Positive outcome, exclusive process? Assessing effects of immigration on housing price change in established and new destinations

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Highlights

- This study uses an instrumental spatial Durbin model to examine how immigration affects housing prices while addressing endogeneity and spatial dependence.
- Micropolitan statistical areas are included in the categorization of immigrant destinations.
- Immigrants' positive effects on housing prices are primarily driven by spatial spillover.

Introduction

- Foreign-born populations are currently located in a more diverse set of communities than at any other point in U.S. history .
- Housing prices are indicative of social status due to the considerable socioeconomic resources tied to them.
- This study examines the effect of immigration on housing prices in established and new destinations within the U.S. using county-level data spanning from 2011 to 2017.

Questions

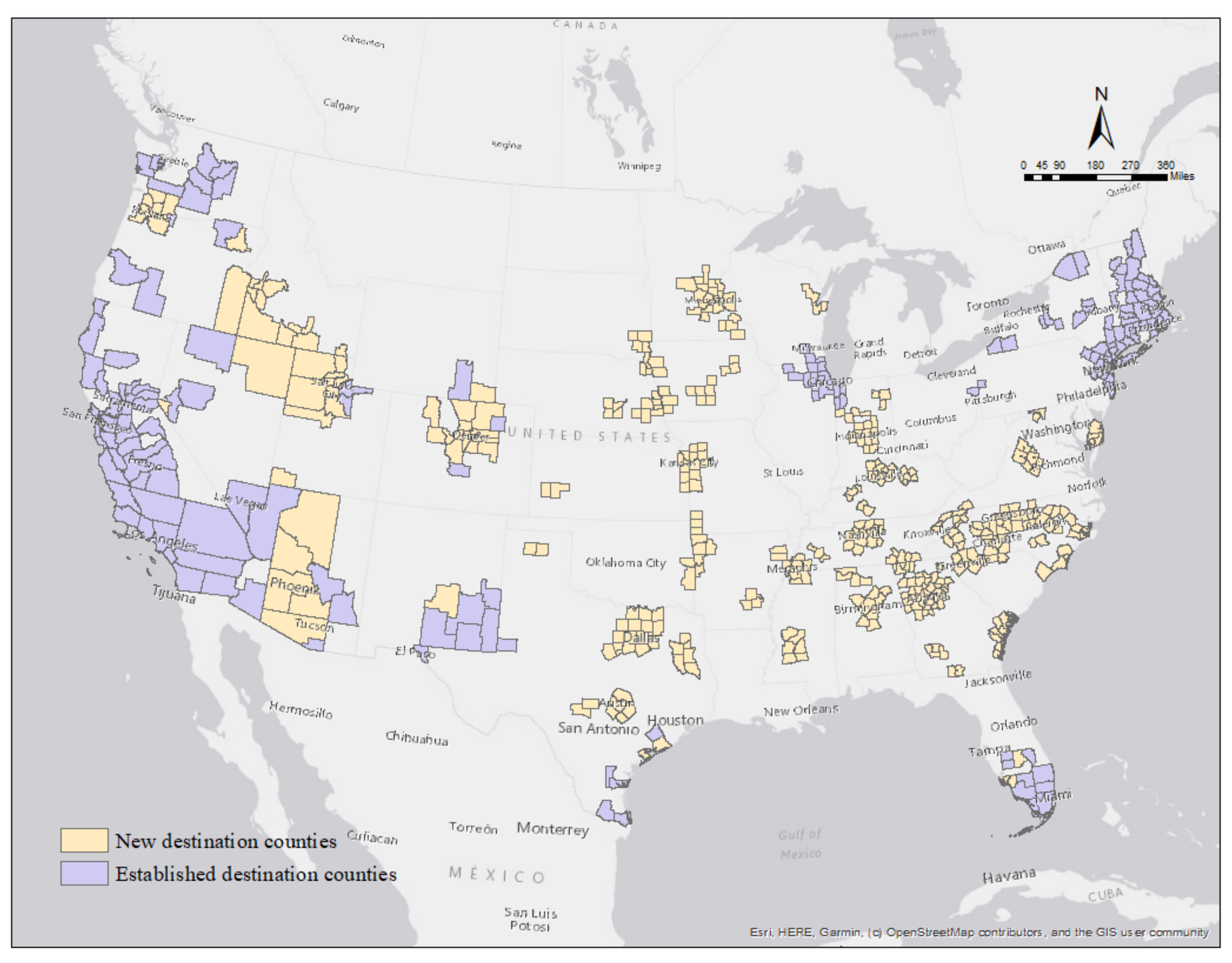
- Is immigration concentration associated with housing price appreciation across established and new destinations?
- Does this association vary between established and new destinations?

Methods

- This study uses an instrumental spatial Durbin model with immigrant children school enrollment rate as the instrument.

$$\Delta \ln(H_{c,t}) = \rho W \,\Delta\ln(H_{c,t}) + \delta_1 \frac{Immigrants_{c,t-1}}{Population_{c,t-2}} + \beta_1 X_{c,t} + \delta_2 W \frac{Immigrants_{c,t-1}}{Population_{c,t-2}} + \beta_2 W X_{c,t} + \varepsilon_c$$

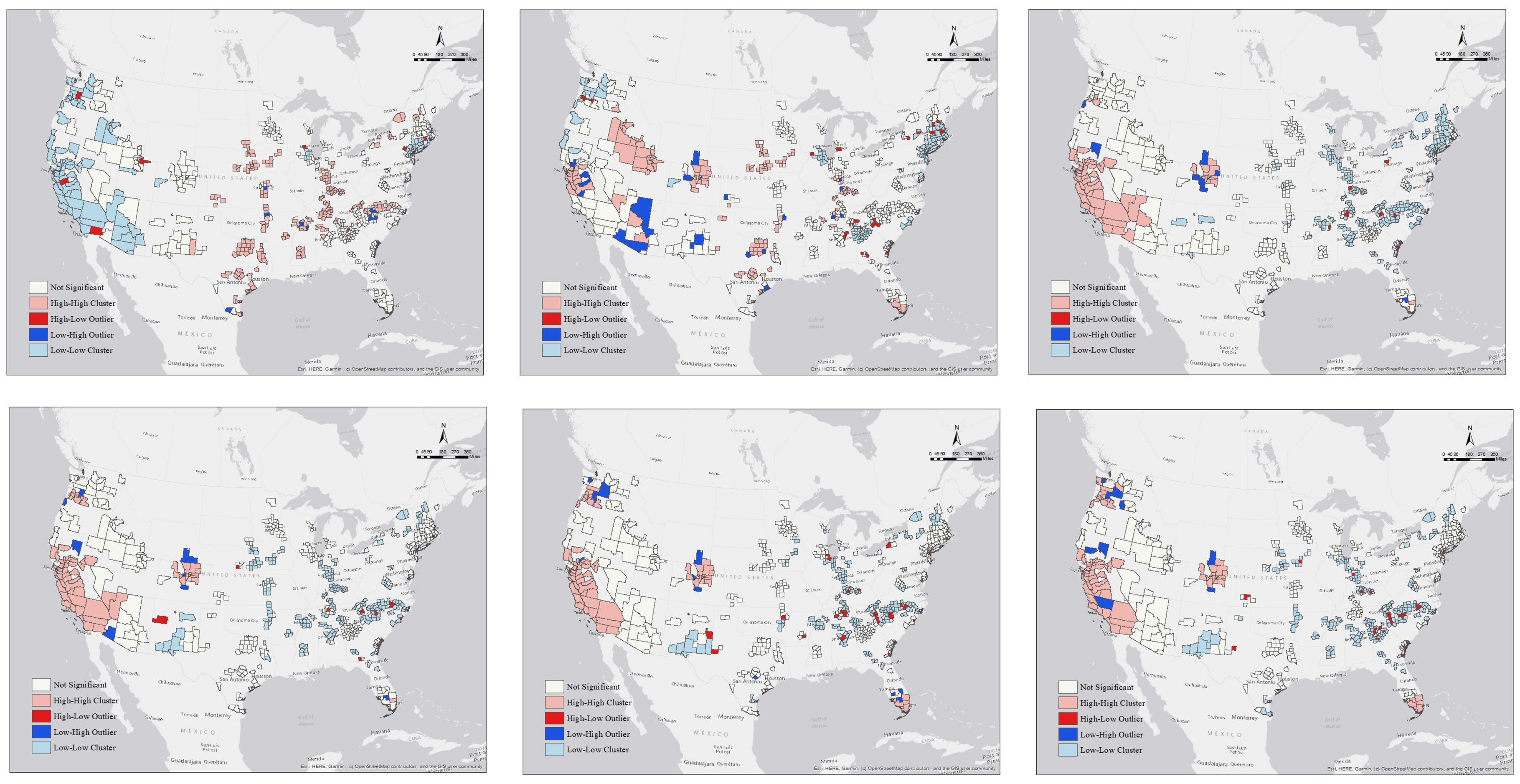
- The categorization of immigrant destinations in this study follows previous literature by Hall and Crowder (2014) and Lichter et al. (2010) that distinguish destinations as "established" and "new".

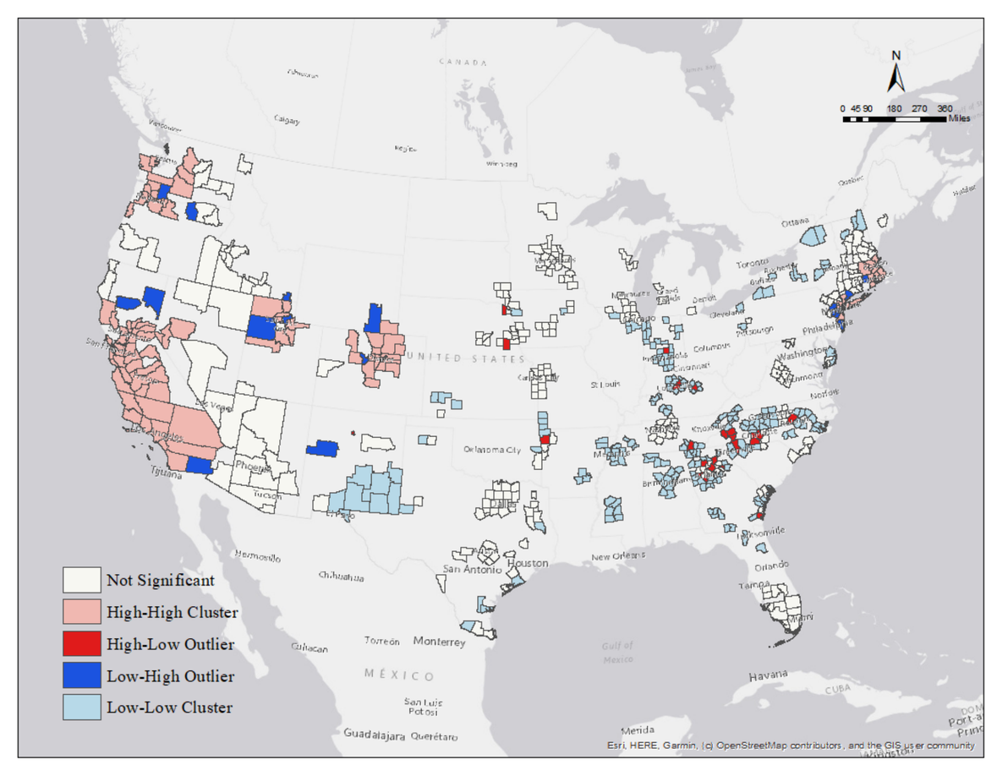


Results

SDM Results of Immigration Inflow on Housing Price Index (established destinations only)

Variables	Model 1a SDM with fixed effects			Model 1b Instrumental SDM with fixed effects		
	Direct effect	Indirect effect	Total effect	Direct effect	Indirect effect	Total effect
Immigrants as a share of county population	-0.575**	0.487	-0.088	0.207	**2.202****	2.410*
	(0.266)	(0.342)	(0.488)	(0.594)	(0.917)	(1.242)





Anselin Local Moran's Index (Cluster and Outlier Analysis) of Housing Price Index

2011	2012	2013
2014	2015	2016
2017		

SDM Results of Immigration Inflow on Housing Price Index (new destinations only)

Variables	Model 2a SDM with fixed effects			Model 2b Instrumented SDM with fixed effects		
	Direct effect	Indirect effect	Total effect	Direct effect	Indirect effect	Total effect
Immigrants as a share of county population	-0.312	-0.187	-0.499	-0.027	-0.012	-1.083
	(0.194)	(0.367)	(0.485)	(0.968)	(0.340)	(1.564)

- Immigration inflows are associated with rising housing prices in established destinations.
- This positive effect is essentially constituted by the spatial spillover of the price effect of immigrant inflows.
- Hispanic immigrants are a stronger predictor of housing price appreciation compared to Asian immigrants, although their impact on housing prices is likewise mainly a result of their ripple effects.
- With the geographical diversification of new immigrants, established and new destinations exhibit spatial heterogeneity in the effects of immigration.

Discussions & Conclusions

- The considerable spatial spillover effect can be explained by native out-migration triggered by immigration.
- These findings call attention to the process, not just the outcome, of immigrant residential attainment.
- The results in new destinations may be ascribed to its internal heterogeneity.

AAG American Association of Geographers

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