

HOUSING SECTOR IN EAST JERUSALEM

Market Opportunity Analysis

November 1, 2022



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DEMOGRAPHICS

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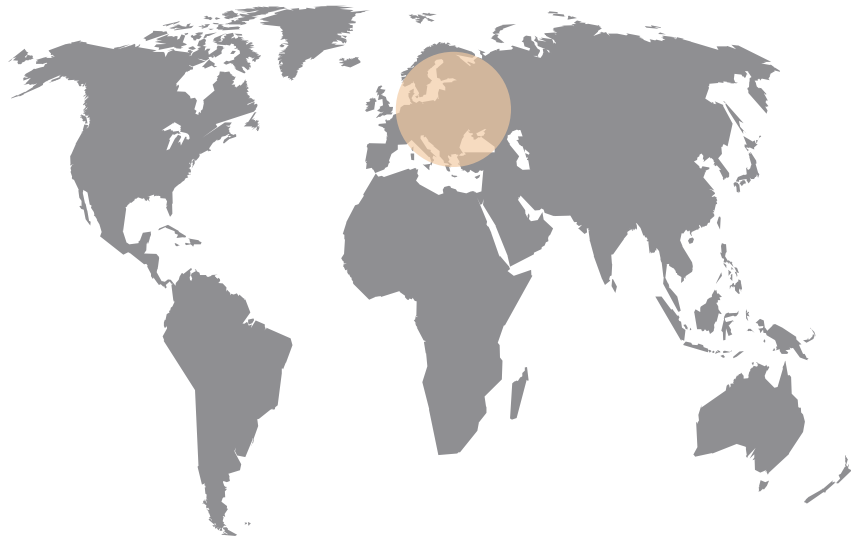
Population

“Palestinians in East Jerusalem represent 9% of all Palestinians living in the occupied Palestinian territories.

51% of the city’s Palestinian population is under the age of 30.

Jerusalem has an annual growth rate of 2% which is well below the West Bank rate of 2.26% per annum”

70% of Palestinians residing in East Jerusalem live below the poverty line.



According to the Palestinian Bureau of Statistics (PCBS), the total population of Arabs in Jerusalem governorate was estimated at 471,834 persons in H1. 2021, of whom 304,444 (65%) were in Area J1 and 167,390 were in Area J2.

The population in Jerusalem governorate constitutes 9% of the total population of Palestine and 15.1% of the population in the West Bank. Whereas, the percentage of persons aged below 15 years in 2017 was 36.2% of the total population, while those aged 60 years and above made up 6.3% of the total population in Jerusalem governorate.

The annual growth rate of the Arab population averaged 2.5%-2.7%, whereas the figure for the Jewish population averaged 1.5%-1.8%. The population density was 1,322 (capita/Km²) by the end of 2020.

The table below shows the neighborhood compounding East Jerusalem taking into account locality J1 and J2.

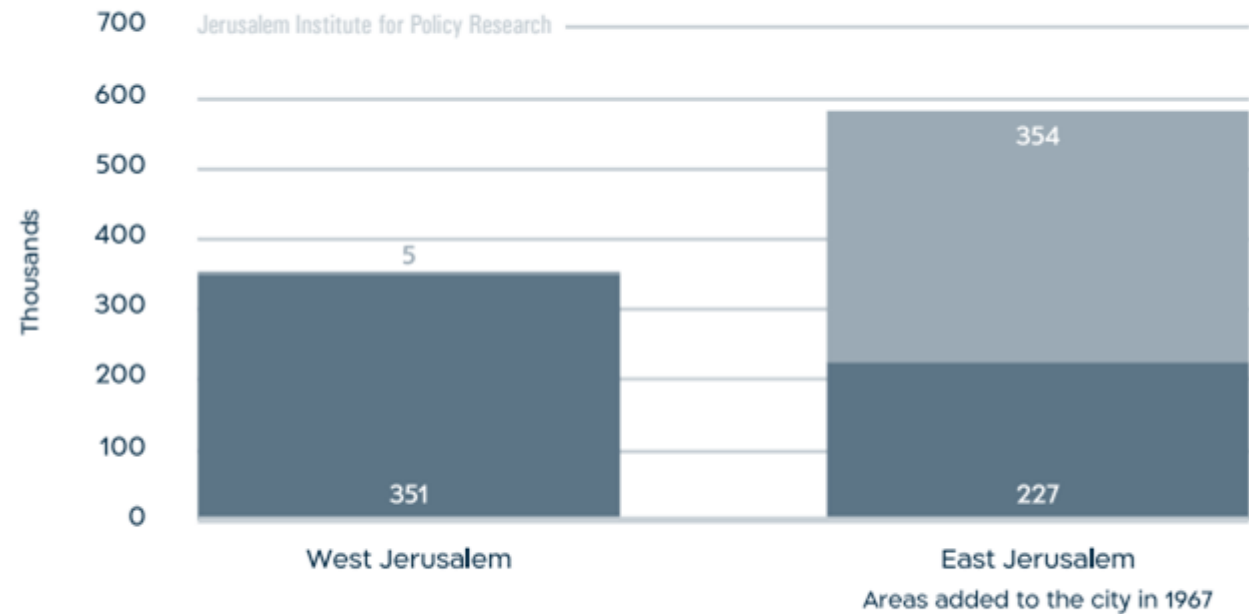
Table 1: Palestinian Neighborhood in J1 and J2

J1	J2
<ul style="list-style-type: none"> • Beit Hanina • Sheikh Jarrah • Shu’fat Refugees Camp • Wadi Al – Joz • Shu’fat • Bab Al-Sahira • Al’ Isawiya • Assuwwana • Jerusalem “Al - Quds” • At –Tur • Ash-Shayyah 	<ul style="list-style-type: none"> • Jabal Al – Mukabbir • Ras Al-Amud • As–Sawahira Al–Gharbiya • Silwan • Beit Safafa • Ath–Thuri • Sharafat • Sur Bahir • Kufr A’qab • Um Tuba
	<ul style="list-style-type: none"> • Rafat • Mikhmas • Qalandiya Camp • Qalandiya • Beit Duqqu • Jana • Al Judaeira • Ar Ram & Dahiyat Al Bareed • Beit’Anan • Al Jib • Bir Nabala • Beit Ijza • Al Qubeiba • Lahim • Biddu • An Nabi Samwil
	<ul style="list-style-type: none"> • Hizma • Beit Hanina Al Balad • Kharayib Umm al Qatanna • Beit Surik • Beit Iksa • Anata • Al Ka’abina • A Za’ayyem • Al ‘Eizariya • Abu Dis • Arab Al Jahalin • As Sawahira ash Sharqiya • Ash Sheik Sa’d • Jaba’

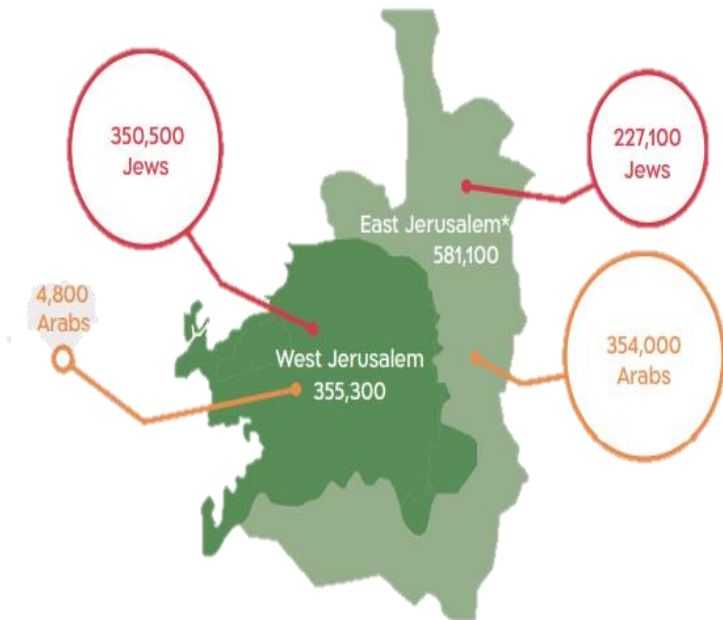
Geographical Distribution

At the end of 2019 Jerusalem had a total of 936,400 residents: 581,100 (62%) resided in areas added to the city in 1967 (“East Jerusalem” for the purposes of this subchapter) and 355,300 (38%) in West Jerusalem. East Jerusalem had Jewish residents (39%) as well as Arab residents (61%), whereas in West Jerusalem 99% of the residents were Jewish.

■ Jews ■ Arabs



East Jerusalem includes both sections of the neighborhood of Beit Safafa, although the northern section of the neighborhood was part of Israel during 1948-1967. In 1967 the neighborhood’s southern section was added to Jerusalem.



Jerusalemites Accounts *as of June 30, 2022*

(USD) Total Outstanding	# of Accounts	# of Customers
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266,843,564	23,964	9,996
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Direct & Indirect
Credit facilities

1,053,524,678	128,659	80,144
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Deposits

ATMs	Branches
31	24

ATMs & Branches

Market Analysis on the Housing Sector in East Jerusalem

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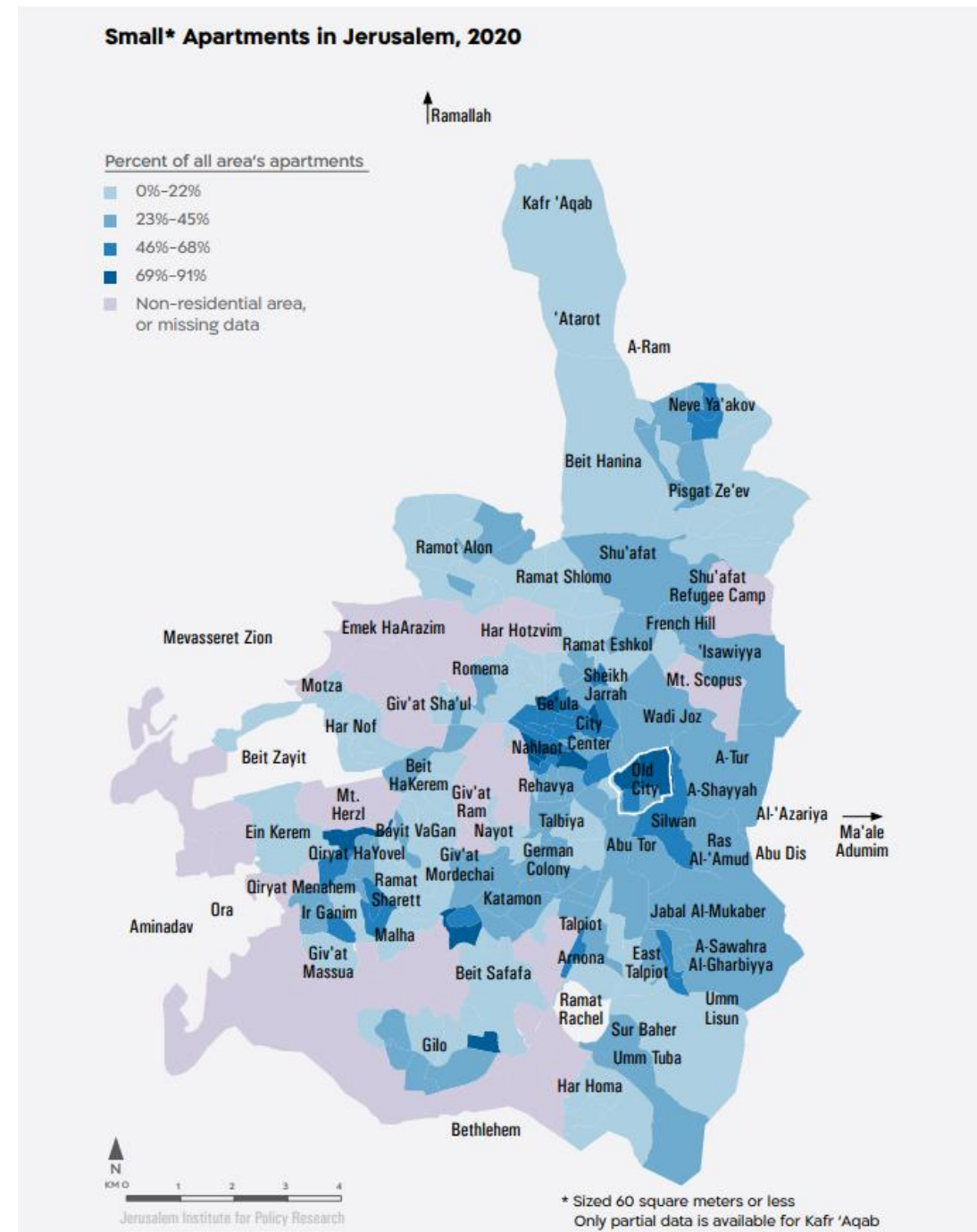
Housing Density

In 2020, the average number of rooms per household was 3.2

7.2% of households exceeded five members per household

On average, the housing density ranges from 1.5 to 1.9 persons per room (depending on the source (PCBS or ICBS)) which represents a higher number than all Palestinian cities in Israel and Palestine”.

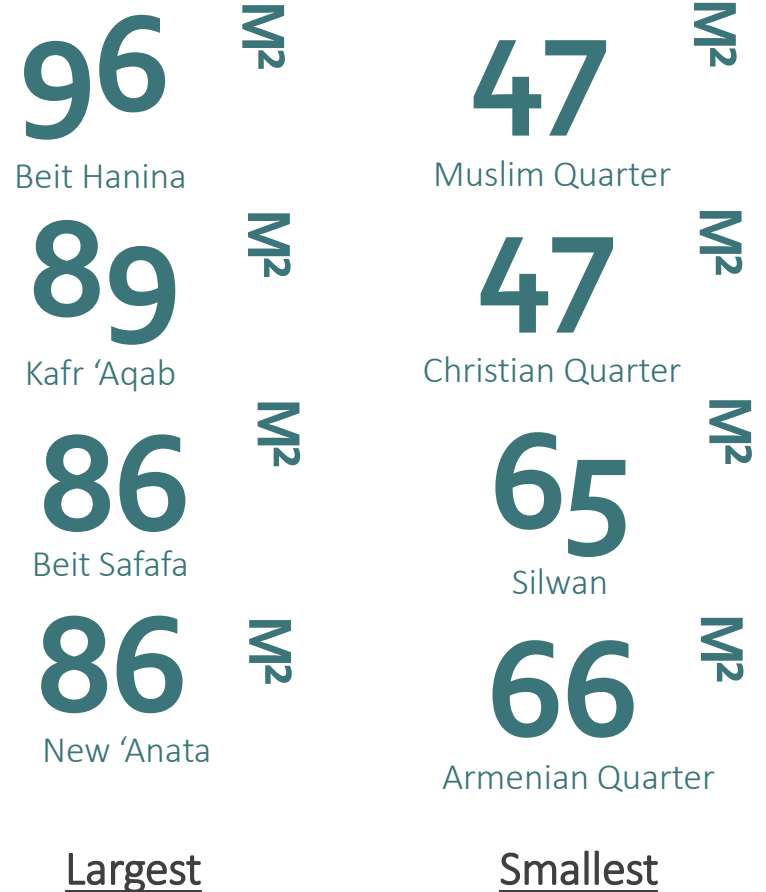
Governorate	Number of occupied Housing Units
Jerusalem	95,234
Area (J1)	62,892
Area (J2)	32,342



Housing Size

Apartments

As of the end of 2020, Jerusalem had 237,500 residential apartments: 173,000 apartments (73%) in Jewish neighborhoods and 62,400 apartments (26%) in Arab neighborhoods. The percentage of apartments that were located in Jewish neighborhoods exceeded the relative proportion of Jerusalem's Jewish population, which stood at 62% as of the end of 2019. The percentage of apartments that were located in Arab neighborhoods was lower than the relative proportion of Jerusalem's Arab population, which stood at 38%. The reason for this discrepancy lies in the relatively large size of households within Arab population (5.1 persons) relative to the Jewish population (3.3 persons).

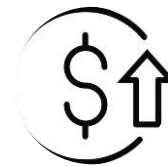


AFFORDABILITY

Apartment Prices & Obstacles

In 2020 the average price for a 3.5 - 4 room apartment in Jerusalem NIS 2,136,900 was higher than the average for Israel (NIS 1,567,300) and Haifa (NIS 1,284,900) but significantly lower than the average price in Tel Aviv, which stood at NIS 3,390,500.

The evolution of prices in the past 14 years which **cost of building** (understood as cost of labor and materials) which ranges from US\$ 7000 -7500 per square meter does not dramatically affect the housing prices. In fact, the **rise in land prices is the main critical factor**.



The primary cause of high selling prices is the shortage of land available for construction. It typically ranges from 30%-40% from the overall cost of dwelling.



The second cause for high selling prices is represented in difficulties in obtaining building permits. It typically ranges from 12% - 14% from the overall cost of dwelling

Major Attributes to the Increase of Cost

- Shortage of land for construction **13%**
- Private ownership of lands
- Obtaining Building Permits **24-84 mos.**
- No Form of Land Registration **92%**
- Cost of Building **\$7000 – 7500/ M2**
- Termination of licenses for all Jordanian master plans that were in force

The results of a survey and a series of structured interviews conducted among key real estate developers in East Jerusalem suggest that the average land cost in US Dollar per square meter is US\$ 742.5 in neighborhoods with higher demand. It can range from

- US\$ 300 – 500 per square meter in neighborhoods with low demand such as those located along the city limits (Issawiya, A-Tur, and Ras al Amud among others).
- US\$ 500-1,000 in neighborhoods such as Beith Hanina, Shuafat, Sheik Jarrah, Wadi Joz and Beith Safafa and Sharafat).

In addition to the high land prices the Israeli Government issues a total number of 200 Permits a years, however, the population growth rate require a higher number of permits of a total of 1500 permits a years, noting that only a number of 100 permits was issued in 2020.

- The average price of renting an apartment in Jerusalem was NIS 5,100/month.
- The number of apartments sold in Jerusalem in 2021 is 4,464.
- Most neighborhoods in Jerusalem suffer from a lack of road, sewage infrastructure, power line networks, and public services for schools, playgrounds, and parks.
- The main reason to loan denial is the ability of Jerusalemites to provide updated legal registrations for their premises.

Building Permits

Table 3

# Building Permits Cost Breakdown	USD/m2
1 Registration	9
2 Water Fees	18
3 Water Fees and services	3
4 Sewage	11
5 Land fees for water usages	3
6 Land fees for sewage usages	8
7 General services	5
8 Antiques	4
9 Excavation	8
10 Electricity	1
11 Waste and Garbage	5
12 Concrete testing	8
13 Taxes	211
14 Roads	43
Total	336

For instance, assuming a land area of 1 dunum (1,000m²) with an average of 742 USD/m² and a building ratio of 75%, Developers would have an available area of 750m² and would be able to build up to 5 apartments of 150m²; or, up to 7 apartments of 100m²; or up to 10 apartments of 76m².

The cost of land per unit varies according to the size. Hence, for apartments of 150m², the proportion of the cost would be about 148,000 US Dollars; for dwelling of 100m² would be approximately 108,000 US Dollars; and for units of 76m², about 75,000 US Dollars.

In addition to the above, the cost of municipality building permits is considered the second reason for high selling prices. This fluctuates between 12% and 14% for each housing unit. The table on the left provides a detailed structure of the building permits. It is estimated to amount to 336 USD/m². And hence, for a 150m² apartment, the building permit would cost about 50,000 US Dollars; for a dwelling of 100m² about 30,000 US Dollars and for small apartments (76m²), it would cost about 25,000 US Dollars.

Together, the cost of land and building permits, represent up to 49%-59% of the total housing cost.

In comparison to the above, the cost of building is estimated to be about US Dollar 850 per square meter. It could fetch up to 127,000 US Dollars for apartments of 150m²; 85,000 US Dollars for dwelling sized 100m²; and, 65,000 US Dollars for units of 76m². It represents 30% - 45% of the total housing cost.

In conclusion, since the cost of building index experimented a stable growth in the last 14 years and it appears there is no correlation between this and the Housing Price Index, the trigger for the increase in the housing selling price is, logically, the cost of land. The primary cause of the housing price increase is the shortage of land for construction, rather than the impact of any other inputs; and, that commercial real estate prices have not increased alongside residential prices, as commercial real estate has not faced similar permit constraints to residential real estate.

WHAT WE REALLY NEED

Attracting Grants, donations & Funds for housing sector in East Jerusalem Only.

Use them through Registering a private Non- Profit Organization in East Jerusalem“ and to disbursed it through soft loans to Jerusalemites household with a competitive advantages.

To Re-lend the loans' installments again and again for new Jerusalemites beneficiaries People Only for housing Purposes with competitive advantages.

Objectives

- Strengthen the steadfastness of Jerusalemites by buying more houses and apartments within the boundaries of the Jerusalem Municipality.
- To provide opportunities for the return of residents outside the Wall to areas inside the Wall.
- Increase the proportion of Arabs in Jerusalem more than the proportion of Jews
- To develop sustainable housing programs and policies for Jerusalemites People.
- To minimize the housing crisis among low and middle income families by providing them with long term soft loans.
- To improve the housing industry in east Jerusalem by Creating buyers are able to pay for their apartments and to continue the cycle for the developers in issuing and creating more and more projects without facing any deficits .

Mission

- Our Proposed Solution aims to Solve one of the main obstacles facing housing sector in East Jerusalem “ Access to Finance “ through granting Jerusalemites Peoples soft loans with competitive advantages in order to buy a new dwelling.
- In order to expand this benefits to all the Jerusalemites people, we will reuse the installments paid by lending it again & again to new beneficiaries.



EXAMPLES

Example "1"

Dwelling Size	Price/ M2	Dwelling Price	Down Payment 15%	Loan Amount	Loan Tenor	Financing Cost
120 M2	USD 4,000	USD 480,000	USD 72,000	USD 408,000	20 Year	1.5% annually

Monthly Installment "
Principal + Financing Cost "

USD 1,969

Total Financing Cost

USD 64,508

Example "2"

Dwelling Size	Price/ M2	Dwelling Price	Down Payment 15%	Loan Amount	Loan Tenor	Financing Cost
110 M2	USD 3,000	USD 330,000	USD 49,500	USD 280,500	20 Year	1.5% annually

Monthly Installment "
Principal + Financing Cost "

USD 1,354

Total Financing Cost

USD 44,350

Suggested Housing Loan

Loan Amount **100,000**

Loan Tenor (Yrs.) **25**

Payment Frequency **Monthly**

Interest Rate	Monthly Payment	1 st Interest Payment	1 st Principal payment	% interest in 1 st payment	Total Interest over Loan Life	% of Total Int. /Payment
4%	527.8	333.3	194.5	63.15%	58,351	58.35%
4.5%	555.8	375.0	180.8	67.47%	66,750	66.75%
5%	584.6	416.7	167.9	71.28%	75,377	75.38%
5.5%	614.1	458.3	155.8	74.64%	84,226	84.23%
6%	644.3	500.0	144.3	77.60%	93,290	93.29%
6.5%	675.2	541.7	133.5	80.22%	102,562	102.56%
7%	706.8	583.3	123.4	82.53%	112,034	112.03%
7.5%	739.0	625.0	114.0	84.57%	121,697	121.70%
8%	771.8	666.7	105.1	86.38%	131,545	131.54%

Available Financial Intermediaries

Financial Sources & International Funds

The Palestinian Economic Council for Development and Reconstruction

(PECDAR)

- PECDAR aims at reinforcing the resilience of Jerusalem Population and preserving its Palestinian and Arab character in order to maintain it as the capital of the state of Palestine.
- PECDAR proposed intervention through providing the required funding to build houses through the provision of soft loans , in order to build their housing projects or to finish the incomplete projects , rehabilitate old residential buildings especially in old city .
- The value of lending projects estimated around USD (10) MM.

The Palestinian Housing Council (PHC)

- PHC was established in Jerusalem in 1991 as a non-profit institution dedicated to help alleviating the Problem of housing , and contributing in the development of the housing sector, by offering two credit system , one to support low income families to renovate their homes and the second one to encourage affordable houses in east Jerusalem .
- The loans ranges from (USD 5,000) to (USD 150,000)

Al – Awda for social and Economic Development Non – Profit Company

- Al – Awda Financing company mission is to assist Palestinian citizens in East Jerusalem in accessing long term loans up to 180 months at low interest rate that do not exceed (1.8%) with accepting the housing unit as a collateral.
- Al – Awda Financing company is distinguished by its ability to accommodate the needs and contest of east Jerusalemites, while serving to the special status and requirement needed for cooperative housing associations.

Union for Jerusalem Housing Assembly (UJHA)

- The UJHA is a non-profit organization registered with the Palestinian ministry of interior and Israeli ministry of interior, working in East Jerusalem with the mission to provide affordable housing for Palestinians Jerusalemites.
- UJHA is establishing a legal and engineering unit within its structure to provide legal assistance and protection to land owners in their land development efforts.
- UJHA goal is to find solution and help solving the housing crisis in East Jerusalem through (reducing the cost of housing permits , cost effective models to construct housing ,facilitate access to credit and loans for constructing house project and purchasing housing unit lands.



THANKYOU

Salah Hidmi