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Commercial Department

WINTER 2023 EDITION

REAL ESTATE





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LETTER FROM THE EDITOR

Dear Readers,

Welcome to the winter 2023 edition of *The Jerusalem Post's Real Estate/Economic Post* magazine. This edition is being published after two long years, when the results of the November election have made it possible to form a new government.

There are hopes that this government will be able to tackle the big problems affecting the real estate industry. Thus this issue contains several articles on what the new government should do to bring down real estate prices.

In a less national vein, Fleur Hassan Nahoum, the deputy mayor of Jerusalem, writes about what is being done to create a wide range of employment opportunities with the expected increase in the population of our capital city.

Enjoy your reading,

JUAN DE LA ROCA



New housing in Modiin (Photo courtesy the M. Aviv group)

TABLE OF CONTENTS

INTRODUCTION.....	5
Juan de la Roca	
PARK NAIMI: 'NAIM' IN EVERY SENSE OF THE WORD	6
Jason Blackshaw	
THE REAL ESTATE INDUSTRY: PROBLEMS AND SOLUTIONS	8
John Benzaquen	
A NEW STAR IN JERUSALEM'S FIRMAMENT	11
James Harris	
PRIME REAL ESTATE: PENTHOUSES	12
Jason Blackshaw	
THE STATE OF THE MARKET.....	14
Amit Dobkin	
FINDING A NICHE IN NETANYA	16
John Benzaquen	
BURGEONING EMPLOYMENT OPPORTUNITIES IN JERUSALEM.....	18
Fleur Hassan-Nahoum	
BUILDING BLOCKS – IN MORE WAYS THAN ONE.....	20
James Harris	
TECHNOLOGICAL DEVELOPMENTS ARE REVOLUTIONIZING REAL ESTATE	21
Jackie Mukmel	
RETIREMENT RESIDENCES.....	22
Yochanan Altman	
THE LOCAL RENTAL SCENE	24
Jason Blackshaw	
HOUSING A GROWING POPULATION.....	25
Rony Mizrahi	
KEEP WARM BUT STAY SAFE.....	26
Johanan Altman	
THE ADVANTAGES OF A REVERSE MORTGAGE.....	27
Jason Blackshaw	
WHAT GOES UP DOESN'T ALWAYS COME DOWN	28
Alyssa Friedland	
THE HOSTEL PROGRAM FOR SENIORS	30
James Harris	

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INTRODUCTION

• JUAN DE LA ROCA

The closing months of 2022 can be viewed as historic and in some ways as a watershed.

After four divisive electoral campaigns with fragmented election results that made it impossible to form a government, the November election results created a chamber in which four right-wing political parties attained the necessary majority to form a government.

There are hopes that the government of these four will last a full term and make it politically possible to tackle the problems facing our society, especially the economic in general and the real estate in particular.

Real estate issues need government involvement, real estate legislation. In the preceding four years or so, this was



Construction workers (All photos courtesy PR)

lacking, which is one of the reasons for the current real estate situation -- an endemic housing shortage and hefty price increases. In 2022 alone, average residential prices rose by a record 20%.

To increase housing starts and reduce or at least stabilize prices, the government must make tough decisions, which means a government with a united agenda. I fear that no united agenda exists.

The last government was formed on an anti-Bibi agenda – that is, to prevent Benjamin Netanyahu from returning to the Prime Minister's Office. The main aim of the present government is to prevent the anti-Bibi parties, perceived as Leftist anti-religious parties, from attaining office.

The previous government fell because there was no cohesion among members of the coalition.

It is doubtful if the present coalition is more cohesive.

On the one hand, the extreme capitalist-oriented Religious Zionist Party and on the anti-capitalist Shas Party; extreme nationalistic parties such as Otzma Yehudit (Jewish Strength) versus the liberal right-wing Likud party.

In their long negotiations to form a government, these parties demonstrated how disunited they are and how difficult it will be to make the necessary decisions to increase housing starts and finance the steps to be taken to fulfill the wishes of all the coalition parties.

As prime minister, Netanyahu has proven time and again that he will maintain a responsible monetary policy of a balanced

non-inflationary budget. Consequently, clashes with the finance minister are to be expected,

It is questionable if the vast sums necessary to finance the infrastructure projects needed to increase the housing start program will be found. This in addition to the money that will be required to induce developers to build more.

To greatly increase the housing starts necessary to meet the housing needs of this country over the next 10 years, we need more construction workers. More Palestinian workers and foreign workers.

When the head of an ultra nationalistic party is put in charge of the West Bank territories, the home of the Palestinian workers necessary for the local construction workforce, it is doubtful whether their numbers will increase. It is more likely that policy changes will reduce their numbers.

The same holds true for an increase in the number of permits issued to foreign workers.

That same party which is an important driving force in the current coalition Jewish Force will most probably not view favorably issuing large numbers of work permits to overseas nationals.

So what can one expect from the present government? Will it be able to achieve what previous governments over the past 10 years failed to achieve – a large increase in the supply of housing and a stabilization of prices?

Miracles do happen, but in this case it is doubtful if it will.

PARK NAIMI:

'NAIM' IN EVERY SENSE OF THE WORD



All photos
courtesy
Park Naimi

• JAMES HARRIS

It is a well-known principle that the productivity of a business increases if it operates in a pleasant environment. In Israel, a very pleasant and inviting business environment is Park Naimi, which is being developed by Naimi Towers Ltd., an innovative Israeli real estate company. The large, highly advanced industrial park will be renting space primarily to leading local hi-tech companies, as well as international companies that will be setting up operations or development centers in Israel to avail themselves of the country's talented hi-tech workforce.

Park Naimi will consist of thirteen 14-story office buildings. Each floor will cover an area of 2,500 square meters. The owners plan to rent premises to large well-established companies, thus space will be rented per floor. However, space will also be rented to companies that sublet work spaces so that smaller companies, especially hi-tech starts-ups, will have the advantages of working in Park Naimi.

The office buildings will be equipped with gyms, where employees can exercise and

shower. These services are part of creating a pleasant and inviting environment. This will also aid in recruitment, which is very important for the hi-tech industry, which has a chronic shortage of staff.

On the ground floors of the buildings, space will be allocated to stores, restaurants and coffee shops, which will cater to the needs of the tenants and those frequenting the park.

Miki Naimi, owner of the Naimi Group, says "We place stress on the environmental aspects of all our projects. At Park Naimi, we are making every effort to create a green project. The complex will sit on a 126,000 square meter plot of land, of which 35,000 sq. mt. will be an ecologically landscaped park, with a lake in the center. It will be crisscrossed by pedestrian pathways, bicycle paths and jogging trails. It will include shaded nooks, furnished with benches and chairs. To provide the shade, specific trees have been selected for their adaptability to the Middle East environment."

The planners of Park Naimi are MYS Architects, one of the country's leading architectural firms. They have made it a

point to ensure that the park will cater to the most stringent needs of a modern business entity, especially the practical needs and well-being of the employees.

Carmit Naimi, owner of the Naimi Group, says, "Our development is being built to give our clients a tailor-made facility. We provide them with the services of our in-house interior decorator to further adapt their premises to their particular needs and requirements."

One of Park Naimi's many advantages is its location. Very centrally located, it is a four-minute drive from. It is close to Tel Aviv's light rail system, which is in the process of construction. In addition, it has easy access to the national road grid, as well as Ben-Gurion International Airport.

The environmentally friendly complex, which is situated in one of the green lungs of the Tel Aviv metropolitan areas, is close to the zoological gardens to the north, Menachem Begin Park to the west, Ariel Sharon Park to the east.

Park Naimi is being built gradually. Phase One, with four office buildings, is completed and is now offering spaces for rent. Phases Two and Three will follow. •

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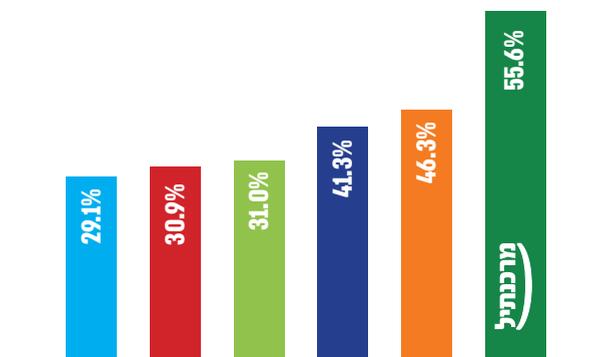
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THE REAL ESTATE INDUSTRY: PROBLEMS AND SOLUTIONS

• JOHN BENZAQUEN

The last three years have not been easy for Israel. There has been a great deal of political uncertainty. During the 12 months of 2020-2021, there were three general elections and no long-term stable governments. This had an adverse effect on the economy as a whole and on real estate in particular.

The last general election, which took place on November 1, 2022, may (and I say “may” with caution) bring about a stable government which hopefully will last a full four-year term or at least more than one year. If this proves to be the case, it will allow the government to take the necessary steps to alleviate some of the many problems affecting the local real estate industry.

Raul Serogo is president of the Israel Builders Association, the representative body of the country’s construction industry. He says, “All past governments have failed to address the problems and challenges facing the real estate market. The result has been hefty price increases, which are harmful to both consumers and developers. In 2015 to 2019, during the tenure of housing minister Yoav Galant, real estate prices rose by 12.8%. In 2019 to 2020, during the tenure of Yifat Shasha-Biton, prices rose by 4.3%. When Yacov Litzman was housing minister in 2020 to 2021, prices rose by 9.3%. During the one-year tenure of Zeev Elkin in 2021 to 2022, prices jumped by an unprecedented 20.0%.

“The problems of the real estate industry and the subsequent rise in prices will not be resolved until the government takes the issues seriously and recognizes that housing is a basic need of every Israeli. There are great shortages in infrastructures that are an integral part of real estate because those moving into new housing require services. There are shortages of hospitals, schools, sewage facilities, water delivery pipe networks, and transportation facilities such as roads and streets, as well as the communal and cultural facilities that are important to modern living. And to cap it all, there is a shortage of 200,000 homes, the result of



Raul Serogo at the safety in construction conference (Photo by Eran Dolev)

over a decade of insufficient housing starts compared to the increase in the population. In 10 years’ time, the population is expected to increase to 18 million. With regard to housing, this means that three million housing units must be added to the existing housing stock.”

These are very big problems. How will it be possible to construct three million new dwellings in 10 ten years? That means an average of 300,000 housing starts a year.

The fact that Israel has been without a permanent government, and for the past year a government with grave problems, has had a very negative effect on our activities. Our industry is faced with many

bottlenecks. These can only be removed, or at least alleviated, by government decisions. The fact that decision-making has been practically paralyzed for the past few years has caused building delays. These have affected building starts and building completions at a time when the country is in sore need of more dwellings. In my opinion, the new government, and especially the incumbent housing minister, should change their attitudes and fast. They should first of all realize the huge problem of attaining annual housing starts of 300,000. They should also change their attitude toward developers and contractors. The government has to realize that the real estate industry has the potential to become the engine of growth

for the economy but is being hampered by a host of problems. The past governments have neglected the industry and its needs. To reverse the negative trend in housing starts, the government must make full use of its statutory powers and take the drastic actions necessary to promote a comprehensive program that will increase the supply of housing. Our industry makes up 11% of the country's GDP; consequently, whatever happens with our industry affects the economy as a whole. But I am confident that we will overcome this crisis as we have overcome others, such as providing housing for the various immigration waves that entered the State of Israel.

What actions for example?

It should start by creating an umbrella government organization that would include all the organizations which deal with all aspects of real estate. It would have all the statutory and decision-making powers to act as a united force for the benefit of the state and its citizens and do away with all the bottlenecks that have been impeding the smooth development of the real estate industry.

I would expect this body to accept the recommendations that we made to the government a few months ago. The government should make available building land to construct 300,000 new dwellings, while we, the developers and contractors, would guarantee to build at least 100,000 new dwellings and guarantee stabilizing prices as much as possible.

I would also discontinue the practice of trying to bring down prices by trying to curb demand. It didn't work in the past, and I doubt it will work in the future.

The government seems to ignore the fact that the real estate problem is not excess demand but insufficient supply. It is necessary to increase supply that will satisfy the current housing needs of the population, as well as gradually absorb the shortage of 200,000 dwellings.

You mentioned the shortage of infrastructure. How important is it, and how does it affect real estate?

I cannot stress strongly enough its overall importance to real estate. In my opinion, the government and the media underestimate the importance of infrastructure in real estate. They don't do justice to the importance of infrastructural projects to real estate. They fail to understand that without infrastructure, construction is practically impossible. Without the necessary infrastructure, even if housing were available, there would be no takers. No one would agree to live in a place that had no infrastructure. Without the necessary roads, builders wouldn't be able to reach the construction sites. Without

the necessary infrastructure, it wouldn't be possible to connect the new housing to sewage, water, and electricity, as well as telephone and Internet, etc.

But it is not only the infrastructure that will allow for the construction of new housing. It is also the infrastructure necessary to enable people to live in the new neighborhoods. For that, one needs schools, stores to buy food and other basic necessities, cultural and religious establishments and more. There would be no demand for housing located in areas that have no services or decent streets or public transportation.



Raul Serogo with the then minister of the interior Ayelet Shaked (Photo by Yossy Levy)

What are the major bottlenecks the industry is facing?

There is an urgent need to streamline the process of granting building permits. The whole procedure is highly bureaucratic and time-consuming. It is one of the main reasons it takes so long to complete a building project.

Another bottleneck is urban renewal, especially in peripheral areas. Urban renewal projects are the only means to create new housing in central urban areas, but it is not being implemented in sufficient numbers.

Another bottleneck is the inefficient way that quarries are being administered. This causes an increase in the price of certain essential building materials, which in turn increases the price of real estate. Five successive governments have failed to solve this problem. They should simply free the market and allow free competition.

The solution to these three major problems are in abeyance and awaiting a decision by a new government.

You said that to supply the housing needs in the coming years, we need 300,000 annual housing starts. Given that annual housing starts stand at 50,000, isn't that number overly ambitious, especially with the current shortage of construction workers?

The increase of 50,000 annual housing

starts to 300,000 would be gradual. But unless housing starts are dramatically increased, the housing shortage will be catastrophic. According to demographic projections, in 10 to 15 years, we will need to supply housing for an additional nine million people. If housing starts are not increased, we will have a major social catastrophe with a very large number of people living in substandard crowded housing, as well as high levels of homeless people.

There is indeed a chronic shortage of construction workers. One of the reasons

is that Israelis are not willing to work in construction. If we are to increase housing starts, the government must realize the need to bring in large numbers of foreign construction workers, to be granted work permits for a limited amount of time.

In addition, the government should take steps to increase training programs to encourage Israelis to work in construction.

Perhaps if pay and safety conditions improved, it would attract more locals to work in construction. There are more deaths in construction work than in any other industry.

Pay is not the reason that Israelis shun working in construction. The demand for trained skilled construction workers exceeds the supply. Under these circumstances, their pay is constantly rising and is one of the reasons for the increase in real estate prices.

With regard to safety conditions, these have improved considerably. Three years ago, in conjunction with the Histadrut the Israel Federation of Labor, we set up a body devoted to increasing safety procedures. These efforts have brought results, and the number of accidents have decreased. Compared to three years ago, construction work has undergone dramatic changes. It is much safer today than it was three years ago. •

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In the Bavli neighborhood in the Old North of Tel Aviv, the Kozahinof family is building the mega-luxury residential project that offers "villas in the air" - spectacular penthouse apartments on each floor with an unobstructed view of the sea



Beresheet Tower in the Bavli neighborhood in Tel Aviv



A decrease in the rate of tower construction in Tel Aviv in the first three quarters of 2022. According to CBS data, from January to the end of September, only 693 new housing units began to be built in towers that were 16 stories or higher (an annual rate of 924), and this is compared to 1,503 new apartments that began to be built in towers in the city in 2021. "Tel Aviv is the capital of Israel's towers, but a decrease in the number of construction starts is equivalent to a decrease in supply - something that may be reflected in the increase in apartment prices," says Moti Kozahinof, developer of the luxury residential project Beresheet Tower in the Bavli neighborhood in Tel Aviv's Old North.

In the last decade, more than 32,000 apartments in towers began to be built in Tel Aviv, an average of about 3,000 apartments each year. "The towers brought a new standard of construction and quality of life to Tel Aviv. They offer a complete living experience, meticulous and prestigious planning, full facilities for the tenant and common areas with many uses," according to Kozahinof.

One of the towers currently being built in Tel Aviv is the Beresheet Tower, the prestigious residential project being built by the Kozahinof family in the Bavli neighborhood in the Old North of Tel Aviv.

The tower will rise to a height of 43 floors, which is 156 meters high, and will include approximately 174 units with a precise, meticulous and flexible design that allows for a design according to the needs and preferences of the residents. The Beresheet Tower was built in a Y shape, thus allowing all the apartments in it to have a view of the sea or alternatively the impressive view of the large park in the neighborhood. The shell of the tower is a curtain wall, which allows an open panoramic view in all directions.

The tower actually offers "villas in the air" - spectacular penthouse apartments on each floor with a main living space of 120-150 sq.m., without columns, and balconies with an area of 28-56 sq.m. (depending on the floor). As mentioned, all apartments have an open view - both to the west and to the south. The project has luxury apartments of a particularly high standard and quality and in a diverse mix - from 3-room apartments to 200 sq.m. apartments and more, including garden apartments and penthouses, as mentioned.

Beresheet is the only tower in Israel that offers a luxurious lobby, a wine cellar, a business lounge, a spa and a Turkish bath, a squash court, a gym, a private meeting room, a library and an indoor swimming pool that is open all year round, and all this

above four floors of underground parking on the property of about 14,000 sq.m., all done via green and ecological construction, using environmentally friendly materials.

The areas in front of the tower up to the sea line are limited to low-rise construction under the TA/5000 plan - which guarantees the tower's residents

a breathtaking view for years to come. In addition, this is the northernmost tower in western Tel Aviv, allowing the apartment owners to enjoy an amazing view that extends all the way to Hadera. A green park covering 70 dunams will be built in the neighborhood, which will connect the neighborhood to Yarkon Park and will be the greenest, most beautiful and most well-kept piece of urban nature in Tel Aviv.

The design of the tower was led by architect Rachel Feller from Moore Yaski Sivan, one of the leading architectural offices in Israel. Luxury designer Irma Orenstein, owner of a studio specializing in design and architecture for luxury apartments and luxury buildings in Israel and around the world, is leading the design of the interior and public areas.

"Beresheet Tower presents an uncompromising and luxurious living experience that you've never known until now. It sets the most prestigious and high-quality standard in Israel in the capital of Israel's penthouses. Our target audience is Israelis and non-residents who know how to appreciate quality and are looking for the perfect living experience that combines an excellent location with a standard and construction of the highest quality and that is the most prestigious in the market," Kozahinof concludes.

A NEW STAR IN JERUSALEM'S FIRMAMENT



All photos and simulations courtesy Geshem Holdings

• JAMES HARRIS

Jerusalem is much in demand by people who want to make the capital their home. This is true for local Israelis as well as overseas buyers, especially Jews from the Diaspora who want to live in the historic center of the Jewish world.

This is especially true for religious Jews. For them, the holy city is much more than a historic center. It is also the spiritual and religious center of Judaism, with some of the world's most important Jewish sites, such as the Western Wall, the last remnant of the Temple.

Besides its religious and spiritual appeal, Jerusalem also has great appeal for the secular public. It is one of the country's



major cultural centers, replete with museums, concert halls, theaters and a wide variety of excellent restaurants.

In addition, Jerusalem is a beautiful city, nestled in the Judean Hills. Most of the buildings are made of stone or clad in the pristine white Jerusalem stone.

Jerusalem is made up of distinct neighborhoods. One of the most attractive is Arnona, located in the southeastern corner of the city, bordering Kibbutz Ramat Rachel.

With its rural setting and upscale housing, Arnona is slated to become the center of the local diplomatic community. It is earmarked to house an increasing number of embassies. After the United States Embassy was moved from Tel Aviv to Jerusalem, other embassies are expected to follow suit.

It is in this upscale part of Arnona, called Moradot Arnona, that the Geshem Holdings development company is building a project called Arnona Hills. Under construction in a western part of Kibbutz Ramat Rachel, the large housing development will retain a pastoral ambience.

Moradot Arnona is a new sub-neighborhood of Arnona. When completed, it will have 1,800 housing units and public buildings such as schools, libraries, cultural venues and sports facilities. It will have wide streets and expansive parks with bicycle paths and jogging trails.



Geshem Holdings is an important part of Moradot Arnona. Its housing development will be largest in the neighborhood. The project is being planned with meticulous care to ensure that every apartment meets with the buyer's complete approval. The apartments are extra large compared to what is generally on offer in Jerusalem and will be equipped with the most up-to-date technologies, and the best materials and accessories are being used in the building process.

Arnona Hills is being built on practically the last reserves of open building land in Jerusalem which will ensure price rises in the future.

Arnona Hills will consist of 21 nine-story buildings containing a total of 452 dwellings, ranging from two- to five-room apartments, plus spacious penthouses with large open-air terraces as well as garden apartments with their own adjacent private gardens.

One of the many selling points of the project is the magnificent views that the tenants will enjoy. The panorama includes the Old City and a vista of the verdant Judean Hills, as well as the Dead Sea in the distance.

Arnona Hills is scheduled to be completed by July 2026.

PRIME REAL ESTATE: PENTHOUSES



Living room in an Shikun & Binui penthouse (Photo by Alex Lobimov)

(Photo courtesy Aiko studio)

• JASON BLACKSHAW

Penthouses are the hot thing in today's real estate market. They are much in demand. Despite the fact that they are much more expensive than other apartments, in many cases the moment a residential project is completed, the penthouses are the first units to be sold.

In the not so distant past, the desiderata of most Israelis was to have a house with a garden. It didn't matter if it was a single-family home, a semi-detached, two homes separated by a common wall or a terraced home with a separating wall on both sides, the important aspect was the garden.

Today, tastes have changed. Some still yearn for a house with a garden, but the majority of people would prefer a penthouse with sea views. Penthouses with sea views are a very rare commodity in Israel, but penthouses with urban views are more prevalent. Every developer makes sure to have at least two penthouse apartments on the top floor.

The increase in the popularity of penthouses is due largely to urban congestion. Getting to work from the suburbs, where homes with gardens are located, takes a long time. Driving to work in Tel Aviv during rush hour from say, Herzliya Pituah, a prime location for home and garden, can take two hours – on a stretch of road that is only 10 or 12 kilometers.

Those living in suburbia have come to

the conclusion that the time it takes to drive to work or to entertainment centers is just not worth the effort. Thus many people sell their suburban homes and move to the city.

When a family has lived in a spacious suburban home with a garden, a penthouse is often their first choice, if they can afford it. And that is a big "if" because penthouses do not come cheap. If not a penthouse, then a spacious duplex rooftop apartment or a big apartment with a large terrace.

Liat Danino is the marketing manager of Shikun & Binui Real Estate. She says that demand for penthouses has increased greatly in the past two years because of the corona pandemic. "People are much more conscious than before about the healthful advantages of living in a large home with open air spaces such as terraces and balconies. In that context, a penthouse is the ideal solution. It is spacious, and the large open-air terrace can be converted into a mini garden. These properties have an added attraction in these health-conscious times. Working from home increased dramatically during the corona crisis. In order to work from home in peace and quiet, one needs a large apartment so one can be separated from noisy children."

According to expert opinion, the trend of working from home is set to increase because it has advantages for both the employer and the employee. For the employer, it reduces costs. Less space

TWO NEW PROJECTS

Shikun & Binui Real Estate, one of the leading real estate companies in Israel, is offering spectacular penthouses in some of their residential projects in Tel Aviv.

Avoraim and Savoraim is a residential real estate project in the north Tel Aviv neighborhood of Neve Avivim. The company is constructing two apartment buildings with 64 apartments, of which three are penthouses. The floor spaces range from 131 to 146 square meters, with terraces of 95 sq. mt. The penthouse apartments are being offered at NIS 10.5 million and up.

The company is also constructing a 10-story apartment building on Weizmann Street, one of the most prestigious addresses in Tel Aviv. It will have 64 apartments, of which four are penthouses. They range from 135 to 210 square meters and include large terraces. The minimum price is NIS 14 million.

is needed to accommodate staff, which means less expensive real estate rental. And it increases production because less time is spent on employees getting to and from the office. For the staff, it is much more practical, and working from home is considered more enjoyable. •



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THE STATE OF THE MARKET

• AMIT DOBKIN

The year 2022 is coming to a close, and from a real estate perspective it was a year that witnessed many ups and downs.

In general terms, the year can be divided in two. The first half of the year was one of increased activity. Real estate prices reached new highs, housing starts increased substantially, and so did the number of real estate transactions. The atmosphere changed during the second half of the year. In the first half, the real estate market was overheated; in the second, it cooled down substantially and real estate transactions had fallen by some 30% compared to the first half. Yet despite the decrease in demand during the second half of the year and despite expectations, the prices during the last months of the year did not fall. On a yearly basis, 2022 saw a rise of some 20% in real estate prices.

In light of these circumstances, real estate developers are worried. They are heavily invested in ongoing building projects, and a decrease in demand is very worrying for them, as many have large stocks of completed housing ready to be marketed. During the past decade, demand usually exceeded supply, with an accumulative housing deficit of over 200,000 apartments.

During those years, the annual supply of housing rarely exceeded demand. Consequently, houses for sale rarely remained unsold for long.

Now there are fears that this may change. Tzeala Rosenblum Amor is the deputy CEO of Mordecai Aviv Construction Ltd. She says, "The number of building starts of each company is determined by what each of them perceives as the expected demand. It is based on past historic demand and on the perennial shortage of housing. I realize that new factors are now affecting the real estate demand equation, and these must be taken into account."

By "new factors" she means the developments that caused the fall

in real estate transactions during the second half of the year.

She specified that the main factors that affected demand are the following:

The increase in interest rates

A tougher attitude of mortgage banks toward borrowers, with more stringent demand from potential borrowers

The chaotic effect of the government's subsidized programs for housing to those entitled to participate. The constant increase in prices.

"In my opinion, these factors will reduce demand," she said..

Indeed, the combination of higher interest rates and the stricter rules of mortgage banks for home buyers may have a very negative effect on those taking out mortgages and will negatively affect those who want to buy a home of their own because if they are denied a mortgage, they will not have the wherewithal to purchase a home.

Higher interest rates for those taking out a mortgages means higher monthly

repayments, which not everyone may be able to afford. In addition, the stricter lending rules of mortgage banks also means that larger sectors of the public will be excluded from being able to get a mortgage at all. The decrease in the number of those able to obtain a mortgage translates to a decrease in the potential demand for real estate.

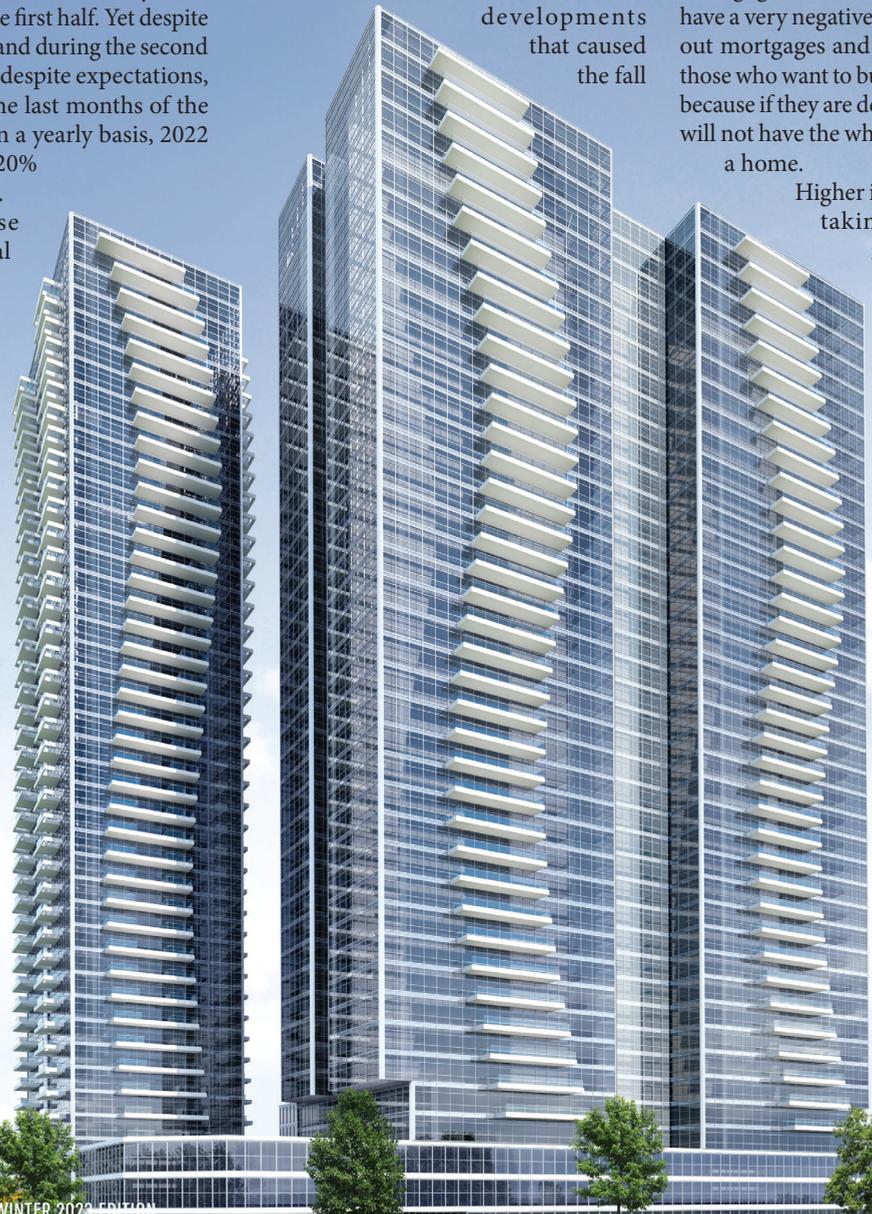


Photo courtesy PR

The fourth factor that will have a significant bearing on demand for real estate in 2023 is the increase in prices. In the past decade, real estate prices have registered constant annual rises, so developers should be accustomed to adapting their business plans accordingly. These times are somewhat different. 2022 registered record price increases. This effectively means that larger and larger sectors of the population are being priced out of the market. Consequently, the number of potential home buyers is diminishing. In the second half of 2022, they diminished in record numbers.

The annual rise in real estate prices during the past decade has always been higher than the rise in average salaries, which explains the constant rise in the housing shortages and the constant rise in the housing deficit.

If this trend continues unabated, there will come a time when very few people will be able to afford buying a home, a trend which greatly accelerated during 2022.

The main problem of the local real estate industry is the rise in prices. In part, it is fueled by the increase in the price of the implements necessary in the building process, such as the cement, metals, plastics, tubing, and electrical components necessary to build a home. Currently, the price of these imported goods is rising because of the war between Russia and Ukraine has increased the price of raw materials. The hostilities between Russia and Ukraine have also increased the cost of sea freight.

The rise in real estate prices is also due to government policy. One of the causes of the rising real estate prices is the rising price of building land. The majority of available building land in Israel is owned by the government through the medium of the government-owned and controlled Israel Land Authority (I.L.A.). Over 90% of all new building land that comes on to the market is supplied by the I.L.A. The rest is sold by the private sector, mostly by tearing down existing buildings.

Building land is sold to developers by means of land tenders in which land is sold to the highest bidder. This is very good business for the government of Israel. In 2022, it made approximately NIS 70 billion, which amounts to a substantial amount of the government's annual income.

The constant competition for building land among real estate developers is one of the banes of the industry. And the constant rise in the price of building land is one of the major reasons for the increase in the cost of a completed apartment. A decrease in land prices may well reduce or at least stabilize real estate prices. But

the government may be of two minds on this issue.

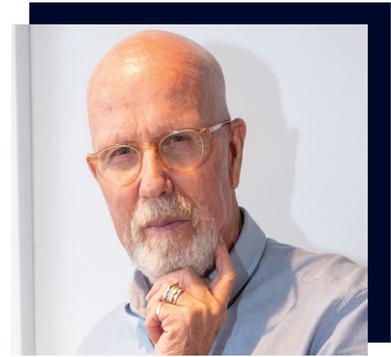
If land prices were to fall, the government would have to find alternative sources of income. Otherwise, inflationary pressures would start rising. If they got out of control, it would be more harmful to the general public and the economy than the rise in real estate prices.

Despite an expected decrease in demand for real estate, the situation remains tight, and those who hope that prices will fall will in all probability be disappointed.

According to figures of the Ministry of Housing, there is a shortage of over 200,000 homes, with 120,000 currently in the building process. There may be another 200,000 in the process of obtaining a building permit, which in extreme circumstances can take 10 years or more. In addition, the average time it takes to build a home is three years.

What these figures add up to is that it will take some years to close the gap between the housing needs of the growing population and what the building establishment is able to supply the industry.

Since the major problem of real estate is the shortage of housing, it stands to reason that the solution is to increase supply. That is, increase housing starts and shorten the time it takes to complete a building project. But, of course, that is easier said than done. It is difficult but not impossible.



Amit Dobkin (Photo by Moti Boganim)

In 1990, Israel's population amounted to 4.66 million. By the end of the decade, it amounted to 6.125 million, and no one was homeless. Finding accommodation for an extra 1.5 million people was made possible because in some years, there were 100,000 housing starts. It is true that those were special years when the country had to absorb over one million immigrants with the collapse of the USSR. In 1990, it amounted to over 21% of the population. A state of emergency was declared. The country's resources were devoted to building housing, and bureaucratic bottlenecks were temporarily disregarded.

Currently, there is no national emergency, but it goes to show that where there's a will, there's a way.

RELUCTANCE RE URBAN RENEWAL

One of the causes of the current shortage of housing is the long time it takes to complete a housing project. Another major cause is the time it takes to obtain building land from the Israel Land Authority. The way to overcome these bottlenecks is by promoting urban renewal. The program was started as a means to reinforce old buildings against earthquakes. Later, it was enlarged to a more comprehensive program that included tearing down old relatively small residential buildings and constructing much larger residential buildings in their place. The plan was that for every apartment torn down, three would be built in its stead.

The plan is still being promoted, but it is not a great success. Nevertheless, it reduces the time it takes to acquire the building land and a building permit.

There are several reasons why urban renewal is not being very successful. Many of those living in these old buildings are themselves not young. The idea of elderly occupants moving

house twice is not very appealing. Those who agree to an urban renewal contract have to move twice. Once to allow the old building to be torn down and the new one built in its place, and the second time when the new building is completed and it's time to move back. Moving house is always a bother, but moving house twice is really too much. It is true they will be receiving a modern home, which in some cases may be larger. But many think it is not worth the bother.

It is not only the elderly who are not keen on urban renewal projects. There is also a reluctance on the part of the local authorities. Urban renewal will increase the population of the area. That is the essence of the whole idea – to increase the number of apartments. And more apartments means more people. However, if the population increases, the local authorities will be obliged by law to build more public facilities such as more schools, more religious and cultural establishments, more infrastructure. All this costs money, which the local authorities are not eager to spend.

FINDING A NICHE

• JOHN BENZAQUEN

If you are looking for a place to live, planning to move or seeking to upgrade your living standard, consider Netanya,

With 220,000 inhabitants, Netanya is one of the largest cities in Israel. It is also one of the most attractive, located as it is on the shores of the Mediterranean in the verdant Sharon region.

The city is popular with potential real estate buyers for multiple reasons. It is close to the metropolitan center of Tel Aviv, real estate prices are moderate compared to the Tel Aviv area, and it is a very pleasant place to live.

Netanya has eight kilometers of beach, extending from Ramat Poleg and Ir Yamim in the south to Shoshanat Ha'amakim in the north. The beach area is replete

with coffee shops, restaurants, parks, and playgrounds. The beach is located at the foot of a sandstone cliff that rises 45 meters high.

Thus it is no surprise that Netanya is much in demand as a place of residence by locals, as well as overseas buyers, whether they are looking for a place to live, a holiday home, or an investment.

In response to the increased demand, a number of new neighborhoods have been built, all according to the stringent specifications of the municipality's planning authorities. These new neighborhoods feature large apartment buildings with adjacent parks and green spaces.

Netanya is divided into neighborhoods, some of which were built for specific purposes. Here are some examples.

Kiryat Hasharon is the second-largest

neighborhood in Netanya. Situated in the eastern part of the city, it was designed for young middle-class families. Its proximity to the city's industrial park with its many hi-tech companies has attracted a large number of hi-tech enterprises. Consequently, new olim with hi-tech potential such as programmers and engineers have made Kiryat Hasharon their new home.

Another attractive neighborhood is Agamim. Situated opposite the sea, it is an area of high-rise buildings with spacious apartments at prices that are relatively reasonable.

Another desirable neighborhood is Ir Yamim in the southwestern part of the city and opposite the sea. This is an area of high-rise apartment buildings, as well as single-family homes and semi-detached dwellings. It is considered a very upscale

New city center (Photo by Peleg Elkalay)



Ir Yamim (Photo by Peleg Elkalay)



IN NETANYA

Netanya urban views (All photos unless otherwise stated courtesy of the municipality of Netanya)

neighborhood, much favored by overseas buyers. The residential high-rises have large public spaces that include swimming pools. Most of the buildings were designed to provide sea views for the majority of the apartments. In this neighborhood, there are many French and English speakers.

In recent years, Netanya has become very popular with French buyers, who have purchased a holiday home or have come to settle in Israel. These residents often congregate in the center of town in the vicinity of Independence Square (Kikar Atzmaut). The French like to live in the central area near coffee shops, restaurants, etc. Real estate prices in the downtown area are much lower than in the new developments such as Ir Yamim.

The veteran mayor of Netanya, Miriam Fierberg-Ikar, says, "Netanya is an excellent choice for those who want to

make their home in our city. It is also an excellent tourist destination. The city offers residents new and upgraded neighborhoods with excellent service facilities. It also offers wide green open spaces in the city center and the outlying neighborhoods. For those who are seeking employment, there are large, well-developed industrial parks. And for those seeking entertainment, there is a wide range of attractions, as well as excellent restaurants, coffee shops and bars."

Currently, the real estate market in Netanya is stable. One of the many selling points of is that it is just a 30-minutes drive from Tel Aviv, the commercial, economic, and entertainment center of Israel, with excellent road and rail links between the two cities. It is very easy to live in Netanya and work or shop and be entertained in Tel Aviv. And the real

estate prices in Netanya are much lower. An average four-room apartment in one of the high-end areas of Netanya costs NIS 2.5 million compared to NIS 4 million in Tel Aviv.

Netanya is also popular with investors and real estate developers.

Rented dwellings in Netanya are much in demand for Israelis who prefer renting in Netanya as opposed to the very high rentals in Tel Aviv. There is also demand for short-term rentals for tourists.

Netanya is very popular with developers, especially those engaged in urban renewal projects. Currently, there are eight urban renewal projects in the city with more on the way. They are popular with developers because the municipality has reduced the bureaucratic process to a minimum.

By all accounts, Netanya is a lovely place to live. •

Sea Views (Photo by Peleg Elkalay)



A colorful market (Photo by Peleg Elkalay)



BURGEONING EMPLOYMENT OPPORTUNITIES IN JERUSALEM

• FLEUR HASSAN-NAHOUM

When it comes to residents of Jerusalem leaving the city, it is believed that housing prices are driving families to move to neighboring bedroom communities or to other large cities. This is a common phenomenon

experienced in every metropolis around the world. To be sure, there is a deficit of housing in Jerusalem that is driving prices up. We have approximately 8,000 more people a year leaving the city than moving in.

Mayor Moshe Lion has been working tirelessly for the past four years to increase residential building projects,

and the number of permits approved in Jerusalem are almost double than in previous years. Increasing the housing stock in the city will have a positive effect on prices and may well reverse the current demographic trend.

In my opinion, there is a more basic challenge that is tied to the future of Jerusalem and the demographic trend

Fleur Hassan-Nahoum, Deputy mayor of Jerusalem
(All photos courtesy Office Deputy mayor of Jerusalem)



that is equally, if not more, significant to this debate: the quality of employment. Almost 45% of jobs in the city are public sector jobs, such as government and education. In the private sector, average salaries are over 20% less in Jerusalem than in Tel Aviv.

Jerusalem is Israel's largest city, but our workforce participation rate is low. The ultra-Orthodox account for 25% of the city's population, but the men in this sector have a mere 50% workforce participation. In the Arab population, men have a lower workforce participation rate than

Jewish men in general, but not by too much. Arab women have the lowest work participation rate in the country and possibly the entire region – 26%.

My own activities in public affairs started with my involvement with a group of young graduates from the Hebrew University who believed that it was crucial for our city's future to increase tech jobs. We have all the intellectual capital needed with the Hebrew University, the Bezalel art school, and the various engineering colleges in the city. We have unique innovation, yet the percentage of

young people even without degrees. A large part of our work is providing Jerusalemites, including haredim and Arabs, those entry points into quality jobs.

Jerusalem is striving to be a hub for hi-tech companies and start-ups. We provide generous incentives for companies that want to open research and development centers. The aim is, of course, to keep young skilled workers in the city. Many of our collaborations have been centered around building bridges between academia and industry so that students have high-quality work opportunities even before they graduate and do not seek to leave the city.

A growing innovation ecosystem, coupled with many new and exciting infrastructural projects, will boost the tech and finance sectors in the capital. Sha'ar Ha'Ir (Jerusalem Gateway) at the western entrance to the city's new railway station will become one of the focal business quarters in the city. This project will encompass 55 acres with offices, hotels, and other commercial facilities, with easy access to the railway station. This one project alone will create a surplus of hi-tech, media, and construction jobs.

Silicon Wadi in the Wadi Joz neighborhood of east Jerusalem is the first project of its kind centered around developing high-quality employment in east Jerusalem. The project will comprise 250,000 square meters of hi-tech office space and 100,000 sq. m. of commerce and hotels. It is estimated that this project will create approximately 10,000 jobs.

In summary, we are currently building one million square meters of commercial real estate throughout Jerusalem. Our infrastructural development in the city will be boosted significantly by the construction of the new light rail lines, providing options for creating many new homes and commercial centers. Ultimately, we are aiming for Jerusalem to become the center of industry and hi-tech in the country and creating much-needed prosperity for all its population groups.

The writer is deputy mayor of Jerusalem for foreign relations, economic development and tourism.



Hassan-Nahoum in a demonstration

tech jobs was among the lowest in the country. In the last seven years, we have worked hard to double those numbers. Today, we stand at 7% tech jobs in the city, which is still low compared to 17% in Tel Aviv.

Another problem we face is the shortage of a skilled and educated workforce. This is the result of the educational system of haredi schools, which do not teach core curriculum subjects to boys beyond age 11; and an Arab educational system that is based largely on Palestinian textbooks which, aside from teaching hatred and the glorification of martyrdom, do not teach Hebrew.

There are many companies in Jerusalem ready to hire and train

BUILDING BLOCKS — IN MORE WAYS THAN ONE

• JAMES HARRIS

This year, local real estate prices soared. In the past 12 months, the average price of an apartment rose by 20%. To the best of my knowledge, that is the highest annual increase ever.

It stands to reason that the only way to bring prices down is to increase the supply of housing to meet the existing demand. The only way to increase the annual construction of housing is to overcome the bottlenecks with which the industry has to contend, such as the insufficient availability of building land. But a no less major bottleneck is the difficulty in obtaining building permits. Currently, getting a permit to build a housing project can take from six to eight years.

In Western countries, the average time it takes to obtain a building permit is much shorter. In Israel, the inordinate amount of time it takes to obtain a building permit is one of the reasons for the relatively small annual housing starts.

Over the years, steps have been taken to try to reduce the time it takes to get a building permit, but the process remains mired in bureaucracy and is very time consuming.

Recently, a new regulation was enacted that is meant to streamline the process. In essence, the new reform will give extra powers to district committees for planning and construction, converting them into real estate developers in their own right. Those who initiated this reform believe that when implemented, it will reduce the time it takes to obtain a building permit. Others are of an opposite view.

Anat Krispin is the manager proprietor of TLV TOP, a firm that specializes in all

aspects of building permits, as well as the process of registering real estate properties. She believes that giving district committees the power to become real estate developers will do more harm than good.

“In normal times, it would be a good idea. Giving the district committees permission to promote real estate development projects will convert them into an umbrella organization with powers to address all issues dealing with planning and construction. Being an umbrella organization with wide powers will allow them to overcome most bureaucratic obstructions. However, these are not normal times, and the new regulations may well create a paradoxical situation whereby these committees will not be able to operate freely and unrestrained because they will still be operating under the rules and regulations which they themselves have created over the years. As yet, the bureaucratic bottlenecks that impeded the smooth flow of the permit process have not been removed,” she says.

On the other hand, those in charge of the committees claim that with the new permit process, it will make it easier and faster to obtain building permits. In addition, they say, it will be easier to implement these building projects, and the implementation process will be faster.

But it is doubtful.

They want to become real estate developers, that's fine. But will they have the necessary experience to develop real estate building projects? Will they be able to correctly interact with potential buyers? Will they have the ability and the patience to overcome the hurdles in planning, building, and financing projects? It is doubtful that they will. Consequently, they will have to outsource much of the work to outsiders.

In many ways, if the district committees



Anat Krispin (Photo by Inga Avshalom Shilian)

are indeed created, it will turn back the clock on the local construction industry to the 1950s and early '60s.

Transforming the district committees into real estate developers sounds nice, but it lacks substance. It combines the worst of both worlds: the drawbacks of the private sector and the drawbacks of the public sector.

The district committees are, by the nature of their set-up, government bodies. Bureaucratic obstacles is in their DNA. One cannot expect such bodies to act efficiently. Government bodies stopped acting as real estate developers over 60 years ago, and the industry is much better off for it. To transform the district committees into real estate developers would create a situation whereby the government or its surrogates in the form of the district committees would be competing with and weakening the private sector. Not a good idea, since successful modern economies are based on healthy competition, on strengthening the private sector, and minimizing as much as possible government involvement in the economy in a free market economy as opposed to a command economy.

TECHNOLOGICAL DEVELOPMENTS ARE REVOLUTIONIZING REAL ESTATE

• JACKIE MUKMEL

According to demographic predictions, in 10 years' time the population of this country will double to approximately 18 to 20 million, based on Israel's high birth rate and level of immigration.

This creates big challenges for the real estate industry. While there is a major focus on the residential aspect of real estate, there is also a spotlight on buildings to accommodate commercial offices and logistic enterprises.

Currently, office space is undergoing a decrease in demand. For example, there is a surplus of some three million square meters in the greater Tel Aviv metropolitan area.

This is due to technological developments and changes in the attitude of hi-tech companies, which for many years were the mainstay of office space demand.

The increase in the technologies that enable people to work from home has greatly increased the number of businesses that allow their employees to do so. This is especially true for hi-tech companies, where a large part of the workforce is engaged in research work, which they can easily do at home. All they need is a laptop and an Internet connection to the company's main computer.

Thus the number of people working from home is increasing. It has advantages for both the employer and the employee. For the employer, it translates into reduced expenses, as less office space is required. For the employee, it means no traffic jams to get to work and back and more flexible working hours.

Now, because businesses need much less space, they are relocating to smaller premises or are reducing the space they occupy.

Demand from hi-tech companies has also decreased because they are finding it more difficult to find funding. This has made them much more cost conscious. Consequently, they make do with their



Jackie Mukmel (Photo courtesy of the writer)

minimum needs and occupy much less elaborate premises.

While currently there is a surplus of office space, in real estate long term is the name of the game. If the demographic projections prove to be accurate, there will be a need for more office space, and the government should plan accordingly.

There are office building projects in the construction process. For the more distant future, the government should ensure that there is enough office space to meet the needs of an expanding population and workforce and an expanding economy.

There are similar problems with commercial space. There, too, demand is decreasing. Like in office real estate, the cause is technological. In this case, the shift is from retail commerce to e-commerce.

The surge to e-commerce has affected the conventional shopkeeper. For shoppers, why bother to look for the right store by walking the streets when you can do it via the Internet? Why go shopping at stores and toting the articles home when you can do it on line and have the goods delivered to your doorstep?

The result is a big decline in downtown store fronts. To survive, downtown store owners have to move to shopping malls. The advantage for the consumer is that a mall is a more concentrated shopping venue,



Photo courtesy PR

offering a wide range of stores providing diverse goods and services under one roof. In addition, malls have restaurants, coffee shops, and cinemas.

The changes in commercial and office real estate are having residential real estate implications. In many city centers where housing shortages are endemic, old stores are being converted into small ground floor apartments.

With regard to office buildings, these can also be used to alleviate housing shortages by converting under-used or practically empty office buildings into small apartments. In the greater Tel Aviv metropolitan area, if only 20% of the empty office buildings were converted into apartment buildings, they would add some 40,000 apartments to the current housing stock. •

The writer is a real estate strategic consultant.

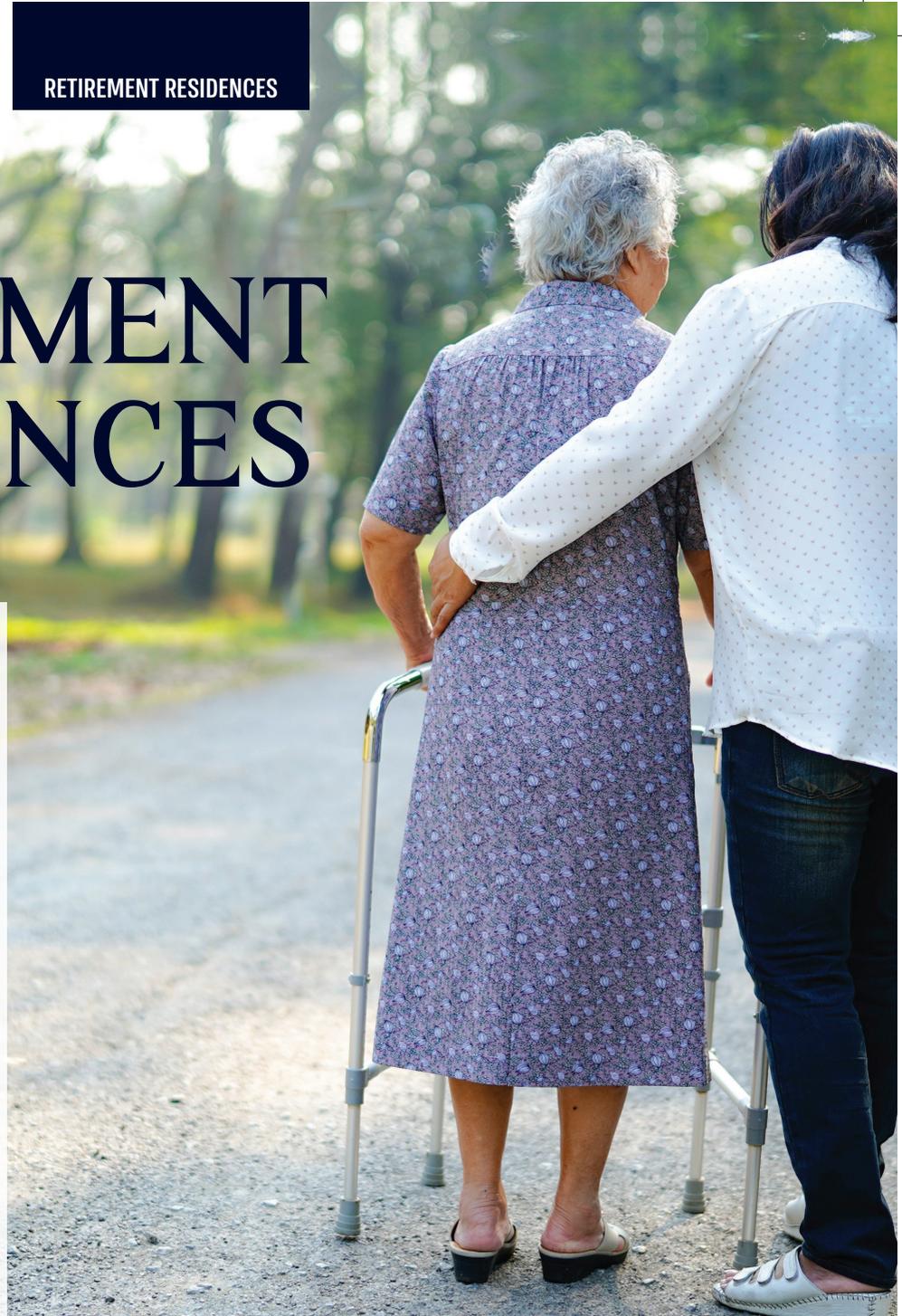
RETIREMENT RESIDENCES

• YOCHANAN ALTMAN

Modern society is undergoing a demographic revolution. The number of people over the age of 65 is increasing rapidly. Sixty-five is currently the global average age at which most people are pensioned off. I say “currently” because the constant rise in life expectancy is pushing the retirement age up. In Israel, for example, the retirement age for men was raised to 67 about 10 years ago.

But whatever the retirement age, people do get older. With age, our faculties lose their potency. For that reason, seniors have special needs. These needs have to be met, and they are indeed met by the private sector and, to a lesser extent, by the public sector which adapts itself accordingly.

One usually associates the needs of seniors with pension funds and increased medical services and less with special



(All photos by Freepik.com)



housing needs. But seniors have certain housing requirements. It is less a question of housing that is physically adapted to the needs of seniors and more about housing that is adapted to the changing social and family environment.

In the not so distant past, the family unit was very strong. Children were committed to look after the social and economic needs of their elders, and the elders expected it to be so. But not anymore. While some families remain close-knit, many others are less so. This means that the elderly often feel lonely. If not abandoned and forsaken, they feel that they have lost their usefulness.

There are also social problems. The current social environment is one where the number of singles is larger than in the past, comprised of spinsters,



RETIREMENT RESIDENCES



to ask for help if necessary. The main advantage of this option is that it allows for a completely independent style of living. However, it does not solve social problems and personal security problems.

Sheltered housing projects are the most popular housing option for seniors. They constitute a deluxe hotel style building with apartments of various sizes and public areas such as a lounge, lobby, restaurants, gardens, swimming pool and spa. In these residencies, people can live independent lives. In fact, residents are accepted only if they can function fully on their own.

This type of housing receives residents from the age of 65. Some of these people carry on with their daily lives. They keep their jobs or businesses and merely change their address. For the majority who are completely retired, there are workshops to enable them to develop their latent talents. This helps keep people occupied and adds a positive element to their daily lives.

There are many advantages to this arrangement. One can lead a practically independent lifestyle. One has social contact with people of one's own age, there is an in-house infirmary to deal with health problems, and there is 24-hour surveillance.

The disadvantage is the cost. A deposit must be paid, which depreciates with time from 25% to 30% (depending on the amount of time one lives in the residence). On average, there is a monthly maintenance fee that includes high-quality facilities such as spa, gym, swimming pool, restaurants, lounge, café, synagogue and clinic.

A third option is an old age homes -- a residence for those who cannot lead completely independent lives. This type of facility supplies all the daily needs of its residents, which includes three meals a day.

A fourth option is a nursing home for elderly people who require medical care and are in a delicate health situation.

As one can see, seniors have a wide range

of residential options graded according to the state of their health.

WHAT TO LOOK FOR

With a wide range of sheltered housing on offer, one may have a problem choosing which one is best. Selecting a retirement residence is a very important decision because in most cases it is for life. It is therefore advisable to reach an agreement with the management to stay for a certain period of time to see if one fits in. The important elements to consider are the following:

* How will I keep busy? Are the activities offered ones that I will enjoy doing?

* The social mix. Do I fit in with the social networks that have been formed? In this context, it is worth mentioning that one should have the financial resources to maintain a standard of living that is more or less accepted in that particular environment. In such close surroundings, feeling poor is a recipe for social disaster.

* Make sure the environment is one that you are accustomed to. See if the food in the cafeteria or the restaurant is what you are used to. And check to see if the cultural environment is familiar. Religious retirees, for example, will want to live in a religious retirement center. English speakers will choose a retirement home where English is spoken or at least understood by the residents. •

bachelors and divorcees. This means that the number of seniors who lead lonely lives is increasing, as is the need for housing that meet the needs of seniors.

Over the years, different housing options have been developed for the older generation.

The most independent style of living is called virtual sheltered housing. Apartments are wired and connected to a central monitoring office. In the UK and Holland, it is relatively popular; in Israel, much less so. These apartments are located in an urban environment inhabited by a large number of seniors. They have special audio and monitoring equipment which allows the central monitoring office to verify if anything out of the ordinary is happening. In addition, the apartments are equipped with emergency push buttons

THE LOCAL RENTAL SCENE



The living room and the kitchen in one of Shikun & Binui a long term rental projects in Haifa (Photo courtesy Shikun & Binui)

• JASON BLACKSHAW

Israel has prided itself on being a socially oriented society. Indeed, the state was founded on socialistic principles on what would today be described as social democracy. And its housing policy was indeed socialistic and egalitarian. But no more.

In the first ten years of the State of Israel (1949-1958), the government built 200,000 apartments designated as public housing, with subsidized rents. However, that policy changed dramatically in 1959. In that year, the government decided that public housing was a bad idea and deemed

that every Israeli should own the home he/she lived in. The purchase of public housing by the tenants was promoted and assisted, and the construction of public housing was gradually discontinued. By the 1970s, it had ceased altogether. The amount of public housing is constantly diminishing because the government is still actively encouraging residents to buy their own homes.

Public housing stocks are down, but demand is increasing. In 2021, there were over 8,000 requests for public housing. The available number of apartments available amounted to barely 300. Public housing is now augmented by the Ministry of Housing, buying apartments it deems suitable. But these amount to only a few hundred a year.

And demand is still rising. The high increase in real estate prices (20% in 2022 alone) has made acquiring a home a very costly luxury.

Public housing when available is only for the very poor. But in this country, it is not only the poor who are in need. Housing in Israel is very expensive, and prices are rising. The number of those who can afford to buy a home of their own is decreasing. Every time average prices rise by a hefty upturn, the number of those able to afford to buy a home decreases further.

And when they cannot afford to buy, they have to rent. But unlike Western countries, local real estate developers are not keen on building long-term rental projects. Consequently, the number of apartments for rent by the business sector is minimal.

Apartments for rent by the private sector are owned by individuals who have purchased one or two apartments as an investment. The major problem with these rentals is that they are very short term. Usually one-year leases with an option to extend for another year.

Tsachi Peretz is the VP (finance) of Shikun

& Binui Real Estate, one of Israel's leading development and construction companies. He says, "Real estate prices increased dramatically in 2022. In real terms, they rose even more. Lucky are the few who do not need the help of a mortgage when buying an apartment, since interest rates have risen and may rise further. The ultimate price of a home is higher than the contract price when buying the property. Under these circumstances, the only option for most middle-class families who want a roof over their heads is the rental market."

Consequently, there is urgent need for real estate development companies to start building long-term residential projects.

In June of this year, the number of families living in rented premises amounted to just over 32%. In the early 1960s, it amounted to less than 15%. Which hints at the size of the market.

The reasons are clear. Rough estimates put the price of an average apartment in 1950 at today's prices at NIS 400,000; at NIS 380,000 in 1960; NIS 290,000 in 1970; NIS 354,000 in 1980; NIS 740,000 in 1990; NIS 1,005,000 in 2000; NIS 923,000 in 2010; NIS 1,600,000 in 2021; and 1,951,000 in 2022. In 1950, one needed approximately 36 average monthly salaries to buy an average apartment. Currently, the number has soared to 150 annual average salaries.

Here you have the reason for the shift to rentals. Under these circumstances, a middle-class young couple with both partners employed may find it practically impossible to amass the funds necessary for the down payment to obtain a mortgage. They may be able to afford a monthly lease that will ensure security of tenancy and a stable rent. However, in the current rental market, based on private ownership of individual properties, leases are neither long term nor rent stable.

CATERING TO THE RENTAL MARKET

Very few real estate development companies are willing to take up the challenge of building quality apartments that are rented at reasonable monthly rents. Shikun & Binui Real Estate is one of the very few that do. And with no mean success.

They have 2,100 apartment for rent around the country, such as Arnona Dreams in Jerusalem; Harish Dreams in the new city of Harish; and Liberty Haifa Port in Haifa.

The company is also building rental projects in the Sde Dov neighborhood of Tel Aviv and Ben-Shemen in Central Israel.

All apartments are built to the highest standards. They have fixed rental prices usually linked to the cost of living. And the buildings are managed and maintained by real estate management companies.

HOUSING A GROWING POPULATION

• RONI MIZRAHI

The real estate sector in Israel has been in crisis mode for over 15 years. The crux of the crisis is an insufficient supply of housing.

According to figures published by the Ministry of Housing, the shortage of housing amounts to over 200,000 units. If housing starts remain at the current levels and the population continues to increase, by the end of 2027 the shortage may well reach 300,000 to 350,000.

If the government does not take the necessary steps to greatly increase housing starts, the real estate situation in 30 to 40 years will be dire in the extreme.

Thirty to 40 years may seem like a long time to plan ahead, but with regard to real estate, it is not. It takes a lot of time to plan and to construct real estate projects, so it is advisable to plan well ahead. The population is growing fast. Birth rates in Israel are among the highest in the Western world. And to this must be added high immigration figures. Without planning ahead, we could be facing a catastrophic in the real estate situation in the not so distant future.

According to demographic predictions, by 2065 Israel's population will have at least doubled to 20 million. That means we will have to add some 3.3 million dwellings to the existing housing stock. If to these 3.3 million one adds the current shortage of 200,000 dwellings plus the number of old and poorly constructed buildings that may be condemned as unsafe to inhabit, the

number could reach 3.7 million. During a 40-year time span, that means housing starts of some 310,000 a year.

It is true that with an increase in the population, the resources that can be devoted to the building of housing will increase as well, but housing starts of 310,000 in one year is five times more than the number of housing starts which in 2021 amounted to 65,000 – the highest in living memory.

With a population of 20 million, the figure would double to 130,000. That is not enough! To meet the housing needs of these expected millions, housing starts would have to increase to 160,000, an annual deficit of 30,000. If the country maintains the current level of housing starts, this could mean an accumulated shortage of some 1.5 million homes.

But how to create the more than three million homes necessary to house a population of 20 million?

Housing starts of such magnitude should not be an insurmountable problem. When the USSR collapsed, creating an economic and social crisis, over one million Russian Jews took advantage of the Law of Return and immigrated to Israel.

At that time, those million plus accounted for over 20% of the population. To accommodate them, a state of emergency was declared. For several years in the first half of the 1990s, annual housing starts jumped to 90,000.

That does not mean we need to have a state of emergency, but it does mean that with a population and a GDP double the one



Roni Mizrahi (Photo by Menachem Oz)

in 2021, annual housing starts of 160,000 are not an impossibility.

The technical challenge of building the necessary housing can be met, but that leaves the problem of where to build.

Israel is a small country. In my opinion, the best solution would be for the government to create two new cities that would accommodate the bulk of the additional 10 million inhabitants.

These two new mega cities would be located in peripheral areas. They would not encroach on agricultural land but would be situated in the desert spaces in the Negev and the hilly areas of the Galilee.

Such a policy would have economic and demographic advantages. It would fill the vacant land in the South and, to a lesser extent, in the Galilee. And it would relieve the congestion in the narrow coastal strip from Gadera in the South to Hadera in the North.

An alternative solution would be to enlarge existing cities by adding new neighborhoods. But that is not a good idea. It would reduce the amount of arable land necessary to grow food. In addition, most of the country's large cities are located in the coastal areas. Enlarging them would increase the population congestion in these areas. In addition, land in existing urban areas is expensive. Not so in the hilly areas of the Galilee and the dry spaces in the Negev.

What's more, most of the cities in the Negev and the Galilee are essentially dormitory cities with very little in the form of infrastructures and job opportunities. The two new metropolitan areas would provide employment opportunities, shopping centers, and cultural and educational spheres.



New housing in Modiin (Photo courtesy the M. Aviv group)

KEEP WARM BUT STAY SAFE

• JOHANAN ALTMAN

As the temperatures begin to cool, our thoughts turn to ways to best keep our houses warm during the winter. In Israel, the most common heating device is the climate control system, or *mazgan*, which is the safest and most economical. Another popular device is the Inverter, a climate control system that adjusts automatically to suit the individual's needs. On a smaller scale, space heaters, fireplaces and gas or wood-burning stoves will also do the trick in making us feel warm and cozy.

But before you get too comfortable, make sure that your equipment is sound and that you are aware of all the precautions necessary to keep your family and your home safe from fire or other potential hazards related to your heating device. According to fire safety reports, space heaters, wood stoves, fireplaces and other fixed or portable heating sources are the leading cause of injuries, fatalities and home fires during the winter months.

While central home heating systems account for the smallest percentage of heating-related fires and fatalities, supplemental heating devices are more dangerous because there is so much room for error or misuse. For the latter, some of problems include lack of regular cleaning, not giving space heaters enough space, using the wrong fuel, and improper installation.

If you have a central heating system, make sure it is in good working condition before the cold weather sets in. Have it inspected, and leave any repairs to the professionals.

If you're planning to use supplemental heating sources this winter, here are some important safety tips to follow.

When it comes to portable space heaters, these types of heaters need space. The biggest mistake people make is placing them too close to flammable materials such as curtains, upholstered furniture or clothing. The heater must be placed at least 92 centimeters (three feet) away from anything that can burn. By the same token, keep children away from space heaters, especially when they are wearing nightgowns or other loose clothing that could ignite.

As another precaution, always turn the space heater off when you go to bed or



(Freepik.com)

when you leave a room. When turning a portable heating device on or off, follow the manufacturer's instructions. It is preferable to buy a device with an automatic shut-off feature. And when you purchase a new space heater, make sure it has the authorization of an independent testing laboratory.

If you're using an electric heater, do not overload the circuit. If you have to use an extension cord (although it is recommended not to), use one that is the same size or larger than the appliance cord. And do not place an electric heater in the bathroom or any other area where it might come in contact with water. There is too great a danger of electrocution.

If you're considering using a kerosene heater, use only kerosene as fuel. Gasoline, camp stove fuel or any other fuel can be extremely dangerous in a kerosene heater. Make sure the kerosene you use is clear like water, not yellow. And when you refuel the heater, make sure to do so outdoors.

And speaking of outdoors and fresh air, never use a fuel-burning appliance such as a kerosene heater without proper ventilation. These devices generate deadly carbon monoxide fumes. As for the fuel itself, store flammable liquids in approved metal containers in a well-ventilated storage area outside the home.

If you want to take the more natural route and will be using a wood stove or fireplace, here too, proper maintenance, installation and use are essential elements for safety. Wood and coal stoves, fireplaces, chimneys, chimney connectors and all solid-fueled

heating equipment should be inspected, as well as cleaned professionally, every year. Wood-burning devices regularly build up creosote, which must to be cleaned out. It is a flammable tar by-product of wood smoke that builds up on the walls of a chimney or wood stove.

Any wood stove you buy should be of solid quality and design. When you install it, make sure it has 92 centimeters (three feet) of clearance from any combustible surface and has enough floor support and protection.

To start a fire in a wood stove fireplace, never use a flammable liquid. Similarly, do not use excessive amounts of paper to build a roaring fire. And never burn charcoal indoors, as it can generate lethal amounts of carbon dioxide.

In a fireplace, keep flammable material away from the hearth and mantle. Use a sturdy screen to keep sparks from flying into the room. Before you go to bed, make sure the fireplace fire is cold. Never close the damper when there are still hot ashes in the fireplace because the fire will heat up again, and toxic carbon monoxide can spread into the house.

If you use synthetic logs, be sure to follow the directions on the package. Never break a synthetic log apart to quicken the fire, and don't use more than one log at a time. In both cases, it could release dangerous levels of carbon monoxide into the air.

If you follow these simple but essential rules, you can enjoy a warm winter at home and be as snug as the proverbial bug in a rug. •

THE ADVANTAGES OF A REVERSE MORTGAGE

• JASON BLACKSHAW

In this country many retired middle class families are asset rich but cash poor. They may not be poor by accepted terms but they may have working cash problems.

This is due to the fact that the pensions they receive are much lower than the salaries they received when employed. It is no wonder that some seniors find it difficult to make ends meet, and that number is rising. The constant increase in life expectancy has played havoc with financial planning. To this must be added the constant rise in the cost of living.

a solution. We are talking about people in their 70s and 80s who have lived in the same home for many years. For them, moving can be very traumatic. Moving is a difficult process under any circumstances, but it is doubly so for seniors.

Another option would be to sell their home and move to rented accommodation. But that option is even worse. On top of the traumatic effect of leaving one's home of many years and the unpleasant effects of moving house, finding long-term rentals in this country is almost impossible because such accommodation barely exists. Such a solution would be condemning seniors to have to move house at regular intervals.

the interest. They do not have to make monthly payments because the amounts due accumulate on a monthly basis. When the borrowers pass on, the heirs either repay the remaining balance of the mortgage which has increased with time and take out a conventional mortgage themselves to repay the debt and thereby keep the property or sell the property and pay off the debt.

Even if the original mortgage with the accumulated interest is higher than the value of the property, the borrowers cannot be evicted and can continue to live in the home for the rest of their lives.

Kobi Kalman is the CEO of Harel+60

Ltd a daughter company of Harel Insurance and Finance Group one of the country's leading insurance companies and one of the few entities in Israel which offer seniors reverse mortgages. Kalman who is one of the pioneers of the reverse mortgage concept in Israel explains that, "To be eligible for a reverse mortgage, one must be over the age of 60. If one is over 60 and needs money for any purpose, it is an effective tool that can enable one to live with dignity and maintain one's standard of living. With a reverse mortgage, there are no monthly repayments. The home remains owned by the borrower. If the borrowers so desire, they can repay the loan at any



(Freepik.com)

I know of quite a number of seniors who have worked all their lives, collect a pension and receive the old age benefits paid out by the National Insurance Institute. But because of the financial environment, they find it difficult to cope, to financially keep their heads above water. So what to do?

The solution lies in their real estate assets. They are asset rich but cash poor. Many seniors own the home they live in. They can sell their home and get a nice sum of money and then move to a smaller, less expensive apartment and use the balance to help them out. But for most, that is not

Under these circumstances, the best solution of realizing one's real estate assets is a reverse mortgage. In Western countries, especially in English-speaking countries such as the US, the UK, Canada and Australia, it is a widely accepted solution for seniors. In Israel, this option is more limited. Nevertheless, it is gaining ground.

A reverse mortgage is essentially a non-recourse loan a mortgage that does not have to be repaid by the borrowers but by their heirs. The borrowers do not make any monthly payments on the capital or

time without incurring any penalties. It is also possible to make monthly payments on the interest, and the mortgage will only increase with the increase in the cost of living index".

The home remains the property of the owner at all times. But like all conventional mortgages, it serves as a security on the mortgage itself. The amount of the mortgage depends on the value of the property and the age of the borrower when receiving the mortgage. It ranges from 15% of the value of the property at age 60 to 50% at the age of 90. •

WHAT GOES UP DOESN'T ALWAYS COME DOWN



Baka Apt. sold 3.6 mil (All photos courtesy of the author)



Old Katamon sold for 8 mil

• ALYSSA FRIEDLAND

Should I buy? Should I wait? Will this crazy spiraling real estate market ever come down? These questions and more plague the mind of young couples, foreign buyers and investors alike.

After an overview of the Israeli real estate market in general, this article will provide a review of the unique character of the Jerusalem real estate market.

Over the last 15 years (except for a slight lull in 2018), the real estate market in Israel has been spiraling out of control. Last year alone, local real estate rose 19%. Government efforts to quell the rising market have not been successful.

Aviad Friedman, outgoing director general of the Ministry of Construction and Housing, hopes that at the beginning of 2023 housing prices will stall. His reasoning is based on some of the policies he tried to implement. One such policy was to offer tax incentives to developers who give discounts to young couples. He also encouraged laws that increased new construction and expedited permits for contractors and developers. However, with the new government coming in, we will have to wait and see what policies will be implemented and how they will address the housing situation.

Unfortunately, the idea of raising the purchase tax to discourage investors from buying was ineffective. Many investors left

the struggling stock market in order to get on the “real estate train,” regardless of the taxes involved. Even with ROIs as low as 4%, the yearly appreciation in the market added 15% to 18% to their annual profit margin, so they invested despite the higher taxation.

In the past few months, lack of demand for new housing, rising mortgage rates, and homes remaining on the market longer have started to reduce the real estate frenzy slightly. The Bank of Israel has raised interest rates considerably; and with the economy heating up, they have no intention of lowering them in the near future.

So if the market in most of Israel is starting to stall, why is the Jerusalem market still hot and getting hotter? There are some key components that characterize the Jerusalem real estate market that do not apply to other cities or neighborhoods in Israel.

Although one might assume that the increase in new construction, expanding urban renewal projects (Tama 38 and Pinui Binui), and less demand for mortgages due to higher interest rates would cause prices to come down, this has yet to be seen. In Jerusalem, home owners who are selling because they want to upgrade are holding out for their asking price with much less motivation to sell, since they know they will be selling buying in a market that they assume will continue to rise and thus will need more money to finance the upgrade.

Demand has outweighed supply in Jerusalem for over 15 years, generating unprecedented price escalation. Hopefully,



Alyssa Friedland

the city’s vision for increased housing will alleviate that problem and create more apartments in an overpopulated city. The religious population, with an ever-growing birth rate, also contributes to the housing shortage. In order to catch up with the gap between demand and supply of homes alone, the Housing Ministry estimated that Israel needs to build over 60,000 apartments per year. In practice, due to two years of corona and the current economic situation, the real number required to do this is already higher.

Another significant factor that makes Jerusalem real estate unique is the spiritual element. Many foreign buyers have a spiritual or religious connection to Jerusalem that influences their purchase. With rising antisemitism abroad, knowing they have a haven to run to, even if it’s a small apartment, gives many a real sense of security in a very uncertain world.

Another factor is the increase of aliyah

in the past few years, with many new olim settling in the Jerusalem area.

Recent sales in the city reflect the high demand, low inventory and continued price increases. To illustrate this, here are three recent sales: A Mandate period garden apartment needing total renovation was on the market for NIS 8 million, with offers of NIS 7.5 and NIS 7.6 million. But the owner, a widow who had raised her family and moved into an assisted living facility, held out for her price and got it. The property was on Mevo Yoram Street in Old Katamon on the first floor (with 18 steps), had four bedrooms and measured 60 square meters, with a garden of 190 sq. m. It also had a private parking space. It sold within two months.

Another sale was in Baka. It was a three-bedroom (85 sq. m.) renovated apartment with a large terrace and old Arab features, that sold for NIS 3,600,000.

A third example was a two-bedroom, two bathroom apartment with parking, a balcony and Shabbat elevator in a TAMA 38 project that was recently completed at 12 Lincoln Street in the city center. While three potential buyers were bidding on the property, the apartment was sold to an investor for NIS 3,700,000.

Properties in neighborhoods such as Talbyeh, Rehavia, Baka, the German Colony, Old Katamon and the city center have had the largest percentage of appreciation, with current prices per square meter ranging from NIS 45,000 to NIS 60,000. A four-room apartment (three bedrooms) in these high demand areas range from NIS 4,500,000 to NIS 6,000,000. These areas attract foreign buyers, as well as wealthy Israelis.

Young couples, families with limited budgets, and investors, tend to purchase in more peripheral areas of the city, where prices are more reasonable and ROIs and appreciation potential is higher.

Below are some of the neighborhoods where prices are still reasonable:

RASCO

This neighborhood borders Rehavia and Old Katamon. It is centrally located, with close proximity to the center of town, excellent public transportation, and easy access in and out of Jerusalem. The prices of the apartments are lower than those in Rehavia and Old Katamon, and there is high rental demand from students and young families. The ROI Investment is relatively high for Jerusalem. For example, a three-room (two bedrooms) apartment was recently sold on Tchernihovsky St. for NIS 2,450,000 and is now rented for NIS 6,500 a month (ROI 3%). The neighborhood provides a high quality of life, with good schools and community centers. With very little land available to build in the area, many

properties have the option of going through TAMA or Pinui Binui renewal projects. These refurbish the property, and the apartment owner gains another 20 to 25 sq.m., as well as a balcony and sometimes parking and storage space.

NAHLAOT / MAHANEH YEHUDA NEIGHBORHOOD

Nahlaot is still in the process of being re-gentrified. The historic area of Nahlaot was built in 1872 (one of the first Jewish neighborhoods outside the Old City walls). The original structures, which feature authentic arches and mosaics, are truly one-of-a-kind opportunities. The authenticity of these properties makes them highly desirable. Some investors purchase them for their unique historical significance.

Nahlaot is situated between Agrippas and Bezalel streets. Close to this quaint area lies the neighborhood of the Mahaneh Yehuda market and the city center. There are still bargains to be found in this section of Nahlaot. The price per sq. m is less expensive than in Nahlaot proper, which is right across the street. Prices in Nahlaot have gone up in the past 15 years. Current prices average NIS 45,000 per sq. m.

KATAMONIM

Bordering the neighborhood of Old Katamon/Kiryat Shmuel is a neighborhood that was built in the 1950s and housed lower income immigrant families. This area is now being pegged as an opportune spot for potential investors. As TAMA 38 and Pinui Binui projects are popping up everywhere, investors can purchase the rundown original properties at reasonable prices and realize additions of 20 to 25 sq. m, of space, elevators, and improved facades, as well as structural foundations.

Many religious young families, who can't afford to buy in Old Katamon are purchasing here. The area has good educational institutions, synagogues, cultural activities, etc. With the next extension of the light rail servicing this neighborhood, it will definitely become one of the preferable neighborhoods in Jerusalem.

ARMON HANATZIV / ARNONA

These two neighborhoods have become the haven for all the Baka wannabes. With prices in Baka outpricing the young family market, Arnona, across Derech Hebron and a ten-minute walk to all the popular synagogues in Baka, has become a very attractive neighborhood for young families and investors alike. Arnona and Armon Hanatziv offer excellent schools, transportation, and cultural venues.

They have become very popular with the Young Israel crowd of Anglos as well. The welcoming and friendly atmosphere is evident even in their community Facebook group. Prices are still reasonable (NIS 20,000 to NIS 30,000 per sq. m.) and have not escalated like Baka, which starts at NIS 38,000 per sq. m.).



Lincoln 12, sold 3.7 mil

FRENCH HILL

This northern neighborhood bordering Ramat Eshkol was established soon after the Six Day War. It consists of four- to six-story buildings ranging in price from NIS 1,800,000 for three-room apartments to NIS 2,500,000 for four-room apartments. The neighborhood also has terraced five-room homes with large balconies. Those units range from NIS 3,200,000 for unrenovated properties to NIS 4,200,000 for apartments that have been renovated. Due to its proximity to the light rail, the Hebrew University and Hadassah Hospital, there is a large student population, so investors can easily find tenants, and ROI can reach 4-5%. Young religious families who cannot afford Ramat Eshkol are also buying in the area.

As one can see from the facts above, there is no way of knowing when this rising market will finally start a decline, just as one can't anticipate the stock market volatility. The fascinating thing about Jerusalem real estate is that although various factors have caused the Jerusalem market to dip now and then, it has always rebounded, and the rebound has more than made up for any dips along the way.

The writer is a real estate agent with RE/MAX Vision in Jerusalem and specializes in the luxury and high-end market. She has been in the real estate business in Jerusalem for over 25 years and is available for free consultations regarding both buying and selling homes anywhere in Israel. She can be reached at 054-668-4111; alyssa1@014.net.il; www.remaxjerusalem.com.

THE HOSTEL PROGRAM FOR SENIORS

• JAMES HARRIS

Like all modern societies, Israel is a country where the number of those who have reached pensionable age is growing because life expectancy is increasing. In Israel, there is an added factor. Some of the new immigrants are elderly, and many of them have limited economic resources.

Most countries would bar entry to immigrants who would be a potential economic burden on the state. But Israel is special in that respect. It was founded as a refuge for the Jewish people, and the government will not turn any Jew away, regardless of their health or financial circumstances.

Elderly immigrants who come to Israel with the necessary financial means can always find accommodation in communal housing. These offer adequate and even luxurious housing, but they do not come cheap and consequently are not a solution for all.

To deal with that situation, the state initiated a program of hostels for the elderly in the late 1990s. At that time, a large number of Jews immigrated to Israel from the former USSR and among them were a substantial number of elderly. To handle the large influx, the government built what were called "hostels." In essence, they are sheltered or communal housing that offer basic accommodation and services and are administered by the state through the Housing and Construction Ministry.

The hostel program was initiated for the benefit of elderly immigrants but quickly spread to the whole senior population of the country. Now it offers accommodation to elderly Israelis whether longtime citizens or newcomers who do not have an apartment of their own.

At present, 16,000 people reside in approximately 12,000 units in some 100 such residences throughout the country. The northernmost is in Safed, and the most southerly is in Eilat. Each residence has 80 to 100 units, of which two-thirds are studio type apartments for singles, and one-third are two-room apartments for couples.

The residences are built by the private sector and are then leased long term to the state. The state, in turn, rents them to those who are eligible at highly subsidized prices.



(Freepik.com)

THE MOVE TO THE COUNTRY

Seniors who so desire and have the necessary means can now retire in style. Israel has a large number of fashionable retirement residences that ensure residents quality apartments of various sizes, communal services and a high degree of personal security and round-the-clock medical supervision.

There are about 14,000 individual apartments in these retirement residences, and the numbers are growing because demand is strong. Longevity being what it is, this market is expanding fast.

Most of these apartments are built in large multi-story buildings that incorporate hotel-style public rooms that are adapted to the needs of seniors. But there are also country-style residences with one-story houses, each with its own small garden. At present, there are five of the latter, but these are expected to increase rapidly.

These sheltered residences are affordable for middle-class seniors. Many seniors own their apartment and, when sold, there is enough money to enter a retirement residence, while their pension or their accumulated capital can pay for the monthly maintenance fee.

A deposit is made because the majority of units in retirement residences are not sold outright; they cannot be resold when no longer in use. The deposit does not yield interest. It is linked to the US dollar and has an annual depreciation rate as specified in the contract.

Most depreciate for the first 10 to 15 years of residency, but there are payment plans with no time limit on the depreciation. When the apartment is evacuated, the deposit or what is left of it is returned to the family. Depreciation can amount to some 30 percent of the original deposit, and inflation -- though now at a very low rate -- further depreciates the real value of the deposit.

Singles pay a monthly rental of NIS 213, and couples pay NIS 319. The idea behind the hostel concept is that those who live on the National Insurance old age pension will have affordable accommodation in their old age.

These state residences have a communal room, hobby workshops, a garden, and all the services necessary for the elderly. They do not provide meals; residents must

prepare their own food. Consequently, these residences are suitable only for those who can take care of themselves.

The Housing Ministry is keenly aware of the housing needs of the elderly. Thus the Israel Land Administration (ILA), which is the legal owner of most of the land in Israel and an arm of the Housing Ministry, is constantly selling land earmarked for building hostels. •

brave.

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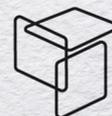
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