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LETTER FROM THE EDITOR

Dear Readers,

Welcome to the Sukkot edition of *The Jerusalem Post's Real Estate/Economic Post* magazine.

This edition is being published under the shadow of the coronavirus pandemic. Although not all the articles herein are related to the virus, it is a reality that cannot be ignored.

In this issue, we have an interview with Raul Serogo, president of the Israel Builders Association, who explains what he expects from the current government.

We also have an article about the state of the real estate market, as well as a piece about what may happen to the real estate industry after the COVID-19 pandemic is resolved.

Good health and enjoy your reading,

Juan de la Roca



*Simulation for illustration only

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TABLE OF CONTENTS

THE ECONOMY: A CHALLENGING CONUNDRUM.....	08
Juan de la Roca	
BUILDING A STRONGER FUTURE	12
John Benzaquen	
ASDEN ISRAEL JERUSALEM ARCHITECTURE & SUKKOT	16
Ehud Lahav	
SERENDIPITY IN CAESAREA.....	18
Ariana Berger	
WHERE TO INVEST IN JERUSALEM	20
Yitchak Kowalsky	
ISRAEL'S NEW METRO PROJECT: PROS AND CONS.....	22
Anat Biran	
BUYER'S PRICE PROGRAM: PROS AND CONS	24
John Benzaquen	
THE PROGRAM WAS A SUCCESS	24
Hila Miller	
THE PROGRAM WAS A COSTLY FIASCO	26
Erez Cohen	
REAL ESTATE PRICES REMAIN HIGH.....	28
Amit Dobkin	
THE REALITY OF REALTY AFTER CORONA	32
Alyssa Friedland	
CHOOSING THE RIGHT MORTGAGE	36
James Harris	
INVESTMENT OPPORTUNITIES IN JERUSALEM.....	38
Alyssa Friedland	
HOW DOES COVID-19 AFFECT INTERIOR DESIGN?.....	42
Yetti Slaski	
MAKING A FRESH START IN RAANANA.....	44
John Benzaquen	
BENEFITS FOR NEW OLIM.....	46
Yochanan Altman	
THE MANY ASSETS OF ASHDOD	38
John Benzaquen	
REAL ESTATE INVESTMENTS	50
James Harris	

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THE ECONOMY: A CHALLENGING CONUNDRUM

» by Juan de la Roca

During the past 18 months or so, the Israeli economy has been buffeted by strong winds that have had a very negative effect on the economy. This includes real estate, which is an important part of the local economy, generating some 12% of GDP.

In those hectic 18 months, we have had three general elections. During that time, the political establishment and consequently the government was paralyzed, and no decisions were made.

In addition, the coronavirus pandemic has created economic havoc with a partial shutdown of the economy. It has resulted in hundreds of thousands of unemployed and a decline in GDP.

The coronavirus is a global pandemic, and the problems affecting the local economy are shared to varying degrees of intensity by other countries. In Israel, the government must address these problems and many others. The government will have to stop the quarrels within the coalition, as well as those within the two main parties that make up the coalition.

It must devote itself not only to fighting the pandemic but also to repairing the economic ravages caused by the political vacuum of the 12 months up to March of this year, as well as the crippling economic effects of the pandemic.

Israel is fortunate in that it faced the economic repercussions of the pandemic from a position of relative strength: a GDP growth of nearly 4% in 2019, with foreign exchange reserves of more than \$110 billion (35% of GDP).

But overall, the damage to the economy is enormous. The main victims are the small businesses and the self-employed. Once the situation is under control and things can relatively return to normal, the country can start putting its house back to order, beginning with taking the necessary steps to jump-start the economy. This means that those in charge of the economic policy, of drawing up a budget, will have a lot of work on their hands.

The most effective way to jump-start the economy is to make a dramatic increase in government spending. There is no way to avoid increasing spending if we want to resolve as quickly as possible the economic problems caused in the last months. That will mean increasing the deficit.

Budget deficits are never a good thing, but in certain cases such as emergencies and times of crisis, they are indispensable. In times of crisis, the government can run up large deficits, provided that measures are taken to ensure that the deficit is temporary.

To ensure that the deficit is temporary, economic growth must be increased. The fastest way to increase growth is to help set up or at least bolster small businesses. The response to an injection of capital in small businesses is rapid. These businesses can quickly hire the unemployed

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REAL ESTATE PRICES MAY DECREASE: A HYPOTHESIS

and start to generate activity, which translates into growth. The government must also help large corporations, especially those hard hit by the shutdowns caused by the pandemic. These include airlines and hotels, as well as other enterprises that deal with tourism.

When pumping money into the economy, it is important to take the necessary measures to avoid an inflationary environment. A deficit that finances only consumption,

The COVID-19 pandemic has caused great damage to the economy, but it may bring about something which during the past 10 years successive governments have tried but constantly failed to achieve – a reduction in the very high real estate prices. On average, prices have doubled in relation to what they were a decade ago.

The pandemic has caused a reduction in housing starts, while the annual natural demand for housing has remained unchanged. So why are real estate prices expected to fall,

the short term, demand may fall.

In addition, supply may increase not because housing starts are rising but because banks may be obliged to increase their foreclosures. Many people who have been laid off or have businesses that are undergoing dire financial hardships may need ready cash to pay for their everyday needs. These people will look for short-term solutions. For a person who owns a property, that means taking out a mortgage or increasing the existing one.

But mortgages have to be repaid. Many



whether governmental or private, is inflationary. On the other hand, a deficit that finances growth is anti-inflationary because increased growth will create the resources that allow the government to increase its tax revenue and thereby absorb the excess money into the economy.

These, in my opinion, should be the main and immediate tasks of the government. Before the coronavirus outbreak, Israel had many serious issues to deal with, such as mitigating poverty; increasing government largesse to the elderly and infirm; and solving the housing problem. These are all weighty issues that must be addressed, but for the moment they will have to wait. •

despite the fact that demand usually exceeds supply? Why are prices expected to fall when demand will continue to outpace supply?

There are two main reasons why real estate prices may fall in the foreseeable future. One is the decrease in the disposable income of the public. Two, which is the result of the first, is that many home owners are mortgaging their houses as a means to make ends meet.

The economy may be contracting, but the public still needs housing. Young people get married, families grow and require larger homes, and new immigrants need a roof over their heads. However, if there is no money available, those in need of a home will not be able to afford one and will have to do without, at least for the time being. Consequently, in

people who are taking out mortgages are only looking at the short term, seeking to solve an immediate problem. But they may be creating a future problem.

If the situation does not improve soon, the disposable income available will fall even further. That means that many of those who took out a mortgage will find it difficult to meet their monthly payments. And if people don't meet their payments, the result is foreclosures.

That is why in a bad case scenario, the supply of housing on the market may increase. If that scenario comes about, then the fall in demand because people don't have money, coupled with an increase in supply because of foreclosures, will mean a decrease in real estate prices. •



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BUILDING A STRONGER FUTURE

» by John Benzaquen

The last 18 months in Israel have been hard on the economy. Three general elections in the short space of 12 months have caused great uncertainty, especially for the real estate industry, which is highly dependent on government policy. And now we are in the midst of the coronavirus pandemic, which has partially shut down the economy.

Raul Serogo is president of the Israel Builders Association, the representative body of the country's construction industry. In answer to a question about the major challenges to the real estate industry, he says, "If you had asked me that question in the first weeks of February before the coronavirus outbreak, I would have said that the main problem of our industry was the uncertainty caused by the governmental vacuum caused by the fact that we have had a caretaker government for over a year. But that's now ancient history. Our main problem, like that of the whole country, is the economic effects of the coronavirus pandemic. This is a crisis of titanic dimensions. Despite the fact that construction has been declared an essential service and we are allowed to continue operations, we are being affected. And if we are affected, the effect reverberates on the economy as a whole. Our industry makes up 11% of the country's GDP; consequently, what happens with us affects the economy as a whole, affects each and every Israeli. But I am confident that we will overcome this crisis as we have overcome others. For us, that means providing housing for the population growth, which also includes immigration. Having said that, I must say that the fact that Israel has been without a permanent government for a year 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 was practically paralyzed for the past year has caused building delays. These have affected both building starts and building completions at a time when Israel is in sore need of more dwellings."

What are some of those stumbling blocks?

I will name three pressing bottlenecks. The first is streamlining the whole process of granting building permits. In this country, it



Raul Serogo is president of the Israel Builders Association (All photos courtesy Israel Builders Association)

takes 18 months on average to obtain a building permit compared to other Western countries, where it takes much less time.

Another issue is addressing the problems of urban renewal in peripheral areas. I am referring to the TAMA 38 process, which strengthens old buildings to withstand earthquakes and adds reinforced safe rooms in existing apartments. Urban renewal projects are not economical in peripheral areas. We submitted a detailed plan to the then finance minister Moshe Kahlon whereby developers would be compensated for undertaking urban renewal projects in peripheral areas by being granted extra building rights in their other building projects in the center of the country.

The third 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 still in abeyance six months after the current government has taken office, and we are still awaiting decisions.

What other requests do you, as the representative body, have from the current government?

Let me divide my answer into two: the needs of the private building sector; and the needs

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of the institutional sector, which includes infrastructures.

With regard to the private sector, it is imperative that we adopt purely free market practices. The government is constantly intervening and nullifying free market trends. The officials do not seem to realize that these interventions can only have short-term results. In the current situation where there is an accumulated shortage of housing, where misguided government policy has caused vast canned demand, government intervention is extremely harmful and will be felt by the general buying public for many years to come. The Mehir Le'mishtaken which has been terminated by the new minister of Housing Yaacov Litzman is a case in point, because it caused great discrepancies. It increased supply to a small part of the population, while the majority had to make due with a greatly decreased supply of new housing, which naturally pushed prices up.

With regard to government building and infrastructural projects, the government must rationalize its actions. They are creating uncertainty and causing many mistakes which cost a great deal of money to all. The government must standardize its tenders and its contracts. Otherwise, the rather chaotic and uncertain conditions will continue.

How did the coronavirus pandemic effect real estate as a whole?

The negative effects of the pandemic on real estate as a whole are unprecedented. They are the most disruptive and negative we have ever experienced.

At the beginning, the building industry was included in the general lockdown, and we had to fight hard to get the government to reverse its decision and allow Palestinian construction workers to work in Israel during the lockout. Nevertheless, according to our calculations, during the period of the total one-month lockout, only 30% of the building industry was operational. That meant that work on some 100,000 dwellings which were in the construction process was affected. Furthermore, housing starts were put on hold. According to our calculations, up to now the industry has sustained losses of more than NIS 4 billion.

The effects of the corona pandemic show the importance of an Israeli workforce in construction. The government should take long-term steps to increase the number of Israelis in the industry. I say 'long-term' because steps must be taken to train locals to do the work that is being done primarily by overseas 'guest workers.'

As an expert in your field, what would you advise the government to do with regard to the economy?

The government is facing difficult and challenging times. It will have to find solutions

for the grave economic problems caused by the necessary steps taken to combat the coronavirus. Steps will have to be taken to jump-start the economy. I advise an expansive fiscal policy with an emphasis on helping the small and middle-sized business sector. Otherwise, the whole sector may collapse.

The building industry is fraught with serious accidents. What are you doing to prevent or at least lessen the problem?

This was a big problem in 2019, and there were many fatalities. During the past year, accidents have been minimal.

But even one death is too much. We hope that 2020 will be a much better year.

Having said this, I must stress that construction is a dangerous occupation all over the world, and tragically in Israel we have more fatal construction accidents per population than other Western countries.

We at the Builders Association are well aware of the need to improve safety measures and are making strenuous efforts to mitigate the problem. For example, we now use only scaffolding that complies with the EU safety standards.

We have a special Safety Committee under the leadership of Eyal Ben-Reuven, a former IDF general and former MK who was a key member of the Knesset's subcommittee for the prevention of accidents in the construction sector.

We also believe that the problem must be tackled by the dual means of legislation and the cooperation of construction companies. Legislation should address the problem of the culpability among those involved, namely developers, contractors, subcontractors, work foremen and individual workers.

In addition, we believe that building tenders should take into account not only the monetary issue but also the safety factor.

On our part, our Safety Committee has holistic plans. When implemented, they will revolutionize safety and bring about a cultural revolution that will include aspects such as special training and on-site checks. We also organize safety training courses for the 70,000 Palestinian construction workers who work in Israel and we expect the government to participate in this scheme.

One of the supposed reasons for the long time it takes to complete a building project is that construction in Israel is not technologically advanced.

Three years ago, in conjunction with the Housing Ministry and the Innovation Authority

of the Ministry of Economy and Industry, a special technological incubator for the building industry was created. During that time, we have helped create some 100 start-ups which are developing technologies that will be of service to both construction and infrastructural projects. Some of these technologies will also help prevent accidents. In addition, we are encouraging our members to cooperate with



ConTech start-ups. We believe that technology will improve the way we construct and improve building methods, making the building process safer, faster, and more economical.

What are the main tasks of the Israel Builders Association in the coming years, and what can be done to bring down the hefty real estate prices?

With regard to reducing real estate prices, the surest way is to increase supply. To do that, the government, as the largest landowner in the country, must streamline and increase the sale of land.

Our most important task in the near future is to give full cooperation to the government in order to return to normality as soon as possible after we have overcome the corona pandemic. In the longer term, I would very much hope for much less government intervention, which largely obstructs the smooth flow of construction work.

In the future, the population will double in size, which will require an average of 100,000 annual housing starts. Thus I will work in conjunction with the government on a comprehensive and holistic 30-year plan for the housing starts and the necessary government investments in infrastructural projects necessitated by the increased population. Such a program would require a policy that would eliminate the bottlenecks that are obstructing the smooth implementation of building projects.



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JERUSALEM ARCHITECTURE & SUKKOT

» by Ehud Lahav

Jerusalem has always been at the heart of Israel. Steeped in thousands of years of Jewish history, the city was once home to the First and Second Temples. A central aspect of Jewish life is to visit Jerusalem during the Three Pilgrimage Festivals (*shalosh regalim*) -- Sukkot, Passover, and Shavuot.

Today, Jerusalem has once again become the center of Jewish spirituality. After 2,000 years, Jews from around the world can return to the holy city not just as visitors but also as residents.

Jerusalem is one of the most beautiful, historical, and sacred cities in the world. So it is no surprise that it is also one of the most sought-after real

estate locations in Israel. Every year, more and more apartments are being constructed to accommodate the influx of new olim and Jews from the Diaspora who come to visit their families or to vacation. Many also visit Jerusalem during the *shalosh regalim*, just like in ancient times.

As a result, many developers and interior designers are adapting their residential projects to benefit religious practices. These include features such as kitchens with separate sinks for meat and dairy; Shabbat elevators; and terraces that can accommodate a sukkah during the holiday of Sukkot.

According to Jewish Law, a sukkah must be built with a roof through which one can see the stars. This presents quite a challenge for developers and designers. How can you build a multi-story apartment building without covering the balcony of the apartment directly below? With so many observant Jews moving to Jerusalem or coming to visit during Sukkot, it's a difficult challenge to overcome. Having a sukkah is so important in Jerusalem, that most restaurants and malls construct them during Sukkot. In fact, they have become such an integral part of Israeli culture that traditional and secular Jews also take part in Sukkot celebrations around the country.

Developers such as Asden Israel are thinking creatively and have been adapting their architectural designs to accommodate Sukkot laws and traditions. Recently, Asden developed two high-end complexes -- Park 8 in Baka and The Mesila in the German Colony. Park 8 is designed by Michal Della Pergola of Della Pergola Architects. A highly acclaimed Jerusalemite architect, Della Pergola has wide experience in designing quality apartment buildings.

She explains that while architects and developers may well be influenced by styles of the past, they must also start thinking creatively and not rely on former designs. In regard to the Park 8 project, she says, "The design was based on my concepts of what architecture in Jerusalem should be. Jerusalem is a historical city with layer upon layer of the various architectural styles which changed through the ages.

PARK 8 (Photo by Itamar Shaul)





The Mesila German Colony (Viewpoint) (For illustration purposes only. (Courtesy Asden)

New buildings should be a bridge between the old and the new by incorporating the necessary motifs. I believe that in Park 8, we have succeeded nicely. The façade blends in with the historic rural-oriented neighborhood earmarked for restoration, while the interior is outward-looking and blends in with the rural ambience beyond.”

While the issues involving the sukkah have been a challenge for many architects, Della Pergola has turned them into an opportunity. To explain how this was achieved in the Park 8 project, she says, “We have given the residents both interior and exterior spaces. There are spacious interiors in all the apartments, as well as rooftop terraces on the upper floor apartments; large gardens in the ground floor apartments; and large open terraces that can be used for sukkot in the mid-story apartments. All eight four-story boutique condominiums of the complex are connected by a pedestrian boulevard that opens on to the lush Baka municipal park.”

Asden Israel continues to set new standards for superior luxury design and construction in Jerusalem. The company has created beautiful, elegant communities and continues to inspire those around them. Asden has constructed the perfect home not only for Sukkot but for the entire year. •

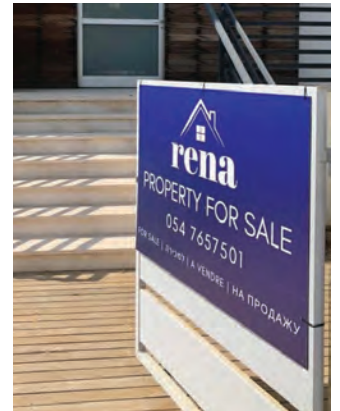
ASDEN ISRAEL: HIGH-END JERUSALEM DEVELOPMENTS

Like many other developers, Asden Israel, a premium quality developer of residential real estate in Jerusalem, is busily developing apartment buildings to meet the anticipated increased demand from overseas buyers. Setting new standards for superior luxury apartments in Jerusalem, Asden is developing two high-end residential projects in historic neighborhoods – The Mesila in the German Colony and Park 8 in Baka.

Both projects incorporate space for constructing sukkot and are therefore also suitable for a religious clientele. As can be expected from such a quality developer, both residential projects have much more to offer.

The Mesila comprises two seven-story apartment buildings in the historic German Colony quarter. It will include a select choice of apartments and penthouses.

The Park 8 project in Baka, which is a rurally oriented neighborhood, which is already mostly occupied, consists of eight four-story boutique condominiums linked by a verdant pedestrian boulevard. •



10 room designer home exclusively for sale near the Golf course in Caesarea (All photos courtesy Rena)

SERENDIPITY IN CAESAREA

» by Arianna Berger

In this special edition of *JPost Real Estate*, we met with Caesarea Realtor Rena Roberman. We inquired about her holistic approach to each client and how ultimately she welcomes them into the Caesarea community.

Hi Rena, you seem so relaxed and calm for a realtor. Not at all what I expected! How did you find yourself in real estate?

Ha! Part of what you're describing is my almost 20 years of experience, and part of it is my upbringing to never give up on my dreams. I was born in the early 70s in Australia and lived in Europe, the US and Canada. I made Aliyah alone to join the IDF in a constant search for my roots. This search led me to complete degrees in Interior design and Architecture at TAU, only to discover that real estate incorporates my passions including meeting new interesting people on a regular basis. I can honestly say that today, I have found my home and my calling.

Why Caesarea?

Easy! Caesarea is where both Eran (my husband/best friend) and I can realize all our dreams. Eran is one of Caesarea's most reputable building project managers. Our worlds often collide, when a client of mine purchases a home/land and Eran then builds it or whenever I sell a home that Eran built.

Caesarea also offers me a sense of community and belonging. When running along the

ancient aqueduct beach or on the many paths/parks, I feel grounded and connected. Eran is putting the finishing touches on our own new home in Caesarea as we speak!

Who Lives in Caesarea?

There is a lovely, thriving, and active community in Caesarea. The backdrop, the only 18-hole golf course in Israel and rich historical and meaningful sites attract a beautiful mosaic of people from many diverse backgrounds.

Recently Eran and I hosted a L'Chaim at our home for clients and new friends all new to Caesarea. Amongst our guests, was a lovely family from the UK who bought a sea view designer holiday home, another family who moved to Israel and bought an exquisite home in the Golf cluster. Our guests included a family who returned from Europe and sought an active community where they could walk their dogs daily on the beach. There was also a young Israeli family that upgraded from a nearby city and moved to a home with a pool in Caesarea.

How do your clients find you?

My whole life I've experienced many moments of serendipity (too hard to explain coincidences). These moments always keep me on track and give me the affirmation that I am headed in the right direction. This is also true for my business. So, to answer your question, my clients usually find me by referral from previous clients and through word of mouth in our community.

Have you made any recent sales in Caesarea you can tell us about?

Sure, heaps! One that I'm super privileged to have successfully brokered and still manage, was when I was approached by a lovely family, 2nd generation holocaust survivors. They were looking to fulfill their dream of owning a piece of land in Israel. Our shared journey included not only viewings of many houses but also some deep and meaningful conversations. They purchased a magnificent full sea view villa, first row to the sea with access to the beach.

Sounds like it must have cost them a fortune!!

You'd be surprised! This house, excellently positioned for easy access to the sea, just a hop over the ancient aqueduct, was approx. \$3M USD. Honestly, for a 500/1000 sqm mansion in all its grandeur, my clients made an excellent investment.

On that point, is Caesarea a good investment?

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(All photos courtesy Yitzchak Kowalsky)



WHERE TO INVEST IN JERUSALEM WITHOUT BREAKING THE BANK!



» by Yitzchak Kowalsky

In my 10 years of experience there have been many shifts in what we call ‘the best place to invest in a Jerusalem property’. It used to be Rehavia, Talibiye, etc. were the sought-after locations due to their proximity to the Western Wall. In the last couple of years there’s been a shift in where and what people would like to invest in. The areas that had the highest demand now have peaked in price, and the buildings are older, and don’t have all the amenities that are now a hot commodity. Investors now desire the whole package of amenities, including, private parking, shabbat elevator, sukka balcony and storage. Therefore, investors are willing to go beyond those neighborhoods in order to get new buildings with all the good stuff it has to offer.

So how can I get all of that without draining my bank account? The best way is to look for the new buildings that are being offered on paper, such as TAMAs, ‘pinuy binuy’ and new developments. An investor needs to do their research in which neighborhood/community they want to be affiliated with, find the new buildings going up, and make sure you research the different companies behind these new developments. There are ones that are more reliable, and those that are headaches to get involved in. These projects allow you to get a brand-new property at a reasonable price, with a comfortable payment schedule that legally protects the buyer. So, go beyond your first inclinations about your desired location, and push the boundaries to get your dream property in Jerusalem...and of course, don’t forget, get a really good real estate agent!

Yitzchak Kowalsky YYK Real Estate

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הרבייה והדושה של ישראל

ISRAEL'S NEW METRO PROJECT: PROS AND CONS

» by Adv. Anat Biran

The State of Israel is undertaking a vast infrastructural development -- the construction of an underground railway system. When completed in the next decade, the metro will link the entire Dan area, which in essence is the wider Tel Aviv metropolitan area. It will encompass some 24 municipal authorities.

The metro will have huge implications for both transportation and real estate. It will revolutionize the way people in the wider Tel Aviv metropolitan get from one place to another, and it will have a tremendous impact on the real estate along the route in general and around the underground stations in particular.

As part of the metro project (Infrastructure Plan 103), a number of lines will be built:

Line M101: This line will run from Kfar Saba and Ra'anana, It will cross Tel Aviv and go on to Rishon Lezion, Lod, and Rehovot.

Line M102: On an east to west axis, this line will start in Petah Tikva and continue through Bnei Brak and Ramat Gan and end in Tel Aviv.

Line M103: This semi-ring-shaped line will include stations in Bat Yam, Azor, Or Yehuda, Kiryat Ono, Ramat Hasharon, and Herzliya. It will also have a connection to Ben-Gurion Airport.

From a real east perspective, the project will have serious repercussions both positive and negative for the landowners across the route. This may include demolition of properties along the route and the expropriation of land, as well as limiting the use of building rights in the future.

Because of the complexity, many landowners living abroad will not be aware of the project and its repercussions for them,

since the state is not obligated to inform the property owners who are affected. What the state is obliged to do is place street signs and publish small ads in the Israeli press. Consequently, landowners, especially those living overseas, may be surprised to find that they have an underground line running beneath their property.

While the project may have negative aspects for landowners, it also has positive aspects. The government intends to recommend that local authorities greatly increase the building rights around the underground stations, such as large developments of residential, commercial, and office real estate.

Plans have already been made public for two of the lines, and no objections are possible. The development plans for line 102 have recently been published.

The information published on the websites of the State of Israel is complicated and cumbersome and will not be understood by laymen. It is therefore advisable for landowners to seek professional help. Israeli residents are already aware of the plan, and many are submitting their objections.

In the context of objections, the plans in each area and their effect on property owners



Adv. Anat Biran
(Photo by Nadav Yehonatan Cohen)

and submit on their behalf the objections and petitions so as to minimize the damage to landowners, At a later date, When after the plans are approved it will also be possible to file compensation claims. The underground project is also an opportunity for overseas residents who may want to make a real estate investment Israel, provided they are well aware of the pros and cons.

The writer is an expert in planning and construction law, as well as real estate law, and is the proprietor of a leading local law firm. Dun & Bradstreet, Coface Bdi and Chambers have ranked the firm among the leading of its kind in Israel.

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BUYER'S PRICE PROGRAM: PROS AND CONS

» by John Benzaquen

The current government has not made any decisions with regard to real estate. Except one. Housing Minister Yaacov Litzman decided to scrap the *Mechir Le'mishtaken* program, translated as the Buyer's Price program, or BPP. In this program, government land was essentially sold to developers at subsidized prices under the proviso that they would sell the apartments built on that land at reduced prices to eligible buyers.

I regard this as a dramatic decision because the program had been at the center of the government's real estate policies for the past five years. At its peak, nearly 40% of housing starts were built on land acquired through the BPP. Therefore, the decision to discard the program is both dramatic and far-reaching.

During the five years that it was operational, the program had many detractors and many supporters. With that in mind, we asked two major real estate operators – one in favor of the BPP and one against it – to express their thoughts about the program.

Hila Miller, the marketing manager of the M. Aviv construction company, is favorably disposed toward the program and consequently regrets its demise. On the other hand, Erez Cohen, former chairman of the Real Estate Appraisers Association in Israel, thinks the program was a mistake and should not have been initiated at all. •



“

THE PROGRAM WAS A SUCCESS. IT HAD ITS FLAWS, BUT IT YIELDED RESULTS. SOME 30,000 HOMELESS HOUSEHOLDS NOW HAVE HOMES OF THEIR OWN

» Hila Miller

The Buyer's Price program was started five years ago. It was very socially oriented and was meant to enable young couples to acquire a home. The constant and hefty real estate price increases prevented many young married couples from buying a home. Simply put, they were outpriced.

The plan was born out of a desire to create a means by which newlyweds, as well as older couples and singles who had never managed to buy a home, to do so in spite of the high real estate prices. During the five years of its existence, the program enabled 30,000 families to purchase a home. Without the price reductions of the program, the majority of them would not have been able to do so.

Our company had a number of BPP projects in Modi'in and Rishon Lezion, and I can assure you there was brisk demand from those eligible, many of whom who would otherwise never have been able to buy a home of their own.

The program was not perfect, but what is? It had its drawbacks. For one thing, it was over-centralized. All the building projects were seen as one and were given exactly the same benefits. The program should have been less rigid, and the benefits should have been adapted to the size and special specifications of each project, as well as the mix of the various sizes of apartments in the project.

In addition, those eligible to participate were chosen by lottery. That in itself was a mistake because Many of the people who participated in the lottery did not have a winning number time after time. Ultimately, they became discouraged and simply gave up.

Yet despite these flaws, the program was essentially sound. It was based on the need to supply affordable housing to all, which essentially meant the have-nots.

When Housing Minister Litzman announced that he was scrapping the program, I expected him to come up with an alternative program that would help the homeless

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THE PROGRAM WAS A COSTLY FIASCO THAT CAUSED MUCH HARM TO THE ECONOMY IN GENERAL AND TO THE REAL ESTATE INDUSTRY IN PARTICULAR

» Erez Cohen

have been involved in the real estate industry for a number of decades, and there has never been a fiasco as great as the Mehir Le'mishtaken program.

It was the initiative of the then finance minister Moshe Kahlon. Amidst much fanfare, it was inaugurated five years ago. It has now been axed by the current minister of housing, Yaacov Litzman, and rightly so.

It not only failed to achieve its aims, but it also caused much damage to the national economy in general and the real estate industry in particular.

It was meant to solve the problem of homelessness for young families and older people who not been able to acquire their own homes. It failed to do so, and the figures speak for themselves. Only 30,000 eligibles managed to register and acquire a home of their own. An additional 95,000 hopeful eligibles are still waiting. They did not manage to make it through the lottery system sieve.

These figures run contrary to the expectations that Kahlon had for the program. He repeatedly stated his determination to solve the real estate problem primarily through the medium of the program. However, it not only failed to solve the problem, but it created others.

The failed program cost some NIS 8 billion, which was one of the reasons for the hefty

government accumulated deficit by the end of 2019. Would it not have been better to retain the principle of “differential points”? In that program, those eligible for government assistance were to be awarded points according to a combination of socioeconomic standings such as location of property to be purchased and size of family. Those eligible would receive financial aid according to the point rating. That program was successful in the past, was less costly to the taxpayer, less bureaucratic, and much simpler to operate.

The Buyer's Price program had many other flaws as well. It encouraged the construction of large five-room apartments in peripheral areas. This was a very clumsy mistake because the potential buyers (young families) did not need such large apartments. In addition, the apartments were expensive. Even with the price reduction, they were beyond the economic means of most of the potential buyers.

The program also failed to achieve its social aims -- that is, to aid the have-nots. Many of the tracts of land allotted in the program were in high cost areas such as Herzliya. The building lands were sold off at reduced prices; but even so, they were too expensive for those for whom the program was meant to assist. Consequently, the apartments constructed in those areas were sold to the affluent children of wealthy parents, not the type of people who required subsidized housing.

The program caused much damage to the real estate industry. Those eligible to participate in the program amounted to barely 15% of buyers, yet it accounted for more than 40% of the market.

Since the government is the major land owner and is administered by government nominees, land was sold to developers who participated in the program and not to others. The result was a shortage of housing in the free non-Buyer's Price market and an increase in prices.

More statistical data prove the failure of the program and the failure of its objectives. During the years when Kahlon was finance minister and all-powerful supremo of the real estate industry, the number of people without a home of their own increased.

One upon a time, not long ago, the number of households of those living in their own homes was very high, among the highest in the world, actually. Currently, one-third of all households live in rented accommodation. The figure is much higher for those under 40. That is statistical proof that the Buyer's Price program was a failure.

The program should have been terminated long ago, and Litzman was right in doing what he did. To continue the failed and costly program in the midst of the corona pandemic, which has caused great economic harm and a deficit of unprecedented levels, would have been an unforgivable crime. So yes, I wholeheartedly agree with Litzman. The program had to be terminated.

acquire a home in what is a very pricey real estate market. But I was wrong. For the moment, he has not.

There is a dire need to help the underprivileged to buy a home of their own. The alternative of renting in a market that caters mainly to short-term rentals means that a family must change their place of residence multiple times.

The timing of the decision was also unfortunate. To make such a major decision in the midst of the corona pandemic, when the real estate industry is undergoing a slowdown and the BPP could have been used to revitalize the industry, shows certain callousness and ignorance of the realities.

Under those circumstances and because the issue of affordable housing for the underprivileged is a burning issue and since the BPP yielded results, I think Litzman should have overhauled the program and weeded out its negative aspects. Instead of scrapping the program, it should have been adapted to the current needs and been made more effective, less concentrated, and less bureaucratic. Such a measure should have been adopted at least on a temporary basis until a workable alternative was found.

I therefore regret the decision that has been made.

B”H, 13 Tishrei, Sukkot eve, 14 Tishrei
Brooklyn, New York

**To the sons and daughters of Israel
wherever they are
God will live in them
Shalom u’vracha!**

When we come from the “once a year” holy day, the end and seal of the Ten Days of Repentance, and we stand on the eve of Sukkot, our time of joy, the holiday that opens the second half of Tishrei, which is also the end and seal of the holidays of the “seventh month,” which is also the “month of satiety” in all good things both physical and spiritual, it is worth dwelling on the significance of the following days in relation to the first part of the month and draw the appropriate conclusion. In general, Tishrei is divided into two basic parts, which are different from each other but at the same time complement each other and create one uniform month as the entry and beginning of the new year.

The first part of the month is imbued with the matter of *teshuva*. Jews are in the mood of “exiting” from their existing state to rise up in the direction of spirituality (extra) and divinity.

For this is the general content of the Ten Days of Repentance, as the Sages explain about the commandment (as well as the request): “Call the Lord when He is found, call Him when He is near,” which refers to the Ten Days of Repentance. The four days that follow are also under the impression of repentance, until the fifteenth day of the month, which is called “the first day,” the first day of a new account.

The second part of the month of Tishrei is under the influence of a mindset directed toward bringing divinity into the world by doing the material things of the world for matters of holiness and mitzvot to a degree that evokes joy, singing, and dancing. This is the concise point of Sukkot, our time of joy: The mitzvot are expressed in the fact that the daily eating and drinking, etc., will be done in the sukka. Eating becomes a mitzva, remembering miracles when leaving Egypt, etc.

This joy is especially expressed in the four species, which must be taken from the first day (except Shabbat) as the Torah says: “And you took on the first day the fruit of the citrus tree,” along with three other species, and make them one mitzva, with a blessing: “who has sanctified us by His commandments and commanded us” and by the joy of “and rejoice before the Lord your God.”

And the two aforesaid directions of the month of Tishrei, as they are in the form of “from below to above” and “from above to below,” complement each other and form one unit.

**In preparation
for Sukkot,
we are honored
to publish a
letter written by
the Lubavitcher
Rebbe
regarding
the month’s
holidays**



In addition, there is an identical main point in the two parts, which also comes as an opening for the month and penetrates and encompasses all the affairs of the month. It is the issue of Jewish **unity**.

Even before the beginning of the month, on the Shabbat before Rosh Hashana, the Torah is read in public before all of Israel: “Today you are all standing before the Lord your God.” Jews stand firm, all together: “All of you -- to individuals as one” as “one complete level.”

In the same way, the second half of the month opens with the mitzva of sukka, which encompasses and unites everyone in the sukka, from the largest to the smallest, to the same extent until they say: “All Israel deserves to sit in one sukka.”

And “like you” in this sense too: just as with man himself, though he sees his own shortcomings (so on the part of loving himself) “for all crimes shall love cover,” and in spite of his shortcomings he endeavors to provide for all his needs physically and spiritually with the greatest effort. And he does this vitally. So should his attitude be towards another Jew.

Especially after as for his own shortcomings each knows the truth, whereas as for the other’s shortcomings “no man knows what is in his friend’s heart,” and he may easily err in calculation and appreciation.

And let there be a desire to have “our time of joy” in full measure and according to the purpose of each holiday, which requires that the content of the holiday affect and revive the days after the holiday, so be it for our time of joy, that joy be exalted and be present all days of the year. And as it is written: “And I will say to the world (I will always recite the miracles of God), I will sing to the God of Jacob.”

With respect and blessings
for a happy holiday,
Menachem Schneerson

REAL ESTATE PRICES REMAIN HIGH



(All photos by Freepik.com)

» by Amit Dobkin

The real estate market in Israel will enter the post-corona era in a position of relative weakness. The industry has severe structural issues which are not likely to improve, with the problem of demand outstripping supply.

Currently, the annual housing starts amount to some 50,000, while the natural annual demand for housing (births, mortality, immigration) is closer to 60,000. According to demographic surveys, by 2030 the local population will number about 17 million, an increase of nearly 90%, and the annual demand for housing will range from 120,000 to 130,000 units.

The chances of doubling or tripling annual housing starts are very slim. This means that demand will continue to exceed supply, and the upward pressure on prices will continue. One doesn't have to look 30 years down the road to predict a rise in prices. I believe there will be an increase in residential real estate prices next year.

One of the reasons for the relatively weak state of the real estate market is the construction sector, the builders responsible for the annual number of housing starts. They were very negatively affected by the Buyer's Price Plan (*Mechir Le'mishtaken*). According to this program, building land (most of which is owned by the government) was sold not to the highest bidders but to those who offered to sell the housing built on that land at the lowest price to the buyers. But the buyers were restricted as well. The program created cut-throat competition, lowered profit margins, and forced many construction firms into bankruptcy. Consequently, there are now fewer facilities available, which will be reflected in the number of housing starts.

In addition, the structural problems remain as acute as ever. The bureaucracy is a weighty millstone. The availability of building land is problematic, and housing starts will remain below demand levels.

Some believe that the high number of unemployed has reduced the buying power of the economy, thus demand for real estate will decrease and, in so doing, will bring down real estate prices. This is a misconception. I believe that prices will not only not fall, but I expect them to rise for the following reasons:

- (1) The real estate industry has remained



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unchanged. It is anachronistic, technologically outdated, and a bureaucratic nightmare. It takes a long time for developers to be granted a building permit. It can take up to three years to obtain a permit for a medium-sized, eight-story apartment building.

(2) During the five years that the government-sponsored Buyer's Price Program dominated the market, housing starts which were supposed to increase actually decreased, thereby widening the accumulated housing shortage.

(3) The effects of the coronavirus will, ironically, increase demand for relatively large homes. The trend of sending employees to work from home may become a more permanent arrangement. Under these circumstances, the breadwinners will need office space of their own, and that translates into increased demand for larger housing. I predict a rush to purchase larger homes.

(4) The population will continue to grow, fueled by a relatively high birth rate, a falling mortality rate, and an expected rise in immigration. Therefore, an increase of an additional million Israelis by 2025 is a possibility, and finding accommodation for them will become more difficult.

(5) Reserves of building land, especially in the central area, are being rapidly exhausted, pushing up the price of building land and consequently the price of real estate.

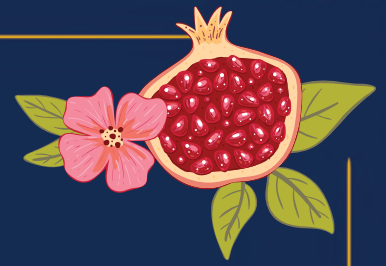
(6) The state is the largest landowner in the country. With the scrapping of the Buyer's Price Program, building land tenders will be awarded to the highest bidders.

(7) During the 72 years of the existence of the State of Israel, the long-term price curve has consistently increased. The fundamentals of the industry remain unchanged, which means that the upward price momentum will probably continue.

The only way to halt the upward trend is to balance supply and demand. Housing starts will have to equal or even exceed the annual demand for housing. However, under the existing situation, this is an impossibility. The most the government can expect to achieve is to maintain a gradual rise in real estate prices by increasing housing starts. This can be achieved by increasing the sale of building land and increasing urban renewal programs and streamlining the bureaucratic process. That can be achieved by concentrating all aspects of housing under one umbrella ministry, which would simplify the decision-making process. At present, they are spread among multiple ministries, government corporations, and agencies, which makes the decision-making process a veritable nightmare.

The writer is a strategic real estate consultant.





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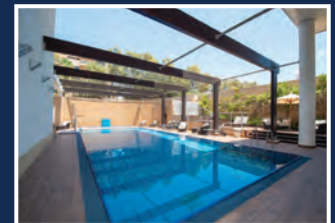
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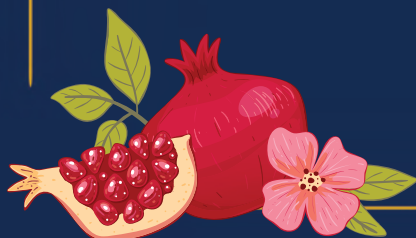
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THE REALITY OF REALTY AFTER CORONA



(All photos by Freepik.com)

» by Alyssa Friedland

What will the real estate world look like the “day after”? This is the question I am being asked by my buyers, sellers, friends, and colleagues. Seminars, Zoom sessions, and WhatsApp groups abound, trying to calm realtors, who were affected almost as hard as those involved in the tourism, recreation, and restaurant industries.

I may not have been born an optimist, but being in the real estate industry for more than 20 years has certainly made me one. Although I am not old enough to have lived through the Spanish epidemic of 1912, I have lived through multiple wars, terror attacks, and intifadas to have experienced firsthand how the real estate market in Israel reacts to a national crisis. No

one can accurately predict the “day after” with regard to any industry, but we can look at historic events and current circumstances to get an idea of what could reasonably happen.

In a normal market, real estate fluctuations are usually affected by supply and demand. This is one of the reasons that property values in the crowded city areas, where land and new construction are scarce, have historically continued to increase. Appreciation in these areas has been consistent over the last decade, as opposed to peripheral areas, where prices appreciate at a slower rate. Depending on the area of the country, various events have definitely had an influence on property values in Israel.

During the second intifada, which began in September 2000, property values in Jerusalem fell considerably before seeing an uphill trend, which has continued to

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- ▶ this day. Terrorism and war are strong influencers in the real estate market, as are economic sanctions and public protests, such as the tent protests in Tel Aviv in the summer of 2011 and again in 2015.

Government regulations regarding purchase tax and various incentives that the government has tried to implement to entice young families to purchase apartments have not helped to alleviate the rising prices or the constant demand. The Bank of Israel's increases in interest rates over the years have also had an impact on real estate prices, since buyers depend heavily on financing, especially the younger sector of buyers. When purchasing power is limited, sellers must respond accordingly in order to be able to sell their homes.

Although we have never encountered a crisis such as this one in the real estate world, the comparison to other market challenges is similar in terms of the

bargains on the market due to foreclosures, this may not be the case. Some sellers may lower prices for other reasons, however. Layoffs due to the COVID-19 crisis will cause owners to be more cautious about their future, since they will have limited funds to continue paying their mortgages. The post-corona economy will incur many business closures and job losses, which could result in families deciding to sell their homes and move into rented premises. This would allow them to liquidate the equity in their property and use the money to cushion them through the tough financial period ahead. Although they may not lower their sale price dramatically, they will be more anxious to sell, depending on their current financial cushion, and will be more amenable to negotiating with potential buyers. The surplus of properties that would enter the real estate market will also give buyers more options to purchase and will create more supply in cities where demand had previously outweighed supply.

In addition, isolation and quarantine have created some interesting revelations for families. Being in confined quarters for so long will cause some couples to realize that their marriage is not working and they are ready to separate or divorce, thereby needing to sell their property and buy two smaller ones. Other families will realize that their apartments are too small for their needs and will want to upgrade to larger properties. These scenarios will create more demand in the real estate market, thus new construction and second-hand properties will be sought after.

In dealing with the isolation challenge and the ongoing need for social distancing in the new reality following the corona crisis, buyers and sellers will turn to technology to find apartments. Viewing tours using virtual reality and Zoom meetings for negotiations will become the

norm in the real estate industry. Real estate companies that are able to integrate technology in order to service clients in the post-corona era will have the tools and the ability to help buyers and sellers through the process. By combining the most advanced technological tools with other aspects of the process, such as mortgage financing and negotiating contracts with lawyers, they will be able to guide buyers and sellers, avoiding physical interaction as much as possible.

This new era may feel like a science-fiction novel, but dealing with the new circumstances has impelled many industries to develop creative and advanced solutions at warp speed. Buying and selling residential property is a fundamental need in society. The real estate industry will survive this crisis, and new technology will help keep buyers and sellers safe throughout the process.

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psychology of the buyers and sellers. Worried buyers who are now seeing interest rates for mortgages rise in all the banks will be more cautious and have less available funds. Although the Bank of Israel has recently lowered the prime lending rate to 0.1%, this benefits only those loans that are linked to the prime lending rate. Many mortgages are comprised of multiple components because by regulation, only one-third of any mortgage can be based on the prime rate. Therefore, since the other variables in the mortgage are not affected by this, the borrower will not see a dramatic change.

The good news is that although banks have not yet come forward to lower mortgage rates, they have offered borrowers the ability to skip three months' worth of payments, and then amortize the amount that was skipped into the balance of the payments that remains on the loan. The banks are not forgoing any payments or accrued interest but are giving borrowers some breathing room to accommodate the current crisis, without risking foreclosure on the property.

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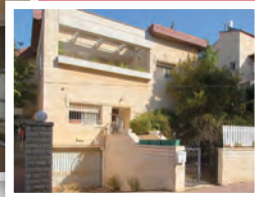
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CHOOSING THE RIGHT MORTGAGE



(All photos by Freepik.com)

» by James Harris

Buying a home is one of the most important financial transactions that any family or individual will undertake. Purchasing a home is expensive, so most buyers must find the means to finance the purchase. In most cases, it means taking out a long-term bank loan – that is a mortgage.

This is a very long-standing commitment. The average term of a mortgage is 20 years, but there are those with a lifespan of 25 or 35 years. As it is such a serious commitment, one should check and double check all the options available before taking out a mortgage.

Meir Vider is the manager/proprietor of Vider Mortgages. As a mortgage consultant, he says, “Choosing the right mortgage has its complexities. It must be adapted to the needs and monetary constraints of the client. Today, choosing the right mortgages may be confusing because of the many different kinds being offered. With this in mind and the fact that repaying a mortgage can last a lifetime, we have launched a new program that not only advises clients on the best plan to meet their monthly payments from their expected income but also helps

them manage their overall expenses.”

Choosing the right mortgage means assessing costs, such as interest rates, the way it is calculated and the linkage if any.

The linkage is important. Currently interests are very low; but when taking out a long-term mortgage, time should be taken into account.

One can take out a mortgage in a foreign currency or in shekels linked to the cost of living or unlinked. Or one can take out a mortgage in fixed interest rates or in floating rates. Each has its advantages and disadvantages, and each is suitable for different macroeconomic situations.

Dividing a mortgage into different segments is regarded as a way to give the borrower a greater degree of stability.

But is that really so?

A “multiple” mortgage smacks of speculation which is the opposite of stability and with mortgages and everything that has to do with ones own home, stability is the name of the game.

A free market economy has many ups and downs, so total stability is illusory. In these uncertain circumstances, a mortgage that offers the most stability is a shekel mortgage that is linked to the cost of living.

A mortgage in a foreign currency is risky. Some people are attracted to

CHOOSING A FIXED INTEREST RATE MORTGAGE

Eran Maoz, a mortgage consultant, believes that at these times, taking out a long-term, fixed-rate shekel mortgage is the thing to do. Maoz is the former deputy general manager of the Adanim mortgage bank which has since and incorporated into the Mizrahi Tefahot Bank. He explains that, “Taking out a multiple mortgage minimizes risks, but in the current economic financial environment, a fixed interest rate mortgage makes a lot of economic sense. A long-term, fixed-interest shekel mortgage bears an annual interest rate of 3%. This is higher than the interest rates payable in floating rate shekel mortgages or shekel linked to the cost of living mortgages. Nevertheless, interest rates are at historic lows, the Bank of Israel’s minimum rate stands at 0.10%, and it is doubtful that it will fall further. Mortgage interest rates like interest rates in general are influenced by the interest rates set by the central bank in this case the bank of Israel. It is questionable whether the interest rates of the Bank of Israel will fall further which means interest rates in Israel as a whole has reached there NADIR .

A long-term mortgage of 20, 25, or 30 years is a long time. During that period, interest rates may rise, inflation may increase, and the whole economic financial environment may change. If that happens, a 3% shekel mortgage is a very worthwhile proposition.”

the low interest rate at a certain point in time, but they forget that foreign currencies fluctuate. If the value of a certain currency against the shekel falls, then it is beneficial. But if the opposite occurs, it is detrimental because the monthly payments and the mortgage itself will increase. Taking out a mortgage in a foreign currency is risky, as it is speculative. Foreign currency mortgages offer stability only to those borrowers with a long-term ensured income in that currency.

The most stable mortgage for Israelis is a linked shekel mortgage. The mortgage will be paid monthly by people with a shekel income. It is true that a linked mortgage will increase with inflation, but salaries more or less increase with a rise in inflation. Consequently, such a mortgage will offer borrowers a relatively high level of stability.



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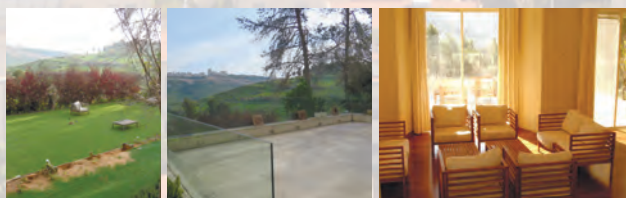


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INVESTMENT OPPORTUNITIES IN JERUSALEM

» by Alyssa Friedland

Many real estate buyers are wondering if the coronavirus has had an impact on property values in Jerusalem and in Israel as a whole. At the outbreak of the epidemic, the government and the banks were very sensitive to homeowners and offered mortgage holders a three-month reprieve from paying their mortgage from March through June. It didn't mean that they weren't responsible for the payments altogether. The amounts were simply amortized into the term of their mortgage period, so there would be a small increase every month from June onward. However, this slight reprieve helped homeowners breathe a little during a very difficult economic period and thereby avoid foreclosures or desperation to sell because they couldn't afford to keep up with their payments. So the answer to the above question is no, the corona crisis has not had a dramatic effect on the market, and prices are stable. In years to come, this will be seen as a blip in the real estate market in Israel.

Nevertheless, some homeowners are anticipating employment uncertainty in the future and are seeking to sell their homes, live off the equity, and are looking for rental opportunities instead. They are not desperate to sell, but they are creating an increase in supply; therefore, there is more inventory on the market. In some neighborhoods of Jerusalem, this has turned a seller's market into a buyer's market. Opportunities exist, but the savvy investor must know where to look.

An investor has to consider all the factors and regard the purchase as a business decision rather than an emotional one. Understanding the numbers is crucial and will have a big effect on profits in the long term. Investors should take into account not only the return on investment (ROI) but also the appreciation value over time, since most investors will be holding on to the

property for a few years. Jerusalem is not a city for "flippers" – that is, people who buy rundown properties, renovate them, and sell them immediately. Most Jerusalem home buyers prefer unrenovated homes, and then renovate them according to their needs and desires. Many investors have purchased property in Jerusalem based on the financial advantages, as well as the spiritual desire to own a home in the Holyland.

Although ROI figures in Jerusalem may be lower than in the US and other parts of the world, the appreciation has been outstanding over the past 15 years and has more than made up for the lower ROI. In Israel, rental prices are much lower relative to the purchase prices. That is what contributes to the lower ROI on a yearly basis. Due to the shortage of housing in Jerusalem, property prices have risen annually between 15-20% in most neighborhoods. The effect of the coronavirus has increased the inventory, so there are more properties on the market for the investor to choose from. Although prices have not come down very much, they have stabilized, and opportunities can be found.

Neighborhoods that had seen the most appreciation were those that catered to foreign buyers, such as Rehavia, Talbich, Baka, the German Colony, Sha'arei Hesed, the Mamilla area, and Old Katamon. Even these areas are now seeing a stabilization in prices due to the lack of foreign buyers coming into the country, especially at peak holiday seasons, when they generally purchase higher-priced homes. Today, many of the high-end homes are selling to wealthy Israelis but at a 15-20% reduction in price. Two lovely homes of more than 250 square meters in Baka and Talbich recently sold for NIS 12,500,000 and NIS 13 million, respectively. Both were asking more than NIS 14 million when they went on the market six months ago.

Investors seeking lower-priced homes should look at the bordering neighborhoods (near areas that have already seen appreciation) or the peripheral areas of Jerusalem. These neighborhoods usually cater to a younger element, such as young couples, families, and new olim who want to live in communities that are welcoming and affordable. These areas usually have a high demand for rental properties as well, so investment apartments can be easily rented out, and occupancy will be consistent.

Here are 10 tips for purchasing an investment property in Israel:

1. Obtain information regarding the desirability of the neighborhood (percentage of renters in the area) and the anticipated ROI.
2. Understand the tax implications in Israel and your country of residence. Speak to a qualified accountant or a real estate lawyer in Israel and abroad.

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3. Use a real estate agent who specializes in the area of purchase. He/she can give you an overview of the neighborhood and is well informed about the rental trends and price fluctuations in the area. He/she is also usually the first to know about distress sales or pending bankruptcy issues.

4. If you don't know what neighborhood you want to invest in, speak to the broker/owner of a reputable real estate office, who can guide and advise you.

5. Know your finances, and get pre-qualified if you require a mortgage. Foreign buyers can only receive a 50% mortgage, so you will have to put down 50% of your own capital. The good news is that Bank of Israel rates are low, so mortgage rates are currently very attractive. Your real estate agent or your attorney can suggest a good mortgage broker who can give you the current rates and the various options available.

6. If you plan to make aliya within 18 months of purchasing the property, let your agent or attorney know, since it will impact greatly on your closing costs and taxes. Instead of an 8% purchase tax, the rate can be reduced by half or more, depending on the price of the apartment being purchased. For example, the purchase of a property under NIS 1,700,000 will incur a purchase tax of only 0.5% if the purchaser makes aliya within 18 months.

7. Understand the income tax implications after the purchase, related to the rental income you will be making. In Israel, the rental income is exempt if it is under NIS 5,000 per month. Anything over that amount can be calculated in various ways, so it's best to consult an Israeli accountant.

8. A big advantage of being a landlord in Israel is that the tenant pays the annual property taxes and condo fees associated with the property. The owner has to pay only for major repairs to the property or common repairs to the building if needed. As for property insurance, the owner covers the structural system of the property, and the tenant covers its contents.

9. If you plan to live overseas, it is advisable to have a property manager handle your investment property in case any major repairs are required during the rental period or a new tenant must be found.

10. The best advice when purchasing an investment property is: Get advice. Consult with professionals in the field and ask questions. Be a knowledgeable consumer. This is one of the largest purchases most people will make, so do it wisely.

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

RASSCO

This neighborhood borders Rehavia and Old Katamon. It is conveniently located, with close proximity to the center of town, excellent public transportation, and easy access in and out of the city. 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 is relatively high for Jerusalem. 3.5%. The neighborhood provides a high quality of life, with good schools and community centers. With very little land available on which to build in the area, the appreciation value is expected to increase considerably over the next five years.

NAHLAOT

Part of Nahlaot is still in the process of being re-gentrified. The historic section 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 one-of-a-kind opportunities. The authenticity of these properties makes them highly desirable, and some investors buy them for their unique historical significance. Nahlaot is situated between Agrippas and Bezalel streets. Close to the quaint historic area lie Mahaneh Yehuda (the shuk area) and the city center, which is situated between Agrippas and Jaffa streets. There are still bargains to be found here.

KATAMONIM

Bordering the lovely neighborhood of Old Katamon/Kiryat Shmuel is Katamonim, an area that was built in the 1950s and housed lower-income immigrant considered as opportune for potential investors. Urban renewal projects within the TAMA 38 and Pinui Binui projects are popular and savvy investors can purchase the rundown original properties at excellent prices and make nice profits within the urban renewal projects. The area has good educational institutions, synagogues, cultural activities, etc. With the latest extension of the light rail servicing Katamonim, it will become one of the preferable neighborhoods in Jerusalem.

ARNONA/ARMON HANATZIV

Arnona and Armon Hanatziv have become the haven for all the Baka wannabes. With prices in Baka outpricing the young family market, Arnona (across from Derech Hebron and a 10-minute walk to all the "in shuls" in Baka) has become a very attractive neighborhood for young families and investors alike. Both 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.

One of the selling points for investors is the new American Embassy that is being built on the border of Arnona and Armon Hanatziv because the employees will need rental housing preferably in the vicinity

For the savvy investor, there are many opportunities available in the Jerusalem real estate market. The best results will be based on becoming a knowledgeable consumer and getting as much advice as possible from qualified professionals in the field. •

The writer is a long-standing agent of RE/MAX Vision in Jerusalem. TEL 054-6684111



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HOW DOES COVID-19 IMPACT INTERIOR DESIGN?

» by Yetti Slasky

We are living in a pandemic crisis, and it has touched absolutely everything in our society: the way we live, interact with each other socially and at home, how and where we work, to name just a few. As a result, interior design must adapt to how we will live post-corona and how we design our homes. The following are some of the concepts that are taken into consideration:

WORKING FROM HOME: THE NEW NORMAL

The effects of the pandemic - the lockdowns and the need for social distancing - have forced many people to work from home. The pandemic has demonstrated that one can be just as productive working from home - something freelancers have been saying for some time. Consequently, wherever possible, interior designers must incorporate genuine workspaces into the home and not just temporary workstations. The design of these home offices should be esthetically pleasing, have sufficient lighting, be soundproof enough to allow for video conferencing, have excellent online connectivity, and include ergonomically correct furniture.

Ideally, the workspace should be separate from the rest of the house or apartment. This not only allows for greater productivity but also sets a clear distinction between working hours and leisure time in the home.

MAXIMIZING THE LIVING SPACE

Being together with their families for long periods of time during lockdowns has made people reconsider the concept of privacy. Interior designers are receiving requests to convert basements, attics, garages, and even parts of

a garden into work areas or gyms. The layout of the home is now oriented toward the closed space concept rather than the open space concept that had been popular in the past.

In addition, whenever possible the design should include a separate, self-contained space with the necessary facilities so that if a member of the family becomes infected with a virus, he or she can be isolated.

FOCUSING ON HYGIENE

Today, interior designers must take into consideration the importance of hygiene in the home. Touching any object should be minimized as much as possible, especially items that are touched by many people, such as the door handle of an apartment building and the buttons in the elevator. Use should be made of video and voice control technologies, which minimize the need for physical contact. Vocal/video control is also very useful for people who live alone, as it enables them to request help if they need it.

Interior designers also make a point of installing easy-to-clean materials and surfaces, as well as touchless faucets and improved climate control systems. Natural materials such as copper and unlacquered brass and bronze are making a big comeback, as copper surfaces are said to have the shortest survival-rate time for coronavirus germs.

RECEIVING HOME DELIVERIES

One of the things that have taken off because of the pandemic is online shopping and, consequently, home deliveries. Therefore, the houses or apartments of the future should have a special space just outside the front door for package drop-offs.

Another anticipated trend is the inclusion of storage space in the home, such as a pantry. If we



Home office (All photos by author)



Home office



Basement - Old storage room is now a wonderful relaxing and office space

thought that such spaces were only viable in large homes, after this pandemic everybody may want to have a storage space in which to stock up – just in case.

BENEFITING FROM OUTDOOR LIVING SPACES

Currently, emphasis is placed on well-equipped outdoor living spaces, such as gardens and covered patios with a kitchen

and swimming pool. During lockdowns, outdoor living facilities have become all-important, as they are literally a breath of fresh air.

Designing our homes is not just about making the premises look attractive; it is also about improving the occupants' quality of life. Architects and interior designers will have to take the effects of a pandemic into consideration because in the future, potential

buyers will want to know if a dwelling is habitable if they are forced to remain indoors for extended periods of time.

The writer is an interior designer well known for her unique design solutions for residential dwellings and holiday homes.



Yetti Slasky

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Kitchen with extra storage space on both sides of the island

MAKING A FRESH



Ahuza street (All photos courtesy Municipality of Raanana)

» by John Benzaquen

If you are an English speaker with hi-tech credentials and are seeking employment in the hi-tech industry, Ra'anana may be just the place for you. A very pleasant town to live in, it is situated near the cultural and commercial center of Tel Aviv and offers excellent employment opportunities for hi-tech personnel.

Ra'anana's hi-tech industrial park is home to many leading global companies and local start-ups. The industrial zone in the north of the city is home to the Renanim shopping mall and hi-tech companies such as Emblaze, Hewlett-Packard, NICE Systems, OnTarget Communications, SAP, and Texas Instruments. In addition, Microsoft's head office in Israel and that of Amdocs are located in an office complex at the eastern edge of the city.

The main thoroughfare is Ahuza Street. Bisecting the city from east to west, it is lined with shops, restaurants, and a cultural center. That street alone affords many commercial opportunities.

Ra'anana is situated in the heart of the southern Sharon Plain in central Israel. It has the distinction of being the only town in Israel founded by Americans. Now, more than 100 years on, it has the largest percentage of English speakers in the country. Larger cities such as Jerusalem, Tel Aviv, and Netanya may have more English speakers, but

as a percentage of the nation's population, Ra'anana takes the top slot.

Its history goes back to 1912 when The Company for Jewish Settlement in Israel formed the Ahuza A – New York group to purchase land in Israel for agricultural settlement. World War I delayed their plans, but on April 2, 1922, two wagons left the corner of Lilienblum and Herzl streets in Tel Aviv carrying four Ahuza members, three laborers, and two armed guards. After a five-hour journey, they unloaded their baggage at the site destined to become Ra'anana.

In its early days, the settlement was called Ahuza A – New York. The Arabs of the region called it Little America because most of the residents were English speakers who came from New York. Later it was renamed Ra'anania. Ultimately, the founding settlers chose Ra'anana as its official name, which means "fresh" in Hebrew. By the War of Independence 26 years later, the city was inhabited by 3,000 people. Ra'anana now has a population of some 90,000 and is growing fast. It is slated to reach 120,000 soon.

Ra'anana is bordered by Kfar Saba on the east and Herzliya on the southwest. It is a green city with multiple parks, such as Ra'anana Park in the western part of city. The largest city in the Sharon area, Ra'anana is an important green lung for the region as a whole.

Today, the majority of the residents are native-born Israelis, but 20% are English and Spanish speakers. A large number of the English speakers come from the US, while most of the Spanish speakers are

START IN RA'ANANA



Raanana park



Chaim Broyde, mayor of Ra'anana

from Argentina. While many of Ra'anana's residents are secular, there is a sizable religious Jewish community, mainly Modern Orthodox. Many are immigrants from the US, the UK, and South Africa. The integration of religious people into the social, cultural, and commercial life of the city has a distinct effect on the character of the city. There are nearly 100 synagogues, ranging from small family style to large structures. Because of the large number of immigrants in the city, many of the synagogues cater to specific ethnic groups.

The municipality is well aware of the importance of immigration to the development of the city. It has an extensive welcoming infrastructure that helps immigrant families become absorbed into the community fairly quickly. It creates a supportive atmosphere that caters to the individual needs of each family. This includes an integration center, a Hebrew ulpan, a municipal absorption department, an education system adapted to the needs of new immigrants, and multi-language speakers in the municipality's various service departments.

Chaim Broyde, mayor of Ra'anana, says, "Among the many things that make the city attractive to new olim are the quality of life, extensive parks and green areas, diverse cultural activities, high quality of education, and in particular the community services and resources which are optimal for the absorption of new immigrants."

Joe Cohen is the concessionary of the real estate brokerage network in Ra'anana. He says, "The coronavirus is affecting the real estate

market in Ra'anana, but in the first two to three months of 2020, before the effects of the virus were felt, demand increased in relation to 2019. I can now say that even at these times, demand for real estate is holding its own, and prices are more or less steady. Ra'anana is a relatively small city, and there is no dramatic price differential among the various neighborhoods. The average price of a four-room apartment in an old somewhat rundown building is NIS 1.7 million, while a similar apartment with an elevator, intercom, and storage room will cost NIS 2.6 million on average. A rooftop apartment can cost NIS 3.8 million, while a penthouse can be about NIS 4.3 million. Single-family homes with large gardens are very hard to come by, but an average single-family or semi-detached home on a 350 square meter plot can cost NIS 4.5 million to NIS 5 million." •



(Ronen Zvulun/Reuters)

BENEFITS FOR NEW OLIM

» by Yochanan Altman

According to real estate brokers who deal with overseas clients, interest in purchasing real estate by potential olim or Jews in the Diaspora has increased substantially. In addition, Jewish Agency representative offices all over the world report that the number of people interested in making aliya is increasing.

An indirect cause is the coronavirus pandemic. Because of the need to contain the disease, governments all over the world have instituted lockouts. In some countries, the lockouts have been more successful than in others, but all countries are experiencing economic hardships. The GDP is falling, incomes are being drastically affected, and the global population is experiencing dire financial difficulties. When that happens, the minorities are the first to suffer. In many countries, especially Europe, North America and parts of Latin America, the most visible and prominent minority are the Jews. Whenever there has been a crisis, anti-Semitism has reared its head and Jews have been blamed. It has happened countless times, and there are those who fear that history may repeat itself and are taking steps to protect themselves. For many, the best protection is moving to Israel, the Jewish state.

So the expected increased demand for real estate from overseas buyers is understandable, whether for permanent accommodation for those who want to make aliya or those

who want a pied-a-terre in Israel just to be on the safe side.

Jews in the Diaspora have various reasons for wanting to make aliya, and Israel is keenly interested in promoting aliya. When the State of Israel was established in 1948, there were 650,000 Jews in the new state. Today there are approximately 7.5 million.

Gerzen Haimtov is an attorney with the firm of Barone and Comp, which specializes in tax law. He says, "The government of Israel has always been very supportive of new immigrants, especially in the all-important fiscal matters. The tax benefits to which new olim are entitled are enshrined in the 168 amendment to the Tax Law enacted in January 2007. The bill was enacted to encourage aliya among middle-class potential olim, as well as to encourage investors to make aliya and make Israel the center of their business operations. New olim had enjoyed fiscal privileges before, but what was new in the 169 amendment was its codification and the fact that it also included Israelis who had emigrated abroad and were now encouraged to return."

Among its main features, the 169 amendment included the following:

(Nir Elias/Reuters)



A complete tax break for a period of 10 years for any income derived from outside Israel. If after those 10 years new olim still receive income from overseas, which includes pensions, they will only be taxed according to the rates prevailing in their countries of origin.

For a period of three and a half years, new olim will have substantial tax rebates on incomes derived from being employed in Israel or from doing business in Israel.

In addition to the fiscal benefits to which they are entitled, the Ministry of Aliyah and Integration has multiple programs designed to facilitate the integration of these newcomers into the mainstream of the Jewish state.

These are some of the programs:

THE ENTREPRENEURS DIVISION - SPECIAL PROGRAMS

This division within the Ministry of Aliyah and Integration operates to integrate new immigrants and returning residents into Israel's business sector. The Entrepreneurs Division leads and promotes key issues of business entrepreneurship with the goal of assisting the absorption of new immigrants and returning residents within Israel's business sector.

Irus Huminer, the director, can be reached at EmailBusinessEntrepreneurship@moia.gov.il
Tel: 073-397-2013; Fax: (02) 675-2625

ACCOMMODATION

The Housing Division helps new olim obtain temporary and/or permanent housing. It works in conjunction with the Ministry of Construction and Housing and the Ministry of Finance to update rental subsidies for apartments on the market and update the special mortgages for new immigrants and the allocation of public housing to those eligible, as well as special housing for elderly immigrants.

EMPLOYMENT

The Sela Program (Job Search Workshops) is designed to help find employment for new immigrants and returning residents who have an academic education or a professional education. The workshops also aim to provide independence and security in the search for employment and to increase the chances of finding a job that is suited to the abilities and professional training of the new immigrant or returning resident.

SCIENTISTS

Scientists who meet the necessary criteria can receive professional guidance and employment assistance from the Center for Integration in Science. The center provides services for new-immigrant and returning-resident scientists, as well as scientists who have not yet made aliya or returned to Israel, who apply to the center from abroad.



(All photos courtesy the Municipality of Ashdod)

PRICES IN ASHDOD

Like all large urban entities, Ashdod is divided into three price areas: lower, middle, and upper price ranges.

In Ashdod, the less expensive areas are concentrated in the A and B sectors. Two-room apartments sell for NIS 800,000 to NIS 1 million.

The high-end accommodation is concentrated in the Marina, the Maar, and the 17th quarter. In this area, an average four-room apartment can cost up to NIS 2.5 million, while a five-room apartment can cost up to NIS 2.8 million. Special apartments such as penthouses with sea views can cost much more.

The medium-priced apartments are spread all over town. In these areas, an average four-room apartment can range from NIS 1.2 million to NIS 1.8 million.

THE MANY ASSETS OF ASHDOD

» by John Benzaquen

Ashdod is a very modern city. By Israeli standards it is also a large city, with a population of 225,000 inhabitants. Only three other Israeli cities are larger: Jerusalem, Tel Aviv, and Haifa.

In the mid-1950s, when the government decided to build another seaport, they also decided to create an industrial zone that would create jobs in an area of the country that was then underdeveloped. It was also decided to create a modern model city, planned to the last detail to provide a high quality of life for its inhabitants.

Today, Ashdod is Israel's largest seaport, it is an important industrial center, and it is one of the most well-planned cities in the country.

Modern Ashdod was founded in 1956, but as is the case with many Israeli towns, its roots go back to early human history. The new city was named Ashdod because of its proximity to the ancient Canaanite city of that name. The city was probably founded in the 17th century BCE, making it one of the oldest inhabited cities in the world.

Modern Ashdod is meticulously designed. Its expansion is based on a plan that facilitates traffic, keeps levels of pollution low, and allows for a sustainable growth in population. The original plans were based on a city with 250,000 inhabitants,





which means it is still within the bounds of the original blueprint. The city fathers are well aware that 250,000 is not far off, and they have formulated plans for a city of 350,000.

Ashdod has a very solid economic basis. The port and its three adjacent industrial zones are situated in the northern part of the city. They were built north of the residential areas because of the prevailing southern winds. Thus the pollution created by the activity in the factories and the port does not reach the residential sectors.

Like many Israeli cities, Ashdod owes its growth to immigration. First were the Moroccans and the Egyptians, followed by Georgians and Jews from the former Soviet Union.

Yehiel Lasri, the mayor of Ashdod, knows well that the city was founded by new immigrants for new immigrants. He says, "Ashdod is a very welcoming environment for new immigrants from whatever their country of origin. It has absorbed new waves of immigration during the 44 years of its existence. Indeed, it has grown thanks to the many new immigrants it has absorbed during those years. It has adapted itself to absorb new immigrants and integrate them into the city's social, political, economic, and commercial life. And they have made it into an attractive city, one that is much favored by other new immigrants."

One of Ashdod's selling points is its economic infrastructure. Prospective residents know that there are many job opportunities in the vicinity. Consequently, economic development in Ashdod has an important bearing on the real estate scene and its ability to attract new residents.

In addition to industry and its associated services -- the seaport and its related businesses, such as shipping lines and shipping agencies -- Ashdod is an important health care center. The new Samson Assuta Ashdod University Hospital is one of the most modern in the country. It is also an important source of employment.

That is why demand for real estate in Ashdod is brisk and will probably remain so in the near future. Michael

Benyamini is the concessionary in Ashdod of the Anglo-Saxon chain of real estate brokerage agencies. He says, "Currently, the real estate scene in Ashdod, as in the rest of the country, is distorted because of the COVID-19 pandemic. But at the end of 2019, the real estate scene in Ashdod was robust, and prices registered modest increases. I strongly believe that after things get back to normal, demand will increase. The city has a lot going for it, and I believe that many families in the wider Tel Aviv area will want to buy new housing here."

The coronavirus is bringing about big changes in our daily lives. One of these is working from home. Working from home has many advantages for the employer because it cuts costs, especially in office space. What is now temporary may well become constant, and home owners will require larger accommodation -- residences with a room that will serve as an office. It stands to reason that home owners will try to sell their relatively small and expensive homes or apartments in the Tel Aviv area and use the funds to purchase larger housing outside the metropolitan area, such as Ashdod, where prices are lower.



REDUCTIONS IN PURCHASE TAX



(Photo by Freepik.com)

» by James Harris

In the past, those who invested in real estate were penalized. The legal definition of a real estate investor is a person who owns more than one property. A person who owns one property probably uses it as a place of residence. If he or she owns more than one property, it is considered an investment.

The Israeli government was anxious to bring down real estate prices and believed that the hefty investor demand was driving up prices. Consequently, investors were heavily taxed. There was an 8% purchase tax on properties valued at less than NIS 5,340,425. For properties valued higher than that

amount, the purchase tax was 10%.

The purchase tax has now been reduced. For properties valued up to NIS 1,292,279, the purchase tax is 5%. For properties ranging in value from NIS 1,292,280 to NIS 3,876,834, the purchase tax is 6%. For properties valued from NIS 3,876,435 to NIS 5,338,289, there is a 7% purchase tax. For properties valued from NIS 5,338,290 to NIS 17,794,305, the purchase tax is 8%. And for properties above NIS 17,794,305, the purchase tax is 10%.

Reducing the purchase tax for investors is certainly an important development, but how will it affect the industry in general and investor demand in particular?

With regard to the investor market, the effects are uncertain. Many of

the previous investors in real estate have found alternative investment venues. Reducing the purchase tax on inexpensive properties to 5% may just not be enough. In 2015, the purchase tax on investments was a flat 4%. A reduction to a minimum of 3% or 2% would have had a much more dramatic effect and perhaps jump-started investor demand.

The purchase tax on investments was reduced to increase demand for real estate at a time when the COVID-19 pandemic has lessened demand for properties. If it is successful, it may have a negative effect on the market as a whole because the expected increased demand will push up prices, which is the last thing the government wants to happen.



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