

VOTE SMART ISRAEL | HOUSING

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Housing prices increased 53% (in real terms) in only seven years

 Prices are driven by **increased demand** caused by:

- Low interest rates: Since late 2008, low interest rates have limited the profitability of financial investments and made it cheaper for households to take on mortgages.
- Preferential tax treatment for real estate investments: Landlords do not pay tax on rental income under NIS 5,080. This loophole is estimated to cost the state NIS 6-8 billion annually in lost tax revenue. This policy promotes real estate investment, and **the share of households that own two or more apartments has grown from 2% to 8% over the last decade.**

 Prices are also driven by a **lack of available housing** caused by:

- Complex bureaucratic process: It takes an average of 13 years from start to finish for residential construction in Israel – only two of which are for actual building, while the remaining **11 years are devoted to bureaucracy**. In most EU countries, the bureaucratic process averages 8-12 weeks.
- A conflict of interest at the local level: Municipalities are discouraged from approving projects because they bear much of the cost of infrastructure development (e.g., roads, water, schools), while it is the central government that enjoys many of the benefits.
- The state controls 93% of the country's land directly or through the Jewish National Fund. National Outline Plan 35 severely limits use of this land for construction in high-demand areas, with the aim of promoting growth in the periphery.

 The share of young families who own a home dropped dramatically. **The share of young households that do not own a home increased from 43% in 2003 to 51% in 2007.**

 Israel has very high residential density: **1.1 rooms per person**. Among 36 countries examined, Israel has the 6th lowest number of rooms per person.

Key questions for policymakers:

- How should the high demand for residential housing be addressed?
- What can be done to facilitate the construction approval process?
- What initiatives should be proposed to make housing more affordable for young households?

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For much more on this topic, see the following Taub Center publication:

- ✓ [The Israeli Housing Market](#) (Noam Gruber, *State of the Nation Report 2014*)

The Taub Center is an independent, nonpartisan, socioeconomic research institute based in Jerusalem. The Center conducts quality, impartial research on socioeconomic conditions in Israel, and develops innovative, equitable and practical options for macro public policies that advance the well-being of Israelis. The Center strives to influence public policy through direct communications with policy makers and by enriching the public debate that accompanies the decision making process.

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