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Rockets: The Housing Market Effects of a Credible Terrorist Threat*

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Abstract

This paper explores the economic costs of conflict using a unique experiment. We analyze the effects of Hezbollah's massive surprise rocket attack against northern Israel during the 2006 Second Lebanon War and the continued threat posed by the organization's expanding rocket arsenal on the housing market, the labor market and patterns of migration flows and sorting. Relying on hedonic and repeat sales approaches and using a difference-in-differences identification strategy for 2000-2012, we show that the attack led to a 6-7 percent decline in house prices and rents in the most severely hit localities relative to other localities in

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