

# Non-EU migrants compete mostly with each other for housing; their impact on house prices is minimal.

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*One of the coalition's key policies is to reduce net migration below 100,000 to take pressure off public services, particularly housing. But the government is only able to target migration from outside the EU. What exactly is the impact of non-EU migrants on the UK and its housing market? **Kath Scanlon** finds that skilled non-EU migrants in the UK mostly live in privately rented accommodation and have affected house prices by less than 1 per cent over 5 years.*



Last summer saw the government put forward proposals to drive net migration in the UK to fewer than 100,000. The ability of the coalition government to meet this target depends on its capacity to control immigration from outside the EU and to set conditions in which most of those who are allowed to enter return home after a period of productive work. The main rationale for restricting immigration is expressed as the pressure that increased population put on public services, particularly housing, and on social cohesion. Yet there is very little research into the impact of immigration from *outside* the EU on these services – most existing research is on those people, such as refugees, who are likely to be quite heavy users of these services. In this context, earlier this year the Migration Advisory Committee asked **LSE London** to look at how migration under Tiers 1 and 2 of the Points Based System—essentially skilled workers from outside the EU—might affect the UK housing market.

The number of non-EU migrants is relatively small compared to the overall total of immigrants. But Tiers 1 and 2 migrants are likely to be working in relatively skilled, well-paid jobs, and as they are concentrated in particular locations their consumption of services and housing will be concentrated in these areas.

According to evidence from the UK Borders Agency about 30,000 migrants enter with Tiers 1 and 2 visas and expect to stay for at least a year (the definition of 'long-term migrant'). The total number of such migrants each year, including dependants, is probably about 45,000. Determining where and in what type of housing they will live is not straightforward. Unlike some countries, the UK does not require foreigners to register their addresses. Visa records contain locational information about employers, but not about the migrants themselves. What we do learn from existing research is that after their arrival in the UK, migrants (even better-off ones) form fewer households than the indigenous population; live disproportionately in private renting; and live at higher densities. But the longer they stay in the country, the more their housing consumption resembles that of similar indigenous households.

We do not have direct information

about where migrants lived, but we do know where their sponsoring employers were located—and we assumed that the migrants would choose to live within commuting distance of their jobs. Analysis of this employer-location data showed particular concentrations of Tier 2 migrants in London, Reading, Ipswich and Aberdeen – but even in these areas they made up only a small proportion of transactions in the local housing market.

Because we have little data specifically about Tiers 1 and 2 migrants, we looked at large government surveys (the Labour Force Survey, the Annual Population Survey and the English Housing Survey) that provide evidence about

households that were *similar* to them in terms of national origin, age, sex, workplace location and education. We also carried out qualitative research, conducting a web-based survey of estate agents and interviewing relocation agents and major employers of Tier 2 migrants. Looking at the statistics about Tier 2-migrant-type households, we could draw some tentative conclusions about the kinds of households they formed and their housing tenure. We then could make some judgements about how (and where) they might affect housing demand and supply and the price of housing both initially and into the longer term.

Migrants tend to be younger than the general population and to be either single persons or couples. Among visa holders perhaps 75 per cent or so form separate households in the first year. The rest mainly share private rented accommodation. Over time the proportion forming households and their household structure moves more towards the UK average.

When they first arrive in the UK, about 70 per cent of these migrants live in private rented housing. This figure is nearer 80 per cent when we include those who live with friends and family or are housed by their employers. The remainder- 20 per cent- go mainly into owner-occupation; there are virtually none in social housing. This tenure mix changes only slowly, with owner-occupation rising to 45 per cent after 5 years – a little over half the proportion for similar indigenous households. This implies that the most important housing market impact is on the private rented market, especially given the extent of turnover among migrants.

Past experience showed that after five years, nearly 30 per cent of Tier-2 type migrants achieved permanent status (although intra-company transfers, who make up more than half of Tier 2 migrants, cannot apply). Assuming that the rates of entry and stay of these migrants remain constant over the next five years, by 2017 they will account for about 112,000 additional households. This compares to projections of around 1.5 million additional households in the UK overall during the same period.

Overall the impact of these migrants, even in those housing markets where they are concentrated, is small—certainly much lower than the effect of EU migration. Competition seems to be mainly with other migrants rather than settled households. The impact on house prices of the accumulated increase in Tier 2 type immigrants over a five-year period is likely to be well below 1 per cent. This might generate some transfer of properties to the rented sector but the effect on total new supply is likely to be very limited indeed.



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LSE London's full report to the Migration Advisory Committee is available [here](#).

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