

Homeownership Rate Gap Between Immigrants and the Native-Born Population Narrowed Faster During the Last Decade

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“The length of U.S. residency is an important factor that helps to determine immigrant advancement into homeownership. However, other factors, including the prevailing economic and housing environments, may have played important roles.”

Introduction

Housing analysts have extensively studied homeownership attainment of immigrants and the native-born population.^{1,2} One major factor determining the homeownership rate gap³ between the two groups is immigrants’ length of residency in the United States.⁴ Immigrants who have arrived recently in the U.S. typically have low homeownership rates. That rate advances to higher levels as immigrants become more economically established and gain experience in U.S. housing markets, thereby narrowing the homeownership rate gap. However, one issue that has not been explored fully is how the homeownership rate gap has changed during the recent housing crisis, compared to previous years.

This latest edition of *Housing Insights* compares homeownership rates of immigrants and the native-born population during the 1990s and 2000s.⁵ In line with existing research, we find that, as immigrants stayed longer in the U.S., they narrowed the homeownership rate gap

with the native-born population. Surprisingly, we find that immigrants narrowed the homeownership gap at a *faster* rate during the 2000s than in the 1990s – suggesting that the recent housing crisis may have had a lesser impact on homeownership advancement of immigrants relative to the native-born population.

Homeownership Trends for Immigrants and the Native-Born Population

Native-born homeownership increased between 1990 and 2000, but declined during the subsequent decade. In contrast, immigrant homeownership was flat between 1990 and 2000, but increased during the 2000s (see Figure 1). The rise in the immigrant homeownership rate in the last decade is somewhat surprising given the Great Recession and the housing crisis. One possible explanation for the increase is the shift toward longer duration of residency in the U.S. among the immigrant population in 2010 compared to 2000. For example, the share of immigrant households that had resided in the U.S. for longer than 15 years increased from 56.7 percent in 2000 to 62.9 percent in 2010. This shift in the composition of the foreign-born population toward longer duration likely was a factor that contributed to the increase in the overall foreign-born homeownership rate during the 2000s. In the next section, we explore further the role of duration on immigrant homeownership gains in each decade.

¹ We use the terms “immigrant” and “foreign-born” interchangeably, referring to persons who are not U.S. citizens at the time of birth. The unit of observation for this analysis is a household, and we classify households as “foreign-born” or “native-born” based on the nativity of the householder.

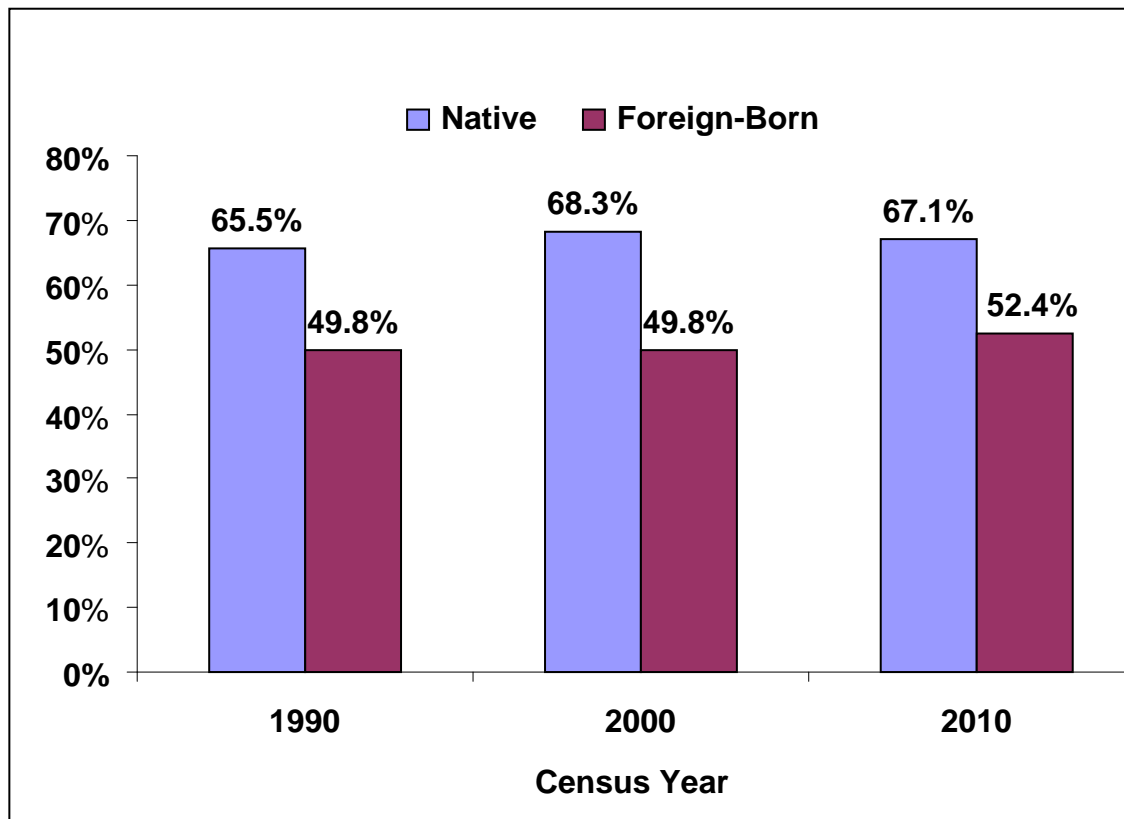
² For a detailed analysis of immigrants and native-born homeownership attainment, see Dowell Myers, Isaac Megbolugbe, and SeongWoo Lee, “Cohort Estimation of Homeownership Attainment among Native-Born and Immigrant Populations,” *Journal of Housing Research*, vol. 9, issue 2, Fannie Mae Foundation, Washington D.C., 1998.

³ The homeownership rate gap is defined as the difference in the homeownership rates between two groups.

⁴ In Demetrios Papademetriou and Brian Ray’s, “From Homeland to a Home: Immigrants and Homeownership in Urban America,” Fannie Mae Paper, Washington, D.C, 2004, the authors argue that immigrants need time to settle in the United States and become stable in terms of employment and acquire sufficient savings for down payments before being able to buy homes. In Dowell Myers and John Pitkin’s, “Immigrant Contributions to Housing Demand in the United States: A Comparison of Recent Decades and Projections to 2020 for the States and Nation,” the Research Institute for Housing America, Washington, D.C., 2013, the authors find steep homeownership rate trajectories during the 1990s of immigrants who arrived in the 1980s for both Hispanic and non-Hispanic immigrants.

⁵ We use 1990 and 2000 Census and 2010 American Community Survey (ACS) data. All of the findings are significant at the 90 percent confidence level.

Figure 1: The foreign-born homeownership rate increased by 2.6 percentage points from 2000 to 2010



Source: U.S. Census Bureau, 1990 and 2000 Censuses and 2010 American Community Survey

Immigrants Narrowed the Homeownership Gap at a Faster Rate during the 2000s Compared to the 1990s

Measuring the effect of duration of U.S. residency on homeownership attainment is challenging (see Appendix), but simplified comparisons of the homeownership rate trajectories of immigrants and native-born persons in the same birth cohort yield some useful insights. For example, in Table 1 below, the homeownership rate of immigrants who arrived between 1980 and 1984 and were 25-34 years old in 1990 increased by 31 percentage points during the 1990s. In comparison, the homeownership rate of native-born persons in the same birth cohort increased by 22.3 percentage points. Thus, controlling for the effect of aging by tracking the same birth cohort for immigrants and the native-born, the gain in the homeownership rate for immigrants during the 1990s outpaced the rate for the native-born, narrowing the homeownership rate gap by 8.8 percentage points. Because we control for birth cohort, we attribute the difference in the homeownership gains between the two groups to the immigrants' length of residency in the U.S., e.g., the duration effect.

We also examined homeownership progress during the 2000s for immigrants and native-born populations passing through the same age categories using a similar duration analysis. Furthermore, we examined immigrants who experienced the same increase in duration of residency in both decades. As shown in Table 1, immigrants experienced smaller homeownership rate increases during the 2000s than in the 1990s, which is not surprising given the 2007-2009 recession and the housing collapse. However, the homeownership rate gap between immigrants and their native-born counterparts narrowed more during the 2000s than during the preceding decade. The gap between 1) foreign-born persons who arrived between 1990 and 1994 and were 25-34 years old in 2000, and 2) native-born persons of the same age narrowed by almost 12 percentage points

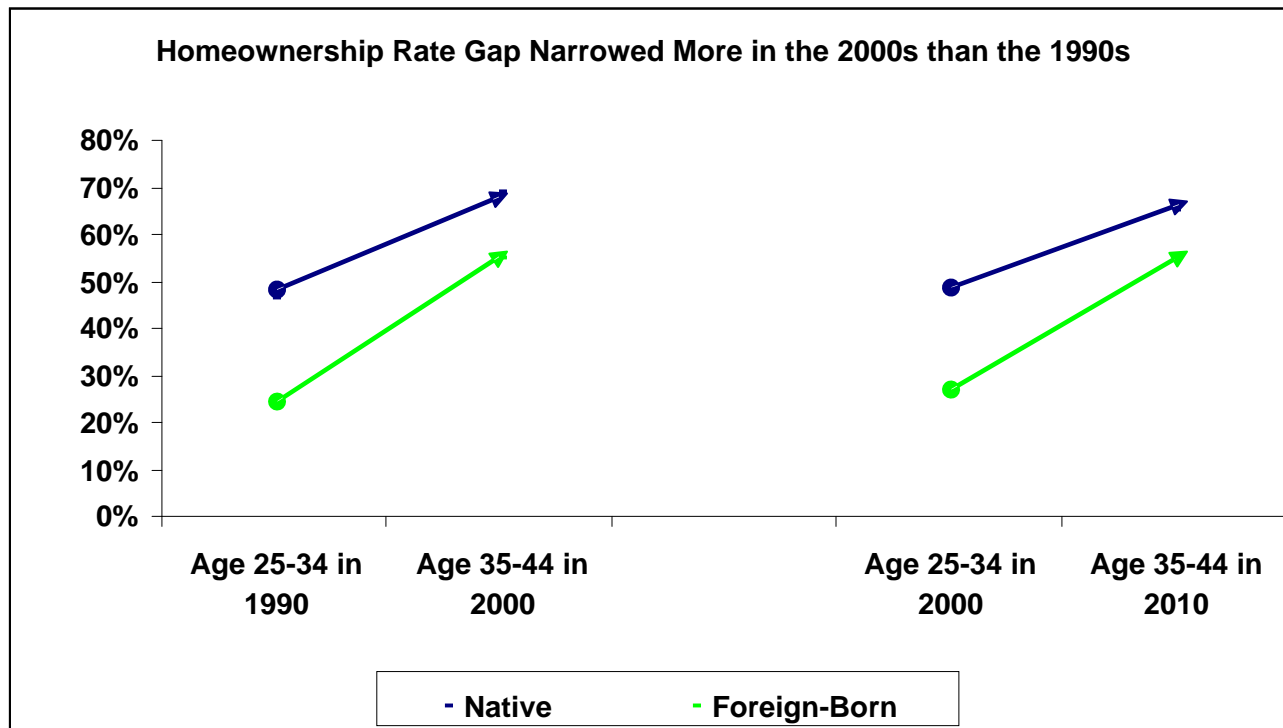
during the 2000s (see Figure 2).⁶ Because the increase in duration of residency was the same for both decades, one possible explanation for the faster pace of improvement in the homeownership rate gap during the 2000s is that the housing crisis may have had a relatively less severe impact on immigrant homeownership advancement than it did on native-born homeownership advancement.

Table 1: Homeownership advancement changes in the 1990s and 2000s

Nativity	1990s						2000s						
	Period of Arrival	Age		Home-ownership Rate (%)		Gain (%)	Period of Arrival	Age		Home-ownership Rate (%)		Gain (%)	
		1990	2000	1990	2000			2000	2010	2000	2010		
Native	N/A	25-34	35-44	46.6	68.8	22.3	N/A	25-34	35-44	48.2	65.0	16.8	
Foreign-Born	1980-1984	25-34	35-44	23.7	54.8	31.1	1990-1994	25-34	35-44	26.3	54.9	28.7	
Difference				22.8	14.0	-8.8	Difference				22.0	10.1	-11.9

Source: U.S. Census Bureau, 1990 and 2000 Censuses and 2010 American Community Survey

Figure 2: The homeownership rate gap narrowed more in the 2000s



Source: U.S. Census Bureau, 1990 and 2000 Censuses and 2010 American Community Survey

⁶ In order to control for age between immigrants and the native-born, and for duration of residency for immigrants and analyze the advancement in homeownership for both groups during the 1990s and 2000s, we selected immigrants who were between the ages of 25-34 in 1990 and arrived in the U.S. between 1980 and 1984 and observed their homeownership increase in the 1990s. Similarly, we selected immigrants who were between the ages of 25-34 in 2000 and arrived in the U.S. between 1990 and 1994 and observed their homeownership gain in the 2000s. Thus, the observed immigrants for both groups had the same duration of residency.

Conclusion

In line with external research, this edition of *Housing Insights* finds that the length of U.S. residency is an important factor that helps to determine immigrant advancement into homeownership. However, other factors, including the prevailing economic and housing environments may have played important roles. This paper does not address differences between immigrants and the native-born or differences across birth cohorts or immigrant arrival cohorts, such as country of origin, marital status, educational attainment, income, and geographic location of the household, that also may influence homeownership trajectories and the homeownership rate gap.

According to the American Community Survey, the U.S. was home to 18.8 million immigrant renters in 2012, representing a large reservoir of potential future homeownership demand. Continued study of how these and future immigrants advance into homeownership as they reside longer in the U.S. may provide valuable insights into future prospects for the country's housing market.

Appendix

Analyzing Duration's Role in Homeownership Advancement

Measuring the impact of duration of U.S. residency on homeownership is complex. As immigrants stay longer in the U.S., they are aging at the same time. Because aging also is associated with homeownership increases throughout most of the life cycle, the impacts of duration and aging on homeownership gains become simultaneous and hard to disaggregate. One simple approach for isolating the duration effect is to compare homeownership gains of immigrants with the gains of the native-born population in the same age category.⁷ The incremental gains of immigrants beyond those experienced by native-born persons in the same age group provide a simplified representation of the duration effect.

In addition to duration and other demographic and social characteristics of the population, other factors that affect homeownership rates are labor and housing market conditions. For example, favorable economic and housing environments could reduce the relative cost of owning compared with renting and increase the homeownership rate. So, to examine how differing economic, labor, and housing market environments interact with the duration effect, this analysis compares homeownership change in the 1990s with the 2000s.⁸ The 1990s showed steady economic growth, whereas the 2000s included the Great Recession and a housing collapse.

Data Note


This edition of *Housing Insights* uses the 5% Public Use Microdata Samples (PUMS) of the 1990 and 2000 Censuses and the 1-year 2010 American Community Survey (ACS) PUMS data.⁹ The 2010 ACS data are a 1-in-100 random sample of the population. The ACS is used as the source of 2010 estimates because the 2010 Census did not collect any information related to nativity.

Because the homeownership rate measured in the 2010 ACS is different from that measured in the 2010 Census, we adjust the 2010 ACS estimates based on the 2010 Census summary statistics. From the 2010 Census data, we have household counts by the householder's age and tenure. We create separate adjustment ratios for householders within each age and tenure category by dividing 2010 Census data by the ACS 2010 estimates. These ratios are then used to adjust the 2010 ACS household counts by nativity and period of

⁷ Myers et.al. address the issue of aging and duration interaction by using a "double-cohort" methodology that put birth cohorts within arrival cohorts. See Myers et.al. (1998) *op cit*.

⁸ The 1990s and 2000s represent sufficiently different economic and housing market conditions. For this analysis, we focus on how staying an additional 10 years in the U.S. increases homeownership advancement of 25-34 year-old immigrants.

⁹ The paper uses the Integrated Public Use Microdata Series (IPUMS-USA) database. Please refer to: Steven Ruggles, J. Trent Alexander, Katie Genadek, Ronald Goeken, Matthew B. Schroeder, and Matthew Sobek, *Integrated Public Use Microdata Series: Version 5.0 [Machine-readable database]*, University of Minnesota, Minneapolis, 2010.



arrival within each age and tenure category. The adjusted ACS household counts are then used to calculate all 2010 homeownership rates.

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