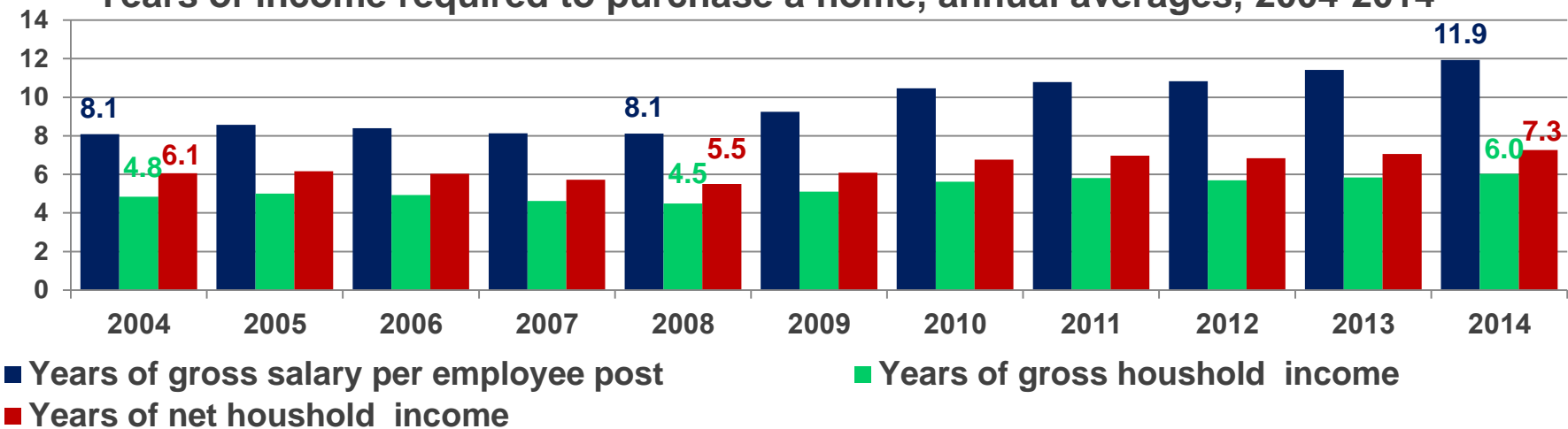


Affordability, 2004-2014

Rent to income ratios, annual averages, 2004-2014



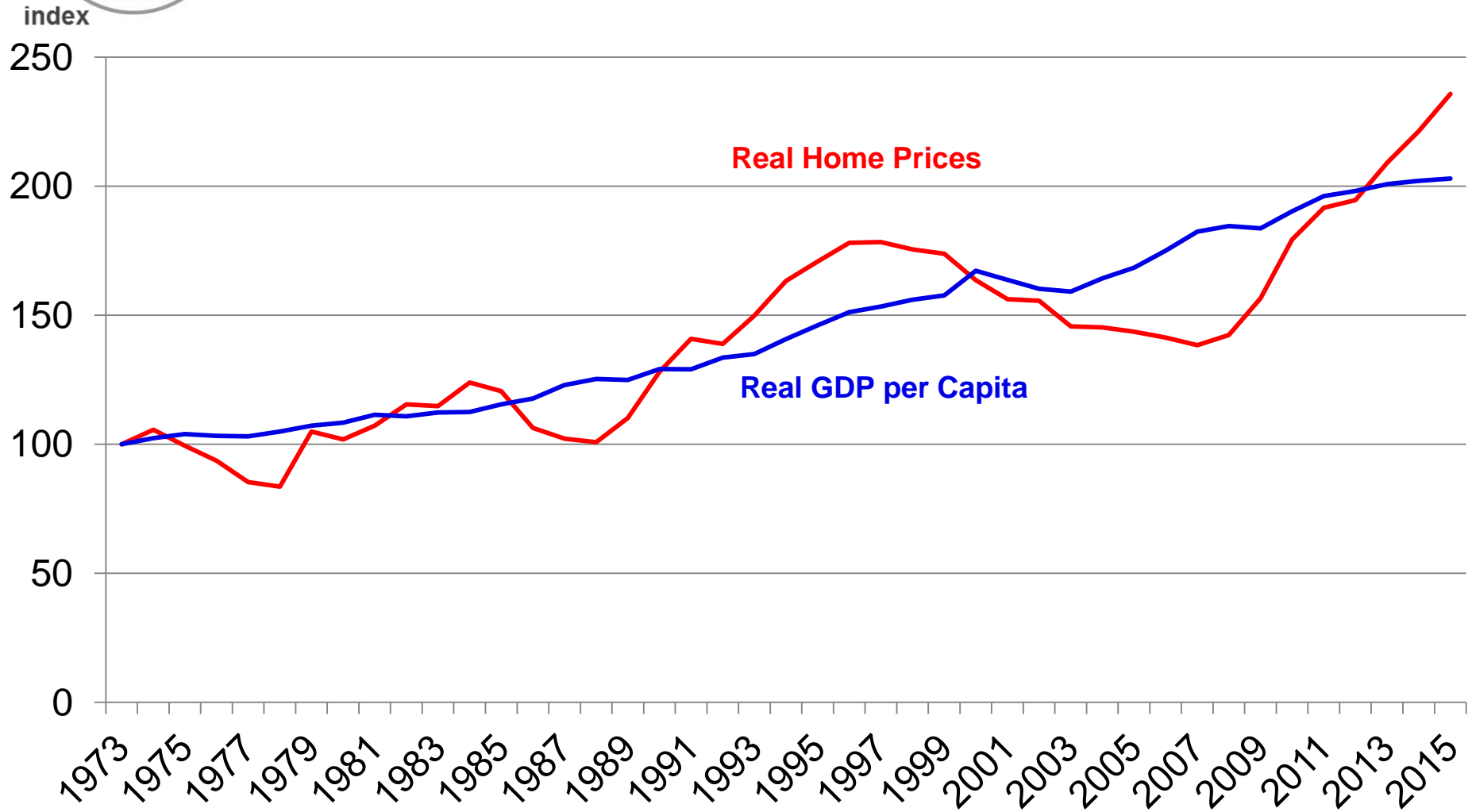
Years of income required to purchase a home, annual averages, 2004-2014





Real Home Prices and Real GDP per Capita

(CPI deflated, index 1973=100, annual, 1973-2015)





How Many New Homes Should Policymakers Aim for?

- Price or rent objective
- Affordability objective
- **Demographic need** (\neq demand)

⇒ Assess demographic needs in the Jewish sector in recent years

(Distinct & Distinguishable Jewish and Arab Sectors)



Assessing the Demographic Need for the Jewish Sector

- Estimate housing density (adults/apt.) by age group (model 1) or by age group and marital status (model 2). (*household surveys 2003-2013*)
- Apply density estimates to actual annual change in size of each group.
- Obtain overall need for additional homes in that year.



Housing Needs per Capita - Unmarried Jews

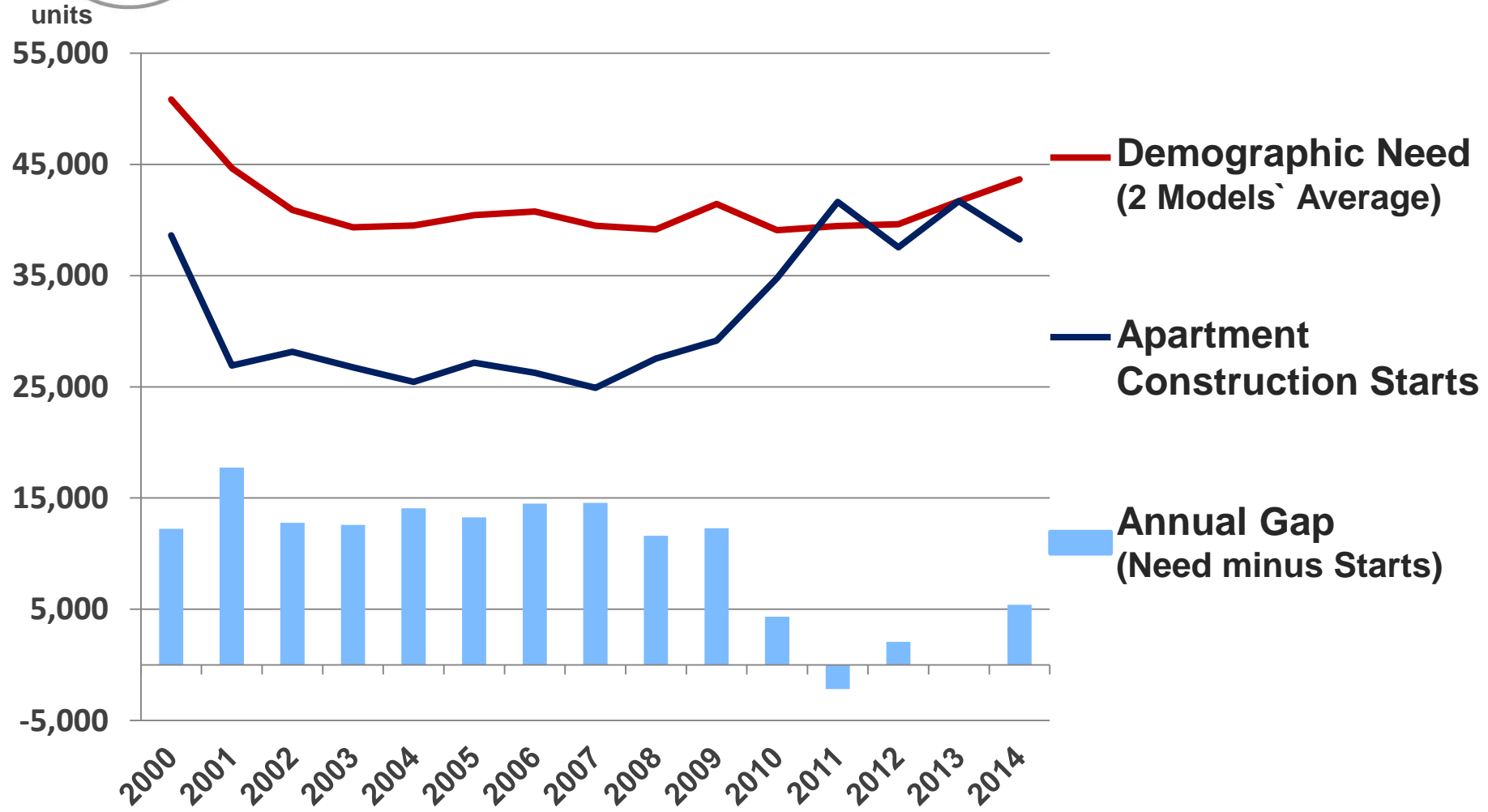
(Never Married, Divorced, Widowed)

Housing - Unmarried Only

Age	Share Unmarried	Share Residing in Apartment (1)	Persons/Apt. (2)	Effective Apt. per Person (3)=(1)/(2)
20-24	0.84	0.66*	2.2*	0.30
25-29	0.57	0.80*	1.9*	0.42
30-64	0.27	0.83	1.15	0.72
65+	0.42	0.83	1.09	0.76



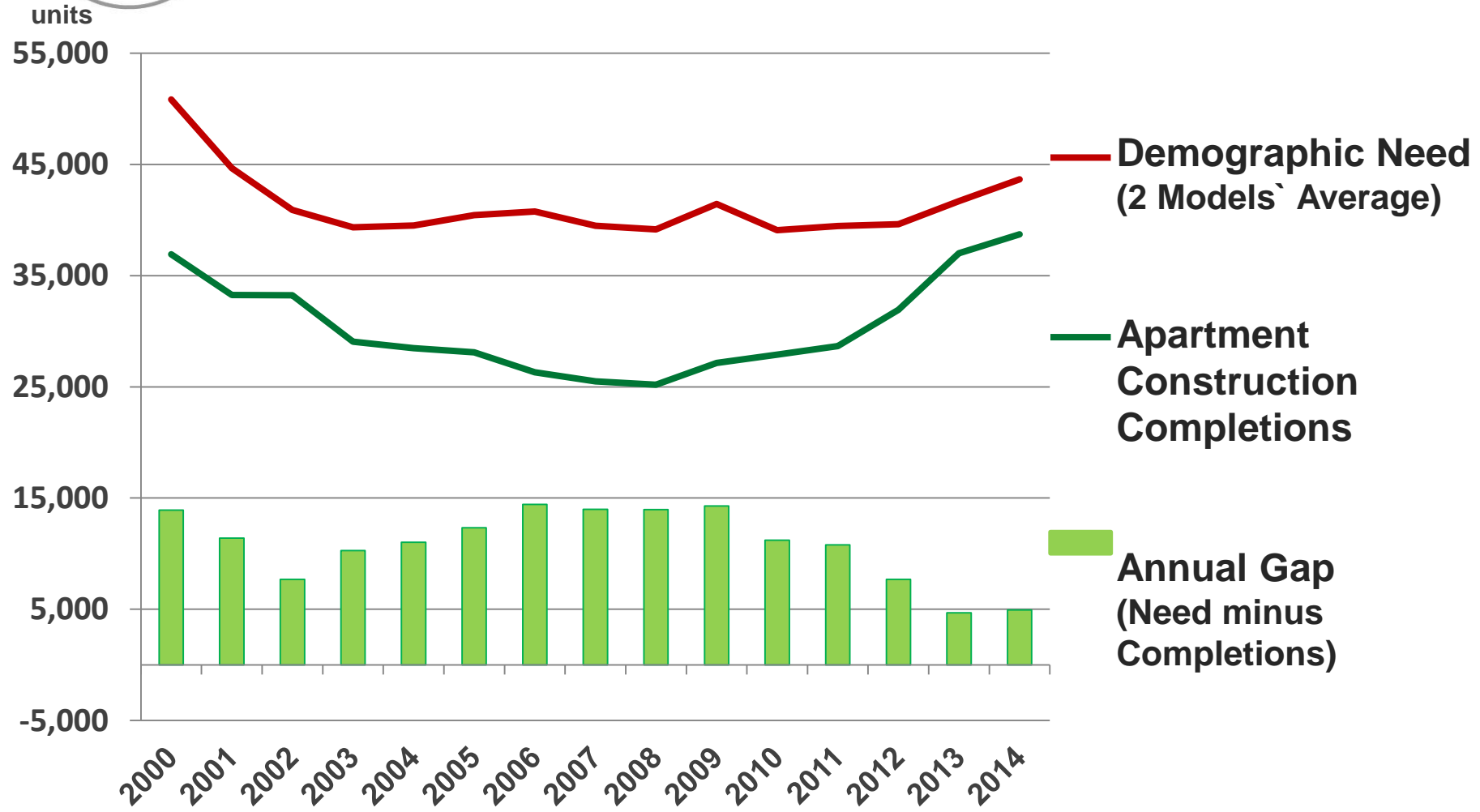
Demographic Need and Actual Construction Starts, Jewish Sector



*Construction starts – Central Bureau of Statistics data

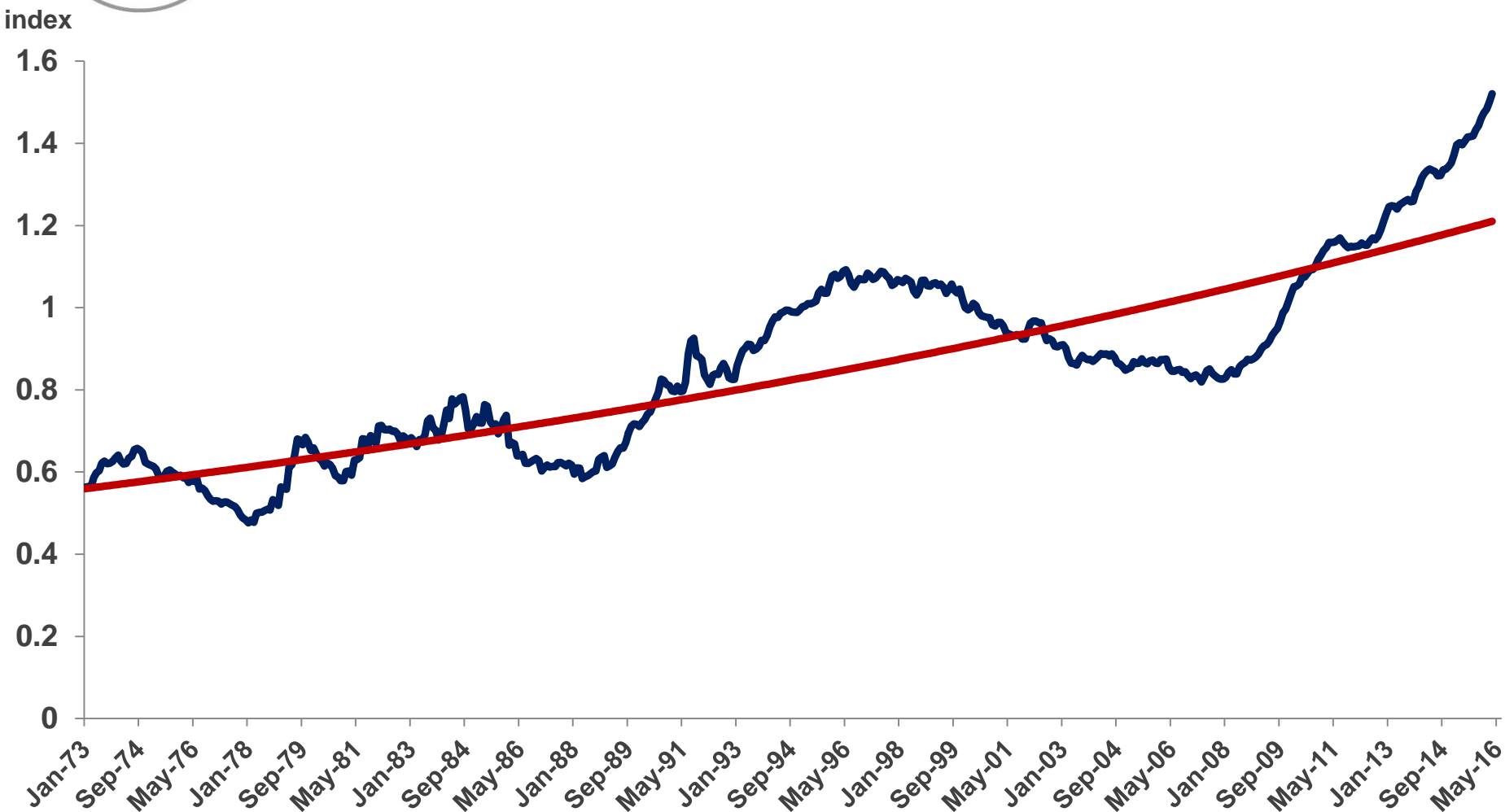


Demographic Need and Actual Construction Completions, Jewish Sector





Real Home Prices, (CPI deflated, 1973- 2016, monthly)





Concluding Remarks

- High population growth \Rightarrow need to maintain high level of construction starts.
- Current level of starts roughly in line with current demographic needs, at least in Jewish sector, yet some backlog;
- Demand (thus prices and affordability) driven by additional factors



Concluding Remarks

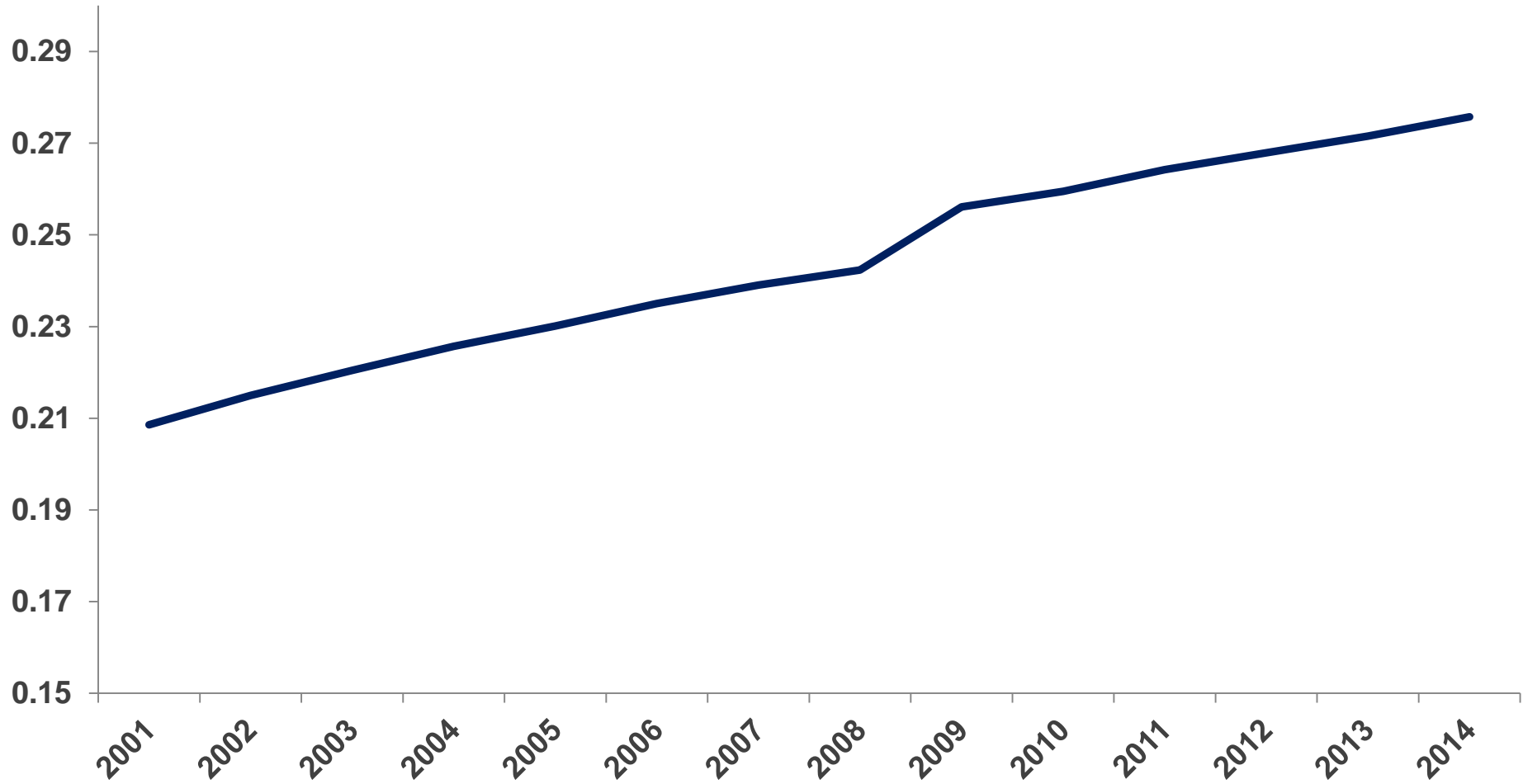
- To sustain high level of building starts (and acceptable affordability): need to increase density in cities, build infrastructure (mass transit systems)
- Changing social norms and aging \Rightarrow adjust mix of apt. sizes; could help affordability
- Plan in excess
- Picture incomplete: needs and gaps in Arab sector



Thank You



Share Unmarried 30-64 Rising





Demographic Needs – 2 Models

