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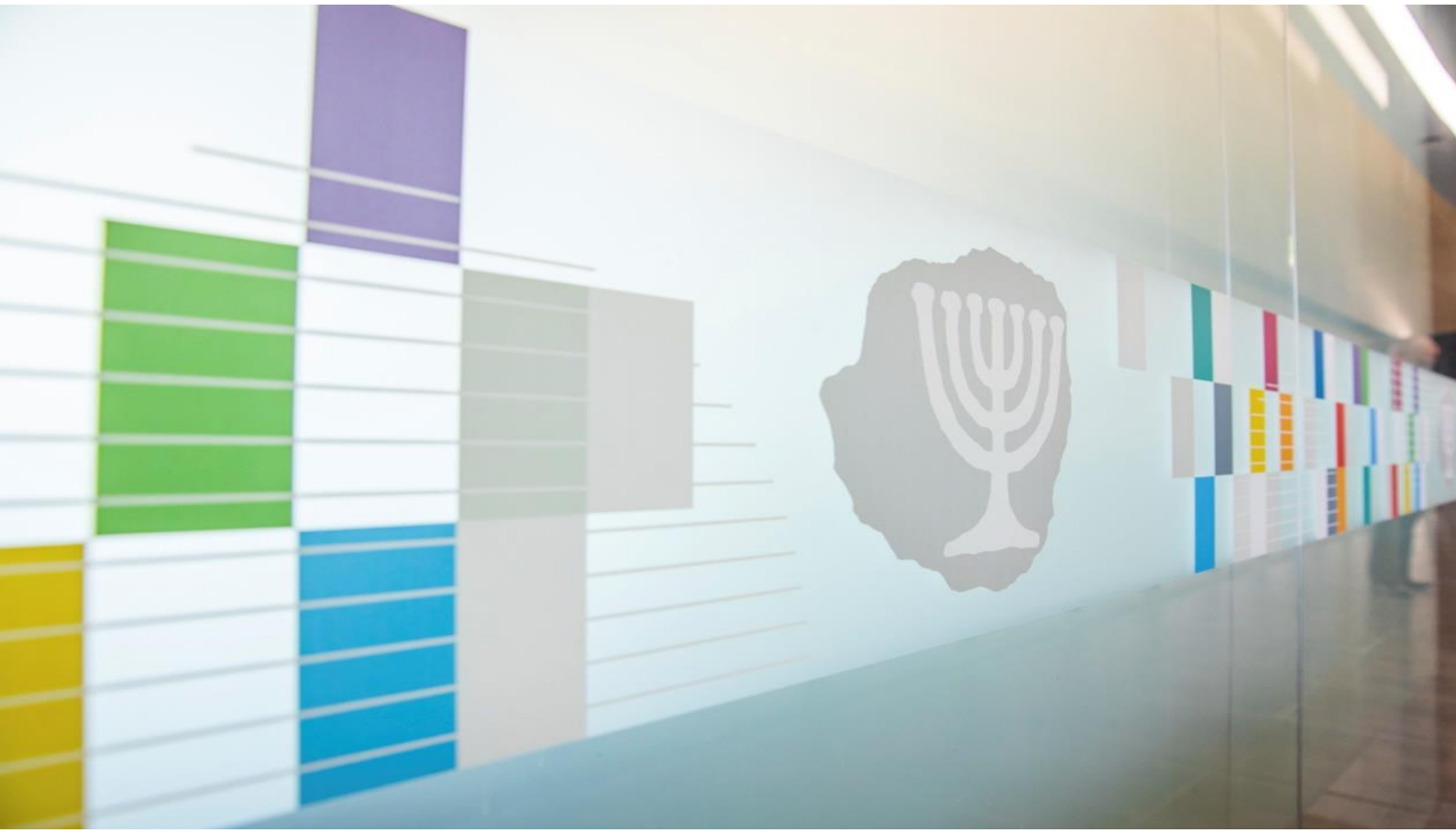
Research and Policy Analysis Notes



The Premium on a Residential Secure Room in Home Prices and Rents

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The Premium on a Residential Secure Room in Home Prices and Rents*

- A significant increase was found in the residential secure room (RSR) premium in the asking price in rental listings, compared with its level prior to the war. Most of the increase began in May 2024, after the first missile attack from Iran.
- There was a temporary rise in the premium in home prices following the outbreak of the war, but it quickly reverted to, and perhaps even fell below, its prewar level. This finding is based on both transaction prices for actual home purchases and the asking prices in home sale listings.
- A preliminary examination of the impact of Operation Rising Lion indicates a certain increase in the RSR premium in both home prices and rental rates, though at this stage, its statistical significance is unclear and requires ongoing monitoring as additional data become available.

1. Introduction

Following the outbreak of the Swords of Iron War, there were claims that the war increased demand for homes with a residential secure room (RSR, "Mamad" in Hebrew)[1], raising the relative price of such homes as a result (ynet, 26.11.2023; TheMarker, 22.11.2024; N12, 12.12.2024; Globes, 14.03.2025). Although the need for an RSR grows during wartime, it is reasonable to assume that home buyers take a broader view, considering various factors of a long-term nature. By contrast, home renters may prefer homes with an RSR during periods of security tension and be more willing to compromise on other home features than purchasers would. It is therefore likely that heightened demand for secure spaces will be more strongly reflected in the rental market (TheMarker 22.11.2024). In this analysis, we estimate the RSR premium in home prices and rental rates—i.e., the price and rent gap for similar homes differing only in the existence of an RSR—and assess how it changed after the outbreak of the war.

Our analysis of home prices uses data on actual home transactions (the CARMAN—Real Estate Price Registry—file) as well as data from home sale listings. Our analysis of rental rates relies solely on data from rental listings, in the absence of a readily available database of leases. In the transactions data, the indication of whether a home has an RSR is based on its year of construction, whereas in the listings data, the indication is based on the information reported in the listing.

From our analysis of the RSR premium in home prices based on actual transactions, we find that, just prior to the Swords of Iron War, the prices of homes with an RSR were about 8.2% higher than those of homes with similar characteristics but without an RSR. This premium fell to about 6.4% during the war (until the end of 2024). The decline in the premium is statistically significant. There is, however, evidence of a temporary increase in the premium immediately after the outbreak of the war in October 2023, which subsided shortly thereafter. These results are robust to a variety of sensitivity tests. Using data from sale listings indicates a more moderate decline in the premium, both in quantitative terms and in terms of statistical significance. Nevertheless, it should be

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[1] A residential secure room (RSR) is a reinforced room designed to provide shelter during emergencies, such as missile attacks. During routine times, RSRs function as regular rooms in the dwelling.

emphasized that these data also do not support the narrative asserting that the RSR premium increased.

In the asked rental rates as posted in home rental listings, a slight increase in the premium was found at the start of the war, and from May 2024 onward, after the first missile attack from Iran, it continued to climb more sharply. Between May 2024 and the end of that year, the RSR premium was an average of about 3.7–4.1 percentage points higher than its level in the first nine months of 2023, before the outbreak of the war.

This paper does not examine the reasons for these findings, but we conjecture that they suggest that during the sample period, people expected the security situation to improve once the war ended. Under a standard asset-pricing equation, the RSR premium in the purchase price of a home should reflect the present discounted value of the expected stream of premia in rents over time. A deterioration in the security situation caused by the war raises the RSR premium in rents during the conflict. However, if the public expects an improvement in the security situation once the war is over, the future RSR premium in rents is expected to decline. These two opposing forces shape the premium in the purchase price of a home and may even cause it to drop during the war.

Other studies examining the impact of security events in Israel on home prices and rental rates also attribute their findings to the public's perception of whether the security threat is of a transient or more persistent nature. Hazam and Felsenstein (2007) examined the Jerusalem housing market during the Second Intifada. They found that terrorist attacks mainly affected rental rates, whereas home prices were less sensitive to these events. The authors attributed this to the perception that terrorist attacks are fleeting events that have only a short-term effect. Elster, Zussman, and Zussman (2017) examined the impact of the Second Lebanon War on the housing market in the areas most severely affected by rocket attacks during the war. They found that both rental rates and home prices in these areas fell by similar amounts compared with their development in other parts of northern Israel that were also under threat. The authors suggest that the war led to a lasting increase in the perceived relative risk of those areas.

A preliminary examination of the impact of Operation Rising Lion against Iran (June 13–24, 2025), based on home sale and rental listings (up to July 11, 2025), indicates some increase in the RSR premium in both home prices and rental rates. However, the statistical significance of this increase remains unclear at this stage, and further monitoring of this development is necessary. The methodology presented in this paper will be useful for ongoing monitoring.

The following section presents the analytical methodology. Section 3 presents the estimate of the RSR premium in home prices based on actual transaction data. Section 4 presents sensitivity tests, including an analysis of listings data for homes for sale. Section 5 analyzes the RSR premium in rental listings. Section 6 presents preliminary results for the impact of Operation Rising Lion, and Section 7 concludes.

2. Methodology

The main analysis is based on estimating a hedonic price equation for home prices, similar to the equation estimated by the Central Bureau of Statistics (CBS) for calculating the Index of Home Prices

(CBS, 2024). The data source is the CARMAN file provided by the Israel Tax Authority[2], restricted to transactions of dwellings in multi-unit buildings (excluding private homes and cottages). Before estimation, the data underwent several checks and outlier removals, similar to the procedure described by CBS (2024).[3] The sample period is from January 2023 through December 2024, thus encompassing nine months prior to the outbreak of the war (October 2023) in order to evaluate the magnitude of the RSR premium during that period. Each observation in the sample indicates a single home purchase transaction from the CARMAN file.

Before discussing the estimation methodology, we first present the way in which we classify homes according to the presence of an RSR.

2.1 Classifying homes as having or not having an RSR

The CARMAN file does not contain a direct indication of whether the home sold has an RSR. However, such an indicator can be derived from the age of the home, since starting in 1992, it has been legally required to build an RSR in new homes[4], and the CARMAN file does indicate the year of construction.

Accordingly, we define an indicator for whether the home sold has an RSR. Given possible inaccuracies in the data, the indicator takes a value of 1 (RSR present) if the reported year of construction is 1995 or later, and 0 (no RSR) if the year of construction is 1991 or earlier. We exclude observations where the reported year of construction is 1992–1994.[5]

$$RSR_j = \begin{cases} 1 & if\ building\ year_j \geq 1995 \\ 0 & if\ building\ year_j \leq 1991 \end{cases}$$

Figure 1 shows the share of observations in the sample that are identified as homes with an RSR. In keeping with the narrative, there is a certain increase in the share of home transactions with an RSR after the outbreak of the war in October 2023, though a sharper uptick is evident in May 2024, following the first missile attack from Iran (solid line). A similar finding appears in the review by the Chief Economist of the Ministry of Finance (December 2024). Overall, the share of transactions in homes with an RSR rose from an average of about 56 percent before the war to about 72 percent

[2] Later, as part of the robustness checks, we also use data from online listings for home sales. Section 5 of this paper analyzes the development of rental rates using a similar methodology, based on rental listings data.

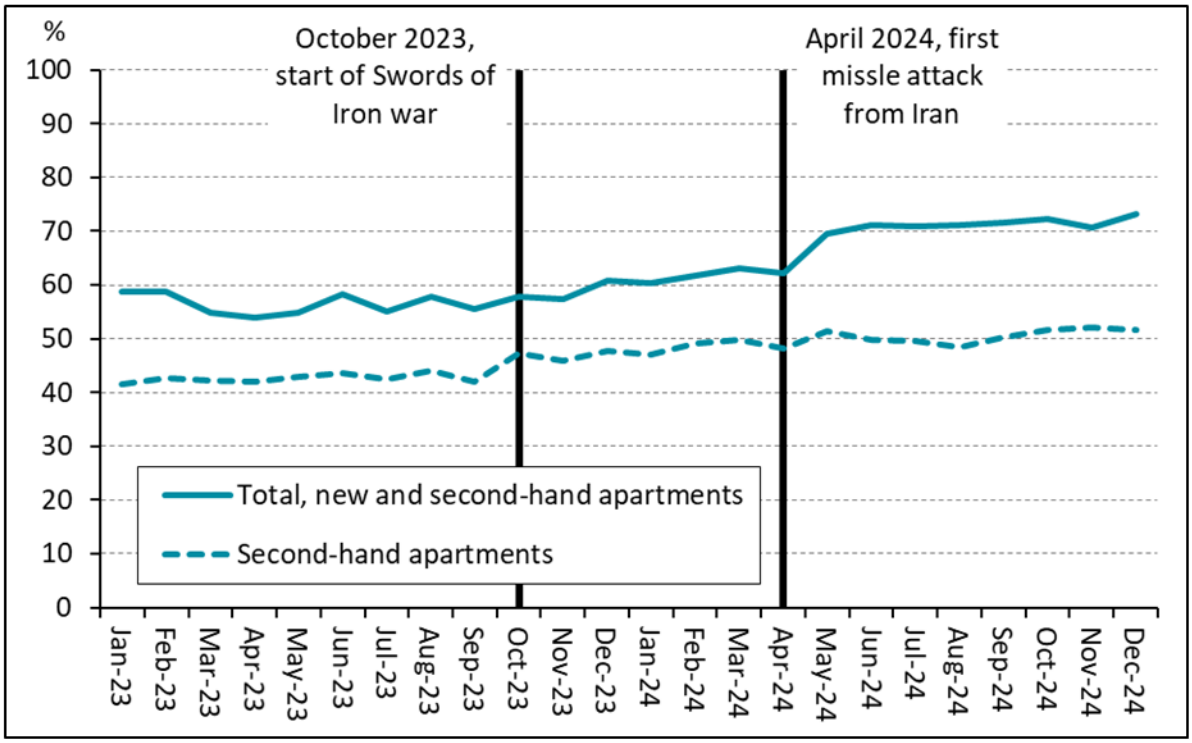
[3] The estimation equation and the various checks are similar, though not identical, to those used by the CBS.

[4] Regulations File 5425 (1992). Civil Defence Regulations (Specifications for Building Shelters) (Amendment), 1992.

[5] It is unclear whether the CARMAN file uniformly refers to the start of construction or its completion date. Apart from the ambiguity of identifying the start year of construction, the classification is imperfect not only due to errors in the reported year of construction, but also owing to retrofitted RSR additions in older homes. We address this issue in Section 4.3.

in the last quarter of 2024. When focusing exclusively on second-hand homes, the increase is more moderate (dashed line), and it is particularly pronounced at the onset of the war.[6]

Figure 1 | The Rate of Sample Observations of Dwellings with an RSR, January 2023–December 2024



Note: The data in the figure do not represent the rate of transactions in dwellings with an RSR, but only their rate in the sample. The difference is due to the fact that the CARMAN file (the data source) does not contain all market transactions, and in particular it seems that it under-represents new dwellings.

SOURCE: Authors' calculations based on Israel Tax Authority CARMAN file

2.2 Estimation equations

To estimate the RSR premium and changes in it duruing the war, we estimate a hedonic equation for home prices using two formulae:

$$log(Price_j) = \beta_0 + \sum_i \beta_i Z_{ij} + \sum_t \eta_t D_{tj} + \delta RSR_j + \sum_t \delta_t D_{tj} RSR_j + \varepsilon_j \quad (1)$$

$$log(Price_j) = \beta_0 + \sum_i \beta_i Z_{ij} + \sum_t \eta_t D_{tj} + \delta RSR_j + \delta_{war} War_j RSR_j + \varepsilon_j \quad (2)$$

[6] Examining the national housing stock from 1995 through 2024, more than 1.3 million homes were completed, and in total there are nearly 3.0 million homes (CBS data). Because RSRs were added over time to some older homes, we estimate that at least 44% of the homes in the country have an RSR. This ratio is similar to the share of observations for homes with an RSR on the second-hand market, at least before the outbreak of the war (Figure 1, dashed line).

where $Price_j$ denotes the price of the home in transaction j, and Z_{ij} denotes characteristic i of the home purchased in transaction j. These characteristics include: the home's area in square meters (log), the home's age and its age-squared, dummy variables for the number of rooms, dummy variables for home type (apartment in a multistory building, garden unit, rooftop unit, duplex), dummy variables for the floor on which the home is located and for the total number of floors in the building, a dummy variable for homes purchased from a contractor (new homes), a dummy variable for homes purchased with government support (primarily through the Buyer's Price program), dummy variables for the socioeconomic rank of the home's statistical area (20 rank levels), and dummy variables for the subdistrict in which the home is located. D_{tj} is a dummy variable that obtains a value of 1 if transaction j was carried out in month t, and 0 otherwise. The parameters η_t measure the (log) change in home prices relative to the base period (January 2023). From these parameters, one can derive a home price index.

Equation (1) allows the premium on an RSR (Mamad) to vary monthly. The coefficient δ measures the RSR premium in the base month, and the sum $\delta + \delta_t$ quantifies the premium in month t. Equation (2) is a difference-in-differences equation. The variable War_j takes a value of 1 if home j was sold during the war period, beginning in October 2023, and 0 if it was sold in or before September 2023. The coefficient δ in Equation (2) measures the RSR premium prior to the war, while the sum $\delta + \delta_{war}$ measures the premium during the war period. The coefficient δ_{war} is the difference-in-differences coefficient—measuring the change in the premium relative to its prewar level.

The estimation weighs observations according to the stock of homes in each subdistrict, and standard errors are robust (White correction).

3. Results: The RSR premium and its dynamics during the war

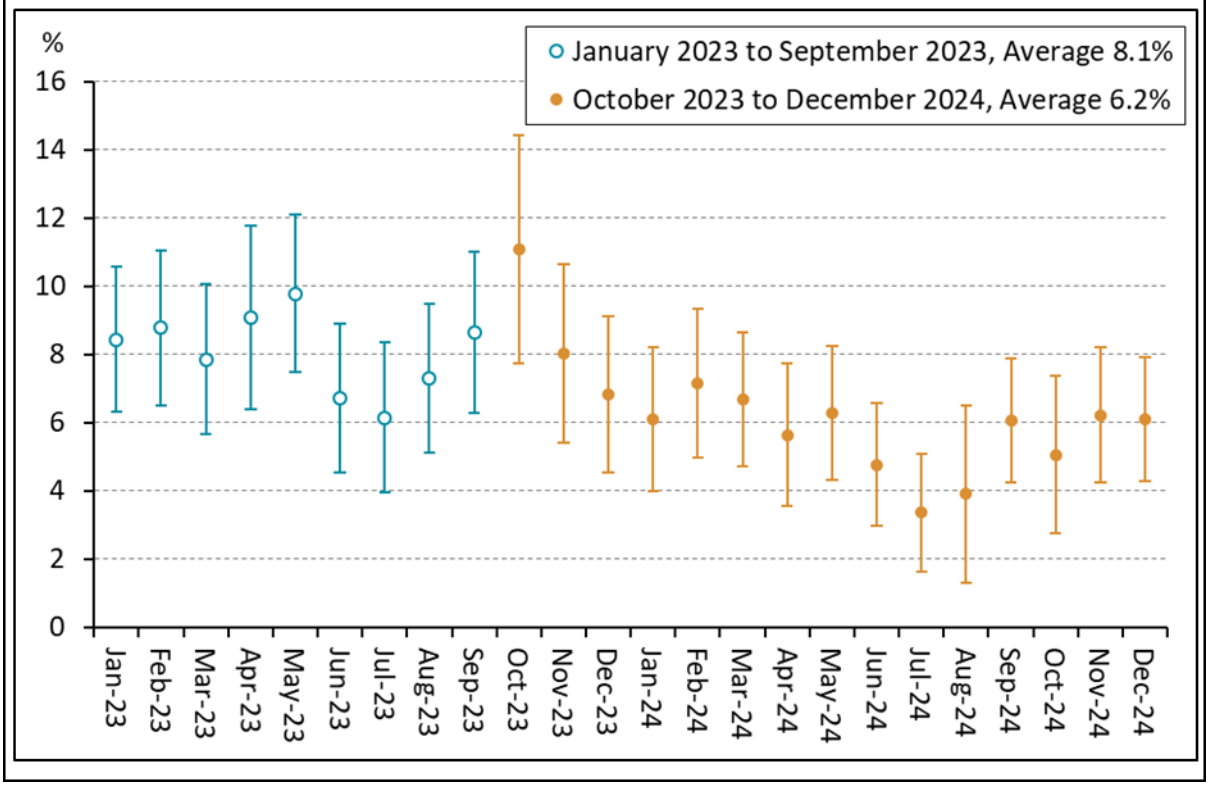
Equation (1) yields monthly estimates of the RSR premium ($\delta + \delta_t$). Figure 2 shows how it evolved over time, along with 95% confidence intervals. From the start of the sample period until just before the war (September 2023), the premium averaged about 8.1 percent and showed no discernible trend. Once the war broke out, the premium jumped in October 2023 to approximately 11.1 percent—the highest level in the sample—then declined thereafter. In May 2024, following the first missile attack from Iran, the premium increased only slightly, despite indirect evidence of stronger demand for homes with an RSR during that month, as indicated by the higher share of observations with an RSR (Figure 1). It subsequently continued to decline. From October 2023 onward, during the war, the RSR premium averaged about 6.2 percent.

The first row of Panel A in Table 1 presents the estimation results of Equation (2). The findings are consistent with the results of the monthly estimation (Equation (1), Figure 2), indicating a statistically significant decrease of around 1.8 percentage points in the premium—from about 8.2 percent before the outbreak of the war to about 6.4 percent thereafter.

Because the share of observations for homes with an RSR rose after the first missile attack from Iran in May 2024 (Figure 1), we carried out an additional test dividing the war period into two subperiods: from the outbreak of the war in October 2023 until the first missile attack from Iran in April 2024, and then from May 2024 until the end of the year. The first row of Panel A in Table 2 shows the estimation results. The findings indicate that most of the decline in the premium occurred in the second period of the war, and in particular, that the premium is significantly lower during this

second period than it was in the first period. Nonetheless, part of this result is due to the fact that the RSR premium rose immediately upon the outbreak of the war (Figure 2).

Figure 2 | Estimates of the RSR Premium in Home Purchase Prices, January 2023–December 2024
(95% confidence intervals)



4. Sensitivity analysis

The finding that the RSR premium declined during the war is surprising and contradicts the prevailing narrative. To corroborate these results, sensitivity analyses are required to assess their robustness under various assumptions. We conduct four types of sensitivity analyses:

1. Using a more homogeneous sample of homes;
2. Estimating only the permium for major cities in order to capture geographic heterogeneity;
3. Correcting the identification of whether a home has an RSR;
4. Using listings data for homes for sale to address the possibility of a selection bias in the sample.

Table 1 | Estimates for the RSR premium and its change during Swords of Iron War[1]

	Premium before the war	Change in the premium	Premium after the outbreak of the war	Number of observations	R^2
Panel A: Purchase transactions					
All observations	0.0818***	-0.0179***	0.0639***	99,159	0.8027
Second-hand	0.0815***	-0.0223***	0.0592***	66,615	0.7812
Construction year 1985-2000[2]	0.0584***	-0.0182	0.0403***	11,475	0.7728
Panel B: Purchase transactions, major cities					
Ashdod	0.0742**	-0.0518**	0.0224	2,266	0.5356
Beit Shemesh	0.0990***	0.0263	0.1254***	2,475	0.7252
Jerusalem	-0.0260	-0.0037	-0.0298	5,863	0.5489
Haifa	-0.0314	0.0069	-0.0245	6,411	0.7384
Tel Aviv	0.0731**	-0.0366*	0.0365	4,498	0.6571
Bnei Brak	0.0230	0.0577**	0.0807*	1,725	0.6285
Bat Yam	0.0600	0.0027	0.0627	2,730	0.6681
Herzliya	0.0365	0.0075	0.0440	1,041	0.8160
Hadera	0.0111	-0.0227	-0.0116	1,594	0.7413
Holon	-0.0055	-0.0354	-0.0409	1,812	0.5909
Kfar Sava	0.0585	-0.0647	-0.0062	815	0.6252
Ashkelon	0.0185	0.0186	0.0370**	3,371	0.8523
Netanya	0.0427*	0.0533***	0.0960***	2,953	0.7341
Petah Tikva	0.0700***	-0.0207	0.0493**	3,540	0.6848
Rishon LeZion	0.0825***	-0.0061	0.0763***	2,555	0.7187
Rehovot	0.0324	-0.0139	0.0185	1,715	0.7420
Ramat Gan	0.0980*	-0.0222	0.0758	2,029	0.5767
Be'er Sheva	0.0442***	0.0264**	0.0705***	5,342	0.8223
Panel C: Purchase transactions, RSR reidentification					
For the full sample	0.2702***	-0.0223***	0.2478***	99,159	0.8120
For the war period	0.1814***	0.0213***	0.2027***	99,159	0.8070
Panel D: Sale listings[2]					
Initial posting	0.0982***	-0.0035	0.0947***	66,342	0.8206
Last update	0.0991***	-0.0032	0.0959***	64,881	0.7905
Panel E: Rental listings[2]					
Initial posting	0.1049***	0.0229***	0.1278***	179,508	0.5747
Last update	0.1043***	0.0289***	0.1331***	177,136	0.5658

*10% significance, **5% significance, ***1% significance

[1] Estimates of Equation (2).

[2] Excluding the apartment's age from the regression. In Panel A, as a result of multicollinearity between the age variables and the RSR dummy; in Panel D and in Panel E, because the dwelling's age is not reported in the listings.

Table 2 | Estimates for the RSR premium and its change, splitting the war period in two[1]

	Premium during prewar	Premium during period 1 10/23-04/24	Change: period 1 vs prewar	Premium during period 2 05/24-12/24	Change: period 2 vs prewar	Change: period 2 vs period 1	Number of obs.	R^2
Panel A: Purchase transactions								
All observations	0.0812***	0.0739***	-0.0073	0.0527***	-0.0286***	-0.0213***	99,159	0.8027
Second-hand	0.0814***	0.0670***	-0.0143**	0.0521***	-0.0293***	-0.0149**	66,615	0.7812
Construction year 1985-2000[2]	0.0584***	0.0452***	-0.0133	0.0360***	-0.0225*	-0.0092	11,475	0.7728
Panel B: Sale listings[2]								
Initial posting	0.0982***	0.1028***	0.0046	0.0876***	-0.0106**	-0.0152***	66,342	0.8206
Last update	0.0991***	0.0993***	0.0002	0.0930***	-0.0061	-0.0063	64,881	0.7905
Panel C: Rental listings[2]								
Initial posting	0.1047***	0.1127***	0.0079	0.1413***	0.0365***	0.0286***	179,508	0.5749
Last update	0.1041***	0.1203***	0.0162***	0.1446***	0.0405***	0.0243***	177,136	0.5659

*10% significance, **5% significance, ***1% significance

[1] Estimates of Equation (2), where the war period was characterized by two dummy variables, instead of one (war_j): the first takes the value 1 if the dwelling was sold between October 2023 and April 2024, and zero otherwise; while the other takes the value 1 if the dwelling was sold from May 2024 onward, and zero otherwise.

[2] Excluding the dwelling's age from the regression. In Panel A, as a result of multicollinearity between the age variables and the RSR dummy; in Panel B and in Panel C, because the dwelling's age is not reported in the listings.

4.1 Homogeneity of the sample

A hedonic regression estimation assumes that controlling for the observed characteristics of homes is sufficient, such that the estimated premium effectively compares homes with similar characteristics apart from the presence of an RSR. Naturally, the regression does not account for all the characteristics of a home, as some of them are unobserved in the data, and even for those that are observed, the control may be imperfect—whether due to their functional form in the regression or changes in coefficients over time. To address this issue, at least partially, we reestimated Equation (2) for smaller, more homogeneous samples of homes. Specifically, we did so using a sample limited to second-hand homes, and also using an even narrower sample of homes built around the time the RSR construction requirement was introduced—between 1985 and 2000.[7]

[7] In the sample of homes built between 1985 and 2000, there is a high correlation (in absolute value) between the home's age and the indicator for the existence of an RSR, leading to a lack of statistical significance for the coefficients of these variables. We therefore omitted the age variables from the regression. Naturally, the RSR coefficient in this regression also captures the effect of the home's age. Still, the change in the coefficient after the outbreak of the war is more difficult to attribute to an age effect, and we assume it is related to other characteristics correlated with age, particularly the existence of an RSR.

The estimation results are presented in Panel A of Table 1, in the second and third rows, respectively. For second-hand homes, there is a statistically significant decline of about 2.2 percentage points in the RSR premium, whereas for homes built between 1985 and 2000, the decline in the premium is not statistically significant. In any case, these findings also do not support the narrative that the Swords of Iron War led to an increase in the RSR premium.

4.2 Geographic heterogeneity

It is reasonable to assume that the RSR premium varies across different parts of the country. We therefore reran the estimations for the country's large cities (cities with a population in excess of 100,000). Panel B of Table 1 presents the results of estimating Equation (2) for these cities. The findings are mixed, and many results are not statistically significant, possibly due to the limited number of observations. The RSR premium declined in Ashdod and Tel Aviv, and increased in Bnei Brak, Netanya, and Be'er Sheva. In the remaining cities, the change is not statistically significant. In any event, this analysis too does not point to a premium increase consistent with the prevailing narrative, nor does it indicate changes in the premium according to distance from conflict zones.

4.3 Identifying RSRs

It is possible that we are mistakenly classifying some homes that have an RSR as lacking one. The indicator we use to identify the existence of an RSR in a home depends on its reported year of construction, and some older homes may have been retrofitted with RSRs over the years. If, after the outbreak of the war, there was a rise in the share of observations for which we incorrectly classified these homes as lacking an RSR, our estimates of the change in the premium would be biased downward. According to data from the CBS (2025), beginning in June 2024, about 5 percent of homes built before 1990 have an RSR. To obtain an upper bound for the magnitude of this bias, we reestimated Equation (2) by classifying as protected the top 5 percent of observations with the largest residuals among homes built before 1992.[8] In other words, we attribute these large residuals to the possibility that such homes were mistakenly classified as lacking an RSR, whereas in fact, their RSR might have led to a higher price.

Panel C of Table 1 shows the estimation results for Equation (2). The first row presents estimates in which the misclassification is attributed to the entire sample period. As expected, in this case, the estimated RSR premium is substantially higher than it was under our original classification (first row of Panel A). However, the change in the premium after the outbreak of the war remains negative. The second row of Panel C shows the results when the misclassification is attributed only to the war period. In that case, we find an increase in the RSR premium of about 2.1 percentage points during the war. It should be noted that this estimate is upwardly biased and therefore serves as an upper bound on the change in the premium.

The upward bias is driven by two factors:

1. The large residuals in the observations for which RSR classification was changed are attributed solely to the presence of an RSR, whereas in practice, they may also be due to other unobserved attributes or random price fluctuations.
2. The new classification introduces a positive correlation between the regression's random error term and the explanatory variable, thereby biasing the coefficient estimate upward.

[8] Residuals from estimating Equation (2) — first row of Panel A in Table 1.

In view of these considerations, and given that the upper bound on the premium increase is not very large—about 2.1 percentage points—we conclude that if indeed there was an increase in the RSR premium after the outbreak of the war, it was probably modest.

4.4 Selection bias

Finally, it is possible that our sample suffers from a selection problem. After the outbreak of the war, the public may have refrained from purchasing homes that lack adequate protective solutions, even at a significantly reduced price. Alternatively, the sellers of such homes may have refused to compromise on a lower price, so those homes did not sell. In that event, on average, the homes without an RSR that were purchased during the war period would have better protective measures than those without an RSR that were purchased prior to the war. Such protection might include an accessible shelter in the building, an internal shared hallway or stairwell, a mobile shelter nearby, and so on. Because homes without adequate protective solutions were generally not purchased, they do not appear in the sample during the war, and as a result, the observed premium for an RSR would have fallen—even if, in reality, it had increased.

To address this problem, we reestimated the model using the asking price reported in home sale listings. The assumption underlying this approach is that a lack of sufficient protective measures would not, in and of itself, prevent these homes from being listed for sale, so they appear in the sample of sale listings. The dependent variable in the regression is the asking price in each listing. We use two versions of this price: (1) the asking price in the listing's initial posting; and (2) the asking price in its last observed update. The drawback of this sample is, of course, that the reported price is the asking price rather than the market price.

Identification of whether a listing features an RSR relies on the seller's report. Here, too, the classification may not be perfect. Some homeowners with an RSR might fail to mention it in the sale listing, resulting in misclassification. In the transaction data (the CARMAN file), the concern was that we might be mistakenly classifying certain older homes as lacking an RSR when, in fact, they had been retrofitted. Therefore, any misclassification bias in the listings data would work in the opposite direction to that in the CARMAN data. In particular, if the reporting became more accurate after the outbreak of the war (i.e., more owners of homes with an RSR made sure to note it in the listing), then the estimated change in the premium would be biased upward.

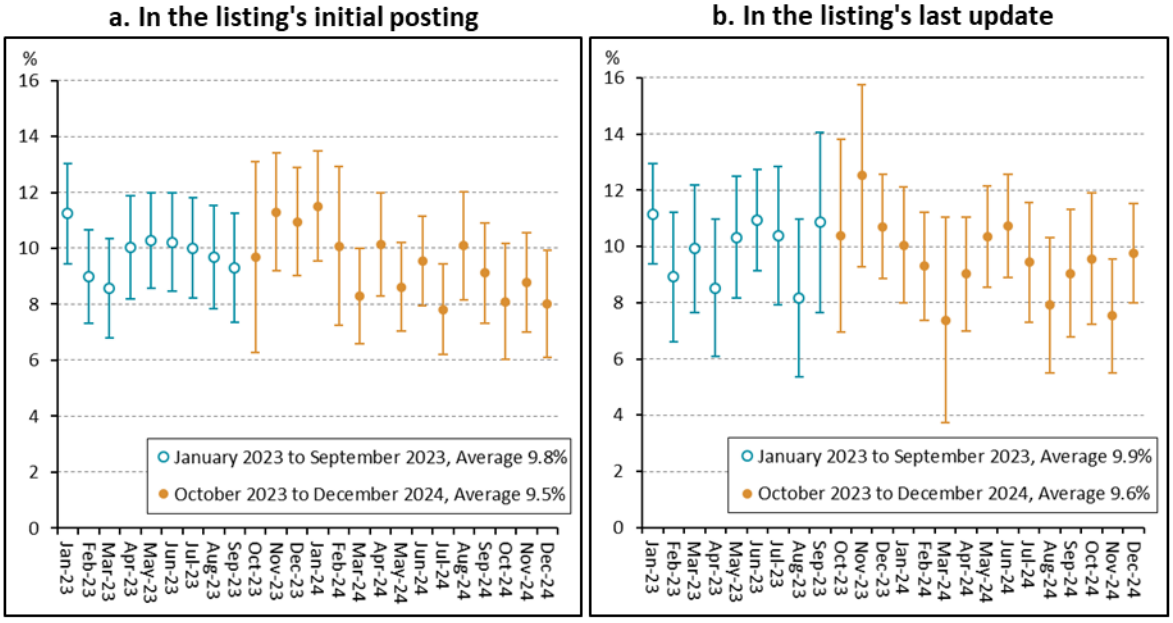
The specifications we estimate in this analysis are the same as those for Equations (1) and (2) above, but without the indicators for new or government-subsidized homes, because the listings are only for second-hand homes. In addition, we omit the home's age from the regression, given that it is generally not reported in listings. Since the construction year of a dwelling is correlated with having an RSR, the coefficient on the RSR variable in these regressions captures not only the premium for the RSR itself but also the effect of age. Nevertheless, it is reasonable to assume that the change in this coefficient around the outbreak of the war reflects the premium for an RSR rather than altered preferences relating to the home's age.

Figure 3 shows the evolution of the estimated RSR premium over time obtained by estimating Equation (1). In both cases—either using the listing's first published asking price (Figure 3a) or its most recent update (Figure 3b)—there is a mild uptick in the RSR premium after the outbreak of the war, but it subsequently declines. On average, the premium during the war is slightly lower than it was prior to the war. Notably, a similar pattern emerged from the CARMAN transaction data (Figure 2). However, here the premium rose with a one-month lag compared with the market-price-

based premium, which increased immediately after the outbreak of the war. This outcome may point to sellers adjusting their expectations in response to developments in market prices.

To check how the premium changed between the two periods, Panel D of Table 1 presents the estimation results of Equation (2). Both estimates show that the premium remained stable between the two periods. Although the point estimates fell slightly—by about 0.3 percentage points—the decrease is not statistically significant. If the share of accurate reporting for RSRs in the listings data rose, the actual decline is likely larger. It should also be emphasized that the estimated premium level here is higher than that obtained from the CARMAN file[9], probably because it now also captures the effect of home age on the asking price.

Figure 3 | Estimates of the RSR Premium in Home Sale Listings Asking Prices*, January 2023–December 2024
(95% confidence intervals)



* The estimations do not control for the age of the homes in the regression because it is not typically reported in the sale listings. Since the home's age is correlated with the existence of an RSR, the estimated premium also captures age effects. However, we attribute the change in the premium to the war's effect on public preference regarding RSRs rather than on the public's attitude toward the home's age.

Panel B of Table 2 shows the estimation results when the wartime period is divided into two subperiods: until the Iranian attack in April 2024, and from May 2025 onward. The estimated premium did indeed increase slightly in the first period, but the rise is statistically insignificant. In the second period, the premium declined to some extent relative both to the first period and to the prewar months, although the decrease is statistically significant only in the specification that uses listings data from their initial publication.

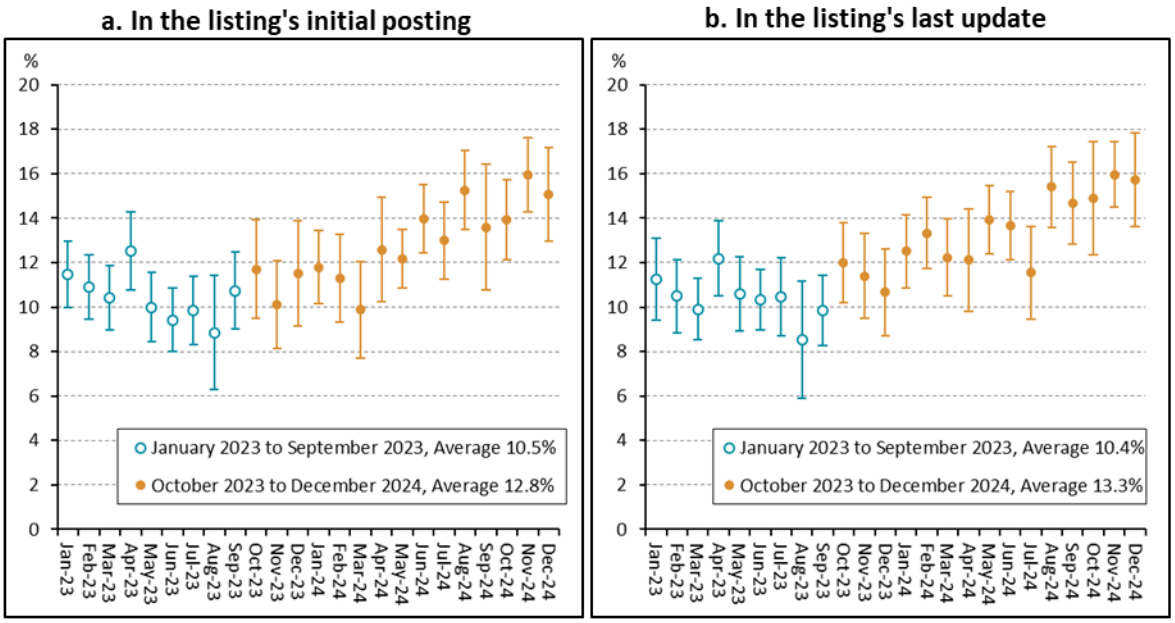
[9] The appropriate comparison is with second-hand homes in the transaction data, shown in the second row of Panel A, given that the sale listings do not include new homes.

In summary, much like the patterns that emerge from the CARMAN data, the home sale listing data also indicate that for most of the war period, the RSR premium was no higher than its prewar level, despite a temporary uptick at the onset of the war.

5. The RSR premium in rental prices

We now turn to estimating the RSR premium in the rental market using apartment rental listings. Figure 4 shows the monthly premium estimate derived from estimating Equation (1). The estimation specification is the same as that used for the apartment sale listings.[10] As seen in the figure, the RSR premium rose during the war period, particularly toward the end of the sample.

Figure 4 | Estimates of the RSR Premium in Home Listings Asking Rates*, January 2023–December 2024
(95% confidence intervals)



* The estimations do not control for the age of the homes in the regression because it is not typically reported in the rental listings. Since the home's age is correlated with the existence of an RSR, the estimated premium also captures age effects. However, we attribute the change in the premium to the war's effect on public preference regarding RSRs rather than on the public's attitude toward the home's age.

Panel E of Table 1 presents the estimation results for Equation (2). The estimation indicates that the average increase in the RSR premium is statistically significant, amounting to roughly 2.3–2.9 percentage points. Panel C of Table 2 divides the war period into two subperiods, and the results

[10] Similar to the procedure for the asking price in home sale listings, the rental estimation uses both the initial rental asking price appearing in the listing and its most recent observed update. The regression does not control for the home's age, and it does not include indicators for new or government-subsidized homes.

show that the RSR premium already rose in the first subperiod of the war by about 0.8–1.6 percentage points.[11] The premium continued to grow after May 2024, reaching a level in this period that was about 3.7–4.1 percentage points higher, on average, than its prewar level.

6. The RSR premium due to Operation Rising Lion

Lastly, we present a preliminary examination of the impact of Operation Rising Lion on the RSR premium in home prices and rents, based on data from sales and rental listings. The Operation began on June 13, 2025 and ended 12 days later, on June 24. The estimation sample runs from April 1 through July 11, 2025. Table 3 presents the estimation results of Equation (2), where the variable War_j now takes a value of 1 if the quoted price in the listing for dwelling j is dated after the outbreak of the war (i.e., from June 13 onward), and 0 otherwise.

Table 3 | Estimates for the RSR premium and its change during Operation Rising Lion[1]

	The premium before Rising Lion	The change in the premium	The premium after the outbreak of Rising Lion	Number of observations	R^2
Panel A: Sale listings					
Initial posting	0.0896***	0.0122	0.1018***	9,830	0.8208
Last update	0.1023***	0.0109	0.1132***	16,075	0.7605
Panel B: Rental listings					
Initial posting	0.1249***	0.0231**	0.1481***	28,477	0.6104
Last update	0.1263***	0.0044	0.1307***	34,546	0.6195

*10% significance, **5% significance, ***1% significance

[1] Estimates of Equation (2), excluding the age of the dwelling, which is not reported in the listings.

The results point to some increase in the RSR premium in both home prices and rental rates, but at this stage, its statistical significance is unclear. It appears that it is too early to assess the effects of the operation against Iran on the housing market, particularly its impact on price and rent trends. Several more months will be needed to determine whether the market's reaction parallels that which followed the start of the Swords of Iron War.

7. Conclusion

According to the CARMAN data, the share of transactions involving homes with an RSR rose after the outbreak of the Swords of Iron War. This finding aligns with the prevailing public narrative that points to increased demand for such homes. However, their price developments do not indicate a rise in the RSR premium, at least through the end of 2024. In the baseline estimation, the estimated premium in home prices declined from around 8.2 percent before the war to roughly 6.4 percent

[11] The estimated premium increase in the listings' initial posting (first row of Panel C in Table 2) is on the threshold of statistical significance (P-value = 0.1051).

from October 2023 onward. Nonetheless, there is evidence of a temporary increase in the premium immediately following the start of the war, in October 2023, though it subsided shortly thereafter.

Conversely, data from rental listings show that the RSR premium in asked rental rates rose slightly at the outset of the war and then climbed more sharply following the first missile attack from Iran, beginning in May 2024. From that month until the end of 2024, the RSR premium was about 3.7–4.1 percentage points higher than its prewar level.

This paper does not investigate the factors behind the changing premium in home prices and rents. Nevertheless, the results are consistent with market expectation—at least during the sample period—of an improved security situation following the Swords of Iron War and, in turn, an anticipated decline in the future RSR premium in rents once the conflict is over. The premium in home prices reflects the present value of the premium in rents over the entire lifespan of the home. As such, it may already be declining during the period of war. Another possibility is that the decline in the RSR premium in home prices reflects an expectation—due to the war—of accelerated urban renewal in certain areas, and hence higher prices for homes lacking protective measures.

A preliminary examination of the impact of Operation Rising Lion indicates some increase in the RSR premium in both home prices and rents, though at this stage, its statistical significance is unclear. Further data are needed to monitor its development.

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