

# IMMIGRATION, HOUSING MARKETS, AND COMMUNITY VITALITY

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Nearly every American community, past and present, has sought to preserve or expand its population. The histories of most cities and towns are replete with stories of real estate developers who went to great lengths to portray the inevitability of their communities' growth and success, in the hope of generating a self-fulfilling prophecy. American communities, as a rule, see population growth as an economic engine. New families require homes, automobiles, groceries, furnishings, entertainment, and everything else that makes modern life possible.

When communities lose population, the consequences can be dire. Vacant and abandoned houses are an eyesore at best and magnets for dysfunctional behaviors at worst. Shrinking tax bases leave cities with a dwindling ability to maintain infrastructure, make good on pension obligations, and pay the bills incurred in headier times. And as local economies shrink, the job prospects for those left behind dwindle.

These facts are worth bearing in mind when contemplating the path forward for American immigration policy. Some 40 million foreign-born persons now reside in the United States, with around a million obtaining legal permission to enter every year. Between a

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quarter and a third of these immigrants do not have legal permission to live and work in this country. The debate over their fate, which focuses largely on the argument of whether immigrants “take jobs” from Americans, is incongruous with the desire of every community to maintain or expand its population base.

Should American communities worry every time a newcomer, foreign or domestic, buys a home and moves in? The obvious answer—no—arises not only by common sense but also from a rigorous analysis of U.S. Census data between 1970 and 2010. Over that 40-year span, the nation’s immigrant population quadrupled, to the point where one in every eight American residents was born abroad.<sup>1</sup> As these immigrants did not spread themselves evenly across the country, it is possible to infer their impact on American communities by comparing trends across areas that received varying numbers. This analytical approach has been employed by numerous prior studies of immigrants’ impact on labor and housing markets (see, e.g., Altonji and Card 1991, Ottaviano and Peri 2012, and Saiz 2007).

### Economic Perspectives on the Impact of Immigration

Basic economic theory argues that the entry of new families into a community will boost the housing market in one of two ways. First, new homes built to accommodate new families provide a temporary boost to the local labor market, in construction and related sectors. Second, if the housing market is unable to expand sufficiently, because of zoning laws or other restrictions, home values will increase to the point where the new family finds an existing one willing to depart—or at least to accept smaller quarters. Either way, local governments gain from the expansion of the property tax base. When property values rise, homeowners enjoy an increase in equity.

The theoretical impact of population expansion on local labor markets is more complicated. The fear that new migrants to a region will “take” jobs from natives might make sense in a world where the amount of work to be done is finite—as if a community’s only source of gainful employment were to manufacture a good for export. In reality, most jobs in any community are directly tied to the local population. Ours is a service-dominated economy, and most services are provided by community members to their neighbors.

<sup>1</sup>For an extensive discussion of the data used in this article, see Vigdor (2013).

## The Challenge to Discerning Impact in Data

Empirically assessing the impact of immigration on housing and labor markets would be straightforward if immigrants sorted into communities randomly. The impact of migration could be assessed much the way a new pharmaceutical might be evaluated: by comparing communities that randomly received large numbers of migrants with those that received few.

In reality, migrants choose their destinations purposefully, gravitating toward regions offering greater employment opportunities. It is no coincidence that the migration wave of the late 20th century tilted toward the Sun Belt, whereas the preceding wave of the early 20th century focused on cities that would become the Rust Belt. As immigration scholars have recognized for more than two decades, a simple comparison of the economic fortunes of communities receiving immigrants with those that do not risks confusing the impact of immigration with the prosperity that attracted immigrants in the first place.<sup>2</sup>

To distinguish factors drawing immigrants from the impact of immigration, social scientists focus on a factor known to draw immigrants that has nothing to do with the degree of preexisting prosperity in a local region. Migrants gravitate toward communities where they can find friends and relatives of the same nationality. Living in proximity to migrants from the same nation offers many benefits beyond reuniting families and neighbors. Established migrants can help newcomers find housing, work, and other necessities of life.

The pull of fellow countrymen can be strong enough to entice migrants to settle in regions with bleak economic prospects. For example, Wayne County, Michigan, which is home to Detroit, has struggled economically in recent decades, losing more than 13 percent of its population between 2000 and 2015. The local unemployment rate peaked at 18.7 percent in 2009, almost double the national average.

For more than a century, Wayne County has been home to a significant cluster of immigrants from the Middle East (Hassoun 2005). For new migrants from that region, the Detroit area remains a

<sup>2</sup>Each of the studies cited earlier uses the strategy outlined below to circumvent this fundamental problem. The insight underlying this strategy is generally credited to Bartel (1989).

destination of interest. Even as the county lost one in eight residents over 15 years, Census Bureau estimates show an increase in the number of immigrants from Lebanon, Yemen, and other Middle Eastern countries.

Rather than study how the number of migrants relates to local prosperity—a correlation where the causality could run in either direction—the analysis presented here relies on a forecast of how many migrants would have entered a U.S. county on the basis of two factors: first, the total number of migrants to the United States from a single origin country since 1970, and second, how migrants from that country were distributed across the nation in 1970. Because the forecast number is not itself a function of local economic prosperity, it breaks the chicken-and-egg relationship between the two.

These forecasts are not perfect. Many immigrants have moved to parts of the country where few foreign-born persons lived in 1970, but this imperfection is key to the methodological strategy. Counties that were forecast to gain an extra 1,000 immigrants between 1970 and 2010 according to the number living there in 1970 averaged an extra 168 in reality.<sup>3</sup>

## What the Data Show: Immigration Raises Home Prices and Creates Opportunities for Natives

Using the method outlined earlier, analysis shows a significant statistical relationship between the number of immigrants *forecast* to move to a county and median housing values in that county. The magnitude of the effect appears small: one additional immigrant in a county predicts an 11.6-cent boost to median housing values, in 2010 dollars.

Simple arithmetic indicates that this modest effect translates into a massive impact on the wealth of American property owners. The typical immigrant resides in a county with 800,000 housing units, which means that the 11.6-cent impact per unit adds up to over

<sup>3</sup>This statistic comes from a regression analysis of actual foreign born population on forecast foreign born population, controlling for (lagged) median housing value, median age, housing stock size, vacancy rate, and proportion single-family detached homes, as well as year and county fixed effects. Forecasts for years earlier than 2010 (1980, 1990, and 2000) have stronger correlations with actual foreign-born population.

\$90,000 across the entire community. Added up across the 40 million foreign-born residents in the United States, this impact expands to a \$3.7 trillion boost to home values. For the typical American family that owns a home but few other financial assets, the impact of immigration translates into a tangible increase in wealth. To put this number in perspective, the U.S. Federal Reserve attributed \$23 trillion in housing wealth to American households as of the fourth calendar quarter of 2016 (Board of Governors 2017: 138).

While the positive impact of immigration on home values generates a windfall for most American families, the impact on renters is more complicated. Higher home prices translate into higher out-of-pocket housing expenses for renters. This is a particular concern in the nation's most expensive housing markets—particularly the San Francisco Bay area, the urban Northeast, and similar regions. However, an analysis of migration patterns in these regions shows that immigration is not the dominant factor in driving up housing costs in the most desirable neighborhoods, for the simple reason that high costs drive migrants to other parts of the city.

Table 1 compares the five boroughs of New York City. Manhattan, by far the most expensive borough, with a 2015 estimated median home value of \$867,000, had the smallest increase in immigrant population between 2000 and 2015. For every two immigrants moving to Manhattan, 11 moved to the Bronx, the borough with the lowest housing prices.

By seeking out neighborhoods with the lowest home prices, immigrants have helped stabilize the most vulnerable segments of some metropolitan areas, making them more viable choices for a broader

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**TABLE 1**  
**IMMIGRANTS IN THE FIVE BOROUGHS OF NEW YORK CITY**

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Borough	Change in Foreign-Born Population, 2000–15
Bronx	105,588
Brooklyn	40,525
Manhattan	19,144
Queens	72,412
Staten Island	29,468

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SOURCE: U.S. Census Bureau.

segment of the population. The population of the Bronx, according to the most recent Census Bureau estimates, is now approaching the all-time peak reached in 1970.

If immigration truly resulted in a net loss of employment opportunities for natives, we might expect to see the native population decline when a wave of immigrants enters a community. To study the impact of immigration on native population flows, we need to be wary of the same concern that affected analysis of housing—that immigrants and natives will tend to flow toward the same locations: those that offer better job opportunities.

Fortunately, the same basic statistical technique outlined above can be applied to the study of native population flows as well as housing prices. Thus, relating the forecast inflow of immigrants to the size of the native population in a county reveals a *positive* impact. When 1,000 immigrants enter a county, the native population increases by an average of 423. Some of these new native residents may be the U.S.-born children of immigrants. Census Bureau data indicate that on average, for every 1,000 foreign-born immigrants in a county, there are 150 native-born children of immigrants. Subtracting this 150 from the impact described earlier implies that about 270 Americans born outside immigrant families migrate to a county for every 1,000 immigrants.

Many of the job opportunities created when immigrants enter a county relate to goods or services provided to the immigrants themselves. These families require food, shelter, and the other necessities of life. They will occasionally require health care, and their children will attend schools funded largely by the property taxes paid on their residences.

Beyond purchasing goods and services in the local community, however, immigrants can create or preserve job opportunities for natives by forestalling the exit of businesses in export-oriented industries such as manufacturing. Although manufacturing employment has generally declined over the past several decades, the decline was less rapid in counties receiving a larger number of immigrants between 1970 and 2010. For every 1,000 immigrants entering over this time period, counties retained an additional 46 manufacturing jobs.<sup>4</sup>

<sup>4</sup>Like earlier analyses, this one utilizes a forecast number of new immigrants rather than the actual number.

## Conclusion

To summarize: over the last 40 years, the arrival of 1,000 immigrants into an American county has led to an average home value increase of \$116 and created economic opportunities sufficient to draw in 270 native-born residents, some of whom might take one of the estimated 46 manufacturing jobs created or preserved.

From a different perspective, the deportation of some 10 million undocumented migrants currently residing in America would have significant negative impacts on their communities. The loss in housing wealth would approach \$1 trillion, nearly half a million manufacturing jobs would be at risk, and opportunities for millions of native-born workers would be threatened.

Should these results seem counterintuitive, recall the basic truism that no American community wishes to see its population decline. Immigrants, in the final analysis, are consumers, and their dollars circulate throughout local economies just as those spent by any other family.

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