

# THE VALUATION REPORT

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## Surge of Immigrants Contributes to Demand for Rental Housing

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The growing immigrant population in the United States continues to create a strong source of demand for rental housing. According to the Harvard Joint Center for Housing Studies State of the Nations Housing report for 2003, foreign-born households account for one in five renter households. Of these, half arrived in this country in the past 10 years.

Because of these high numbers, the immigrant population has been a major component in recent discussions of the current and future health of the apartment rental market. The National Council of Affordable Housing Market Analysts (NCAHMA) included the topic at its January conference. In addition to being a large part of the renter population, immigrants comprise 20 percent of low-wage workers, according to the Urban Institute Immigration Studies Program, thereby making them a key target market for affordable rental housing.

Analyzing the long-term outlook for multifamily rentals requires consideration of immigration policies and forecasts. Paul Emrath, of the National Association of Home Builders, stressed in his speech at the conference that "if interested in affordable rental housing development, you want to pay attention to immigration policies." Immigration policies are an important consideration because, Emrath observed, if policies tighten due to security, there would be fewer people immigrating to the United States.

This concern was also addressed in the recent Real Estate Market Outlook for 2004 published by the Urban Institute. Post-9/11 immigration policies, due to security concerns, are becoming stricter. Especially affected will be major urban centers such as Boston, Miami, New York, Los Angeles and San Francisco where the immigrant population has been the fuel for apartment market demand. During a time when overall demand is decreasing due to changes in household structure and an increase in home-buying, immigrants will remain a strong source of hope for the future health of the rental market.

Emrath also stressed the importance of immigration forecasts. If the projected number and characteristics of immigrants does not match reality, long-term expectations of multifamily housing will be partially flawed. For instance, there may not be enough existing or planned multifamily housing to facilitate the demand if more immigrants than expected move to an area.

Analyzing the long-term outlook for multifamily rentals requires projecting the number of renter households. The Census Bureau projects the number of households in a geographic area using the decennial census as a base and adding the predicted number of births and deaths, the number of households moving into and out of a geographic area, and the number of immigrants that are predicted to immigrate to the various geographic locations. The current census projections of net immigrants per year were last updated in early 2000, and the projected number of net immigrants per year was a modest estimate of 800,000 and a high of 1.7 million. In reality, net immigrants have totaled approximately 1.5 million annually since the late 1990s, which puts the actual figures below the forecasted high, but far above the more conservative estimate.

Because households may be under- or over-estimated, a region's immigration trends should be taken into consideration when forecasting market demand, rather than just relying on a basic household projection. The difference between the projected and actual numbers from the Census Bureau's latest estimates explains why multifamily housing construction exceeded expectations in the late 1990s, and why demand for rental apartments should increase between 2006 and 2012.

In the past eight years, out of all multifamily renters, immigrants have accounted for 8.7 percent. The eight markets with the largest immigrant renter household populations have been determined by the 2000 Census. The eight metro area market areas and the share of the

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# Surge of Immigrants

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multifamily renter market that they comprise are:

♦ San Jose, Calif. PMSA	26.6%
♦ Miami, Fla. PMSA	25.5%
♦ Middlesex-Somerset-Hunterdon, N.J. PMSA	21.2%
♦ Dallas, Texas PMSA	14.0%
♦ Fort Lauderdale, Fla. PMSA	14.0%
♦ Jersey City, N.J. PMSA	13.7%
♦ Houston, Texas PMSA	13.6%
♦ Raleigh-Durham-Chapel Hill, N.C. MSA	13.6%

Going forward, it is important for market analysts to understand the dynamics of the immigrant population in a study area. Staying informed of changes in immigration policy, as well as actual immigration numbers can help an analyst project future demand for rental housing in a market by determining if, perhaps, projected household growth numbers are over- or under-stated due to changes in the influx of this key population. ♦

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