Third Places and Housing Value Dynamics in Urban and Rural Neighborhoods

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Roadmap

- Quality of life in regional science
- The “third place”
- Empirical approach
  - Data
  - Model
  - Results
- Discussion

Quality of Life

- **Quality of life**: the overall well-being and satisfaction of residents in a geographic area, which can be measured by factors such as housing, environment, public services, amenities, and economic conditions

- Associated with higher **population growth** and **job growth**
  (Weinstein, Hicks, Wornell, 2023)

- Especially true for **small towns** (micropolitan and rural areas) and for the **Midwest**
  (Austin, Weinstein, Hicks, Wornell, 2022)

Business Mix as Amenity

- Consumers (residents, shoppers, visitors) increasingly prefer differentiated *experiences* when visiting a business district
- Placemaking focuses on leveraging downtown as an amenity. Revitalization literature mentions complementing retail with options for gathering and entertainment.
- "In order to increase the attractiveness of downtown and draw people there, a variety of shopping opportunities must be present" (Sneed et al., 2011).
- Link between quality of life and business mix is plausible but untested.

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The “Third Place”

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- <u>Simple definition</u>: “public places apart from home and work” (Oldenburg & Brissett, 1982)

- “Regardless of where people go to meet and greet each other, the mere fact they feel they believe they have access to third places enhances their perceptions of the quality of life in their community”(Jeffres et al., 2009).

- Third places can help anchor the community by generating social capital (see next slide).

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The "Third Place"

"its the local coffee shop and gossip place central. if you need info about who, what, when, where, or how. stop in between 6-8 am and set down in one of the booths. Anything you need to know can be discovered. its where the towns problems are all solved... LOL"

"[Business name] is the center of [town] & a hot spot for all ages to eat and hang out. If you want to catch someone, they'll be there."

"It has been in the community at least since the 1970's and continues to be owned and operated by the family...As a local says, 'it's like a school reunion on Friday and Saturday nights.'"

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Empirical Approach: What are we doing?

- **Guiding question**: Are *third places* a meaningful component of local quality of life?

- **Our analysis**: model the relationship between third-place business concentration and neighborhood (ZIP-level) home price index
  - <u>Panel data approach</u>: TWFE regression (not causally identified, but more robust than alternatives)

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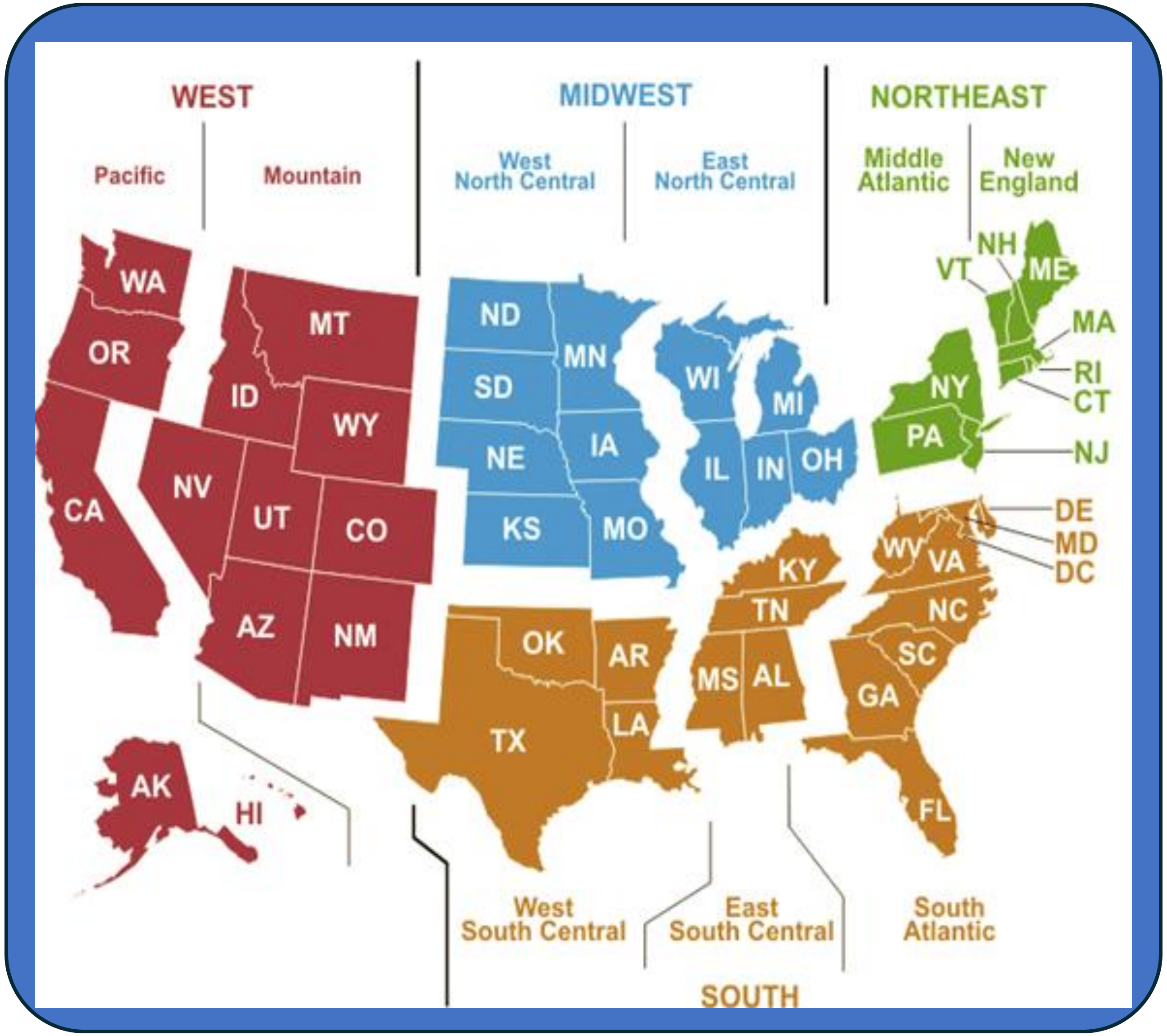
Data

- Use Data Axle (formerly InfoUSA) to measure third places in ZCTAs across the East North Central census division (WI, IL, IN, MI, OH)
- FHFA data on housing price index (HPI) by ZIP
- Full panel from 1997 to 2019



Descriptive Statistics

	Mean	SD	Min	Max
<u>Metro ZCTAs (N = 2,220)</u>				
Population	12,796	11,527	224	76,981
Median Household Income	$62,598	$20,967	$15,283	$204,118
House Price Index (HPI)	241	109	60	1,147
Number of Business Establishments	752	789	1	6,195
Number of Third Place Businesses	81	81	0	654
Number of Eating & Drinking Third Place Businesses	39	44	0	446
Number of Drinking Third Place Businesses	3.5	5.5	0	67
Churn Rate	11%	4%	0%	100%
<u>Nonmetro ZCTAs (N = 1,343)</u>				
Population	5,470	6,497	157	50,333
Median Household Income	$52,125	$9,562	$26,330	$95,893
House Price Index (HPI)	165	53	76	455
Number of Business Establishments	299	436	14	3,969
Number of Third Place Businesses	35	47	0	365
Number of Eating & Drinking Third Place Businesses	14	21	0	174
Number of Drinking Third Place Businesses	2.1	3.1	0	30
Churn Rate	9%	4%	0%	29%

The average rural ZCTA has fewer third places, but:

- third places *per capita* are the same across rural and nonrural
- the number of third places as a share of businesses is slightly larger in rural (12% vs. 11%)

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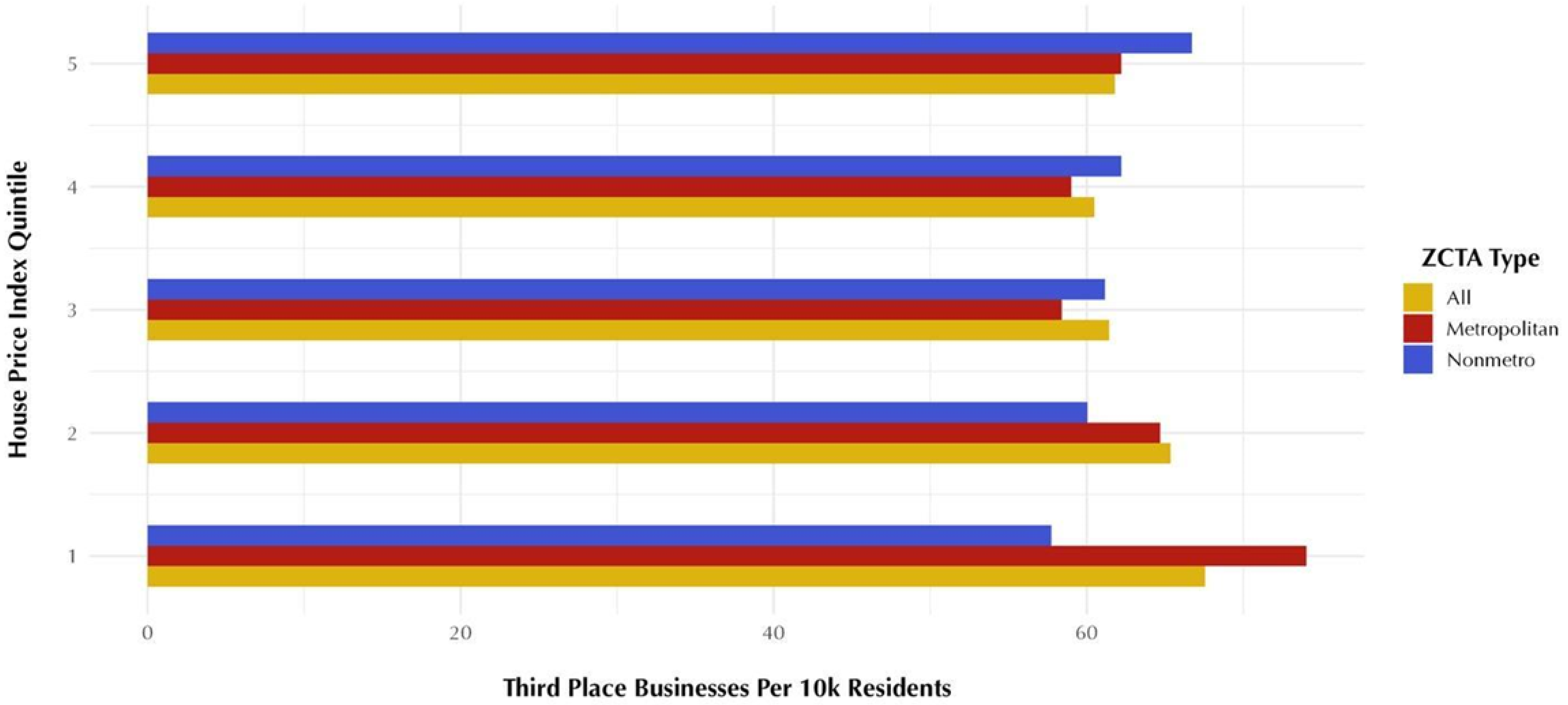
Third Place Concentration



Two-Way Fixed Effect Approach

$$Y_{it} = \boldsymbol{x}'_{\boldsymbol{it-1}}\boldsymbol{\beta} + \alpha_i + \delta_t + \epsilon_{it}$$

- *Y* is the house price index (HPI) for ZIP *i* in year *t* (1997-2019)
- $\boldsymbol{x}'_{\boldsymbol{it-1}}\boldsymbol{\beta}$ is a set of time-varying characteristics for ZIP *i* in year *t-1*
  - <u>Key explanatory variable</u>: ratio of third-place businesses to total businesses
  - Churn measure = sum of birth rate & death rate (Low, 2009)
  - ZIP size (only possible annually with start of ACS, 2009 onward)
- α_i is the ZIP fixed effect
- δ_t is the year fixed effect
- β is a vector of parameters to be estimated

TWFE Results (Outcome: HPI)

	(1)	(2)
Third Place Business Ratio (Lagged)	41.78***	
	(9.333)	
Third Place Businesses Per 1k Residents (Lagged)		0.11***
		(0.032)
Churn Rate (Lagged)	18.13***	16.80***
	(2.834)	(2.542)
Logged Population	21.34***	23.45***
	(3.935)	(3.724)
Observations	36,136	36,136
Adjusted R^2	0.517	0.517
ZCTA Fixed Effects (doing some **heavy** lifting)	Yes	Yes
Year Fixed Effects	Yes	Yes

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TWFE Results, Alternative Outcome Variables

	(1)	(2)	(3)
Third Place Business Ratio (Lagged)	41.78***		
	(9.333)		
Eating & Drinking Third Place Business Ratio (Lagged)		132.35***	
		(14.159)	
Drinking Third Place Business Ratio (Lagged)			178.57***
			(25.072)
Churn Rate (Lagged)	18.13***	18.10***	17.86***
	(2.834)	(2.575)	(2.568)
Logged Population	21.34***	21.13***	21.13***
	(3.935)	(3.921)	(3.930)
Observations	36,136	36,136	36,136
Adjusted R^2	0.517	0.518	0.518
ZCTA Fixed Effects	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes

TWFE Results, Nonmetro vs. Metro Counties

Not the *largest* cities

	(1)	(2)
	Nonmetro	Metro
Third Place Business Ratio (Lagged)	-2.26	59.65***
	(6.656)	(18.327)
Eating & Drinking Third Place Business Ratio (Lagged)	42.64***	156.72***
	(11.215)	(24.842)
Drinking Third Place Business Ratio (Lagged)	81.24***	219.18***
	(18.650)	(48.359)
Observations	13,742	22,394

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Discussion

- The presence of third-place businesses is statistically associated with higher home prices
- Relationship is much stronger for **eating and drinking** third places
- For *general* third places, home price relationship is nonexistent in rural areas.
  - For eating/drinking third places, relationship is still weaker (compared to suburbs/small cities) but statistically significant
- Churn is positively associated with higher home prices

Implications (So what?)

- Third places seem to add value to the local housing market (endogenous)
- Type of third place is important! Axe-throwing and vintage vinyl might not be as important as onion rings & beer.
- Some third places are not important at the **neighborhood** level (cafes ≠ climbing gyms)
- Some third places aren't captured by our data (e.g. informal places such as neighborhood cookouts and barbecues)

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Thank you!

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