What’s the best market for first-time homebuyers?

Beyond the warm weather and picturesque beaches, Floridians now have some something else to gloat about — having two of the most affordable markets for first-time buyers.

Zillow

The Most and Least Favorable Markets for First-Time Homebuyers (Spring 2017)

10 Markets Most-Favorable to First-Time Buyers	10 Markets Least-Favorable to First-Time Buyers
Memphis, Tennessee	San Francisco, California
Oklahoma City, Oklahoma	San Jose, California
Orlando, Florida	Los Angeles, California
Tampa, Florida	San Diego, California
Jacksonville, Florida	Portland, Oregon
Rochester, New York	Salt Lake City, Utah
Indianapolis, Indiana	Washington, D.C.
Las Vegas, Nevada	Boston, Massachusetts
Birmingham, Alabama	Denver, Colorado
San Antonio, Texas	Milwaukee, Wisconsin

Orlando and Tampa nabbed the top two spots on Zillow’s “Best 10 Markets for first-time Homebuyers” list, thanks to:

- Lower median home value for a more affordable down payment
- Strong home value forecast as an indicator of building equity
- Higher inventory-to-household ratio to capture available supply
- Shorter Breakeven Horizon to show a financial advantage of buying over renting
- Greater share of listings with price cuts to indicate a less competitive market

According to Zillow Group’s 2016 Report on Consumer Housing Trends, more than two-thirds of renters said saving for a down payment is the biggest barrier to homeownership — something that is easier to do in seven of the top 10 markets where median home prices are lower than the national average.

For example, a 5 percent down payment in the Bay Area is larger than a 20 percent down payment in each of the 10 markets listed. In dollars, that converts from a $70,000 down payment to a $40,000 down payment for a median priced home.

“As millennials reach the typical homebuying age, they are coming into a tough housing market with low inventory and lots of competition,” said Zillow Chief Economist Dr. Svenja Gudell in a press release.

“These markets have more favorable conditions for first-time buyers to become homeowners. More challenging metros aren’t out of reach for new buyers, but they should be prepared to face a more competitive buying environment.”

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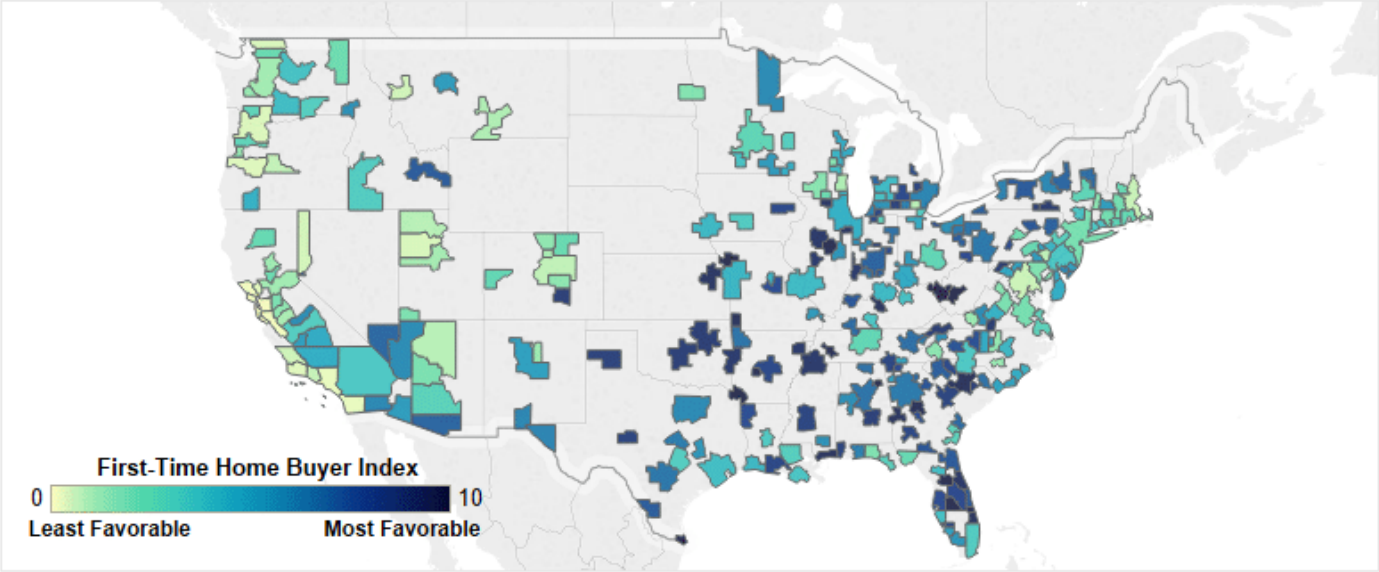
First-Time Home Buyer Index, Spring 2017



Metro	Buy Rent Breakeven Horizon	Zillow Home Value Index	Expected 1-Year Home Value Growth	Inventory*	Pct Listings w/ Price Cut	First-Time Home Buyer Index
Salt Lake City, UT	2 year(s) and 10 month(s)	$254,800	2.9%	1,087	8.4%	0.4
San Antonio, TX	1 year(s) and 11 month(s)	$158,500	3.0%	7,444	17.2%	6.5
San Diego, CA	4 year(s) and 6 month(s)	$532,000	0.9%	5,976	10.6%	0.2
San Francisco, CA	4 year(s) and 11 month(s)	$843,200	0.6%	4,155	6.2%	0.0
San Jose, CA	5 year(s) and 1 month(s)	$986,000	0.9%	1,596	7.0%	0.1
Seattle, WA	2 year(s) and 3 month(s)	$426,300	4.8%	6,181	5.6%	1.1
St. Louis, MO	2 year(s) and 4 month(s)	$149,300	1.5%	12,373	15.0%	4.0
Tampa, FL	1 year(s) and 10 month(s)	$183,300	3.2%	14,998	18.8%	7.8
Virginia Beach, VA	3 year(s) and 6 month(s)	$220,700	1.2%	11,623	15.3%	2.8
Washington, DC	4 year(s) and 6 month(s)	$382,900	1.2%	17,478	13.9%	0.5

Methodology: The First-time Home Buyer Index, ranging from 0 to 10, captures a balance of five metrics: low median home values for an affordable downpayment, a strong home value forecast to indicate a good start to growing equity, a larger inventory-to-household ratio to capture available supply, a greater share of listings with price cuts to surface less competitive buying experiences, and a faster breakeven to demontrate a strong incentive to buy over rent. These five metrics are ordered and metros are scored on a scale from 0 to 10 along a uniform distribution. These five scores are then averaged and the average re-scaled to range from 0 to 10.
* Inventory is normalized by the number of households in the metro before incorporation into the index.

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