

IMMIGRANT INFLUX INTO MID-SIZE METRO AREAS TO INFLUENCE HOUSING MARKETS

By • Gary Painter and Zhou Yu

Immigrants to the United States and their descendants are predicted to reach 82 percent of U.S. population growth in the next four decades (Passel and Cohn, 2008). The exponential growth will not be limited to established gateway cities where it typically has concentrated; an increasing share will occur in mid-size metropolitan areas (Table 1) (e.g., Frey and DeVol, 2000; Massey, 2008). Since the turn of the century, for example, the number of new immigrants has jumped by 27 percent in mid-size U.S. communities, a remarkable contrast to the steady decline in established gateway cities such as New York and Los Angeles. Noteworthy as well is that many mid-size metro areas, up until recent years, had not experienced an influx of immigrants since the 1965 immigration reform (Frey, 2003). This rapid entry paired with a lack of already established immigrant communities will have a considerable and unforeseeable impact on mid-size metro areas. The question for the real estate industry is how the immigrant dynamic will affect housing in these areas, particularly at a time when the populous and aging Baby Boomers are retiring and leaving the housing market (Frey and DeVol, 2000; Myers, 2007).

Changing patterns of immigrant settlement (e.g., Massey, Durand, and Malone, 2002) have prompted the academic literature to turn its focus on the incorporation of immigrants into non-traditional areas (e.g., Gozdziaik and Martin, 2005). Still, while housing literature (e.g., Coulson, 1999; Painter, Gabriel, and Myers, 2001) has delved into why immigrants of various backgrounds purchase

homes, these studies have been either national in scope or with a focus on the gateway metropolitan areas where most immigrants currently live.

Painter and Yu were the first to focus on housing outcomes of immigrants who had recently moved into a wider cross section of large metropolitan areas than the traditional immigrant gateways (Painter and Yu, 2008). They demonstrated that while there is a transition period for new immigrants in adapting to the housing markets, after 10 years they do as well as native-born households. However, recent research by Painter and Yu (2009) demonstrates that in mid-size metro areas, immigrants are not doing as well adapting to housing markets. It simply is taking longer for them to settle into homeownership. This brief outlines and explains these findings that reflect for the first time how immigrants fare in mid-size metro housing markets.

The rationale for studying smaller metro areas was two-fold. First, we needed to determine whether a new flow into mid-size markets is a positive sign of immigrants more readily entering the economic mainstream. Spatial assimilation theory (Massey, 1995) suggests that moving away from places where co-ethnics reside can signal the ability of immigrants to achieve better housing outcomes. On the other hand, some have argued (Light, 2006) that the high cost of living in traditional gateway areas can drive immigrants into relocating into more affordable areas. The latter case could signal that immigrants to new destinations are at risk for worse housing outcomes than their U.S.-born counterparts.

Secondly, we sought to determine the extent of residential assimilation in these new immigrant destinations. To that end, we analyzed two measures that describe the relationship between housing and immigrant status. As a first step, we estimated the likelihood that someone becomes a homeowner. Homeownership indicates residential assimilation; research shows owning a home generates positive and long-lasting effects on residents (immigrants in this study), their children, and neighbors (e.g., Green and White, 1997; Haurin, Parcel, and Haurin, 2002). In a second measure, we analyzed overcrowding, a marker for residential assimilation and a key criteria in allocating federal housing subsidies (Baer, 1990). Research has documented that many immigrant households have resorted to sharing space with others as a way to cope with high housing costs (Joint Center for Housing Studies, 2007). Further, crowded housing conditions are perceived to lower quality of life and have deleterious effects on surrounding communities. However, it has been unclear whether immigrants endure higher rates of overcrowding in mid-size metro areas, where housing is more affordable and overcrowding less prevalent than traditional gateways. Focusing on both of these measures – homeownership and overcrowding - provides a more nuanced view of the level of success of immigrants in mid-size metro housing markets.

In addition, this study tests a number of hypotheses about the factors that influence homeownership rates and living conditions of immigrants in mid-size metro areas. Using microdata from the 2000 Decennial Census and the 2005 American Community Survey, we assessed the differential success of immigrants across various categories of mid-size metro areas. Each area was characterized as either high growth, medium growth, or low/no growth in terms of the immigrant population. In addition, each area was characterized as having a relatively high initial immigrant population or a relatively low initial immigrant population. Presumably, the dynamics of housing markets and social networks of immigrants (Alba and Logan, 1992; Krivo, 1995) in metropolitan areas would be important predictors of homeownership rates and living conditions. For select immigrant groups, we were able to conduct a more in-depth analysis of the strength of their networks. In addition, we were able to test for the importance of English proficiency, immigrant place of origin, and current region of residence. We examined the evidence in both 2000 and 2005,

allowing us to analyze whether the run-up in housing prices in the early part of the decade may have changed the housing outcomes of immigrants in mid-size metropolitan areas.

RESULTS

The anticipated rapid growth of U.S. immigrant populations in the coming decades coupled with immigrant movement into mid-size metro areas has the potential to transform communities, especially in light of Baby Boomers gradually exiting housing markets. Our research is an important starting point in determining the present housing status of immigrants in mid-size metro areas in order to explain the shift but also to shed light on future patterns. Among the results, we found:

- 1) Minority households and immigrants are less likely to own a home, and Asian immigrants have slightly lower homeownership rates than Latino immigrants in mid-size metro areas. This is in contrast to previous research on traditional gateways (e.g., Painter, Yang, and Yu, 2003), which found that Asian immigrants have a substantially higher probability of homeownership than do Latino immigrants.
- 2) Immigrants in mid-size metro areas do not catch up to the homeownership rates of native-born whites as their length of stay in the United States increases. While the negative effect of immigrant status is greatly reduced after an immigrant has been in this country for more than 10 years, the effect still exists among those who have been here more than 20 years.
- 3) Immigrants are more likely to be homeowners if they live in high growth areas and in places with higher immigrant concentrations. This is presumably due to the fact that there happen to be greater support networks in place within high growth mid-size areas.
- 4) Further evidence of the importance of immigrant networks was discovered when focusing the analysis on the Mexican and Chinese populations in mid-size cities. We found when a metro area had more immigrants who had been in the United States for more than 10 years, the likelihood of homeownership increased in these circumstances. We also found that Mexican immigrants are more likely to own a home when living in an area with more Mexican immigrants or Latino immigrants.

Chinese immigrants are more likely to own with more Chinese immigrants, but the presence of other immigrant backgrounds lowered the probability of owning a home. This suggests that language may be more important than cultural homogeneity in encouraging an immigrant to put roots down in a community.

- 5) Both Asian and Latino immigrants are more likely to live in overcrowded conditions. While the rate of overcrowding declines with time in the United States, it remains higher than native-born households. In contrast to research on Asian immigrants in gateway metropolitan areas, there are no differences in the rates of overcrowding for Asian and Latino immigrants.
- 6) Housing conditions got rougher for new immigrants from 2000 to 2005. The run up in housing prices likely led to more overcrowding and less potential to own a home.

CONCLUDING PERSPECTIVE

As U.S. immigration continues to expand beyond the borders of large gateway metropolitan areas, it becomes more important to track the success and integration of immigrants in housing markets throughout the United States. In general, a number of results from our research correspond to studies on immigrants in the housing markets of the traditional gateways (Painter et al, 2001), as well as in the markets of lesser known but well-documented emerging gateways (Painter and Yu, 2008). However, unlike previous results from major immigration areas showing that 10 years of residence help level the homeownership playing field, our results from mid-size metro areas suggest that the homeownership gap between immigrants and U.S.-born residents is wider and persists past 10 years, taking longer to close. This could be explained by a lack of established immigrant communities in many of the mid-size areas, and it leaves the hopeful possibility that as communities of immigrants grow, so too will homeownership rates. At the same time, the data show that the socioeconomic status of immigrants spans the spectrum, and this diversity is more important in predicting their housing outcomes than is immigrant status alone.

Across the United States, there are substantial differences in the composition of immigrant populations. In some places, there are very small

immigrant populations, but a high percentage of new immigrants. In other places, there are more established immigrant communities with little change over the study period (2000-2005). We found this diversity impacts the likelihood that an immigrant will purchase a home. The results suggest that immigrants are more successful in attaining homeownership in areas that have larger concentrations of immigrant populations. Further, the analysis of the sample of Mexican and Chinese immigrants suggests that living in areas with larger networks of immigrants who are more settled and greater numbers of households who speak one's own language may lead to higher homeownership rates. Unlike some previous research (Painter et al, 2001), we find that Asians in mid-size metro areas do not have better housing outcomes than Latino immigrants after controlling for other factors, despite having on average different socioeconomic characteristics.

Future studies should look at how immigrants fared in the current housing downturn. If, as is likely, immigrants are experiencing hardships similar to those of native-born households, research someday may bear that immigrants in these smaller metro areas were more adversely impacted by the housing crisis in the face of fewer or no support networks. At some point, studies will be able to show how immigrant households reacted in these difficult conditions, and at that point shed light on the value of immigrant networks to housing outcomes. Until then, this initial analysis of housing outcomes for immigrants in mid-size metro areas provides an important basis to begin to understand the patterns of immigrant homeownership at a time of remarkable growth and movement.

REFERENCES

- Alba, R. and J. R. Logan (1992). "Assimilation and Stratification in the Homeownership Patterns of Racial and Ethnic Groups," *International Migration Review*, 26(4): 1314-1341.
- Baer, W. C. (1990). "Aging of the Housing Stock and Components of Inventory Change." In *Housing Demography: Linking Demographic Structure and Housing Markets*. D. Myers. Madison, WI, University of Wisconsin Press.
- Coulson, N. E. (1999). "Why Are Hispanic- and Asian-American Home-Ownership Rates So Low?: Immigration and Other Factors," *Journal of Urban Economics*, 45(2): 209-227.
- Frey, W. H. and R. C. Devol (2000). *America's Demography in the New Century: Aging Baby Boomers and New Immigrants as Major Players*. Santa Monica, Milken Institute.
- Frey, W. H. (2003). *Metropolitan Magnets for International and Domestic Migrants*. Washington DC, Center on Urban and Metropolitan Policy, the Brookings Institute
- Gozdziak, E. M. and S. F. Martin, Eds. (2005). *Beyond the Gateway : Immigrants in a Changing America*. Lanham, Md., Lexington Books.
- Green, R. K. and M. J. White (1997). "Measuring the Benefits of Homeowning: Effects on Children," *Journal of Urban Economics*, 41(3): 441- 461.
- Haurin, D. R., T. L. Parcel and R. J. Haurin (2002). "Impact of Homeownership on Child Outcomes." In *Low-Income Homeownership : Examining the Unexamined Goal*. N. P. Retsinas and E. S. Belsky. Cambridge, Mass.; Washington, D.C., Joint Center for Housing Studies ; Brookings Institution Press, Pp. 427-446.
- Joint Center for Housing Studies (2007). *The State of the Nation's Housing 2007*. Cambridge Mass, The Center.
- Krivo, L. J. (1995). "Immigrant Characteristics and Hispanic-Anglo Housing Inequality," *Demography*, 32(November): 599-615.
- Light, I. H. (2006). *Deflecting Immigration : Networks, Markets, and Regulation in Los Angeles*. New York, Russell Sage Foundation.
- Massey, D. S. (1985). "Ethnic Residential Segregation: A Theoretical Synthesis and Empirical Review," *Sociology and Social Research*, 69(3): 315-350.
- Massey, D. S., J. Durand and N. J. Malone (2002). *Beyond Smoke and Mirrors : Mexican Immigration in an Era of Economic Integration*. New York, Russell Sage Foundation.
- Massey, D. S., Ed. (2008). *New Faces in New Places : The Changing Geography of American Immigration*. New York, Russell Sage Foundation.
- McConnell, E. D. and I. R. Akresh (2008). "Through the Front Door: The Housing Outcomes of New Lawful Immigrants," *International Migration Review*, 42(1): 134-162.
- Myers, D. (2007). *Immigrants and Boomers : Forging a New Social Contract for the Future of America*. New York, Russell Sage Foundation.
- Painter, G., S. A. Gabriel and D. Myers (2001). "Race, Immigrant Status, and Housing Tenure Choice," *Journal of Urban Economics*, 49(1): 150-167.
- Painter, G. and Z. Yu (2009). "Immigrants and housing markets in mid-size metropolitan areas," *International Migration Review*, forthcoming.
- Painter, G. and Z. Yu (2008). "Leaving Gateway Metropolitan Areas: Immigrants and the Housing Market," *Urban Studies*, 45(5&6): 1163- 1191.
- Passel, J. S. and D. V. Cohn (2008). *U.S. Population Projections: 2005-2050*. Pew Research Center Social & Demographic Trends. Washington, D.C., Pew Research Center.

Gary Painter* and Zhou Yu
School of Policy, Planning, and Development
Lusk Center for Real Estate
University of Southern California

* Corresponding author: gpainter@usc.edu. Gary Painter is an Associate Professor and Zhou Yu is a Doctoral Candidate