

# Tipping Points and the Local Housing Market: Dynamics of Segregation and Integration in Jerusalem

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## Abstract

This paper examines the effect of migration in Jerusalem on housing prices, with a focus on the migration of Haredi Jews (Jewish ultra-Orthodox; pl. *Haredim*) into previously non-Haredi Jewish neighborhoods. I use a novel dataset of national election results at the statistical area (sub-neighborhood) level to identify the presence of Haredi communities. A rich administrative dataset of apartment transactions between 2003 and 2015 is used to analyze changes in house values. I apply two empirical strategies. First, a Regression Discontinuity design is used to test whether there are Tipping Point dynamics in Jerusalem's neighborhoods. Second, Hedonic Price regressions are used in order to estimate how continuous changes in the religiosity level of the neighborhood affects local house prices. To address endogeneity concerns, I exploit the pattern of geographic spatial diffusion of Haredi communities from the core Haredi neighborhoods to the surrounding areas as an instrument which is exogenous to housing prices. The findings are consistent with a simple model of endogenous social amenities in a segregated urban housing market which is presented in this paper. I do not find robust evidence of Tipping Point dynamics in Jerusalem. However, I do find that an increase of one percentage point in the share of Yahadut Ha'Torah voters in a neighborhood increases relative house prices by about 0.8 percent.