The top 10 markets for first-time homebuyers: Zillow

A bevy of cities in Texas and Florida offer the most bang for first-time homebuyers' bucks, according to Zillow's latest analysis released Wednesday.

Thanks to an abundance of undervalued homes ripe for appreciation, Tampa, Florida, topped the list alongside Orlando, Florida, which also cracked the top five. Houston, San Antonio and Dallas comprised the list of Texas cities ranked among the top 10, according to the Zillow analysis.

First-time homebuyers make up 42 percent of all homebuyers nationwide, according to Zillow Senior Economist Aaron Terrazas, who said that in January inventory of the least expensive homes fell 17.1 percent year-over-year, compared to a 9.7 percent decrease for all homes. Last year, nearly a quarter of home sales were above the listed price due to strong competition.

"More and more millennials are reaching the point in their lives where they are ready to buy a home, but they are entering a highly competitive housing market that has been plagued by low inventory, especially among entry-level homes," said Terrazas. "Southeastern markets will be easiest for new buyers, where homes are more affordable and there's less competition. People planning to buy for the first time in some of the tougher markets should be prepared to face a more competitive environment, but that doesn't mean they should count out buying entirely."

Zillow determined the rankings by analyzing low-median home values, which require smaller down payments, in 35 of the largest U.S. cities. Forecasted home value appreciation, inventory-to-household ratio and listings with price cuts were also considered in the analysis.

10 best markets for first-time homebuyers

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1. Tampa, Florida

2. Indianapolis, Indiana

3. Houston

4. Orlando, Florida

5. San Antonio

6. Saint Louis

7. Philadelphia

8. Atlanta

9. Las Vegas

10. Dallas

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