

# Real Estate

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# Research Brief



## HETEROGENEITY IN ASIAN AMERICAN HOMEOWNERSHIP: THE IMPACT OF HOUSEHOLD ENDOWMENTS AND IMMIGRANT STATUS

### INTRODUCTION

In recent years, substantial academic research and policy debate has focused on homeownership. This is appropriate because residential real estate is a significant part of a household's portfolio of assets and because it is an important sector in the national economy. In addition, it has been suggested that, relative to renting, homeownership generates neighborhood benefits related to property upkeep, public safety, school quality, and the like (see, for example, Green and White, 1997 and Rohe, Van Zandt, and McCarthy, 2000).

Much work has examined the patterns and reasons for the disparity between African-American and white households, but additional research along other racial dimensions is warranted, given the tremendous demographic changes now occurring in the U.S. For example, preliminary results from the 2000 Census suggest that Latino populations have increased by 58% and that Asian-American populations have increased by about 76% over the past decade, which tops all the race-ethnic groups.<sup>1</sup> These changing demographics have the potential to create an adverse impact on homeownership rates, because ethnic minorities have homeownership rates that are much below that of white, non-Hispanic households (see, e.g., Coulson, 1999; Gyourko and Linneman, 1996; Painter, Gabriel, and Myers, 2001; Skaburskis, 1996; Wachter and Megbolugbe, 1992).

Recently researchers have begun to study the factors that influence the homeownership rates of Latino and Asian households (Alba and Logan, 1992; Coulson, 1999; Gyourko and Linneman, 1996; Painter, et al., 2001; Wachter and Megbolugbe, 1992). Several find that lower homeownership rates among Latinos can be explained fully by differences in economic endowments (income and education) and by immigrant status (Coulson, 1999; Krivo, 1995; Painter, et al., 2001).

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Results are less conclusive about the reasons for the differences in ownership rates between Asians and whites. Coulson (1999) notes that although Asians often have incomes higher than whites, Asians have lower homeownership rates than whites because of their immigrant status and their likelihood of locating in high cost areas. In a study of a single metropolitan area, Painter, et al., (2001) find that Asians have higher homeownership rates than whites and that immigrant status does not lead to lower homeownership rates. The key difference between the studies is that the latter explicitly controlled for household mobility, and it found that the higher mobility of recent arrivals, rather than simply their immigrant status, led to lower homeownership.

In the literature on Latinos and Asians, only Krivo (1995) and Coulson (1999) tested for differences among different Latino groups, such as Mexican, Puerto Rican, and Cuban. Their results suggest the presence of important differences, even though the groups came from similar socioeconomic backgrounds. It is likely that even greater diversity would be found among Asian-Americans. While US born Asian-Americans are mostly of Chinese and Japanese ancestry, new Asian immigrants are much more diverse. They come from very different socioeconomic and political backgrounds, and no single Asian immigrant group has comprised more than one-third of the Asian-American population since 1980 (Zhou and Gatewood, 2000, p.16). New immigrants have contributed to the large increase in U.S. Asian-American populations in recent years. In addition, since Asian immigrants have a largely diverse history with different motives for and experiences of immigration to the United States, their economic status and adaptation processes are considerably different, as is their choice of residential location (Farley, 1996, p.175; Takaki, 1998; White, Biddlecom, and Guo, 1993). In addition, the relocation and migration processes also indicate distinctive patterns across groups (Airriess and Clawson, 2000; Portes and Rumbaut, 1996).

This brief is based upon research that examines multiple sources of heterogeneity among Asian-Americans (Painter, Yang, and Yu, 2001). In addition to examining the importance of differences in the socioeconomic characteristics of Asian groups (Chinese, Japanese, Filipino, Korean, Asian Indian, and Other Asian groups), we will examine heterogeneity in the impacts of these changes in socioeconomic characteristics by estimating separate models by group.<sup>2</sup> Finally, we examine differences across metropolitan areas (Los Angeles, San Francisco, and New York) to see if there are distinct patterns across place as well as across groups. In the analysis, we use the PUMS (Public Use Microdata Samples) data from the Census Bureau, which gives us a sample of sufficient size to test the relevant models.

## SUMMARY STATISTICS

**S**ince our analysis concentrates on the heterogeneity among different Asian ethnic groups, the samples include only Asian households, and, as a benchmark, white, non-Hispanic households. Table 1 shows the homeownership rate for whites and each Asian ethnic group for the LA, SF, and NY metro areas

in 1990. The data are further broken down to show homeownership rates for both movers and for all households, since both samples are used in estimating the mobility and homeownership choice equations.

As expected, homeownership rates are lower for movers, but the difference is more dramatic for whites than for any of the Asian groups. Asian households, as a whole, have similar homeownership rates to whites in LA and SF, but much lower rates in NY. Within Asian groups, the Chinese have a higher homeownership rate than do whites in LA and SF, but in NY, the rate is slightly lower than for whites. The Filipino, Japanese, and Asian-Indian groups have similar homeownership rates in LA and SF, but the Japanese group has a much lower rate in NY. The Korean and Other Asian groups have the lowest homeownership attainment in all three metro areas.

Figures 1 and 2 highlight some of the larger differences in the characteristics of Asian households across group and place. Figure 1 presents the difference in income by Asian groups and across metro areas. As expected, all movers within groups have slightly lower incomes than do those in the sample including non-movers. The Filipino and Asian-Indian groups have the highest incomes in all metro areas, the Chinese and Japanese groups have the next highest, and the Korean and Other Asian groups have the lowest, except in the NY CMSA.

Figure 2 displays data on immigrant status and time since immigration. The detailed information on immigration history and migration origin in PUMS is important for this examination of the heterogeneity in Asian ethnic groups, given the fact that most Asian-Americans are immigrants and the fact that, as Figure 2 shows, different groups have diversified immigration paths. Figure 2 also shows a higher ratio of new immigrants, defined as having immigrated within five years, in the movers sample than in the full sample. Another notable observation is that the Japanese group has a relatively high ratio of domestic-born households in the LA and SF metro areas, while in the NY metro area a large number of Japanese are new immigrants.

## ESTIMATION FINDINGS

We next investigated differences in the importance of socioeconomic characteristics to each of the Asian groups in LA. When comparing the coefficient estimates across groups, we find that factors such as income, local housing market and migration origin are stable across different Asian groups. The importance of age varies some across groups, and for most, it is not a factor in predicting homeownership. For Japanese households in LA, ages above 35 are related to lower homeownership rates, but these results are not replicated in SF and NY. Marital status is not significant for predicting tenure choice for Chinese and Filipino households, but non-married male heads have a significantly lower probability of homeownership than the married households in Japanese, Asian-Indian, Korean, and Other Asian households. Most education variables have no significant impacts on tenure choice across the groups, except in the Chinese and Other Asian group, where the households without a high school diploma have a significantly lower probability of homeownership than their

TABLE 1. HOMEOWNERSHIP RATES BY RACE AND REGION IN 1990

Percentage	All Households			Movers Only		
	NY CMSA	LA CMSA	SF CMSA	NY CMSA	LA CMSA	SF CMSA
White	61.4	59.9	67.3	47.6	44.0	53.1
Asian (all)	57.3	60.7	49.3	49.6	51.7	43.3
Chinese	68.2	69.0	55.4	64.1	62.7	53.6
Filipino	59.3	61.7	51.7	51.1	50.7	41.5
Japanese	62.3	57.7	25.4	47.4	40.2	18.8
Korean	47.9	48.0	38.4	42.4	41.1	33.0
Asian Indian	60.0	59.0	53.9	50.5	50.2	47.5
Other Asian	41.6	37.5	36.9	38.0	35.3	29.7
No. of Households	124,205	59,705	146,306	71,764	33,190	59,074

Note: The number of households represents all White and Asian households in each sample. The homeownership rate in one ethnic group is the ratio of homeowners to the total households within that group.

counterparts in the same group. We also found that in many of the Asian groups, it was not necessary to control for the likelihood that a move would occur, so that the same results were obtained if we used a sample of movers to estimate the model.

In terms of immigrant status, Chinese immigrants have a considerably higher likelihood to own homes than the corresponding US born Chinese when controlling for other factors. Immigrant status has a large negative impact on the Other Asian group, but not on any of the other groups.

The general pattern of homeownership attainment stratified by Asian group is more similar between SF and LA than between NY and LA. In both LA and SF, Chinese immigrants have higher homeownership rates than do US born Chinese. Overall, most variables have consistent effects across groups. Exceptions are greater sensitivity of Japanese households to higher education, less sensitivity of Japanese households to income, and greater sensitivity of Other Asians to income. In NY, the group with the largest differences from the Other Asian groups is the Japanese. For Japanese households, income has no significant impact on homeownership. In fact, most of the variables have very little explanatory power. The probable explanation for this is the high number of temporary immigrants among the Japanese population in NY (Ines, Paine, and Nishi, 2000; White, et al., 1993), who came largely as short-term students or business people and who will not choose homeownership regardless of household characteristics. Across the Other Asian groups in NY, the largest difference is the importance of immigrant status. Chinese immigrants consistently have higher homeownership rates than do US-born Chinese, but Filipinos and Other Asian have lower homeownership rates as immigrants. The remainder of the estimates are fairly consistent across groups.

After controlling for all socioeconomic and housing market characteristics, the remaining heterogeneity can be inferred by looking at the likelihood of owning a home for each Asian group. The difference between each group and the likelihood that a

comparable white household will own a home is presented in Figure 3. For LA, Chinese have unexplained homeownership rates that are 20 percentage points higher than whites. The remainder of the groups have rates that are within 4 percentage points of whites. Similarly, Chinese have unexplained homeownership rates that are 23 percentage points higher than whites in SF. Again, all other groups have homeownership rates similar to whites after controlling for differences in household characteristics. In NY, Chinese have rates that are 18 percentage points higher than whites, and Japanese have rates that are 18 percentage points lower than whites. Filipinos and Asian Indians have rates that are slightly higher than whites, and Koreans and Other Asians have rates that are slightly lower than whites.

As noted in Figure 3, the biggest outlier in all metropolitan areas is the Chinese. While a more thorough investigation is left for future research, a number of hypotheses were explored to discover the reason for the higher homeownership rates of the Chinese. In particular, we examined the place of birth of Chinese immigrants (Mainland China, Taiwan, Hong Kong, or Vietnam), the education level of the immigrants, and the years since arrival. In all of the tests, ethnically Chinese Americans had much higher rates of homeownership than did comparable white or Asian households that were not Chinese. This suggests that there may be some cultural influence that elevates Chinese homeownership rates. This finding is consistent with previous research on homeownership attainment in Toronto, Canada, where Chinese tend to have higher likelihood of owning a home than do other race-ethnic groups (Skaburskis, 1996). Zhou (1992) suggests that Chinese immigrants feel less secure if they do not own their homes. In addition, she finds that significant peer pressure to own homes exists among Chinese groups. Chen (1992) also suggests that homeownership is deeply rooted in Chinese culture and Chinese immigrants tend to make a greater effort to purchase their own home than do others. To improve our understanding of why Chinese homeownership rates are so much higher than their household characteristics would predict, further research clearly is needed.

## CONCLUSIONS AND POLICY IMPLICATIONS

The results of this study reveal that three types of heterogeneity exist among Asian populations in the United States.

- 1) With respect to group characteristics, Chinese and Asian-Indians have the highest ownership rates, Filipinos and Asian-Indians have the highest incomes, Japanese are most likely to be US-born (in LA and SF) and the category of Other Asians has the lowest incomes and ownership rates of all groups.
- 2) After controlling for household characteristics and market conditions, Chinese have much higher homeownership rates than whites, Other Asians have lower homeownership rates than whites, and all other groups have similar homeownership rates to whites. Across metropolitan areas, the big outlier is the Japanese in NY, who have low homeownership rates and high rates of immigrant status.
- 3) There are subtle differences in the importance of socioeconomic characteristics across groups and across places, but the remainder of the results are fairly robust across places.

The implications of this research for housing policy are straightforward. If the policy concern is only deficits between non-minority and minority households, then these results suggest that general policies that focus on education and training that ultimately lead to income growth will be sufficient for helping Asian households achieve homeownership rates at or above those of white households. On the other hand, some of the recent immigrants from Asia have been at the lower end of the economic ladder, and it is possible that other specialized policies can improve access to homeownership for these groups (see Listoken and Listokin, 2001). Given the results of this study, such policies may succeed in pushing the aggregate homeownership rates of Asians above those of whites. This outcome, while probably not a primary concern of housing policy, has important implications for many metropolitan areas that are attracting large numbers of Asian immigrants.

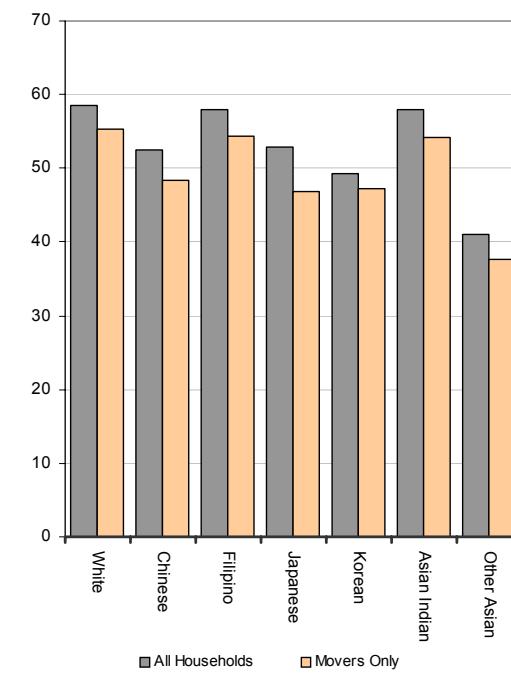
On the other hand, the high adjusted homeownership rates among Asian immigrants, in particular the Chinese, bode well for future housing demand as these groups increase in the population. Developers and real estate agents should be able to take advantage of the high housing demand among Asians by crafting developments that are attractive to these groups if they remain sensitive to the needs of the communities.

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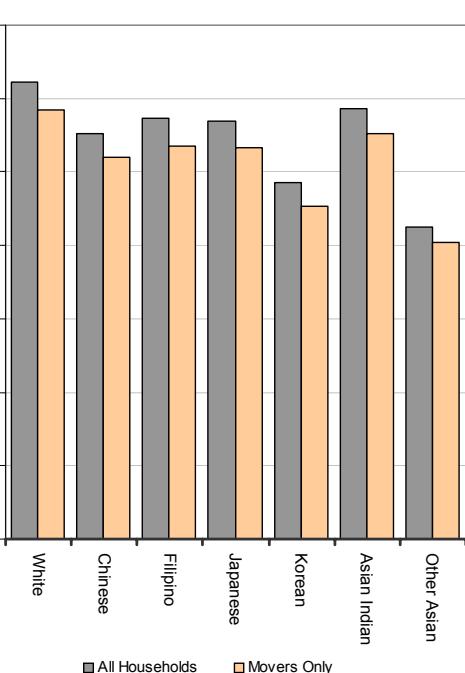
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- <sup>1</sup> References to Latino refer to persons of Hispanic origin, who may be of any race. A person is counted as Latino or Asian if he/she chose Hispanic or Asian, respectively, as the race option in the 2000 Census.
- <sup>2</sup> Other Asians include Vietnamese, Laotians, and other Asian groups with small numbers in the United States.

FIGURE 1. HOUSEHOLD INCOME OF EACH GROUP IN ALL HOUSEHOLDS AND MOVERS-ONLY SAMPLE BY REGION

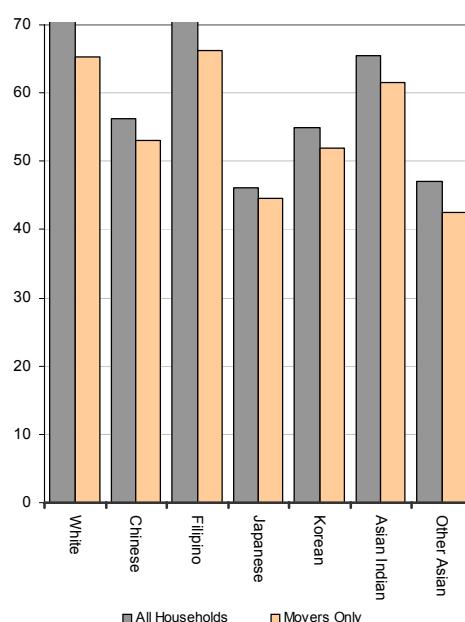
Los Angeles



San Francisco

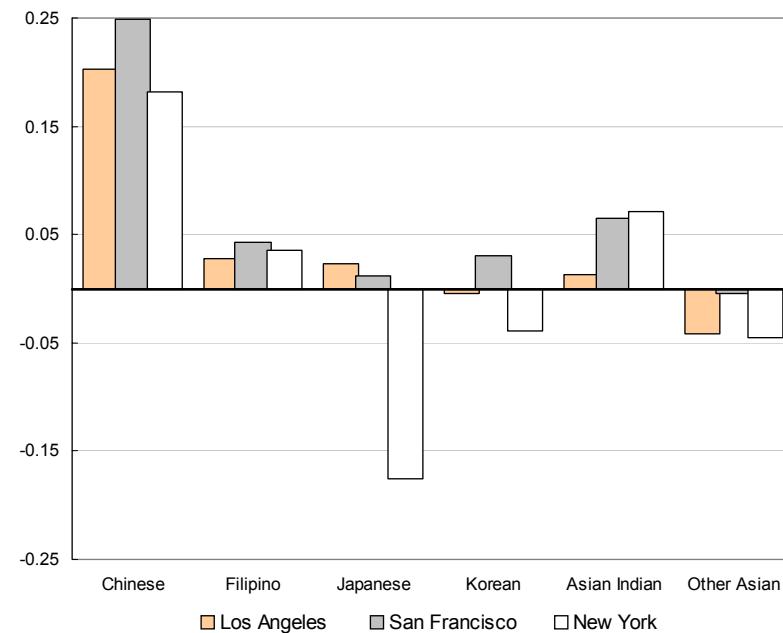


New York



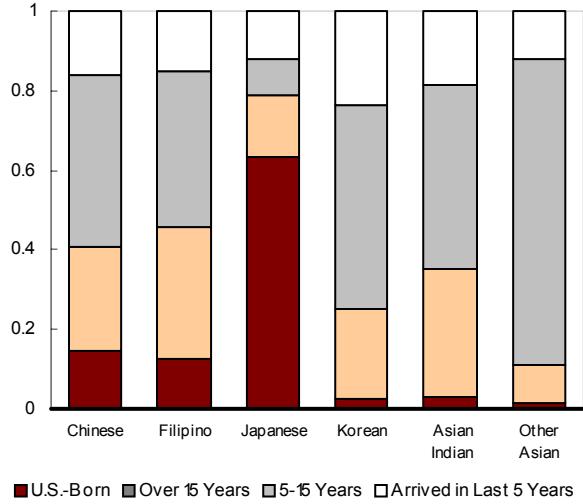
Note: The vertical axis shows the mean value of income in 1000s.

FIGURE 3. MARGINAL DIFFERENCES IN THE PROBABILITY OF HOMEOWNERSHIP FOR EACH ASIAN ETHNIC GROUP BY REGION



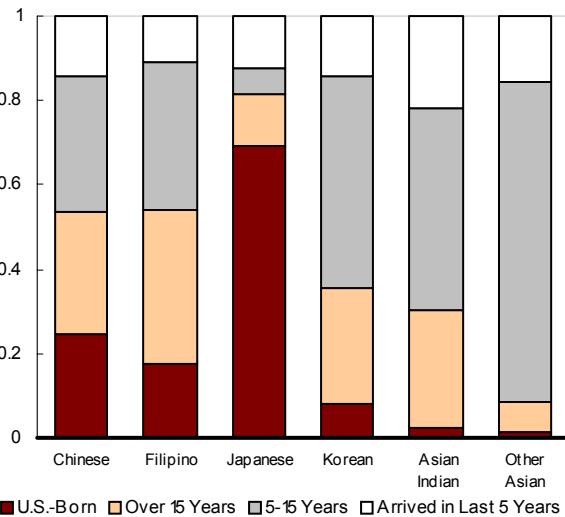
Note: The reference group is the probability of homeownership among whites.

**Los Angeles**

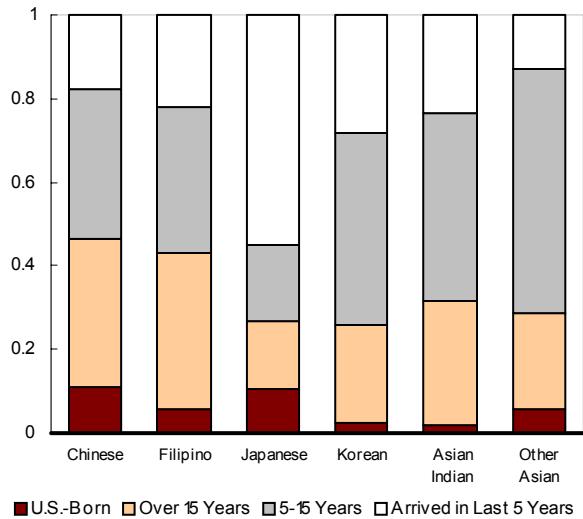


**Figure 2. Share of Population by Immigrant Status in Full Sample and Movers - only Sample by Race and Region**

**San Francisco**

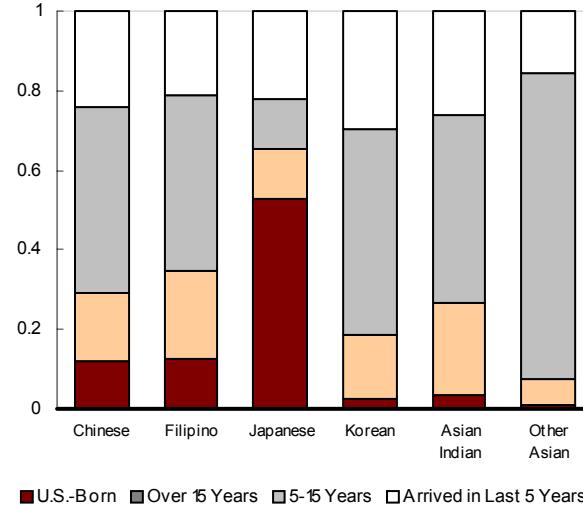


**New York**

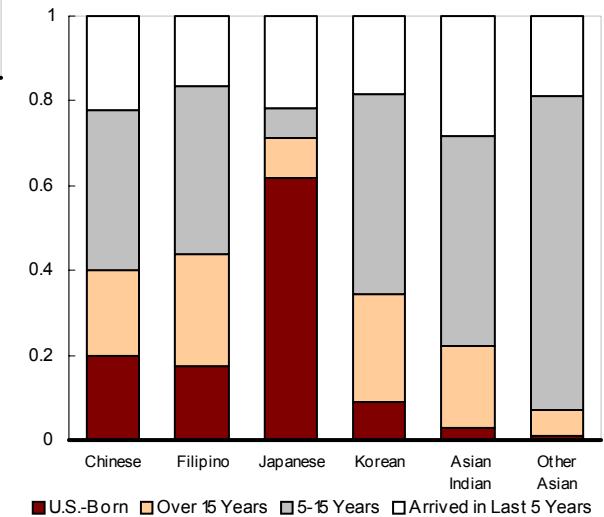


**Full Sample**

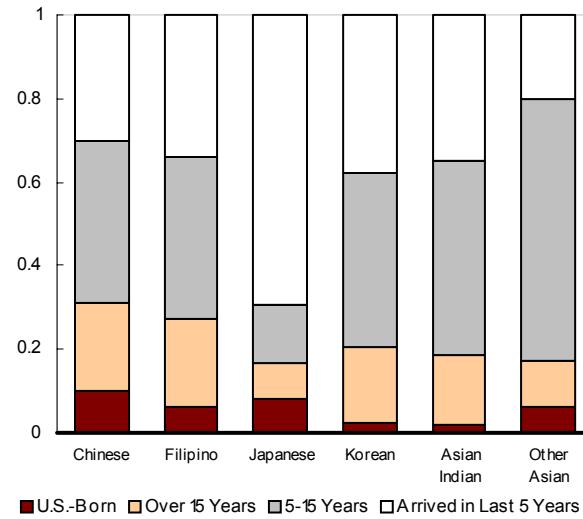
**Los Angeles**



**San Francisco**



**New York**



**Movers-only Sample**