

Review of a PhD Thesis

**The Influence of Property Tax on Housing Prices in Israel  
between 1997 and 2017  
Mr. Avi Perez MSc.**

**1. Legal basis for the review**

- Act of July 20th 2018 – The Law on Higher Education and Science (Journal of Laws of 2018, item 1669 as amended);
- Resolution of the Academic Advancement Board of the Poznań University of Economics and Business of **September 23<sup>rd</sup> 2021** regarding appointing me as a reviewer of the doctoral dissertation in the letter of the Head of the Academic Advancement Board prof. Barbara Jankowska, PhD, of Poznań University of Economics and Business of **October 26th 2021**.
- I received from the Head of Academic Advancement Board of the Poznań University of Economics and Business via post official documentation about PhD dissertation of **Mr. Avi Perez MSc.** on **November 5<sup>th</sup> 2021**.

I hereby declare that the doctoral dissertation entitled **The Influence of Property Tax on Housing Prices in Israel between 1997 and 2017**, written by Mr. Avi Peres meets the requirements for doctoral dissertations according to the paragraph 187.2 of the Act of July 20th 2018 – The Law on Higher Education and Science (Journal of Laws of 2018, item 1669 as amended). I recommend that the Academic Advancement Board of the Poznań University of Economics and Business approves **Mr Avi Peres** for public defence of the dissertation. My review of the thesis can be found on the following pages.

Delft, January 25<sup>th</sup> 2022

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## 1. Evaluation of the relevance of the thesis.

- Housing affordability is a problem across the globe. This study explores if property tax is related to house prices. A better understanding of this relationship is important and can contribute to taxation systems that contribute to affordable housing.
- The study tested the hypothesis that property tax in Israel is strongly related to house prices. The study confirmed the hypothesis.
- The work provides an overview of Residential Property Tax systems in four countries a.
- The work increases our understanding of the property tax systems in Israel in general and the local differences and similarities of these systems in four main Israeli cities.
- The study highlights the merits and challenges of area-based and value-based taxation systems.
- To conduct this study, the candidate has painstakingly collected data on property tax in Israel over a period of 20 years. This can be a valuable data source for future research.
- The thesis contains valuable recommendations to improve the Residential Property Tax systems across Israel.

## 2. Evaluation of the content and structure of the thesis.

### General comments

- Overall, the thesis is well-written.
- The main elements of the thesis are well structured.

### Chapter 1

- The Chapter 1 Introduction is in places rather under-referenced.
- The author introduces an adequate central hypothesis (page 9). However, the author includes a second hypothesis that seems to present some of his research findings of the connection between property tax rates and the social-economic status of Israeli cities. This reads more like a preliminary research conclusion than a clear hypothesis.

### Chapter 2

- Chapter 2 concludes with a lengthy introduction of Chapter 3. The purpose remains unclear.
- Although Chapter 2 described and evaluates the property tax systems in the four countries, the absolute and relative impact of this taxation is hardly discussed (e.g. how much do homeowners pay in property tax, what is the impact concerning their income and the value of their home?)
- The summary of Chapter 2 hardly discusses the implications of the findings for the more in-depth exploration of the tax systems in Israel (Chapter 3).

- The author evaluates the national tax systems of the four countries against four criteria derived from literature. It remains rather implicit how this assessment took place. Arguments to support the evaluations are hardly provided. Also, the arguments to select these four countries remain unclear.
- Chapter 2 contains a robust theoretical discussion on property tax systems and the concept of “horizontal equity” and “vertical equity”.
- The chapter continues by discussing the four countries selected for international comparison. Each country description starts with a short introduction. These descriptions appear to be rather arbitrary and random. There is no clear, consistent structure in how these countries are introduced.

### Chapter 3

- Chapter 3 presents a rich set of data on residential property tax revenues and new house prices in the four cities over the 1997-2017 period. This is supported by figures comparing developments in the four cities.
- Chapter 3 ends with policy recommendations. This is surprisingly early. It would have been more appropriate to formulate these recommendations after the conclusions.

### Chapter 4

- Chapter 4 provides the core data to test the main hypothesis. Consequently, this chapter is rather data-dense. Unfortunately, this chapter is a rather difficult read due to the repetitive character. In this chapter (notably in Sections 4.3 and 4.4) the content of the tables is repeated in the main text. The added value is unclear.
- In Chapter 4 the author also presents descriptive statistics of the four Israeli cities investigated (Tables 5, 6, 7 and 8). Although not clear from the Table captions, these tables seem to present data over the period 1997 through 2017. The author presents the *mean*, *standard deviation* and *median* of this data (for example for the number of inhabitants). This is a somewhat awkward statistical operation. The data is not a sample from a population. Therefore, it is strange to calculate standard deviation, median and mean.

### Discussion and Conclusions

The concluding chapter adequately summarises the research presented in the previous chapters. However, I think the conclusions in the chapter are insufficiently supported by the evidence presented. The author states that the findings emphasise the significance of property tax systems as a tool to control housing prices. Property taxes are relatively high in Israel, but more knowledge on the causal relationships between property tax and house prices are needed to support such a strong claim.

Alternative interpretations are possible, for example, a reverse relation where house prices influence property tax, or that both variables are interrelated, or both variables are influenced by variables not included in the research. These alternative interpretations could have been more clearly formulated and included as avenues for future research.

### **3. Evaluation of the merits of the dissertation**

This dissertation has several merits

- Putting the possible relation between property tax and house prices on the scientific and societal agenda
- Exploring the workings of property tax systems in various countries and in four Israeli cities.
- Creating a huge data-set for house prices, property taxes and other variables
- Presenting policy recommendations to import property tax systems

### **4. Concluding remarks**

Reviewing this thesis was an exciting personal exploration into a domain annexing my core research field. As a housing researcher, I am primarily involved in qualitative research using public administration and network governance theories and methodologies. Reviewing Avi Perez's quantitative dissertation, which is firmly embedded in the economic academic discipline, was a welcome and refreshing exercise. However, from my perspective, the scope of the dissertation is also relatively narrow. The thesis mainly explored the correlation between property taxes and house prices and did not investigate causal relations. Nevertheless, I have concluded that the dissertation meets the requirements for doctoral dissertations at your university based on the assumption that this scope is acceptable. The thesis delivers what it promised (i.e. the central thesis is tested) and triggers numerous new questions concerning the causal relations underpinning the correlation.