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Evidence from the 2005 London Bombings

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Terrorism and the Value of Proximity to Public Transportation: Evidence from the 2005 London Bombings

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Abstract

Terrorism has become a primary concern for city dwellers around the world. This paper uses the 2005 attacks on the London Tube to provide causal evidence of the negative impact of terrorism on the value of proximity to public transportation. These attacks brought major transit stations into the spotlight as high-risk locations. As a result, surrounding communities became less attractive places in which to live and conduct business. I find that house prices closer to the major transit hubs of London fell by 6 percent for one year. This shock spread to Manchester as well: house prices closer to major transit hubs dropped by 9 to 14 percent for three to four years. I also show that new firms are less likely to locate near major stations after the attacks, particularly those relying on foot traffic. Among incumbent firms, those serving customers in person are most hurt by the attacks.

Keywords: Terrorism; 2005 London Bombings; Public Transportation; Real Estate; Firms

JEL codes: H56; K42; R41; R30; L25

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