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Deportation orders threaten Trump's own turf: the real estate market

Immigrants 'represent a large share of the demand supporting house values', says a demographics expert amid warnings the system could be tested

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Is Donald Trump, the property tycoon turned president, about to bust the housing market? That's potentially one of the unanticipated impacts of the Trump administration's crackdown on illegal immigration, according to demographics experts and immigrants' rights groups.

The effect of the mass deportations outlined in Department of Homeland Security memos released this week may not only affect real estate values at the lower and middle end of the housing market, they warn: they could resonate up to the top of the housing chain, testing the entire system in ways that are both novel and not clearly understood.

Trump plans to greatly expand number of immigrants targeted for deportation

"There are consequences for the economy and the whole of society, and the public doesn't understand the value immigrants bring to the housing market," warns Dowell Myers, director of the Population Dynamics Research Group at the University of California.

"They represent a large share of the demand supporting house values. If you were to subtract any part of that demand, it would jeopardize house values across the board."

In a comprehensive 2013 study, Immigrant Contributions to Housing Demand in the United States, Myers estimated that in this decade, immigrants nationwide will account for 32.2% of the growth in all households, 35.7% of growth in homeowners and 26.4% of growth in renter households.

The study found that the volume of growth in foreign-born homeowners has increased each decade, rising from 0.8 million added immigrant homeowners in the United States during the period from 1980–1990 to 2.8 million in the current decade.

While immigrants were once concentrated in a few gateway states, such as California, New York and Florida, the pattern of immigration after the 2007 economic crash is less concentrated, making the economic effect of mass deportation less easy to predict.

According to Alex Nowrasteh, a policy analyst for the Cato Institute, the effect of an immigrant crackdown on property values has already been seen, albeit on a small scale, after Arizona passed its controversial SB 1070 and Legal Arizona Workers Act.

“Two hundred thousand people left because of those immigration laws at the same time as we had a housing collapse. So Phoenix suffered more than any other city except for Las Vegas,” Nowrasteh says. “We saw a huge increase in rental vacancies and a decline in home prices immediately after these laws were passed.”

Immigrants, he says, “have a disproportionate effect on the housing market because they rent property and buy houses. So now Trump wants to do nationally what the Arizona immigration laws did to the Phoenix housing market.”

In California, the state with the largest immigrant population, a sustained crackdown on immigration could not only affect the lower end of the market but, in some areas, the top end of the market as well.

“It’s pretty clear what will happen,” warns Myers. “One way that people afford houses is by pooling incomes. So if you were to deport one of the three mortgage payers, that can destabilize the whole rest of the household. Immigrants are so interwoven into many communities that when you unravel one thread, you can destabilize it entirely.”

House values, he considers, are like a pyramid. “If you pull out a chunk from the bottom, the pyramid starts to collapse. The loss of the immigrants coming in at the bottom end doesn’t directly affect prices in Beverly Hills or Silicon Valley but it will undermine the whole structure of pricing in a way that hasn’t been tested before.”

Myers’ report, published by the Research Institute for Housing America, corresponds with a report issued last year by the real estate website Trulia that found that the homeownership gap between native-born and immigrant homeowners has shrunk over the past two decades.

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That gap is about 15 percentage points, down from nearly 21 points 15 years ago. While the rate of US homeownership stands at 66%, homeownership for foreign-born nationals has risen about 2.3 percentage points to more than half.

Critics of the Trump immigration orders say the value of the immigrant housing market is often overlooked, in part because undocumented workers who nonetheless qualify for mortgages are frequently not identified as such in official figures.

Further analysis by the Washington-based Migration Policy Institute found that 33%, or 3.4 million, of the 11 million undocumented immigrants in the US own their homes or live with family members or friends who do.

In a separate study, the Migration Policy Institute estimates that about a million undocumented immigrants in the US hold college-level degrees.

“It’s wrong to think of undocumented homeowners as people working in low-skilled jobs and living together in a marginal neighborhood,” says the institute director, Michael Fix. “A large share, around 60%, of college-educated undocumented immigrants are working in middle- or high-skilled jobs.”

“The real danger here is the long-term chilling of immigration flows, legal and illegal, into the country, and that would be felt in our housing market, and people do not properly appreciate that almost half the number of recent immigrants to the US are college graduates.”

A further consideration, says Fix, is that infrastructure projects, including a border wall, could be complicated by immigrant deportation efforts. Undocumented immigrants, in particular men, typically enjoy very high rates of employment – as high as 95%.

Latino laborers fear deportation, but officials tell California farmers not to fret

“While it’s residential projects that typically hire unauthorized immigrants, there will still be ripple effects on big public projects. They may not be undone, but they will certainly be complicated,” Fix says.

According to a Pew Research projection, future immigrants and their descendants will account for 88% of the US population increase, or 103 million people, between 2015 and 2065.

Those figures alone should give the administration pause for thought, say analysts, since immigrant-driven housing demand will be needed to buoy the market as native-born baby boomers as move into retirement.

“The housing market may not be the first concern, but President Trump’s immigration orders could destabilize whole communities,” says Myers. “We’re not playing around here. This is a serious business. It’s pretty clear what could happen.”