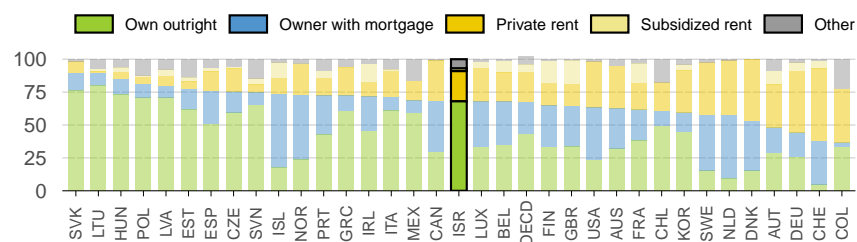


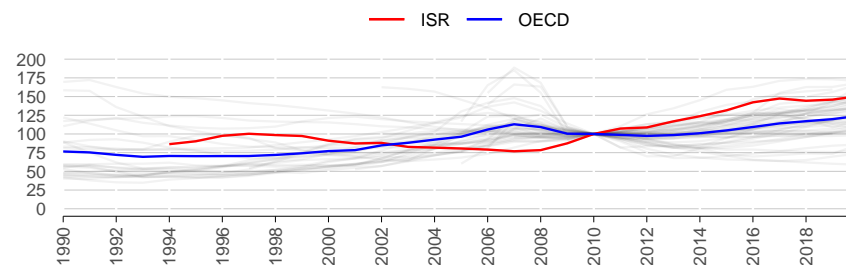
ISRAEL

Housing policies affect well-being through a wide range of channels including access to decent shelter, environmental quality, efficient use of scarce resources, type and extent of commuting, as well as its contribution to strong and resilient economic growth. This snapshot provides a cross-country perspective on Israel's housing-related indicators and policy settings. Households' tenure choices depend on demographics and/or socio-economic factors, as well as policies related to public promotion of housing, housing taxation and rental regulations. There are large differences in tenure structure across OECD and key partner countries: homeownership in Israel is relatively high at around 70 % (Figure a). Real house prices have risen strongly across the OECD since the 1990s, with increases reaching up to 100% in some countries (Figure b). In Israel, house prices have steadily increased starting from 2007. Israel's housing investment rate has declined until 2007, and has moderately increased since then. In recent years, it is above the OECD average and relatively high compared with other OECD countries (Figure c). Finally, mortgage markets play a crucial role in household finances since housing generally constitutes household's single largest financial asset. The ratio of outstanding household mortgage claims to GDP continuously increased in Israel but remains modest (Figure d). However, the exposure of the banking sector to mortgage credit is high.

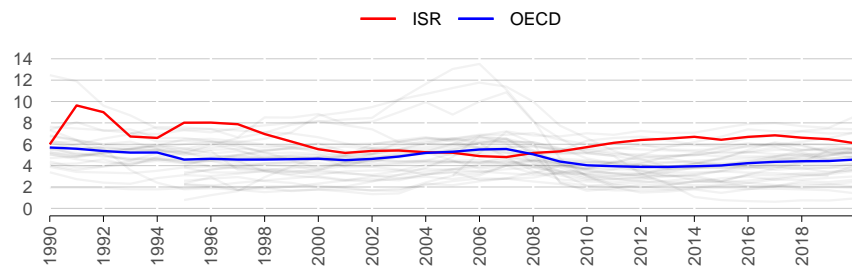
(a) Housing tenure distribution (percentage)



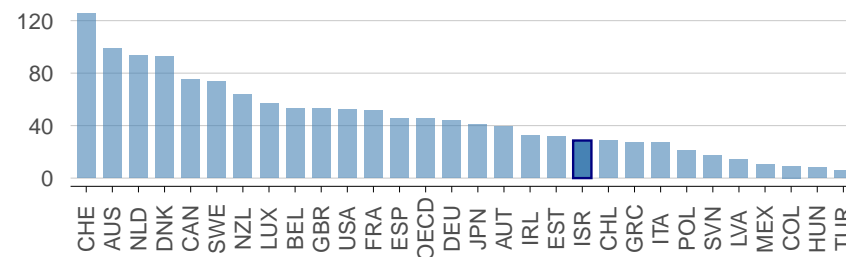
(b) Real house price index (2010=100)



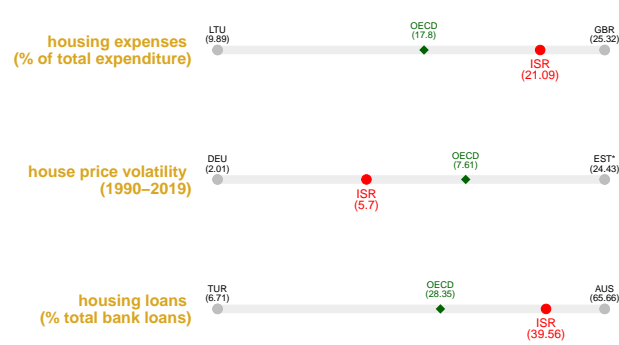
(c) Housing investment as share of GDP (percentage)



(d) Housing finance: mortgage claims as a share of GDP (percentage)



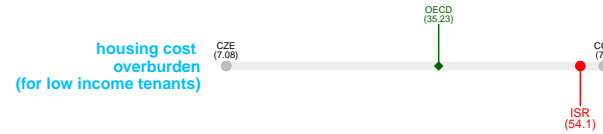
Efficiency



*House price volatility in Estonia refers to the 2005-2019 time period.

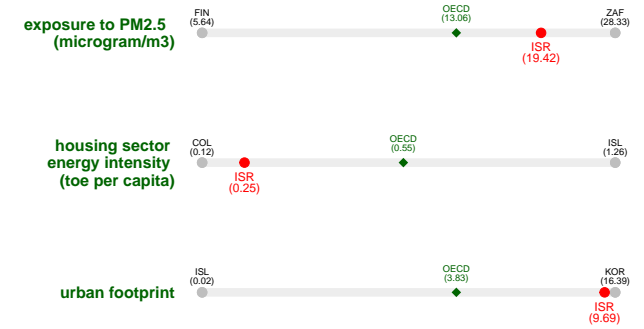
Efficiency measures the economy’s capacity to align housing supply with demand, thereby limiting excessive price and rent increases, contributing to macroeconomic stability and facilitating residential mobility. In Israel, housing costs, comprising actual and imputed rents as well as maintenance and repair of dwellings, make up a high share of overall household expenditure compared with the average OECD country. Conversely, house price volatility, which can be an indicator of vulnerability in the housing sector when elevated, has been relatively low in Israel. The ratio of housing loans to total bank loans is high by international comparison. Factors contributing to these outcomes include rising house prices, low interest rates and enhanced credit supply from new financial institutions (non-banks).

Inclusiveness



Inclusiveness refers to the housing sector’s capacity to deliver adequate and affordable homes across the income distribution while limiting residential segregation. In Israel, cost overburden rate for low income tenants is equal to 54 percent.

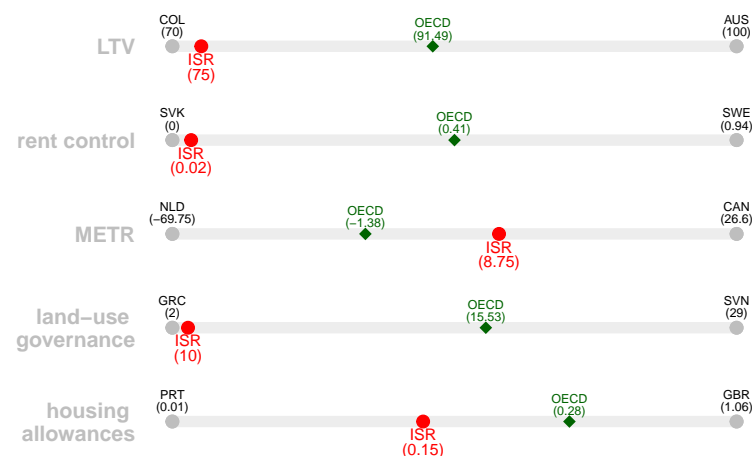
Sustainability



Sustainability assesses the housing sector’s readiness for the transition to a low-carbon economy and its capacity to attenuate pressures on the ecosystem by preserving biodiversity and residents’ health. Residential activities are responsible of 44 percent fine particulate matter (PM2.5) emissions on average across OECD countries, which is the air pollutant that poses the greatest risk to health globally. Israel displays relatively high exposure to PM2.5 and ranks relatively low in terms of housing-related energy intensity. With regards to Israel’s urban footprint, indicated by the share of vegetable land converted into any other land cover type since 1992, Israel ranks relatively high by international comparison.

Policy Profile

Housing policies shape the efficiency, inclusiveness and sustainability of the housing sector. The chart below shows the principal indicators capturing the policy profile for Israel.



Loan-To-Value (LTV) caps help to contain credit risk, limit the build-up of house price bubbles and thereby foster economic resilience. More stringent rent control, which reduces the profitability of housing investment, is empirically associated with a weaker response of housing supply to change in demand. Higher marginal effective tax rates (METR) on housing property help containing house price dynamics, thereby contributing to housing affordability over the long run. Higher values of the land-use governance indicators reflect more decentralisation to the municipalities and/or more overlap across government levels; they have been empirically linked to housing supply that is less responsive to changes in demand. More spending on housing allowances typically facilitates residential mobility in some countries, which is often a condition for labour mobility. Higher rent subsidies can however inflate rents and prices where supply fails to respond flexibly to demand.

Definitions*

| Structural indicators | |
|--|---|
| Housing tenure | Arrangement under which the household occupies all or part of a housing unit. 2018 or latest year available. Source: OECD Affordable Housing database and Adva Center (2017); Gran Encuesta Integrada de Hogares (DANE, 2020) for Colombia; *Public Housing Option: Adva Center's Response to the Housing Crisis in Israel* for Israel. Notice that tenants renting at subsidized rent are lumped together with tenants renting at private rent in Australia, Canada, Chile, Denmark, Mexico, the Netherlands and the United States, and are not capturing the full extent of coverage in Sweden due to data limitations. For Colombia, data on subsidized rents are missing, and the category "Other" includes usufruct, de facto occupancy and collective property. In the case of Israel over outright and owner with mortgage are displayed together. |
| Real house price index | Real house (hedonic) prices evolution (100=2010). Source: OECD House Price Analytical Database |
| Housing finance | Loans for house purchasing, in percent of GDP (in %). 2020 or latest year available. Source: OECD Resilience database, National Bank of Belgium, Central Bank of Chile, DANE for Colombia, Central Bank of Ireland |
| Housing investment | Housing investment as share of GDP (%) (1990-2019). Source: OECD National accounts data, and Cuenta Nacionales Anuales (DANE) for Colombia |
| Efficiency | |
| Housing expenses (% of total expenditure) | Housing consumption as a share of total household expenditure (in %). The indicator includes expenditure for actual and imputed rents, maintenance and repair of the dwelling. 2019 or latest year available. Source: OECD National accounts data |
| House price volatility (1990-2019) | Standard deviation of (de-trended) real house prices (1990-2019). Source: OECD calculations based on OECD Analytical House Price Database |
| Housing loans (% total bank loans) | Housing loans as share of total bank loans (in %). 2020 or latest year available. Source: OECD Resilience database and Central Bank of Chile, 2019 for Chile |
| Inclusiveness | |
| Housing cost overburden (for low income tenants) | Share of tenants in the bottom quintile of the income distribution spending more than 40 percent of disposable income on private rent (in %). 2018 or latest year available. Source: OECD Affordable Housing Database and Gran Encuesta Integrada de Hogares, DANE (2019) for Colombia |
| Sustainability | |
| Exposure to PM2.5 (microgram/m3) | Mean annual outdoor PM2.5 concentration weighted by population living in the relevant area, that is, the concentration level, expressed in microgram/m3, to which a typical resident is exposed throughout a year. 2019. Source: OECD Environment database |
| Housing sector energy intensity (toe per capita) | Residential energy consumption (in tonnes of oil equivalent per capita). 2019. Source: CO2 emissions from fuel combustion database, IEA (2020) and World energy balance, IEA (2020) |
| Urban footprint | Share of tree cover, grassland, wetland, shrubland and sparse vegetation converted into any other land cover type (in %) in the period 1992-2018. Source: OECD Environment database |
| Policy indicators | |
| LTV | Maximum loan-to-value ratios applied to mortgage loans (in %). 2019. Source: IMF Integrated Macropprudential Policy (iMapp) Database, ESRB Macropprudential Database and OECD Questionnaire on Affordable and Social Housing (QuASH, 2019) |
| Rent control | Indicator reflecting on the number of regulations that restrict rent levels and rent increases. The indicator ranges between 0 and 1, with a higher number indicating greater stringency. 2019. Source: OECD calculations based on OECD Questionnaire on Affordable and Social Housing (QuASH) |
| METR | The indicator combines information on property taxes and housing-related provisions of income taxes. It is computed as the difference between the pre and post-tax rates of return of a marginal investment divided by the pre-tax rate of return of that investment where post-tax real rate is the minimum rate of return necessary to make the investment worthwhile (in %). 2016. Source: Preliminary illustrative estimates pending the publication of the final estimates of the forthcoming OECD Tax Policy Studies |
| Land-use governance | Indicator of restrictiveness of the land use regulation. It comprises two components: decentralisation and overlap of government levels in land planning decisions. The indicator ranges between 2 and 30 with a higher number indicating greater stringency. 2019. Source: OECD calculations based on OECD Questionnaire on Affordable and Social Housing (QuASH, 2019) |
| Housing allowances | Public spending on means- and/or income-tested housing allowances and transfers to households (in % of GDP). 2018 or latest year available. Source: OECD Affordable Housing database |

*The choice of indicators may vary by country depending on data availability.