



## When Immigrants Push Up Housing Prices

**Foreign-born U.S. residents have a profound effect on housing demand, property values, and racial segregation rates. But it's not as simple as you might think.**

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In America, the places immigrants call home change dramatically as a result of their presence. From the 19<sup>th</sup> century tenements of Manhattan to the [Chinatowns](#) and Little Italys that appeared nationwide, all the way to today's [immigrant suburbs](#), the foreign-born population has a deep but often-overlooked relationship with local housing markets.

Academics who've studied aspects of that relationship recently gathered at a [conference](#) organized by the CATO Institute. From their findings and [others](#), two big themes become clear. Immigrants make their neighborhoods better and their neighbors, wealthier. But they're still shunned by natives when they move in—a pattern that has more to do with the color of their skin than anything else.

### **Immigrants are less mobile than the native-born population**

There's a common misconception that immigrants are a transient group—that they rove from town to town in search for opportunities and don't stick around long enough to have an impact on the housing market. In fact, the foreign-born population (green line in chart below) is now less likely to move within or outside their state than native-born counterparts (red line below). That's according to [research by Gary D. Painter](#) at the Sol Price School of Public Policy at University of Southern California and [Zhou Yu](#) at the University of Utah. "When immigrants come to a community, they're there for a while," said Painter, who has contributed to a [forthcoming book](#) called *Immigration and Metropolitan Revitalization in the United States*. Low-skilled immigrants are especially unlikely to move long distances, and immigrant immobility increases with time in the U.S., he explained.

### **Immigrants are driving demand for housing**

The homeownership rate, defined as the share of households who own their homes, plummeted for the U.S-born population post-recession (chart below on the left) in around 80 big and small metros Painter analyzed. But for immigrants (on the right), the trend

line has started inching back up in recent years, especially in mid-sized metro areas which have experienced large increases in shares of foreign-born residents, like Raleigh, Tulsa, and Nashville (labeled “small metros”—the blue line in the chart):

Overall, the homeownership rate among immigrants is still lower than their native counterparts, but the gap has been narrowing fast. Also, homeownership is just one, arguably flawed measure of housing demand. The other is “headship rate”—the ratio of adult heads of households to all adults. Very simply, this measures the shift in independent households, which tells us how demand for housing might be changing. In the *New York Times*, Jed Kolko explains:

Painter’s research (in chart below) shows that among U.S.-born households, the headship rates have been plummeting in recent years, as more and more adults take to living in multigenerational settings. Among immigrants, they have been rising. The result: The actual headship rates for the two groups are around the same level.

The immigrant population will continue to be the key in housing recovery, mainly because it has a growing appetite for homeownership. My colleague Gillian White recently wrote about a Harvard Joint Center for Housing Studies analysis showing that immigrant households comprised 27.5 percent of the national household growth since 1994. And their demand for housing is only expected to rise in coming decades. “They view homeownership as a piece of the rock. It’s a benchmark of being settled,” Dowell Myers, a professor at the Sol Price School of Public Policy at USC told White. “They view homeownership as the American Dream and they buy into that.”

### **More immigrant residents can mean higher housing values**

Okay, so what happens to housing prices after immigrants move in? A new report from the Americas Society/Council of the Americas and Partnership for a New American Economy calculates that impact, in dollars and cents, using population and housing data from 1970 to 2010. The top line result: Each immigrant adds 11.6 cents to the home value in their counties. That seems small, but for the 40 million immigrants who live in the dense U.S. counties, that snowballs to \$3.7 trillion. “Their dowry on the community is the effect on the community’s housing wealth,” said the report’s author, Jacob Vigdor, a professor of public policy and governance at the University of Washington. Here’s how he does his math:

“It’s a basic story of supply and demand,” Vigdor explained. When an immigrant moves in, they need a roof over their head. And as the demand for housing rises, so do prices—all else remaining equal. Of course, all else doesn’t remain equal. Vigdor’s model assumes, for example, that there’s no new construction, which is not the case everywhere in real life. It also doesn’t work as well for less dense areas, where immigrants are increasingly settling. So, in practice, the value immigrants add to housing market isn’t fixed for each county.

But Vigdor’s overall conclusion has been corroborated by a separate study conducted in 2007 by Albert Saiz when he was at the University of Pennsylvania. That analysis found that a 1 percent increase in the immigrant population at the metro level leads to a 1 percent rise in housing prices.

### **But in neighborhoods, immigrants can trigger “native flight”**

So at county- and metro-levels, an influx of residents can uplift the housing market. At the neighborhood level, it's a very different story.

In their 2011 study, Saiz and his colleague Susan Wachter test what happens in Census tracts with 4,000 residents on average; at this scale, it should be easier to tell if people are moving out when immigrants move in.

What they found was that when the share of immigrant residents rises from 0 to 30 percent, housing values decline by 6 percent. "A negative association between local housing prices and share of immigrants is an unequivocal sign of native preferences for segregation," Wachter said. "Housing prices cannot be lower in a locale unless there's perceived negative deferential." In other words, housing prices drop not because immigrants cause crime or worsen their neighborhoods in some other way, but because natives perceive that they do.

But as they got deeper into the weeds of these results, a familiar (and bleak) picture started forming. The negative relationship between immigrant influx and decline in housing prices was strongest in whiter, richer neighborhoods. In fact, in minority and low-income neighborhoods, immigrants left little or no impact. Also, this effect wasn't true for all immigrants. When they analyzed the results by race and ethnicity, Wachter and Saiz found that the relationship was "very negative" when black immigrants moved in. For non-Hispanic white immigrants, it was positive—meaning native residents saw them as an amenity. So, it wasn't the "foreignness" of immigrants—it was simply skin color that elicited native, white flight.

"In sum, natives are willing to pay a premium to live in predominantly native neighborhoods," Wachter concluded. That "might change with time as we move to a majority-minority nation."

It's not clear what direction America will move in with respect to immigration, or whether the seemingly intractable tendency for white folks to self-segregate will ever ease. But if it doesn't, the children of immigrants currently growing up in racially segregated neighborhoods will certainly bear the long-term economic costs. And so will the children of homeowners who were born in the U.S.