



BRIEFING

Migrants and Housing in the UK: Experiences and Impacts

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www.migrationobservatory.ox.ac.uk

This briefing reviews the evidence on migration and housing in the UK.

Key Points

The foreign-born population has significantly lower ownership rates (42% were home owners in the second quarter of 2017) than the UK-born (69%).

The foreign-born population is almost three times as likely to be in the private rental sector (41% were in this sector in the second quarter of 2017), compared to the UK-born (15%).

UK-born and foreign-born individuals living in London tend to have lower home ownership rates, and a higher likelihood of being in the rental and social housing sector relative to the rest of the UK.

Recent migrants (i.e. those who have been in the UK for five years or less) are almost twice as likely to be renters (80% were in the private rental sector in the second quarter of 2017), compared to all migrants. Those migrants who have been in the UK longer tend to have accommodation similar to that of the UK-born.

UK-born and foreign-born individuals have similar levels of participation in social housing (about 16% of UK-born individuals and 17% of foreign-born individuals were in social housing during the second quarter of 2017).

Research on the impacts of migration on housing costs has not reached a firm conclusion.

Understanding the evidence

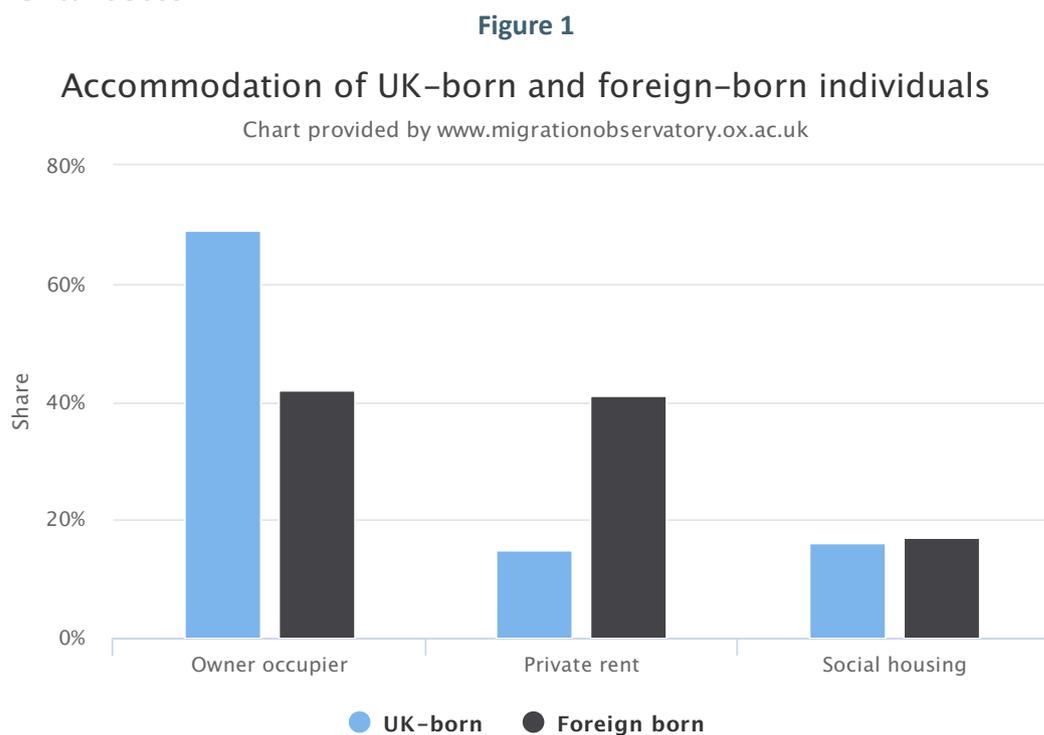
The determinants of migrants' experiences in and impacts on the UK housing system include many factors such as migrants' characteristics (e.g. age, income level, type of visa, time in the UK), preferences (e.g. household size, renting versus owning, minimum acceptable level of quality of accommodation) and restrictions of access to social housing. Therefore, different types of migrants, with different rights, opportunities and resources are likely to have very different experiences in and impacts on the UK housing system.

Positive net migration may affect house prices and rents. In the case of social housing, where there is no price mechanism, positive net migration can lead to a shortage or increase shortage of social housing. The magnitudes of these impacts depend on the responsiveness of the supply of housing to changes in demand. The impact of immigration on housing can also be expected to vary across local areas with different housing markets and experiencing different scales of migrant inflows and outflows. There can also be important inter-relationships between the owner occupier sector and the private rented sector. For example, the increased demand for rented accommodation may encourage more investors to enter the buy-to-let market, which in turn could increase house prices.

The UK imposes limitations on access to public benefits, including social housing, for some types of migrants. In most instances, recent migrants from outside the European Economic Area (EEA) cannot claim social housing benefits. Non-eligible migrants may still increase the demand for social housing by displacing the eligible population from the private rental sector.

Foreign-born individuals have lower ownership rates than UK-born individuals and greater representation in the rental sector

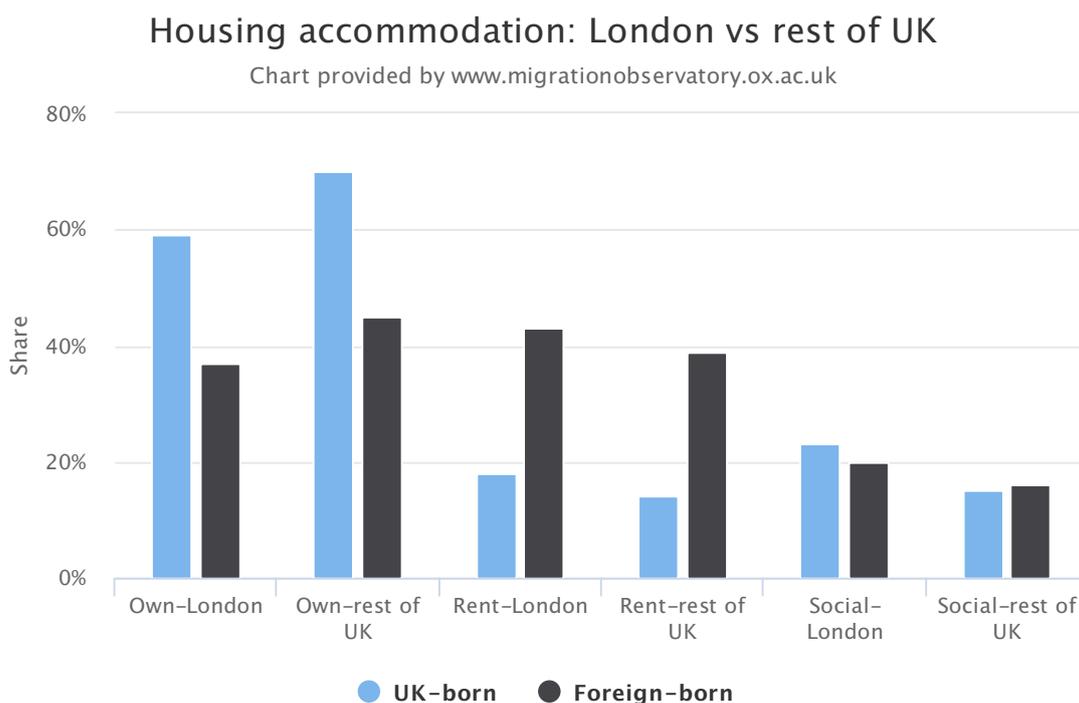
Figure 1 shows the types of accommodation reported by UK-born and foreign-born individuals in the Labour Force Survey (second quarter of 2017). Foreign-born individuals have significantly lower ownership rates (42% are home owners) than the UK-born (69% are home owners). On the other hand, foreign-born individuals are almost three times as likely to be in the private rental sector (41% rent), compared to the UK-born (15% rent).



Note: The shares may not add to 100 due to rounding.

A comparison of the results for London versus the rest of the UK suggests that for both UK-born and foreign-born individuals, those living in London tend to have lower home ownership rates, and a higher likelihood of being in the rental sector and social housing. Similar proportions of UK-born and foreign-born are in social housing, both inside and outside of London.

Figure 2



Recent migrants are twice as likely to be renters compared to other migrants

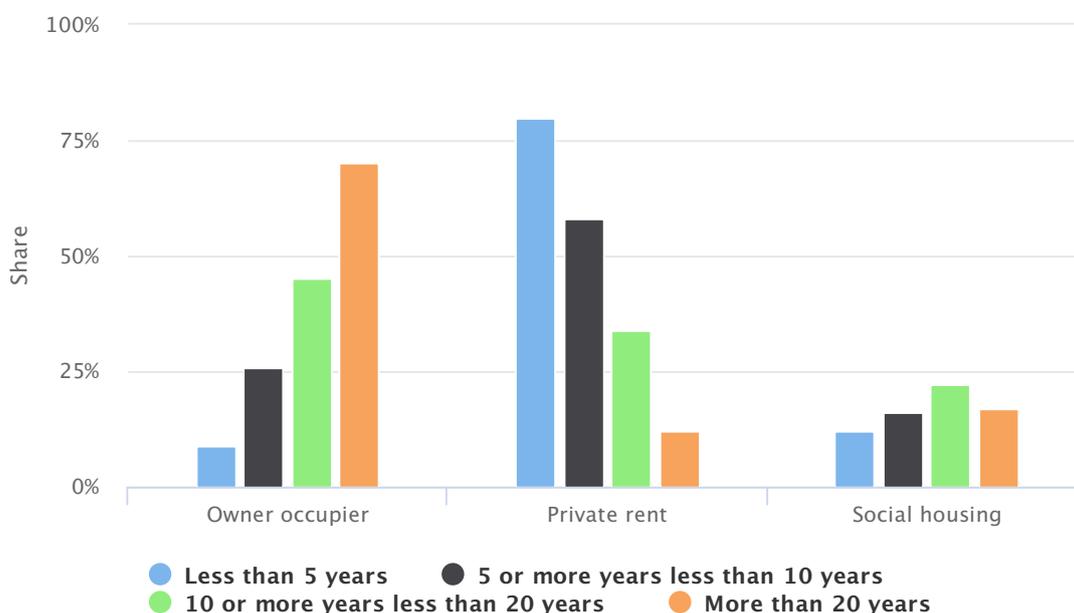
Given the different characteristics of recent migrants to the UK compared with previous incoming migrant groups, it is likely that recent cohorts of migrants differ in terms of their housing experiences from previous ones. Figure 3 shows that migrants who entered the UK recently (i.e. fewer than 5 years ago) differ significantly from other foreign born arrival groups in regards to type of accommodation. These recent migrants are much more likely to be renters (80%) compared to the average among all foreign born (41%). Yet, those who have been in the UK longer tend to have housing accommodation that is closer to that of the UK-born. In fact, the housing accommodation of those who have been in the UK for 20 years or more is very similar to that of the UK-born, with 70% in owner occupied housing, 12% in private rent and 17% in social housing.

These differences in accommodation for different cohorts of migrants may reflect a degree of convergence over time of migrant accommodation with the UK-born accommodation, but it is not possible to draw such a conclusion from these cross-sectional data. Research on the housing pathways of new immigrants in the UK suggest, however, that most new migrants moved into temporary accommodation upon arrival. Migrants who are only staying for a short period in the UK may tolerate living in overcrowded conditions or even in low quality housing. However, after that their stay in the UK could be it is common for migrants to look for better housing choices including particular neighbourhoods and avoiding sharing accommodation with other families (Robinson et al. 2007).

Figure 3

Accommodation of foreign-born by time in the UK

Chart provided by www.migrationobservatory.ox.ac.uk



Source: ONS Labour Force Survey, 2017, Q2

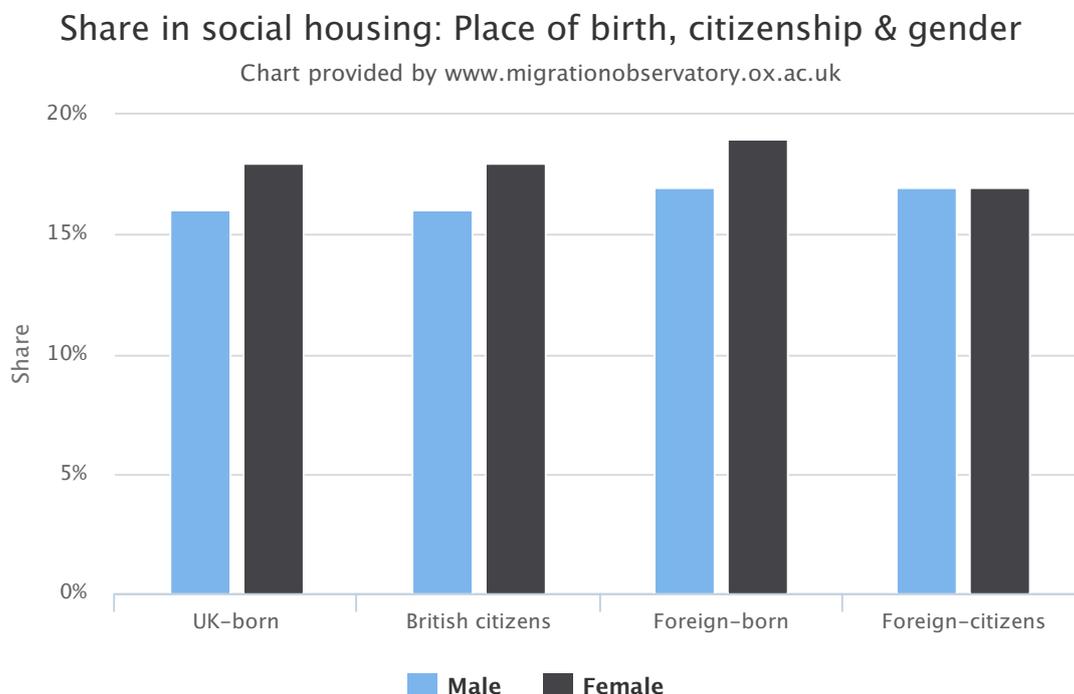
Note: shares may not add to 100 due to rounding. "years < 5" indicates less than 5 years in the UK, "5 <= years < 10" indicates 5 years or more, but less than 10 years in the UK, "10 <= years < 20", indicates 10 years or more, but less than 20 years in the UK, "years => 20" indicates 20 years or more in the UK.

UK-born individuals and foreign-born individuals have similar levels of participation in social housing

Not all migrants are eligible for social housing. In order to be eligible, migrants must have, in general, settlement status or be a national of the EEA (see the Housing Rights Information website for details about the different housing rights of migrants). As shown in Figure 1, about 16% of UK-born and 17% of foreign-born individuals

live in social housing (2017). While there are variations, these participation rates are somewhat stable over time. As shown in Figure 4, women are on average slightly more likely than men to live in social housing. This gender difference largely holds whether considering UK-born compared with foreign-born, or British citizens against foreign citizens.

Figure 4



The Centre for Economic Performance (2010) estimates that migrants are 5% less likely than the UK-born to be in social housing on arrival after controlling for migrant's characteristics. They also find that the probability of migrants using social housing benefits increases by 0.08% per year in the UK.

While there are no major differences in the use of social housing between the foreign-born and the UK-born populations, there have been claims in the popular press that migrants often receive priority status in the allocation of social housing. Several studies have failed to find evidence supporting this claim (e.g. Battiston et al. 2014, Rutter and Latorre 2009, Robinson 2010). However, some migrant groups are more likely to have the characteristics required to gain priority for social housing and this is one of the reasons for the claim that migrants often receive priority status. Social housing allocation policies vary by location, making it difficult to generalise these findings.

Research on the impacts of migration on housing costs has not reached a firm conclusion

Migration contributes to demand for housing through its contribution to population growth. Given that the supply of housing in the UK has increased more slowly than demand (Barker, 2004), migration may be expected to increase housing costs. The determinants of the costs of housing are complex, however, and establishing the contribution of migration is therefore a difficult exercise. Costs of housing take different forms – notably house prices, the private rental market and (low-cost) social housing – affecting different groups in different ways, depending on the type of housing they are most likely to occupy. In addition to demographic factors affecting the number of households (such as population growth and average family size), demand also depends on factors such as income growth and the availability of mortgage credit (Belfield et al., 2015).

Evidence on the impacts of migration on house prices in the UK remains inconclusive. Some studies have addressed this question by comparing house prices in areas with lower and higher levels of migration. They found, counterintuitively, that migration to a local area led to a decrease in house prices. Using data from 2003 to 2010 for England and Wales, Sá (2014) found that a 1% increase in the stock of the foreign-born relative to the local population led to a decrease of 1.7% in house prices. A similar result emerged from a study by Braakmann (2013), who also found that price decreases took place primarily at the bottom of the distribution (i.e. in less expensive housing).

However, these results are explained in part by the out-migration of UK-born people from areas with increasing in-migration, which reduces the demand for houses there. The Migration Advisory Committee (2014) has argued that while migration may be associated with house price decreases at the local level, the out-migration of UK nationals to other areas could mean that on average, migration increases house prices across the UK as a whole.

Evidence gaps and limitations

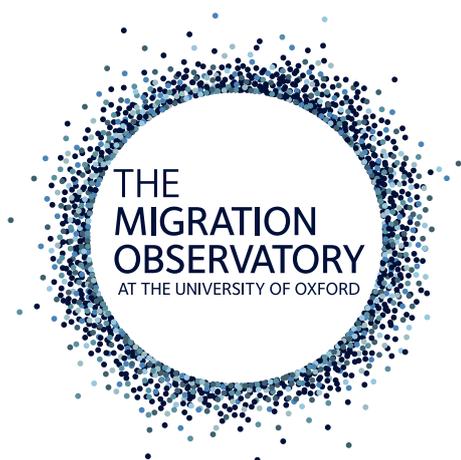
Recent migrants are particularly likely to be in private rented housing. As a result, migration may be expected to affect prices in the private rental market to a greater extent. In practice, the research to date provides limited insight into the magnitude of any effect, in part because of data limitations.

Immigration may also affect the mix of houses sold at any point in time. For instance, immigration may lead to an increase in additional sales of low quality houses, which when considered as a whole may suggest a reduction in the average price of houses in the area but it is the result of a change in the mix of houses in the market. Given the lack of information on the prices of the houses that are currently out of the market there remains great uncertainty about the impact of immigration on house prices. In addition, while immigration may affect the price of housing in a certain area, it is likely that the price of housing itself affects immigration decisions. Therefore, it is challenging to establish a causal relationship between the price of housing and the level of immigration. Finally, whilst wealthy foreign citizens own a considerable share of London's high-end property market, there is not much information about the impact of immigration at the top end of the housing market.

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The Migration Observatory

Based at the Centre on Migration, Policy and Society (COMPAS) at the University of Oxford, the Migration Observatory provides independent, authoritative, evidence-based analysis of data on migration and migrants in the UK, to inform media, public and policy debates, and to generate high quality research on international migration and public policy issues. The Observatory’s analysis involves experts from a wide range of disciplines and departments at the University of Oxford.



COMPAS

The Migration Observatory is based at the Centre on Migration, Policy and Society (COMPAS) at the University of Oxford. The mission of COMPAS is to conduct high quality research in order to develop theory and knowledge, inform policy-making and public debate, and engage users of research within the field of migration.

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