



## Effective housing demand survey: West Bank

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6 October 2014

### Executive Summary

This effective housing demand survey has been financed and supported by the Office of the Quartet Representative and the World Bank, with the objective of contributing to the development of affordable housing in the context of the Initiative for the Palestinian Economy (IFE) and the World Bank's long-standing commitment to affordable housing.

It is a study of 631<sup>1</sup> households in the West Bank with a monthly income of between 1,500 and 5,500 NIS per month (approx \$425 - \$1570), who are considering building or buying a new dwelling. Their existing housing conditions are not harsh. With a mean size of four rooms per dwelling and 0.94 persons per room they are not badly housed (mean occupancy in the West Bank as a whole is 1.5 persons per room). Relatively few (16.01%) of the respondent families are renting.

Households in the study sample have sufficient assets to raise, on average, a down payment of \$7,600, and aspire to a dwelling with a mean cost of \$52,185. For those spending less than 30% of their income on housing the mean house price that could afford was \$37,642, while for the low income group (less than 3,150 NIS (\$900) per month) spending less than 30% of their income on housing it was \$31,521.

A substantial proportion of families state that they are willing to spend more than 30% of their income on housing – in some cases over 50%. Whether this is realistic cannot be clarified without in-depth discussions with the respondents concerning the true extent of their disposable income.

The most popular house size chosen by respondents was 75m<sup>2</sup>, with 90m<sup>2</sup> and 105m<sup>2</sup> close behind. However, when we look at the mean sizes, there is remarkably little difference between the income groups. The mean dwelling size for the low income group spending less than 30% of their income is 92.7m<sup>2</sup>, for those paying less than 30% of their income, 93.3m<sup>2</sup> and for the sample as a whole it is 105.8m<sup>2</sup>.

For the lower income groups 40% chose a three bedroom house, but 30% selected a four bedroom unit. There was no significant demand for a two bedroom unit.

The obvious question is how to reconcile the two sets of facts: one, the relatively small difference in unit size desired by different income groups, and the other the relatively large difference in capital cost. This is explained by the fact that the lower earners made every possible saving – opting to have an unfinished unit with basic kitchen and modest bathrooms, and no stone cladding. Some of them were able to make substantial savings by having their own land, though the majority of landowners were in the higher income groups.

Respondents could choose between apartments and houses. There were substantial differences between different regions. There was an overwhelming preference for houses in Hebron, and a sizeable majority in Ramallah, Jenin, Qalqilya and Salfet. In Bethlehem the situation was reversed, with most people preferring apartments.

Overall 63.9% preferred a house. The typical such unit selected has a floor area of 112m<sup>2</sup>, on a plot of 10 x 20 metres, with walls all round, served by a 5m asphalt road.

Among the key recommendations arising from the study are:

#### Rental

About one fifth of the targeted population prefers to rent, whether because they do not have the capital to build, or for other reasons. There is a need to update the regulations regarding rental to make it equitable for both parties, and thereby increase rental stock.

#### Self build

The number of families who wish to manage their own house-building programme (what the study calls self-build) was significant. Mechanisms need to be found to give loans for such builders without onerous down-payment conditions.

#### Affordability

The study has shown that there are considerable differences in what people think they can afford. About half the respondents planned units costing less than \$50,000: 79% of those earning less than \$900 (3,150 NIS), and spending no more than 30% of their income on housing, planned a dwelling costing less than \$37,500. However, most respondents do not have access to sufficient cash to make a down payment of 20%, even for low cost units.

#### Agency

The private sector can develop the majority of the housing required in the West Bank. However, a hybrid model in which the state, or one of its agencies, services land on which private developers or individuals develop houses could be an effective way of kick starting development for the lower income groups. The buyers (whether individual or corporate) would buy the plots. In the case of individuals they would use long-term finance to buy the plots, while developers would finance the deal with bridge financing and subsequently sell completed units. Either way the state would recover the costs within a few months of completing the development.

#### Scale of programme

There are many different estimates of housing demand. However, using the rate of population growth alone (ignoring, for example, the need to replace overcrowded or dilapidated housing), and dividing the market by income group, it is estimated that there is a *minimum* annual demand of at least 4,500 units costing between \$22,500 and \$37,500, and 4,200 units costing between \$37,500 and \$53,000. Of these, based on the choices in the survey, most will be individual housing units and about 1,300 will be plots on which residents may build their own houses.

#### Implications

The findings of this study have important implications in terms of policy and development practice. These may be summarised as follows:

1. The market for housing goes substantially further down the cost scale than previously considered. Moreover there is substantial effective demand for housing costing less than \$45,000.
2. There is a demand for units that are not, in the conventional sense, fully finished as a means of gaining access to space than can be upgraded over time.
3. There is a very substantial market for houses (as opposed to apartments) on the urban fringe. People are willing to accept small plots in order to reduce costs.
4. The normal requirement by banks for a 20% down payment is a major hurdle for many families. This should be addressed by instigating a system of government guarantees for loans to first time home buyers, and/or a system of rent-to-buy whereby the occupier accumulates equity through rental payments.
5. There is currently an unmet demand for self-built incremental housing, which can be met by a programme to develop serviced plots. There is also a need to look at the regulatory framework as far as self build and incremental housing is concerned.

<sup>1</sup>The original plan was to survey 500 houses. However, the number was increased by the survey company as a gesture of good will

<sup>2</sup>Palestine Revised Housing Sector Profile: Revised Final Version, UN Habitat, 27 November 2013 Palestine Draft National Housing Policy, Revised Final Version, UN Habitat, 27 November 2013

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