



Housing Opportunities in the Foreign-Born Market

A report from the Research Group of the NATIONAL ASSOCIATION OF REALTORS®

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NATIONAL ASSOCIATION OF REALTORS®

The Voice For Real Estate®



America's ability to absorb immigrants into its society is a vital source of competitive advantage for the U.S. economy. Immigrants boost the pool of available workers, particularly in regions with low unemployment. Notably, America's high-tech industries, from semiconductors to biotechnology, increasingly depend on immigrant scientists, engineers, and entrepreneurs. Moreover, they attract new business investments that generate more tax dollars to city coffers.

The foreign-born¹ population's contributions to the economy also extend to the real estate industry. Immigration is a critical component of population growth, which is a major driver of real estate demand. Since 1995, the foreign-born population has contributed to one third of household growth in the United States. This contribution subsequently has helped sustain robust housing demand across the nation. In addition, immigrants stoke demand for commercial real estate, as they use office space, sell goods and services in shopping centers, manufacture products, and operate warehouses in growing numbers. Hence, identifying and understanding this market niche is vital to REALTORS® in marketing real estate to those clients.

This report examines the homebuying opportunities in the foreign-born market. The analysis looks particularly at the characteristics of the foreign-born population and how they relate to homebuying activity in the foreign-born market, in order to assist REALTORS® in targeting this growing niche more effectively.

Understanding the Foreign-Born Market

The foreign-born market has grown enormously over the last three decades. In 1970, 9.6 million foreign-born people lived in the United States; by 2000, there were 28.4 million foreign-born people in the United States, accounting for 10.4 percent of the U.S. population — the highest proportion since 1930. More than 16.4 million people entered the United States legally from 1981 to 2000 — a figure exceeding the great immigration wave of 1900 to 1914.

Foreign-Born and Native Populations

The foreign born are not U.S. citizens by birth. The *foreign-born* population is classified by citizenship status: those who have become U.S. citizens through naturalization and those who are not U.S. citizens. *Natives*, as defined by the U.S. Bureau of the Census, were born in the United States, in U.S. island areas such as Puerto Rico, or were born in a foreign country but to at least one parent who was a U.S. citizen.

The foreign-born population includes immigrants, as defined above, legal nonimmigrants (e.g. refugees and persons on student or work visas), and persons illegally residing in the United States.

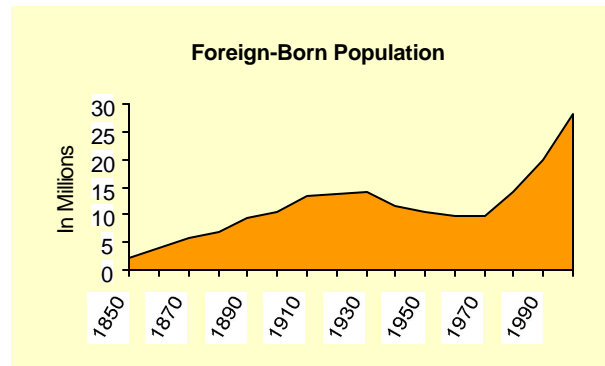
Immigrants and Immigration

Immigrants, as defined in the Immigration and Nationality Act, are aliens admitted to the United States for lawful permanent residence. They may be issued an immigrant visas overseas by the Department of State or adjusted to permanent resident status in the United States by the Immigration and Naturalization Service. *Immigration* is defined here as the number of immigrants during a specified period of time, such as a year or a decade.

¹ The terms *foreign born* and *immigrant* are used interchangeably in this report.

Immigrants come to the United States in the following ways²:

- Most are admitted as lawful permanent residents (so-called “green-card holders”). A family member usually sponsors them to gain entry into the United States. They are on a citizenship track and have professed a desire to remain in the country on a permanent basis.
- Some are admitted as refugees, with the expectation that they will apply to become lawful permanent residents a year after their arrival. The number of refugees admitted usually is determined by consultations between the Executive Branch and Congress.
- Others are admitted as temporary immigrants (nonimmigrants) with visas to study or work for a limited period of time. Many become lawful permanent residents after the expiration of their temporary visas.
- Finally, some gain entry into the United States without permission, or they stay beyond the lawful temporary period that they were permitted. Many of those who enter without permission join their spouse who is residing legally in the United States.



Source: U.S. Bureau of the Census

Immigration to the United States: 1820 to 2000

Decade	Number (millions)	Decade	Number (millions)
1821-1830	0.1	1911-1920	5.7
1831-1840	0.6	1921-1930	4.1
1841-1850	1.7	1931-1940	5.3
1851-1860	2.6	1941-1950	1.0
1861-1870	2.3	1951-1960	2.6
1871-1880	2.8	1961-1970	3.3
1881-1890	5.2	1971-1980	4.5
1891-1900	3.7	1981-1990	7.3
1901-1910	8.7	1991-2000	9.1

Source: 2000 Statistical Yearbook of the Immigration & Naturalization Service

Immigrants come from various parts of the world,³ but 13 countries make up nearly two thirds of the flow, with Mexico, China, Philippines, and India accounting for 40 percent. On a regional basis, more than half (14.5 million) of the foreign-born population was born in Latin America. One quarter (7.2 million) came from Asia, and nearly one sixth (4.4 million) was born in Europe.

Historically, European countries were the primary source of the foreign-born population in the United States. However, the change in immigration laws in 1965 caused the overall foreign-born population from Latin America and Asia to increase most rapidly — recording a compound annual growth rate of more than 100 percent since 1960.

² A. Schoenholtz and K. Stanton, “Reaching the Immigrant Market: Creating Homeownership Opportunities for New Americans” Fannie Mae Foundation, 2001.

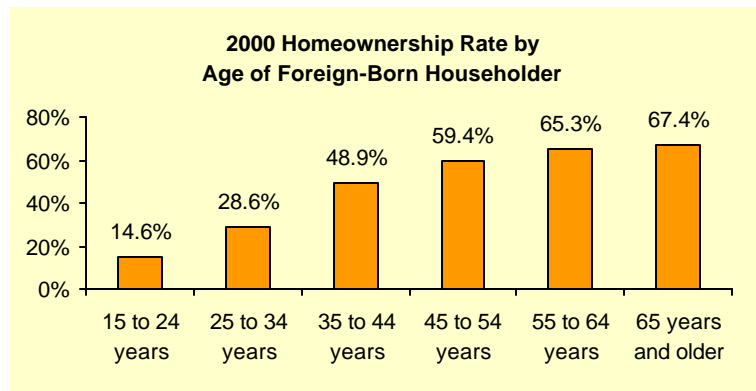
³ The five regions of the world used in this report are those defined by the United Nations and used in its annual *Demographic Yearbook*. These regions are Europe, Asia, Africa, Latin America, and North America (United Nations, 1996, pp. 30-31).

Attaining Homeownership by the Foreign-Born Population

High immigration levels have contributed greatly to homebuying demand over the past decade. Although the homeownership rate among the foreign-born population of 48.8 percent in 2000 noticeably lags the nation (68.0 percent), immigrants represent 14 percent of new homebuyers.⁴ Many immigrants consider homeownership not only an investment but also a milestone toward establishing a sense of permanence, belonging, and commitment to a community. At the same time, many consider homeownership as an important indicator of socioeconomic achievement, providing security against job loss or financial hardship. Further, buying is preferred for the safety and autonomy a home provides, such as being able to engage in their own social and cultural activities.

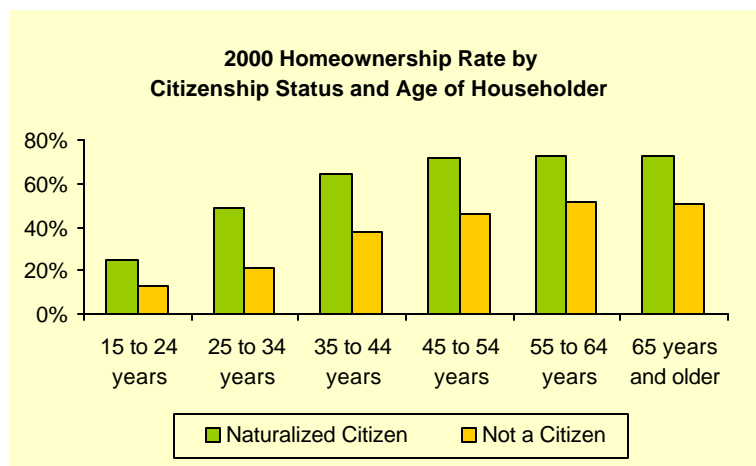
It is useful to examine some key indicators to better understand homeownership opportunities in this niche. This section particularly explores the characteristics of the foreign-born population primarily using 2000 data from the U.S. Bureau of the Census as they relate to housing choice.

Age. The foreign-born population as a whole is younger compared to previous decades. Due to an influx of young adults, the median age declined from 52.0 in 1970 to 38.1 in 2000. Since younger households tend to rent for economic reasons, it is not surprising that the homeownership rate among immigrants dipped from 55.7 percent in 1970 to 48.8 percent in 2000.



Source: U.S. Bureau of the Census

The homeownership rate among immigrants rises as households age. Foreign-born householders younger than age 35 had a homeownership rate of 25.8 percent. Those immigrant households aged 35 to 64 had a rate of 55.8 percent, and those aged 65 or older had a rate of 67.4 percent.



Source: U.S. Bureau of the Census

Citizenship is a strong indicator of when immigrants will make the transition to homeownership. Notably, foreign-born naturalized

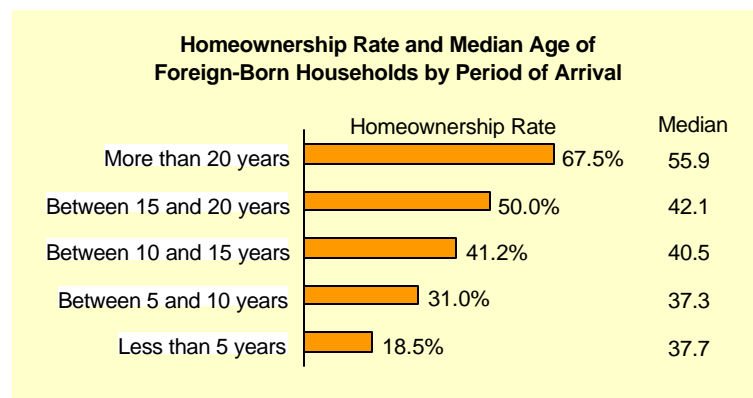
⁴ R. Drew, "New Americans, New Homeowners: The Role and Relevance of Foreign-Born First-Time Homebuyers in the U.S. Housing Market," Joint Center for Housing Studies at Harvard University, August 2002.

citizens are more likely to be homeowners than those who are not yet U.S. citizens. The homeownership rates for foreign-born citizens are 45.8 percent for householders under age 35, 69.1 percent for those age 35 to 64, and 72.6 percent for those age 65 or older. These rates compare to the homeownership rates of householders who are not yet citizens: 19.5 percent for those below age 35, 42.4 percent for those age 35 to 64, and 50.5 percent for those age 65 or older.

The disparity in homeownership between naturalized citizen households and people who are not yet citizens varied in every age group. The gap was smallest for householders age 65 or older, with homeownership rates highest in this age category for both naturalized citizen householders and those who are not yet citizens.

Length of Stay in the United

States. For foreign-born households, the transition to homeownership is gradual. Immigrants who entered the United States between 1995 and 2000 achieved a homeownership rate of 18.5 percent. The rate steadily increased and peaked at 67.5 percent for foreign-born households who entered the United States before 1980.



Source: U.S. Bureau of the Census

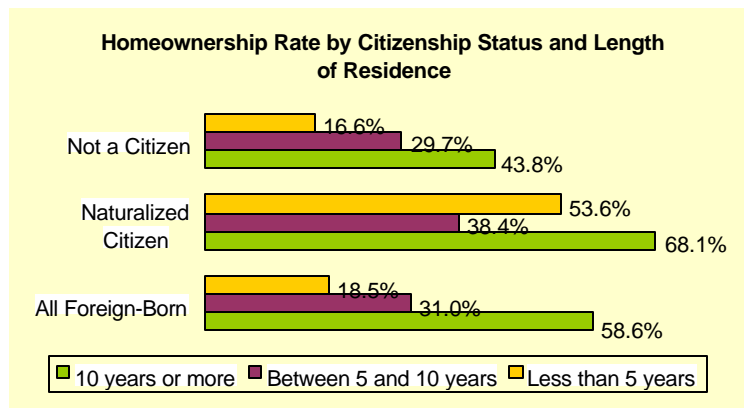
Homeownership attainment among immigrants usually hinges on their period of assimilation. During the early years of residency (less than five years), immigrants are more likely to live with other family members or friends. After adapting to their new environment, establishing a stable employment record, and building their savings, immigrants tend to move out and rent their own quarters. They become avid homebuyers as soon as their economic circumstances improve with time — that is, when their savings and income are adequate to purchase a desired home.

Homeownership Rate by Age and Length of Residence in the United States

Age	Less than 5 years	Between 5 and 10 years	Between 10 and 15 years	Between 15 and 20 years	More than 20 years
15 to 24 years	11.1%	17.6%	17.0%	17.3%	21.2%
25 to 34 years	14.2%	25.5%	33.8%	41.1%	41.5%
35 to 44 years	21.0%	41.2%	45.7%	55.2%	60.4%
45 to 54 years	31.6%	39.1%	50.3%	58.1%	70.3%
55 to 64 years	37.1%	45.5%	54.8%	47.2%	73.0%
65 years or older	22.2%	25.6%	35.9%	43.1%	74.5%

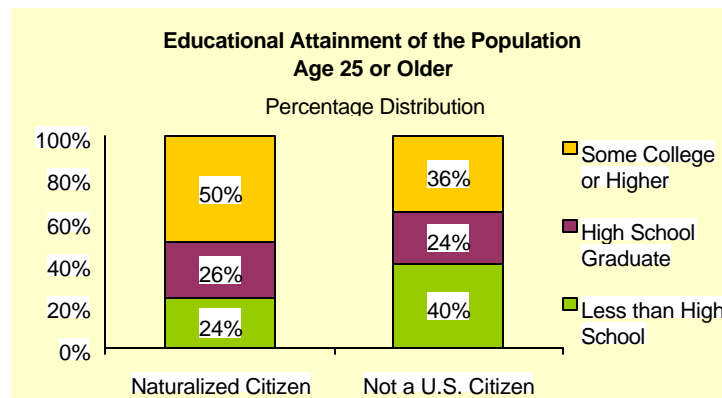
Source: U.S. Bureau of the Census

The homeownership rate for naturalized-citizen householders with at least 10 years of residence was not significantly different from that of native-born households. In 2000, the homeownership rate for naturalized-citizen householders who had been in the United States for 10 years or more was 68.1 percent. This compares with the national homeownership rate of 68 percent.



Source: U.S. Bureau of the Census

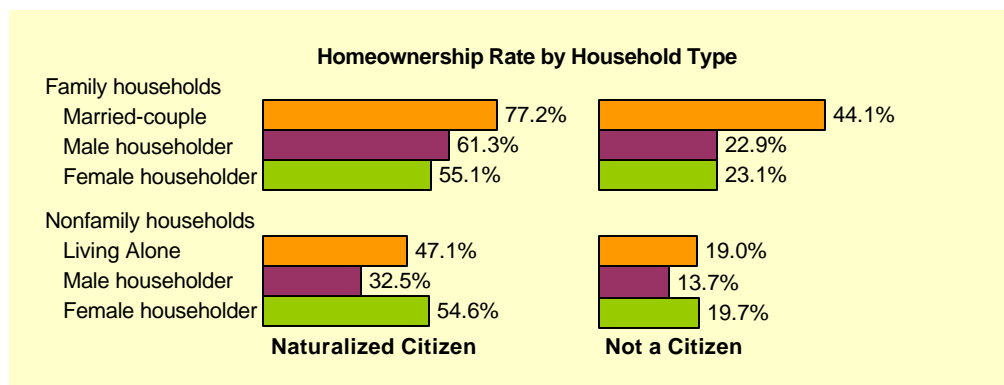
Education and Income. On average, most immigrants have completed a high school education. Those who attained U.S. citizenship are likely to have obtained a higher education level. As education usually has a positive impact on income, it is not surprising that the median income was also higher for naturalized citizens. Their median income for 1999 was \$43,900 — 40 percent higher than that of noncitizens.



Source: U.S. Bureau of the Census

Family Composition and Size. Married couples are the traditional predominant homeowners, so it was not surprising that they also made up the largest proportion of foreign-born homeowners in 2000. For married-couple families, the homeownership rate in 2000 was 77.2 percent for foreign-born U.S. citizens and 44.1 percent for noncitizens. The homeownership rate for all foreign-born married-couple families was 59.8 percent in 2000.

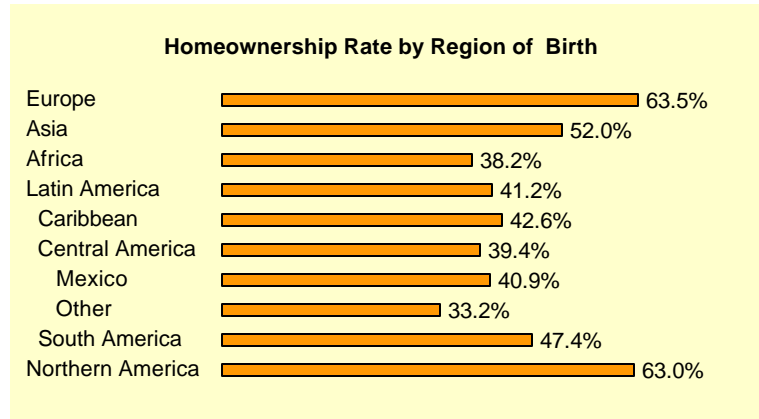
Immigrant households tend to be larger compared to that of native-born households, are likely to include subfamilies and other kin, and tend to be headed by a



Source: U.S. Bureau of the Census

married couple. The average size of foreign-born households was 3.3 in 2000, as compared to the average native household of 2.5. Average household size was even larger where the householder was not a citizen (3.4).

Ethnicity. On a regional basis, European and North American (essentially Canadian) born have the highest homeownership rates of 63.5 percent and 63.0 percent, respectively, among all foreign-born owners in 2000. Asian immigrants also are more likely to own their residence compared to other immigrant groups with homeownership rate of 52 percent. Meanwhile, those from Africa and Latin America are likely to jump more slowly into homeownership.



Source: U.S. Bureau of the Census

High homeownership rates among those originating from Europe, Canada, and Asia are not surprising, given that the median income for householders originating from these regions was well above the median income of \$36,000 of the typical foreign-born household in 1999. Specifically, European and North American born reported a median household income of \$41,700 and \$46,800, respectively in 1999 — modestly above the native median of \$41,400. The higher median income of households with an Asian-born householder (\$51,400) is attributed to (1) a high proportion of Asian-born workers (both

Select Demographics by Ethnicity 2000

	Median Income ^a	Unemployment Rate	Median Age ^b	Household Size
All Foreign Born	\$36,000	4.9%	48.9	3.26
Europe	\$41,700	2.3%	60.2	2.38
Asia	\$51,400	3.5%	47.1	3.18
Africa	\$36,400	4.6%	46.2	3.08
Latin America	\$29,400	6.6%	43.8	3.72
Caribbean	\$28,700	7.2%	48.0	3.01
Central America	\$28,000	7.0%	42.1	4.09
Mexico	\$27,300	7.3%	42.0	4.21
Other	\$29,900	6.1%	42.8	3.60
South America	\$40,500	3.4%	45.7	3.19
North America	\$46,800	0.9%	58.6	2.32

^a1999

^b16 years and older

men and women) holding higher paying management and professional jobs, (2) a relatively low proportion of householders from Asia who were age 65 or older and were much more likely to be

labor force participants, and (3) about 70 percent of Asian-born women who were in the labor force, resulting in many dual-earner households. Households originating from Africa and Latin America reported lower median incomes of \$36,400 and \$29,400, respectively, compared to all regions — thus, partly explaining the lower homeownership rates among these groups.

Moreover, low unemployment rates helped elevate homeownership among households from Europe, North America, and Asia. All three regions reported unemployment rates well below the average of 4.9 percent for all immigrant groups. In contrast, lower homeownership rates among households from Africa and Latin America may also be attributed to the higher incidence of unemployment.

Age differences may likewise explain some of the regional disparities in homeownership rates. Householders from Europe and North America were most likely to be the oldest, with median ages of 60 years and 59 years, respectively. Asian and African-born followed with median age of 47 years and 46 years, respectively. Those from Latin America were the youngest, reporting a median age of 44 years.

Homeownership was highest among married households in all five regions. Nearly four out of every five married couples from North America and Europe — and three out of every five married couples from Asia and Africa — were likely to own their homes in 2000. Only two of every five married couples from Latin America

were likely to be homeowners in 2000.

Homeownership also is significant for single males and females of European descent. Two out of every five were likely to own their homes in

2000. This rate compares to one out of every five single male or female homeowners from Asia, Africa, Latin America, and South America.

Homeownership Rate by Household Type and Region of Birth

	Europe	Asia	Africa	Latin America	North America
Family households	74.2%	59.6%	48.3%	41.2%	76.4%
Married-couple family	77.6%	61.7%	57.4%	51.2%	78.9%
Nonfamily households	42.5%	25.6%	16.8%	20.4%	-
Living alone	46.1%	26.1%	22.1%	27.2%	-
Two members or more	23.8%	23.8%	-	7.0%	-

Source: U.S. Bureau of the Census

The number of persons in the household appears to have some impact on homeownership — with smaller households more likely to own their abodes. Households of North American and European born tend to be smallest (about two persons per household), while those from Asia and Africa typified the median household size for all foreign-born (which averaged three persons per household). Those from Latin America, particularly Mexico, are likely to have the largest households (around four persons per household).

Geographic Distribution. Foreign-born residents tend to gravitate toward the West and South regions of the United States. Approximately 40 percent and 27 percent of the foreign-born

population in 2000 were located in the West and the South, respectively, while some 23 percent and 11 percent were in the Northeast and Midwest, respectively. The growth of the foreign-born population in California, Florida, and Texas boosted the concentration in the West and South. The proportion of the foreign-born population was highest in the West (18.1 percent) and Northeast (12.3 percent), exceeding the national average of 10.4 percent.

Overall, seven of every ten residents born outside of the United States lived in six states in 2000: California (8.8 million), New York (3.6 million), Florida (2.8 million), Texas (2.4 million), New Jersey (1.2 million), and Illinois (1.2 million). In five of these states, the proportion of foreign born exceeded the national average: California (25.9 percent), New York (19.6 percent), Florida (18.4 percent), New Jersey (14.9 percent), and Texas (12.2 percent).

The bulk of the foreign born settle in large metropolitan areas. Approximately five out of every ten foreign-born people live in nine metropolitan areas with populations of 5 million or more in 2000. The proportion was not significantly different in metropolitan areas with populations of 1 million up to 5 million.

Regional Distribution of Foreign-Born Population in 2000

	Northeast	Midwest	South	West
Europe	39%	17%	20%	24%
Asia	19%	13%	20%	48%
Africa	33%	9%	31%	27%
Latin America	18%	7%	33%	42%
Caribbean	46%	2%	49%	4%
Central America	5%	9%	27%	59%
Mexico	2%	10%	25%	63%
Other	17%	6%	36%	41%
South America	46%	5%	35%	14%
North America	24%	14%	23%	39%

Source: U.S. Bureau of the Census

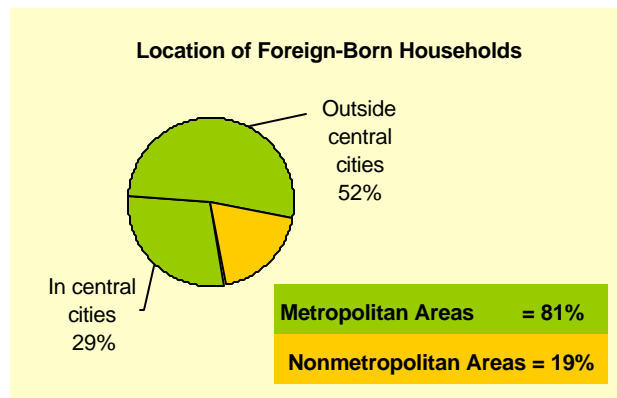
Top Metro Destinations for Immigrants in 2000

	Foreign-Born Population	Percent Foreign Born
Los Angeles-Riverside-Orange County, CA CMSA	4,708	30%
New York-Northern New Jersey-Long Island, NY-NJ-CT-PA CMSA	4,690	23%
San Francisco-Oakland-San Jose, CA CMSA	2,007	28%
Miami-Fort Lauderdale, FL CMSA	1,647	43%
Chicago-Gary-Kenosha, IL-IN-WI CMSA	1,070	12%
Washington-Baltimore, DC-MD-VA-WV CMSA	862	12%
Boston-Worcester-Lawrence, MA-NH-ME-CT CMSA	720	13%
San Diego, CA MSA	713	25%
Houston-Galveston-Brazoria, TX CMSA	675	15%
Dallas-Fort Worth, TX CMSA	673	13%

Source: U.S. Bureau of the Census

However, not all big metropolitan areas are likely to draw immigrants. For example, Atlanta and Seattle, the nation's 11th and 13th largest MSAs, attract relatively few newcomers, with the foreign born comprising only 5 percent and 9 percent of the population in Atlanta and Seattle, respectively.

There also appears a notable trend for immigrants to move directly to the suburbs of these large metropolitan areas or gateway cities. In particular, the majority of immigrants from Europe, Asia, and South America now live in the suburbs, as well as half of immigrants from Latin America, particularly Mexico. As a result, ethnically oriented shopping centers have sprouted up in the suburbs of metropolitan areas, providing an important source of jobs and tax revenues to municipalities.



Source: U.S. Bureau of the Census

Some immigrants continue to live in central cities, where ethnic groups tend to cluster in identifiable neighborhoods. Approximately one out of every eight persons living in central cities of metropolitan areas is foreign born. This number tends to be higher in central cities of large metropolitan areas, with one out of every four residents being foreign born.

Housing Structure and Value.

Foreign-born households do not significantly differ from native-born households in their choice of housing. Research from the Joint Center for Housing Studies at Harvard University indicates that more than 70 percent of recent first-time foreign-born homebuyers purchased detached single-family homes. However, immigrants are less likely to live in mobile homes and more likely to purchase multifamily units than native-born homebuyers.

Housing size per person tends to be smaller for immigrants compared to native-born buyers. This is largely a reflection of the larger household size among immigrants and smaller homes purchased relative to native-born buyers. Those from Latin America reported the smallest median housing

Housing Characteristics

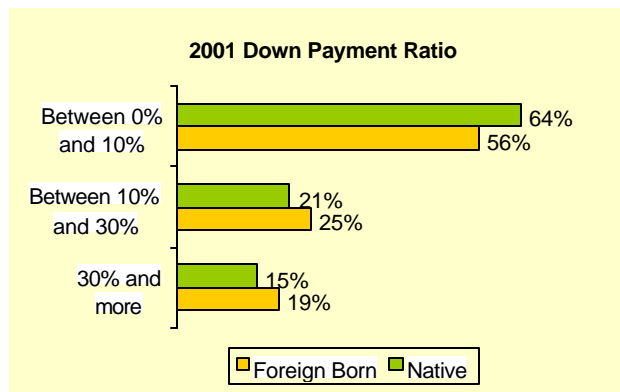
Type of Housing Structure	Foreign Born	Native Born
One-unit building, detached	71.0%	73.0%
One-unit building, attached	12.0%	8.0%
Building with two apartments or more	10.0%	6.0%
Mobile home	7.0%	13.0%
Age of Building		
Pre-1950	19.0%	23.0%
1950-1969	27.0%	23.0%
1970-1984	25.0%	21.0%
1985-2001	28.0%	34.0%
Median Sq. Ft. of Unit	1,326	1,400
Median Sq. Ft. per Person	368	500

Source: R. Drew, "New Americans, New Homeowners: The Role and Relevance of Foreign-Born First-Time Homebuyers in the U.S. Housing Market." Joint Center for Housing Studies at Harvard University, August 2002

size, given that they generally tend to have more persons in their households compared to other immigrant groups.

Home property values of immigrants tend to be higher than those of native-born homebuyers. Research from the Joint Center for Housing Studies at Harvard University shows that the median house value of immigrant first-time homebuyers was \$150,000, while that of the native-born was only \$100,000. One primary driver of the high median home price is the location of the immigrants. Notably, immigrants are concentrated in large metropolitan areas that are characterized by steep home prices. Most of the top 10 metro destinations of immigrants reported median sales price of existing single-family homes that are well above the national average of \$158,000 in the second quarter of 2002. In particular, Los Angeles, New York, San Francisco, Miami, Chicago, Washington DC, Boston, and San Diego reported a median home price for single-family homes ranging between \$173,000 and \$541,000 in the second quarter of 2002.

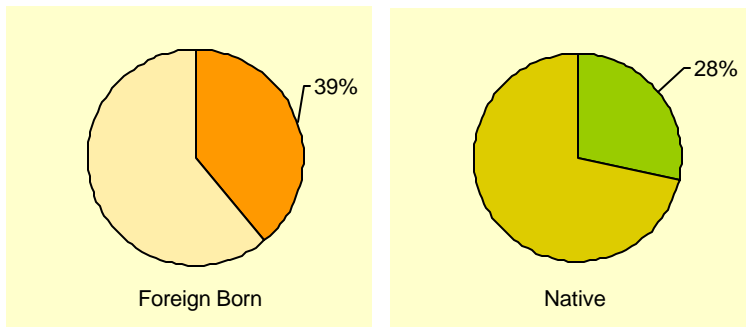
Home Financing. Various factors have contributed to promoting homeownership in the immigrant market. Among the most important were low interest rates, market and product innovation within the mortgage industry, and regulatory changes. The climate of low interest rates increased the affordability of mortgage loans, offering immigrant borrowers more financial leeway through lower monthly payments. Also, competition among lenders helped to redefine underwriting guidelines to accommodate more borrowers among immigrants. In addition, changes in the regulations have spawned a variety of programs that offer convenient and flexible mortgage financing and other incentives for minority and immigrant households. All of these forces fueled mortgage lending and ignited housing activity in the immigrant market.



Source: R. Drew, "New Americans, New Homeowners: The Role and Relevance of Foreign-Born First Time Homebuyers in the U.S. Housing Market." Joint Center for Housing Studies at Harvard University, August 2002

Other research from the Joint Center for Housing Studies at Harvard University reveals that despite the proliferation of favorable financing programs, recent first-time foreign-born homebuyers are still opting to make larger down payments compared to native-born buyers. Households from Asia tend to make the largest down payments, while those from

Housing Cost as a Share of Income, 30% and Higher



Source: R. Drew, "New Americans, New Homeowners: The Role and Relevance of Foreign-Born First-Time Homebuyers in the U.S. Housing Market." Joint Center for Housing Studies at Harvard University, August 2002

Latin America tend to make the smallest.

Despite their larger down payments, foreign-born households tend to allocate a higher share of their income to housing compared to native-born households. Nearly 40 percent of recent first-time foreign-born homebuyers claimed that at least 30 percent of their income was used toward their mortgage payment, compared to only 28 percent of comparable native-born homebuyers.

Identifying the Determinants of Immigrant Homebuying

The discussion above highlights the following factors that determine homebuying activity among immigrants:

1. *Age.* The typical foreign-born household today is likely to be young, which suppresses homeownership attainment because homeownership rates rise with age. Notably, younger households tend to have lower incomes and, thus, are more inclined to rent.
2. *Citizenship.* Immigrants who become U.S. citizens own homes at substantially higher rates than non-citizens across all age groups. In some cases, immigrants who have achieved U.S. citizenship have been as successful in becoming homeowners as their native-born counterparts.
3. *Length of Stay in the United States.* Homeownership is more likely the longer immigrants remain in the United States. After 20 years in the United States, older immigrant households' homeownership rates match or even surpass those of native-born households.
4. *Education and Income.* Attainment of higher levels of education and income help to boost homeownership for some foreign-born households, particularly those who have obtained their U.S. citizenship.
5. *Family Composition and Size.* Immigrant households who buy a home are prone to overcrowding because they tend to have larger households. Notably, new immigrants tend to live with relatives initially, and in some cases, multiple families share dwellings until they become established. As a result, immigrants tend to have a lower rate of household formation compared to the native born. Being married improves the chance of homeownership attainment among immigrants. Also, the smaller number of persons in the household appears to elevate homeownership.
6. *Region of Origin.* Differences in household characteristics contribute to disparities in homeownership attainment among immigrant groups. Higher median income, educational attainment, and smaller household size have helped sustain above-average homeownership rates for households from Europe, North America, and Asia, compared to other immigrant groups. Those from Latin America and Africa are more likely to be rental households and have homeownership rates that are below the average for the entire foreign-born households because they are likely to be younger or earning a lower median income. However, every group's propensity to own a home increases the longer they stay in this country.

7. *Location.* The concentration of immigrants in metropolitan areas with high housing costs contributes to their lower homeownership attainment. Moreover, since immigrants tend to cluster in a few states (71 percent of all new immigrants settled in six states in 2000), the impact of immigration on housing activity tends to be regional.
8. *Home Financing* The combination of increased competition and partnerships between public and private institutions promoting homeownership led to the creation of innovative funding programs that have helped expand homeownership into the immigrant market.

Looking to the Future

Recent immigration trends signal business opportunities in this niche. REALTORS® particularly in gateway states should expect a higher tenancy from new immigrants. This is a welcome development, given that demographics show a rising trend in homeownership among the native population. Hence, look for the immigrant population to help replace traditional renters. This demand requires REALTORS® to work with various public and private groups committed to increasing homeownership opportunities. Over time, expect an increase in demand for new and existing homes from immigrants who have established themselves.