The Economic Value of Local Amenities Across Housing Market Cycles

1 Overview and Empirical Strategy

This report outlines the economic relationship between local consumer amenities and housing market dynamics across six distinct macroeconomic cycles spanning four decades. To isolate this effect, we estimate a fixed-effects panel regression. The dependent variable is the year-over-year log change in local house prices ($\Delta \ln(HP_{i,t})$), which serves as a proxy for the percentage growth rate of house prices in a given city.

The primary independent variable of interest is a measure of local amenity demand derived from Google Maps. To facilitate economic interpretation, this variable is cross-sectionally standardized (mean zero, unit variance). We interact this amenity measure with categorical indicators for six distinct housing market cycles: the 1980s boom, the 1990s hangover, the pre-GFC boom (2000–2007), the housing crash (2008–2012), the recovery (2013–2019), and the pandemic era (2020s). By incorporating strict time fixed effects (at the monthly/quarterly index level), the model completely absorbs national macroeconomic trends such as federal interest rate changes or aggregate housing cycles. Consequently, the coefficients isolate the cross-sectional growth premium—comparing high-amenity cities to low-amenity cities within the exact same time period. Standard errors are clustered at the geographic (GEOID) level to account for serial correlation within local markets.

2 Regression Results

Table 1 presents the output of the estimation. All interaction terms are statistically significant, indicating robust variations in how local amenities are priced across different market environments.

3 Economic Interpretation

Because the amenity variable is standardized, the estimated coefficients represent the marginal impact of a one-standard-deviation (1σ) increase in local amenity demand on the year-over-

Table 1: Effect of Amenity Demand on YoY House Price Growth by Cycle

Variables	**Dependent Variable:** $\Delta \ln(HP_{i,t})$
Amenity Demand × Cycle (1980s)	0.0121***
	(0.0012)
Amenity Demand × Cycle (1990s)	-0.0018**
	(0.0006)
Amenity Demand × Cycle (2000–2007)	0.0051***
	(0.0010)
Amenity Demand × Cycle (2008–2012)	-0.0100***
	(0.0022)
Amenity Demand × Cycle (2013–2019)	0.0048***
	(0.0011)
Amenity Demand × Cycle (2020s)	0.0052***
	(0.0007)
Time Fixed Effects	Yes
Cluster Level	GEOID

Standard errors in parentheses. $^{***}p < 0.001$,** $p < 0.01$,* $p < 0.05$

year house price growth rate.

- **1980s:** A 1σ increase in amenity demand was associated with a massive 1.21 percentage point increase in relative YoY house price growth.
- **1990s:** The amenity premium inverted. A 1σ increase in amenity demand was associated with a 0.18 percentage point decline in relative YoY price growth.
- **2000–2007:** High-amenity markets resumed their outperformance, experiencing an additional 0.51 percentage points of YoY price growth compared to lower-amenity peers.
- **2008–2012:** During the Great Financial Crisis, the premium collapsed violently. A 1σ increase in amenity demand was associated with a 1.00 percentage point *decline* in relative YoY price growth.
- **2013–2019:** The traditional premium returned at 0.48 percentage points.
- **2020s:** The amenity premium expanded further during the remote work era, reaching 0.52 percentage points of excess YoY house price growth.

4 Economic Narrative

These results reveal two distinct economic narratives regarding the valuation of local amenities in the housing market:

4.1 Amenities as a "High Beta" Market Characteristic

The estimates spanning from the 1980s to the 2010s demonstrate that amenity-rich cities operate as high-beta assets within the broader real estate market; they exhibit highly exaggerated cyclicality. When the national economy is expanding and credit is accessible (the 1980s, 2000–2007, and 2013–2019), consumers willingly pay a premium for lifestyle amenities, driving prices up significantly faster than the national average.

Conversely, following periods of rapid expansion, these high-amenity markets face severe structural hangovers. The immense premium observed in the 1980s (+1.21 p.p.) was directly followed by a period of underperformance in the 1990s (-0.18 p.p.). This perfectly aligns with the foundational housing literature by Case and Shiller (2003), who noted that "[d]uring the 1980s, spectacular home price booms in California and the Northeast ... ultimately encountered a substantial drop in demand in the late 1980s and contributed significantly to severe regional recessions in the early 1990s." The negative coefficient in the 1990s is not an anomaly; it is the inevitable mean-reversion of the high-amenity, coastal markets that overheated during the 1980s exuberance.

This exact same boom-bust cyclicality repeated itself two decades later. The amenity premium expanded during the subprime boom of the 2000s (+0.51 p.p.), only to violently crash during the 2008–2012 contraction (-1.00 p.p.). As households face income shocks and credit constraints during recessions, lifestyle amenities transform into luxury goods that buyers are unable to finance, causing high-amenity markets to experience significantly sharper price corrections than their low-amenity counterparts.

4.2 The Remote Work Structural Shift (2020s)

Following the post-GFC recovery, the coefficient for the 2020s (+0.52 p.p.) highlights a renewed acceleration in the amenity premium. This suggests that the current era is characterized by a structural shift in consumer preferences. The widespread adoption of remote work severed the traditional spatial link between the workplace and the home. No longer tethered to specific employment hubs, white-collar workers aggressively re-optimized their residential choices based on lifestyle and consumption amenities. This exogenous shock to residential mobility transformed local amenities into a primary driver of national housing demand, solidifying a robust growth premium for amenity-rich regions in the post-pandemic landscape.

References

Case, K. E., & Shiller, R. J. (2003). Is There a Bubble in the Housing Market? *Brookings Papers on Economic Activity*, 2003(2), 299–362.