Third Places and Housing Market Dynamics in Urban and Rural Neighborhoods

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Abstract

This study examines how third places—informal gathering spots like coffee shops and bars—influence neighborhood housing values as a measure of local quality of life. Using two-way fixed effects regression on business data from five Great Lakes states, we find a significant positive association between third-place establishments and housing prices. The effect is strongest for eating and drinking venues, particularly in metropolitan areas where such amenities are highly capitalized into housing values. In nonmetropolitan areas, impacts are weaker and often statistically insignificant. These findings demonstrate how geography and social context shape third places' influence on housing markets, offering implications for development.

Keywords: *third place, home values, business mix, quality of life*

JEL: R11, M13, R31

1. Introduction

The importance of social connection for well-being is increasingly at the forefront of public discourse (U.S. Surgeon General, 2023), yet the physical spaces that foster it are not distributed equitably and are in decline (Rhubart et al., 2022; Finlay et al., 2019). "Third places"—informal public gathering spots distinct from the home (first place) and work (second place)—are the bedrock of community life, facilitating the casual interactions that build social cohesion (Oldenburg and Brissett, 1982). This study uses neighborhood housing prices as a revealed preference measure to estimate the household amenity value of these crucial spaces.

This paper contributes to a central theme in regional science: the growing importance of quality of life in driving regional economic outcomes. Research suggests that quality of life, encapsulating the overall well-being and satisfaction of residents within a geographic area or region, is an increasingly important factor driving traditional economic development metrics such as population and employment growth for urban and rural (nonmetropolitan) geographies (see for example Glaeser et al., 2001; Rappaport, 2009; Weinstein et al., 2023). We provide a more granular analysis by examining how a key component of quality of life, third places, are valued at the neighborhood level across metropolitan and rural areas.

While public spaces like parks and libraries are important third places, commercial establishments often play a more frequent role in daily social life (Rosenbaum, 2006). This study, therefore, focuses on the business mix, using proprietary data on business establishments to measure the prevalence of commercial third places and estimate their contribution to local quality of life as revealed through housing market dynamics. Using a two-way fixed effects model on a decade of zip-code-level data from a post-industrial region of the U.S., the Great Lakes region, we test how changes in the concentration of third places, including third-place businesses (using Data Axle data), relate to changes in housing prices (using recently created Federal Housing Finance Agency housing price indices).

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Our results show a positive and significant association between the concentration of third places and home values, an effect driven almost entirely by eating and drinking establishments in metropolitan areas. In rural areas, the impact is weaker and often statistically insignificant. This research provides empirical evidence that third places are a valued local asset and offers important policy implications. It suggests that local economic development strategies should consider policies that support the creation and preservation of third places as a means of enhancing neighborhood value and residential quality of life. While focused on a post-industrial U.S. region, our findings resonate with international concerns over the erosion of social infrastructure and inform global placemaking strategies.

2. Conceptual Overview

The concept of third places, first articulated by Oldenburg and Brissett (1982), identifies the critical role of informal, accessible gathering spots in fostering community. Unlike the private sphere of home and the structured environment of work, third places offer neutral ground where casual, regular interactions build social ties and a sense of belonging. Examples range from traditional coffee shops and bars to libraries, community centers, and recreational facilities. In a national survey, Jeffres et al. (2009) found, "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."

In addition to their role as informal gathering spots, third places also serve as important anchors within their communities and neighborhoods. Traditional "anchor institutions"—such as universities or hospitals—are valued for their spatial immobility and local embeddedness (Assimakopoulos et al., 2022), forming stable focal points that attract other organizations and foster economic resilience in the wider community. While anchor institutions stabilize and shape entire regions through economic impact, third-place businesses—such as cafes, bars, and local shops—act as anchors of *social* life within their immediate neighborhoods. These establishments, though more modest in scale, offer consistent, accessible points of connection where neighbors interact, fostering trust and belonging through the everyday social ties they sustain. Their anchoring role is especially vital in communities where other institutions are weakened or absent, helping to uphold local cohesion and resilience at the neighborhood level (Van Leuven et al., 2025).

Despite their importance, many third places are in decline nationally, with some studies finding rural areas facing a particular disadvantage in access (Rhubart et al., 2022; Finlay et al., 2019). This decline has significant economic implications. Previous research shows there is a strong link between social capital and economic growth, and that social capital may be especially important for rural areas (Rupasingha et al., 2002; Taylor et al., 2023; Van Leuven and Malone, 2025). Third places like coffee shops are also associated with more business startups, including more innovative high-tech startups (Choi et al., 2024; Credit et al., 2024). Third places can also help mitigate various problems that arise from social isolation, including food insecurity, poor health, crime, etc. (Klinenberg, 2018).

While third places generate important socioeconomic benefits, they may be prone to being undersupplied. This market failure occurs because their positive externalities—such as fostering community trust and social connection—are not fully captured in private transactions. An undersupply can result if households undervalue these spaces or if the public undervalues government spending and support for third places. Third places may be in decline because they are less valued as people turn to online third places or to recreation activities where there is less social interaction. For example, "[During the pandemic], virtual environments integrated with the home and became a substitute for physical 3rd places" (Vaux and Langlais, 2023). Empirically understanding whether residents value third places, through revealed preferences, is crucial for effective placemaking and evidence-based policy.

To estimate this value, we turn to the quality-of-life framework from regional science. Quality of life is a place-based and revealed preference measure using both housing market and labor market data to estimate the location premium or the desirability or livability of an area, reflecting local residents' preferences for various local amenities such as public goods and services, natural attractions, and local businesses (Reynolds and Weinstein, 2021; Weinstein et al., 2023). For example, Albouy (2008) finds that more eating and drinking places in large cities are associated with a higher estimated quality of life across metropolitan areas. A growing

body of literature is examining the impact of the business mix not on traditional economic development metrics but instead on local quality of life. By comparing neighborhoods within a single labor market, housing prices can reveal preferences for amenities at a more disaggregated level than a large metropolitan area (as in Albouy's work) or a county (as in the work of Weinstein et al., 2023).

While public spaces like libraries or parks can serve as third places, commercial establishments often play a more frequent role in daily social life (Rosenbaum, 2006). The broader business mix represents a crucial component of the consumer amenities available in any given place. "In order to increase the attractiveness of downtown and draw people there, a variety of shopping opportunities must be present" (Sneed et al., 2011). However, estimates of the impact of Main Street programs on affecting the business mix are mixed (Faulk, 2006). Downtown revitalization has gained momentum, focusing less on large-scale physical alterations and instead involving incremental, entrepreneurial efforts emphasizing everyday recreation facilities to promote social interactions, hospitality, culture, and placemaking (Faulk, 2006; Johnson et al., 2014; Filion, 2024).

This study, therefore, shifts the focus from broad revitalization programs to the specific contribution of commercial third places to local quality of life. By using housing prices as a revealed preference measure, we provide a direct empirical test of how residents value these third-place establishments as neighborhood amenities. Crucially, we examine how this valuation differs across rural and nonrural neighborhoods, offering evidence to inform geographically tailored placemaking policies.

3. Data

This study examines the relationship between access to neighborhood third places and local quality of life as revealed through housing prices. To achieve this, we employ two primary data sources—housing price indices and longitudinal business data—described below. Our analysis encompasses 11 years of data and focuses on neighborhood-level data within five states across the U.S. Midwest.

3.1. Data Sources & Variable Measurement

The geographic unit of analysis is the ZIP Code Tabulation Area (ZCTA), which serves as a proxy for a neighborhood. The study area, the East North Central census division (covering the eastern Great Lakes region), allows for an examination of both metropolitan and nonmetropolitan areas. The period of analysis spans from 2009 to 2019.

Our dependent variable, the neighborhood House Price Index (HPI), is sourced from the Federal Housing Finance Agency (FHFA). This index uses a weighted, repeat-sales statistical technique (see Calhoun, 1996) to provide quality-adjusted measures of housing value changes at the ZIP code level. The FHFA data allows us to track changes in housing prices over time—which can reflect residents' revealed preferences for local amenities and quality of life—but is not meant to be used for cross-sectional (i.e., snapshot in time) analysis across spatial units. However, our statistical approach (discussed in the following section) focuses on changes within each ZCTA over time, controlling for constant local factors and broader economic trends, enabling the use of the HPI.[1]

The key independent variables related to third places are constructed using proprietary business establishment data from Data Axle (2020). This dataset provides detailed information on all business establishments that existed between 1997 and 2019, including their location and industry classification (via NAICS codes). Using the classification scheme in Table 1, we use this data to identify businesses that function as third places within each ZCTA.

To enable comparability across ZCTAs, third-place concentration is primarily measured as the ratio of third-place businesses to the total number of business establishments within each ZCTA. As a secondary measure, we also calculate the number of third-place businesses per 1,000 residents. Recognizing the broad range of establishments that qualify as third places, we further disaggregate them into two subcategories: *eating and drinking* third places, and *drinking* third places. These subcategories are likewise expressed as ratios relative to the total number of business establishments in the ZCTA.

[1] The two-way fixed effects estimator achieves this by removing both unit-specific means (addressing time-invariant ZCTA characteristics) and time-specific means (controlling for macroeconomic trends), leaving only the within-ZCTA, over-time variation for identification.

Table 1: *NAICS Codes Used to Identify Third-Place Businesses*

NAICS	Description
31181	Bakeries
443142, 451140	Music stores
451211	Bookstores
453110	Florists
61169914*	Yoga studios
711	Performing arts venues
712	Museums and historical sites
713	Recreation facilities
721191	Bed and breakfasts
7224	Drinking places
7225	Restaurants
722515	Coffeeshops
8131	Churches
8134	Civic and social organizations

**8-digit NAICS are proprietary classifications used internally by Data Axle (not part of the official NAICS taxonomy)*

Our analysis incorporates two control variables: business churn rate and population. Population data is sourced from ZCTA-level American Community Survey (ACS) estimates, while churn rate is calculated as the sum of the entry rate and exit rate—the shares of businesses entering or exiting in a given year—of businesses within each ZCTA and year. The limited number of control variables is due to our empirical approach: a two-way fixed effects model accounts for time-invariant characteristics of each ZCTA and for broader year-to-year changes, reducing the need to include a large set of additional covariates.

3.2. Descriptive Statistics

Table 2 presents descriptive statistics for the key variables, disaggregated by metropolitan status. The dataset includes observations from 2,220 metropolitan ZCTAs and 1,343 nonmetropolitan ZCTAs in the East North Central census division across the 2009-2019 period, totaling 36,136 observations in the data panel.

On average, metropolitan ZCTAs are larger in terms of population, have higher median household incomes, and higher average HPI values compared to nonmetropolitan ZCTAs. Unsurprisingly, metropolitan ZCTAs' higher populations lead to a significantly higher average number of total business establishments and, consequently, a higher average number of total third place businesses. However, when considering third place establishments as a per-capita (or per-business) measure, the picture changes. The number of third places per-capita is larger in metro ZCTAs (7.9 per 1,000 residents) compared to nonmetro ZCTAs (6.6 per 1,000 residents), while the number of third places as a share of total businesses is slightly smaller in metro ZCTAs compared to nonmetro ZCTAs. The churn rate for businesses is slightly higher in metro ZCTAs (11%) than in nonmetro ZCTAs (9%).

Although ZCTAs are not ideal for large-scale mapping—since the small size of some ZIP areas becomes obscured at broader zoom levels—they are still valuable for illustrating spatial heterogeneity in key variables. Figure 1 highlights this using the Chicago, IL metropolitan statistical area, showing variation in the concentration of third places (left panel) and changes in the home price index (HPI) over time (right panel). These patterns underscore the importance of using a fine-grained spatial unit, as coarser units like counties or statistical areas would obscure important neighborhood-level differences.

Finally, as the descriptive statistics in Table 2 are averages over the 2009-2019 period, Figure 2 illustrates how the prevalence of third place establishments has evolved over this period. Figure 2 depicts the ratio of third-place businesses per 100 establishments over time, separated by metropolitan status and third-place type (i.e., all third places or food/drink third places only). Throughout the decade, the ratio of all third places consistently remained higher in nonmetropolitan areas than in metropolitan areas. Both metro and nonmetro areas saw a general decline in the ratio of all third places from 2009 to a low point around 2016 before a slight recovery by 2019. Meanwhile, the ratios for eating and drinking third places were much closer between metro and nonmetro areas and followed a similar, though less pronounced, downward trend.

3.3. Data Limitations

Despite the richness of the data, there are inherent limitations to consider. One of the primary challenges is accurately measuring "third places," as the classification of a business establishment as a third place is inherently complex. Such classifications often rely on local context—what functions as a third place in one setting may not in another (e.g., daily

Table 2: *Descriptive Statistics by ZCTA Type*

	Mean	SD	Min	Max
Metro ZCTAs (N = 2,220)				
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
Third Place Ratio (per 100 Establishments)	11.9	3.6	0	33
Third Place Ratio (per 1k Residents)	7.9	17.3	0	337.2
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%
Nonmetro ZCTAs (N = 1,343)				
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
Third Place Ratio (per 100 Establishments)	13.1	4.2	0	35
Third Place Ratio (per 1k Residents)	6.6	6.3	0	133.8
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%

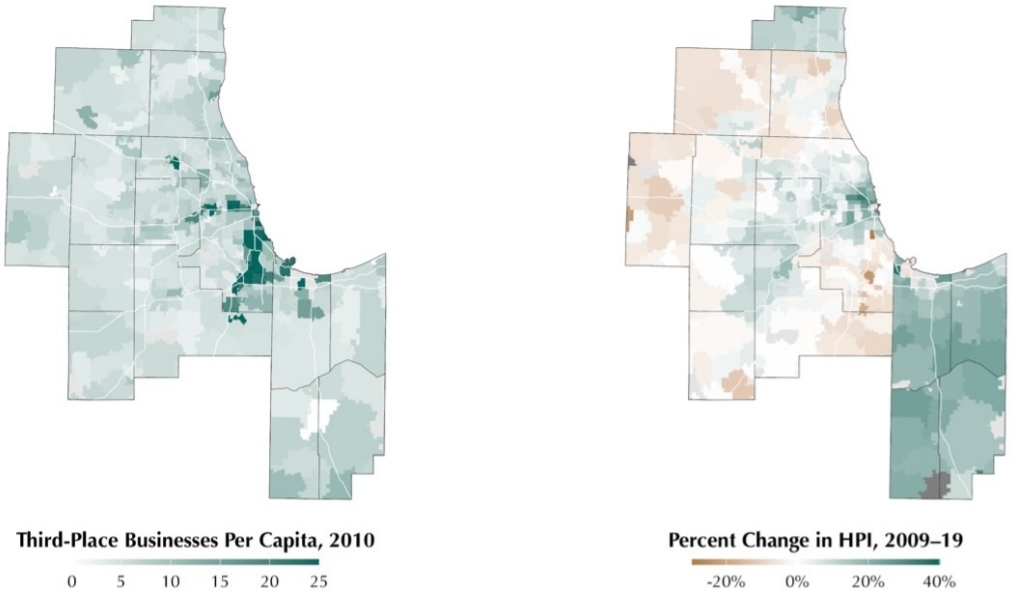

Figure 1: *Third-Place Business Prevalence & HPI Change in the Chicago, IL MSA*

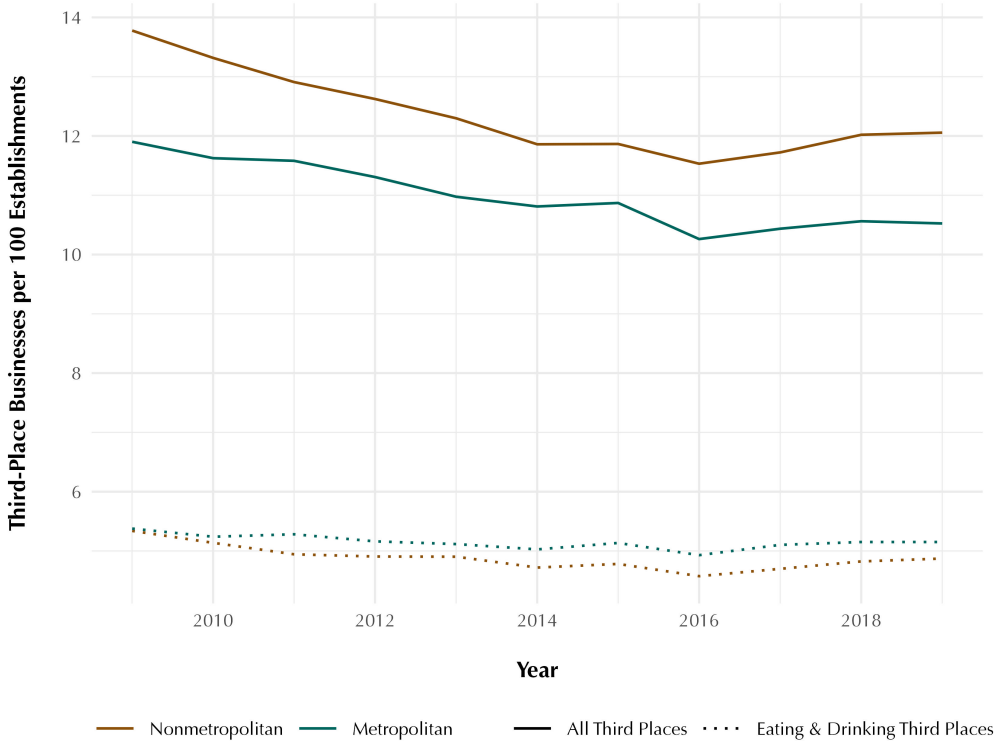

Figure 2: *Third-Place Business Prevalence Over Time*

gatherings at a local grain elevator are common in rural areas but unlikely to occur in cities and suburbs). They can also evolve over time, as bygone venues for social gathering (e.g., the 1980s shopping mall) can lose their status as third places (Oldenburg, 1997). Moreover, informal or non-commercial venues such as parks, plazas, and gatherings on private property are not captured in standard business datasets. The set of business types used to identify third places (i.e., NAICS codes; see Table 1) therefore may not fully encompass all venues that serve this function for residents. As a result, our reliance on formal business establishment data likely yields a lower bound estimate of the true prevalence and influence of third places.

Another limitation involves the spatial unit of analysis. While ZCTAs serve as useful proxies for neighborhoods, they are statistical units that do not necessarily correspond perfectly to residents' perceptions of their neighborhood boundaries or social spaces. Census tracts were considered as an alternative spatial unit, but similar issues persist, as these boundaries are also administratively defined and may not align with the lived experience of community or patterns of social interaction. Ultimately, ZCTAs remained the spatial unit of observation due to their compatibility with available business establishment and demographic data, as well as their consistent use in prior research examining neighborhood-level economic and social dynamics.

4. Methods

To investigate whether the presence of neighborhood third places is reflected in local housing values, our study employs a panel data approach using a two-way fixed effects (TWFE) regression. This approach is designed to estimate the relationship between the concentration of third-place businesses and neighborhood (ZIP-level) home price indices. We implement this TWFE design using the following ordinary least squares model:

$$Y_{it} = x'_{it-1}\beta + \alpha_i + \delta_t + \varepsilon_{it} \quad (1)$$

where Y is the house price index (HPI) in ZCTA i in calendar year t, and $x'_{it-1}\beta$ is a set of time-varying characteristics of ZCTA i in year $t-1$. The key explanatory variable within x is the third-place concentration: a ratio of either third-place businesses to total businesses or a measure of third-place businesses per capita. Two additional time-varying measures are included in x—population and business churn—which account for broader local demographic and economic shifts that may influence both business composition and housing demand. The model also includes community fixed effects (α_i) and calendar-year fixed effects (δ_t).

The ZCTA fixed effects control for time-invariant characteristics specific to each neighborhood that may affect housing prices but are not directly observed, such as geographic location, historical development patterns, or neighborhood culture. Calendar-year fixed effects control for temporal shocks and broader macroeconomic fluctuations, policy changes, or social dynamics trends that affect all ZCTAs similarly. For example, if "axe throwing" venues—a relatively recent addition to the landscape of third places (see Burton, 2018)—gained popularity uniformly across the Great Lakes region, these time effects would absorb that shared influence. Conversely, if the emergence of such venues occurred at different times across ZCTAs, the staggered timing would be captured in the main estimator, helping to isolate localized third-place dynamics.

Despite the benefits of the TWFE estimator, this model does not employ a causal identification strategy and is therefore vulnerable to endogeneity bias. A primary concern is reverse causality, where unobserved factors that influence housing demand and prices may simultaneously affect the location decisions of third-place businesses. For instance, neighborhoods with strong social cohesion or emerging gentrification trends might both attract third-place establishments and experience rising home values. To partially address temporal ordering concerns, we lag all time-varying independent variables by one year, which ensures that we are relating current housing prices to prior business conditions rather than contemporaneous measures. However, this lagging approach does not entirely eliminate endogeneity, as the same unobserved neighborhood characteristics that drive housing market dynamics in period t may have similarly influenced business composition in period $t-1$. Therefore, our estimates should be interpreted as associations rather than causal effects, and the magnitude of coefficients may be biased if unmeasured confounders simultaneously determine both housing markets and third-place business location patterns within neighborhoods over time.

To enhance the robustness of our findings and explore heterogeneity in the third place-housing relationship, we make several adjustments to the base regression results. First, we separate the 36,136 ZCTA-years in the study universe into approximately 13,742 metropolitan ZCTA-years and 22,394 nonmetropolitan ZCTA-years. This division allows us to examine the extent to which the relationship between third-place concentration and housing values differs between urban and rural contexts, as the social and economic functions of third places may vary substantially across these different community types.

Second, we replace the broad "third place business ratio"—which captures the share of all third-place establishments—with more specific measures: an "eating and drinking third place business ratio" and a "drinking third place business ratio." These narrower definitions allow us to isolate the effects of different types of social venues and test whether establishments that primarily serve food versus those focused on alcohol consumption have distinct relationships with neighborhood housing markets. Finally, we apply population constraints to our sample, excluding ZCTAs with populations below 250 or above 25,000. This restriction helps ensure our analysis focuses on communities with sufficient population density to support meaningful third-place business activity while avoiding potential outliers from either sparsely populated rural areas or highly dense urban cores where housing market dynamics may be driven by fundamentally different factors.

5. Results

This section details the findings from our empirical analysis, which progresses from a baseline model to more nuanced specifications. To explore heterogeneity in the findings, we follow our base TWFE results with those from models disaggregated by metropolitan status and by categories of third-place establishments. The simple specification of these models lends itself to a concise, relatively straightforward presentation interpretation of the results, which are organized in the tables below.

5.1. Base Regression Results

Our primary analysis uses a two-way fixed effects model to estimate the association between third-place concentration and the neighborhood House Price Index (HPI), controlling for ZCTA-specific time-invariant characteristics and year-specific macroeconomic trends. The base regression results, shown in Table 3, reveal a positive and statistically significant relationship between the presence of third places and HPI. Model 1 uses the ratio of third-place businesses to total establishments, indicating that a one-unit increase in the lagged third-place ratio is associated with a 41.78-point increase in the HPI.[2] Model 2 instead uses a per-capita measure and finds that an additional third place per 1,000 residents is associated with a 0.11-point increase in the HPI.[3] The control variables for business churn and population are also positive and significant, consistent with expectations.

5.2. Heterogeneity by Metropolitan Status and Third-Place Type

Heterogeneity by Third-Place Type and Metropolitan Status To explore the nuances of this relationship between third-place concentration and the neighborhood HPI, we first disaggregate the analysis by the type of establishment. Further refinement of third-place categories for the full sample, shown in Table 4, reinforces that the type of venue matters significantly. Replacing the broad third-place measure with a ratio of only eating and drinking establishments is associated with a 132.35-point increase in the HPI (over three times as strong as the estimate for third places, broadly defined). The association is even stronger when isolating for drinking places specifically, which corresponds to a 178.57-point increase in the HPI.[4] These results suggest

[2] Perhaps counterintuitive for an index tracking house prices, the HPI is a quality-adjusted index measuring changes in housing values over time. As such, the coefficients represent point changes in this index, not dollar amounts.

[3] The difference in the magnitude of the coefficients (41.78 vs. 0.11) is due to the different scales of the independent variables and what a "one-unit" change represents for each. A one-unit increase in the "Third Place Business Ratio" signifies a one percentage point change in the share of third places relative to all businesses—a marginal adjustment to the business mix. In contrast, a one-unit increase in the "Third Places Per 1k Residents" measure represents the addition of one entire third-place establishment for every 1,000 residents. For a ZCTA with the average metropolitan population of nearly 13k residents (see Table 2), this would equate to adding roughly 13 new businesses, a substantial and non-marginal change. The coefficients are therefore not directly comparable.

[4] This aligns with previous quality of life research (see Albouy, 2008), which has also found that a higher concentration of eating and drinking places is associated with a higher estimated quality of life in cities. Such establishments often act as *core* third places by offering a neutral ground where individuals can engage in casual conversation, relax, and build relationships (Jeffres et al., 2009; Rosenbaum, 2006).

Table 3: *Base Regression Results*

	(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	Yes	Yes
Year Fixed Effects	Yes	Yes

that while third places in general are positively associated with home values, the effect is strongest for eating and drinking venues.

Building on this finding, we next explore how the relationship varies by geography. The results, presented in Table 5, reveal a stark urban-rural divide. For the overall third-place business ratio, the association is not statistically meaningful in nonmetropolitan areas. In contrast, the association is large and highly significant in metropolitan areas, where a one-unit increase in the ratio corresponds to a nearly 60-point increase in the HPI. While this metro-nonmetro divide persists for more specific establishment types, the estimates for eating and drinking places in nonmetropolitan areas do become statistically nonzero, suggesting that there *is* a statistically meaningful relationship between third-places and rural HPI, so long as those third places are limited to eating and/or drinking establishments. A one-unit increase in the eating and drinking places ratio is associated with a 42.64-point HPI increase in nonmetropolitan areas and a substantially larger 156.72-point increase in metropolitan areas. The effect for drinking-only establishments is even more pronounced, with an associated 81.24-point increase in nonmetropolitan ZCTAs and a 219.18-point increase in their metropolitan counterparts.

6. Discussion

These findings suggest that the amenity value of third places is at least partially capitalized into housing prices, but this effect is contingent on geography and establishment type. The powerful association for eating and drinking venues, particularly in larger metropolitan areas, aligns with the "consumer city" hypothesis that urban residents place a high value on third places that also act as consumption amenities (Glaeser et al., 2001). Our research expands on this concept by examining third places as a specific class of consumer amenity, exploring their value not only in large cities but also in suburban and rural neighborhoods where such dynamics are less understood. These establishments may serve as core social infrastructure, acting as accessible "living rooms" for the neighborhood. This supports the broader regional science theory that quality-of-life amenities are no longer just a consequence of economic growth but are now a primary driver of it.

The pronounced divide between metropolitan and rural areas warrants further exploration. One explanation is that in rural areas, third places may have different functions or be more integrated with other aspects of life (e.g., community centers, churches, or even informal spots not captured in business data), making their unique commercial value less distinct. This may place increased importance on community conversations in rural areas to understand the importance of a town's unique third places. Housing markets in rural areas may also be less sensitive to marginal changes in business amenities and more influenced by factors like land availability and natural attractions.

It is also important to consider an alternative explanation. It is possible that our model is capturing a dynamic where neighborhoods with emerging appeal attract both new residents (driving up housing demand) and new third-place businesses simulta-

Table 4: *Regression Results by Third-Place Business Type*

	(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

Table 5: *Regression Results by County Metropolitan Status*

	(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

neously. While our fixed-effects model controls for stable neighborhood characteristics and our use of lagged variables helps with temporal ordering, we cannot fully rule out that our results are, in part, reflecting broader processes of neighborhood change.

Our findings also highlight the potential interaction between the type of third place and the spatial scale of its economic impact. Our analysis found that a higher overall concentration of third places was statistically related to increases in home prices, with an even stronger result when those third places were restricted to eating and drinking places. However, additional models that broaden the scope to include other types of third places—including bookstores, churches, and gyms—yielded statistically insignificant results. This does not necessarily mean that such venues are not meaningfully connected with quality of life; rather, it suggests that their impact may not be adequately captured at the neighborhood (in our case, ZCTA) level. Some types of third places may exert a more tangible influence when measured instead at a wider geographic level, such as the county or region. For example, a household might place significant importance on having coffee shops and restaurants located within a short distance (such as walking range) when choosing where to live. In contrast, for other appealing social amenities—like bookstores or bowling alleys—they may be satisfied as long as these are accessible within a reasonable drive. Consequently, future research may benefit from a deeper investigation into the role of spatial scale in the relationship between third places and quality of life. For those in local government, this supports a differentiated approach to development, one that prioritizes neighborhood-level access for certain amenities while planning for others on a broader, regional scale.

6.1. Directions for Future Research

Future extensions of this research could take several directions. One important step would be to bridge the gap between qualitative studies on third places (e.g., Jeffres et al., 2009) and emerging quantitative analyses such as Choi et al. (2024) and the present study. Economists often rely on "revealed preference" to understand what consumers value based on their observed market behavior. A fruitful avenue for future work would contrast survey responses—regarding what consumers *say* they want—with the revealed preference of what they actually opt to pursue. For example, do individuals who claim to prioritize proximity to bookstores and gyms actually tend to live near them, or do market choices suggest stronger preferences for dining establishments? Integrating stated and revealed preference data could offer a clearer picture of whether public policy support for third places aligns with both perceived and demonstrated demand.

Second, researchers with broader access to business establishment data may benefit from the ability to expand both the temporal and geographic scopes beyond what this study offered. Our focus on the Great Lakes region from 2009–2019 provided a poignant glimpse into the economic and social transformation of a largely post-industrial region during the decade of recovery following the Great Recession. However, these focus areas were influenced by limited data availability. Analyzing a broader time horizon would enable researchers to capture longer-term trends and assess how third-place dynamics respond to major economic cycles or societal shifts, while expanding the spatial scope to include the entire country would allow for the examination of regional differences, broader patterns of third place effects, and greater generalizability of the findings. Such extensions could reveal how diverse local economies and changing national trends influence the relationship between third places and neighborhood vitality.

Third, researchers can continue to use the relatively novel house price index (HPI) to explore neighborhood-level changes over time. While the HPI has been available from the U.S. Federal Housing Finance Agency for three decades, its release at more granular levels (e.g., tract and ZIP) is a more recent advancement for neighborhood-scale analysis (Bogin et al., 2019). Despite certain limitations, the HPI remains freely accessible and offers a practical, cost-effective alternative to pricier, private sector housing data, providing a valuable tool for examining trends in residential property values. We encourage geographers and regional scientists to take advantage of this accessible resource for investigating neighborhood dynamics.

6.2. Conclusion

This study provides empirical evidence that third places, especially eating and drinking establishments, are a valued neighborhood asset that is at least partially capitalized into housing values. The findings reveal that this association is strongest in metropolitan areas and more modest in rural con-

texts, underscoring the role of geography in shaping the value and function of social infrastructure. By empirically establishing a link between third places and neighborhood quality of life, the study highlights the importance of fostering such amenities in community development efforts. While property values capture a significant portion of third places' societal value, their full benefits likely extend further—to public health, civic engagement, and social cohesion. Policymakers should consider supporting the creation and maintenance of third places through measures like flexible zoning for mixed-use development and targeted assistance for small businesses that foster community gathering. Ultimately, investing in spaces that bring people together offers not only economic returns but also broader, long-term gains in community well-being and resilience.

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