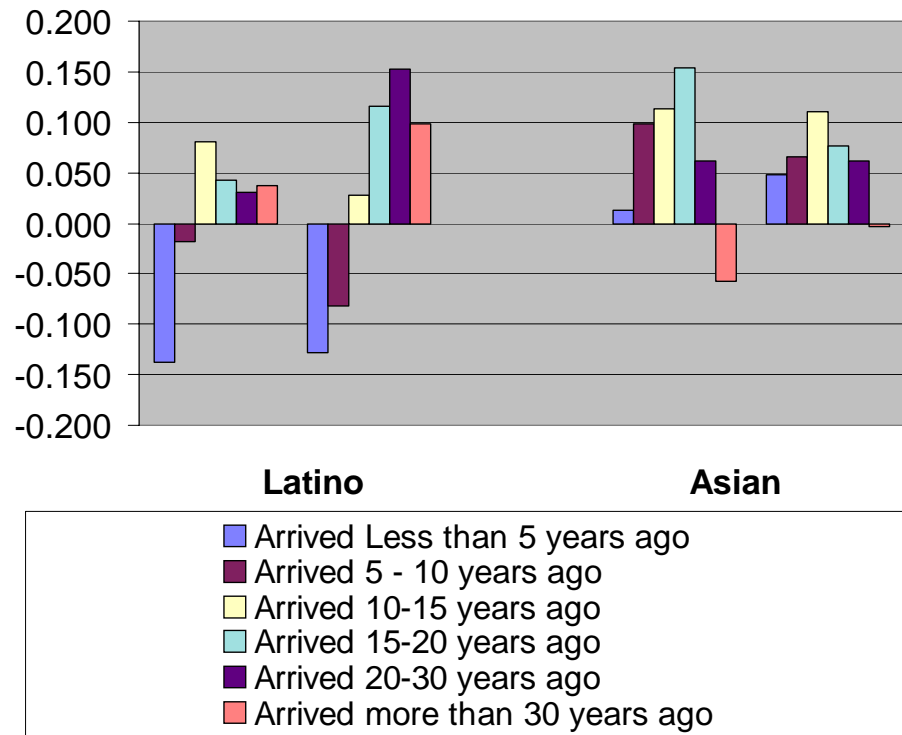


**Figure 2**  
**1980 and 1990 Immigrant Coefficients -**  
**Latino and Asian**



technique imply that all but three percentage points of the gap would have been closed in 1980, but that only half of the gap would have been closed in 1990. In other words, the unexplained portion of the gap increased by eight percentage points.

This is in sharp contrast to the results for Latinos. The white/Latino gap was eight percentage points in 1980 and 15 percentage points in 1990. In both years, the gaps could almost be completely explained by differences in the characteristics of Latinos and whites; specifically, differences in income, education, and immigrant status. The unexplained portion of the gap was only one percentage point in 1980 and three percentage points in 1990.

In sum, there were three primary findings of the analysis:

- 1) Asians, both natives and immigrants as a group, have homeownership rates that are at least as high as those of whites.
- 2) Latinos have lower homeownership rates than whites, but the lower rates are explained by differences in income, education, and immigrant status.
- 3) Blacks have lower homeownership rates than whites, and even though the gap was largely explained by lower income and education levels in 1980, half of the gap (11 percentage points) remained unexplained by differences in the characteristics of blacks and whites.

homeownership in Los Angeles County is compensated for by increases in black homeownership rates in the surrounding counties such as San Bernardino, Orange, and Riverside counties? If this were true, then we have simply witnessed a change in the location preferences of black homeowners. Therefore, much more research is needed to determine if potential black homeowners in Los Angeles County have chosen to buy homes outside of Los Angeles County and why those households which stayed have chosen to rent rather than buy.

<sup>1</sup> The research is based on the study by Gary Painter, Stuart Gabriel, and Dowell Myers (1999) entitled "Race, Immigrant Status, and Housing Tenure Choice." The full research report can be accessed at [www.usc.edu/schools/sppd/lusk/working\\_papers/hornberg5.pdf](http://www.usc.edu/schools/sppd/lusk/working_papers/hornberg5.pdf).

What do all these results mean for homeownership in Los Angeles? First, the growing Asian population is very good for housing demand. The relative incomes of Asians and whites are similar, and it appears that Asians may actually have higher levels of housing demand than do whites, but the differences are small. Second, growing numbers of Latinos have had a slightly depressive effect on homeownership, mostly because the growth of the Latino population has come from low-income, low education, recent immigrants. As the duration of Latino immigrant stays increases, and as income and education levels catch up to those of whites, it is likely that Latinos will have similar housing demand to whites.

On the other hand, the findings regarding black households are troubling. It has been well established that discrimination in both housing markets and in other measures of access to homeownership has had an important depressive effect on black homeownership. At the same time, it is not likely that discrimination increased over the 1980s to the extent that the unexplained portion of the homeownership gap did. This leaves us searching for other explanations. Given that the relative share of the black population declined over the period, one can ask the question about whether this finding can be explained by selective black outmigration of homeowners. In other words, is there evidence that the decline in black

# Real Estate FEBRUARY, 2000

## Research Brief



### RACE, IMMIGRANT STATUS, AND HOMEOWNERSHIP

Recent years have witnessed substantial academic research and policy debate regarding access to homeownership, particularly among racial and ethnic minorities. While the aggregate homeownership rate has moved up during the past decades, blacks and Latinos lagged significantly in attaining homeownership. Further, the gap between minority and white households in attaining homeownership widened markedly during the decade of the 1980s.

As is well appreciated, homeownership is the primary investment of U.S. households. Homeownership not only benefits households but entire neighborhoods through better property upkeep, improved public safety, higher school quality, and the like. These private and public benefits of homeownership underscore the importance of research in improving our understanding of the determinants of homeownership among racial and ethnic minorities. Such insights would enable better forecasts of homeownership attainment as well as facilitate more incisive formulation of homeownership policy.

The research, upon which this brief is based, seeks to assess the variability over time and across race-ethnicity and immigrant groups in the economic and demographic determinants of homeownership choices in Los Angeles County.<sup>1</sup> With 8.9 million residents in 1990, Los Angeles County was dramatically diverse in both its residential composition and in its array of neighborhood living environments. However, very few studies have systematically studied the homeownership of Latinos and Asians and still fewer have studied immigrants.

In 1990, California's homeownership rate of 57.5% and Los Angeles County's rate of 50.4% were far below the national average of 68.0%. In part, this is due to high housing prices in California and the consequent lack of affordable housing. However, the low homeownership rate may also reflect the population mix. Non-Hispanic white residents on average have much higher

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homeownership rates than do black or Hispanic residents, and the declining share of whites in the population has served to depress the overall rate of homeownership. This demographic phenomenon is observed in Table 1 for Los Angeles County for 1980 and 1990. The percentage of non-Hispanic whites among all households fell by seven percentage points, while the percentage of Asians doubled. In addition, there was a small decrease in the percentage of black households and a small increase in the relative percentage of Latinos.

These demographic trends, in concert with the lower homeownership rates of Latinos and blacks, may serve to dampen overall homeownership rates in Los Angeles. As evidenced in Table 2, some 54% of white households in L A C o u n t y were

**Table 1  
Percentage of Households  
by Racial Category**

Year	1980 N = 51352	1990 N = 96548
White	65.63%	59.15%
Black	14.20%	11.90%
Latino	13.92%	17.20%
Asian	6.25%	11.75%
All Households	100.00%	100.00%

homeowners in 1980; while that proportion was substantially below the national average, it well-exceeded the lower rates for blacks and Latinos in the county, which ranged from 38 to 40 percent. Although homeownership rates of Los Angeles County's white households increased to about 57 percent over the decade, those of black households declined perceptibly, to about 37 percent. Asian households scored significant gains in the 1980s so as to approach homeownership levels of white households.

These trends were more pronounced among households that have moved within the period of 1985 to 1990. Residential length-of-stay among homeowners well exceeded that of renters; accordingly, homeownership rates overall were relatively low among the recent mover sample. As shown in Table 2, homeownership was chosen by only about one-third of black and Latino movers and about one-half of white and Asian movers in 1980. Table 2 further indicates a substantial decline in the 1980s in homeownership rates of all race-ethnic groups. By decade's end, for instance, less than one-fifth of Los Angeles County's black movers and about one-fourth of Latino movers had achieved homeownership. As is evidenced in Table 3, race-ethnicity variations in homeownership rates were due in part to systematic differences across those groups in housing affordability. As shown in the table, racial and ethnic variations in median household income were substantial over the 1980-1990 period. Among all movers, black and Latino median incomes rose only to about \$28,000 in 1990, far below the \$45,000 recorded for white median income in 1990. During the same period, median housing prices rose from about \$110,000 in 1980 to approximately

\$212,000 by the end of the decade. This implies that price/income ratios for whites, in 1980, was about 5.1 and for blacks was close to 9, which suggests a large gap in affordability. At the same time, the price/income ratio of blacks did not increase during the 1980s, so affordability issues alone did not account for the decline in their homeownership rates.

To test for what other factors may influence homeownership, this research draws upon the public use microdata sample (PUMS) file of the 1980 and 1990 decennial census. The statistical model includes controls for demographic factors (race-ethnicity, age, marital status, number of people in the household, number of workers in the household, migrant origin and history), as well as economic (salary income, dividend and other income, education level of the householder), and other factors which affect the likelihood of homeownership. The large sample size provided by the Census data permits separate tests of the statistical model by race-ethnicity and immigrant status so as to enable comparison of variations in homeownership determinants among racial, ethnic, and immigrant groups in a single year and across time.

The analysis further adjusts for immigrant status and history (interacted with ethnicity and by the number of years an immigrant has been in the U.S.) as well as migrant origin (entered as a series of categorical variables that indicate whether the household moved from within Los Angeles County, moved from elsewhere in the U.S., or moved from outside the U.S.). Controlling for immigration timing and ethnicity, newcomers to a region may have lower homeownership probabilities than do longer-term residents. Newcomers by definition are mobile and are more often renters. Migrants may also undertake extensive search prior to investing in housing. Also, relative to local homeowners who may have benefited from substantial house price appreciation, migrants may be more constrained by homeownership affordability.

After controlling for various demographic factors, the findings in a unified sample of all races are instructive. Among house-

**Table 2  
Homeownership Rates of Households  
by Racial Category**

Year	All Households		Sample of Movers Only	
	1980 N = 51352	1990 N = 96548	1980 N = 29450	1990 N = 52656
White	53.80%	57.22%	36.66%	41.84%
Black	38.40%	36.78%	21.55%	19.62%
Latino	40.50%	40.07%	28.42%	26.36%
Asian	49.97%	55.70%	41.98%	45.88%
All Households	49.52%	51.66%	33.93%	37.31%

hold human capital and economic characteristics, attainment of a college degree (relative to a high school degree) boosts homeownership rates by five percentage points in 1980 and four percentage points in 1990. Further, the estimated magnitude of the education effect is stable over the course of the 1980-1990 period. As expected, the homeownership probabilities of those who did not graduate from high school were significantly lower (seven percentage points less), relative to counterparts with higher levels of education. This confirms the belief that attaining higher levels of education is important in increasing homeownership.

**Table 3  
Price/Income Ratios  
Sample of Movers Only**

Year	1980 N = 29450		1990 N = 52656	
	Median Household Income	Price/Income Ratio	Median Household Income	Price/Income Ratio
White	\$21,480	5.113	\$45,000	4.714
Black	\$12,405	8.854	\$26,096	8.129
Latino	\$14,765	7.439	\$28,000	7.576
Asian	\$20,455	5.370	\$38,265	5.544
All Households	\$18,005	6.100	\$38,600	5.496

With respect to income, higher levels of wage and salary income, dividend income, and other income all serve to significantly boost homeownership probability. An increase of \$10,000 will increase the probability of homeownership by approximately six percentage points. Also, the estimated magnitudes of those effects are relatively stable over the 1980s. Asset-based income is slightly more important than wage income, but as will be discussed later, there were large differences by race in the importance of asset-based income.

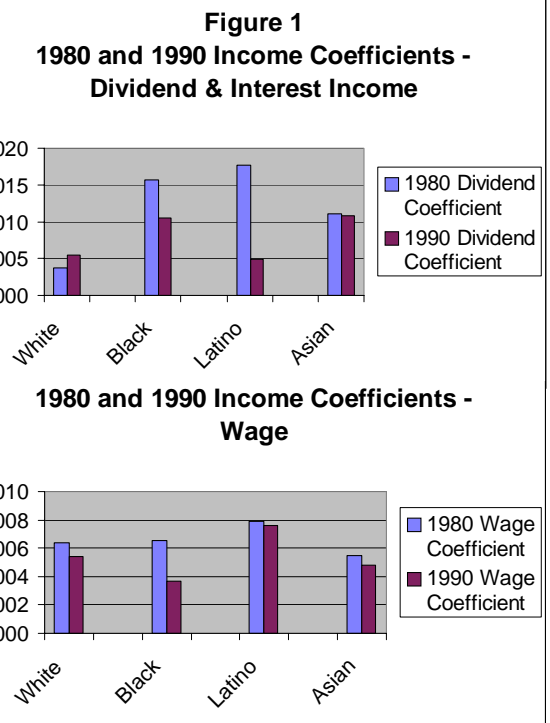
The analysis further controls for the effects of immigrant status on the likelihood of homeownership. Among newly arrived immigrants homeownership is five percentage points lower after controlling for the lower income and education of immigrants. Further, if immigrants are Latino, homeownership is reduced by an additional twelve percentage points. At the same time, status as an Asian, both immigrant and non-immigrant, results in slightly higher homeownership rates. After immigrants have been in the United States for a little as five years, their homeownership rates become closer to those of native born citizens of the same race. After 10 years, the homeownership rates of Latino immigrants are approximately five percentage points lower than native born Latinos; by contrast, the homeownership rates of Asian immigrants are higher than native-born Asians.

Finally, having controlled for the various economic and demographic effects discussed above, the findings for the unified sample indicate a sizable effect of household race-ethnicity in the determination of homeownership. Relative to whites, black households had a six percentage point lower probability of homeownership in 1980 and eleven percentage points in 1990. Among Latinos and Asians, the coefficients on race-ethnic status were relatively stable and small over the period, with Latinos having slightly lower and Asians slightly higher homeownership. These results are based on the assumption that the impact of income, education, and other factors were similar by race. In fact, there were important differences in the impact of additional income and immigrant status by race.

Figure 1 presents the estimated income effects across the race-ethnicity models. The homeownership effects of increases in wage and salary income, dividend income, and other income among Latino and black households substantially exceed those of other race and ethnic groups in 1980. The elevated Latino income

effects remained evident in 1990. The impact of dividend and interest income was much more important for all non-white groups when compared to white households. For example, asset-based income was four times as important for blacks than whites in 1980, and was twice as important in 1990. The impact of asset-based income for Asians was consistently twice as important as for whites during the 1980s.

Next, Figure 2 provides evidence of sizable and significant differences in homeownership probability among Asian and Latino immigrants. Relative to immigrants who had arrived in the U.S. during the prior five years, homeownership probabilities among Latino immigrants in both 1980 and 1990 moved up non-monotonically with duration of residence in the U.S. For the 1980 sample, homeownership probabilities among Latino immigrants were greatest among those who had been in the U.S. for ten to fifteen years; and for the 1990 sample, they were greatest among Latinos who had been in the U.S. for 20 to 30 years. Compared to native-born Latinos, these immigrants had higher probabilities of homeownership (approximately five and 15 percentage points in 1980 and 1990, respectively). Immigrant status is much less important for Asians than Latinos. In fact, the only class of immigrants with lower homeownership probabilities than natives are those who arrived more than 30 years ago.



Given the differences in the impact of economic and demographic factors by race-ethnicity, the analysis employs a simulation technique to assess the approximate percentage of the gap in homeownership between whites and blacks and whites and Latinos that is explained by differences in economic and demographic characteristics. Among movers in 1980, the gap between whites and blacks was 15 percentage points, and it grew to 22 percentage points in 1990. At the same time, blacks experienced severe income and education deficits. The results of this simulation