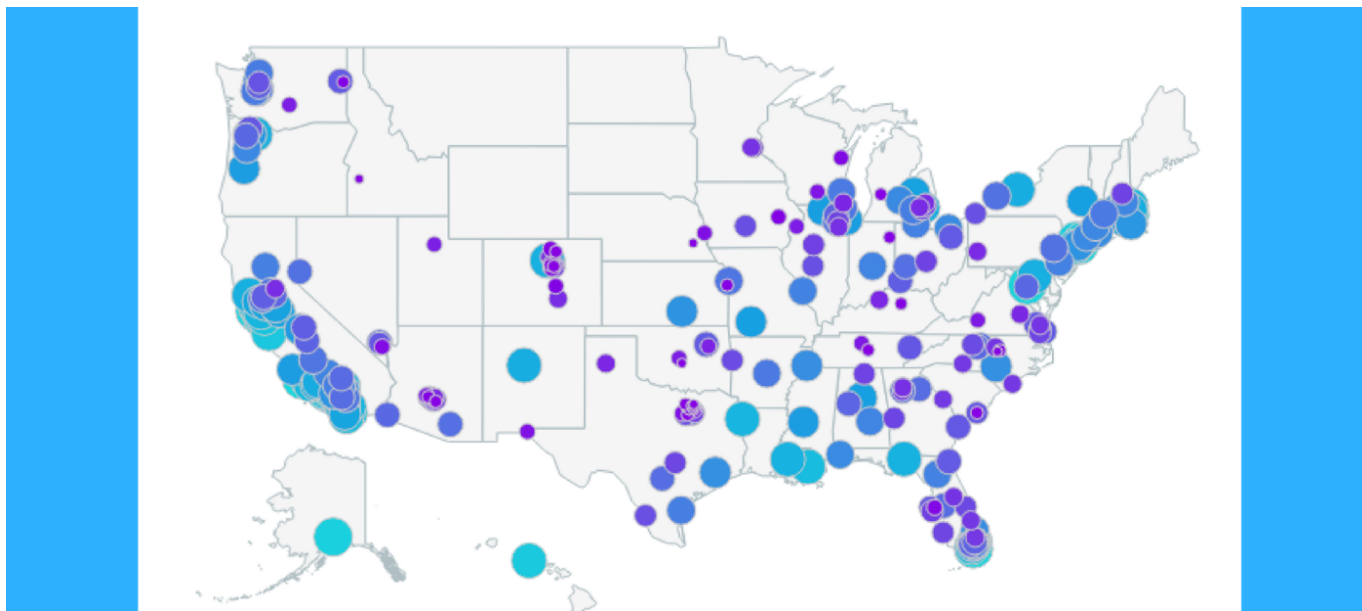


MARKETS & ECONOMY

Where can first-time homebuyers catch a break?

Homebuying newbies should consider quality of life, price and market health



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BY [MARIAN MCPHERSON](#) | Staff Writer

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Key Takeaways

- Texas is the best state for first-time buyers; California is the worst, thanks to the high cost of living and quick rise in median home prices.

Although buyers at all levels are having a difficult time navigating affordability issues, first-time buyers seem to be hit the hardest. [According to a recent study](#) by Trulia Chief Economist Ralph McLaughlin, newbie homeowners are spending more than 40 percent of their income on a starter home — 10 percentage points above the recommended maximum of 30 percent.

So where can first-time buyers find a reprieve from high home prices?

in median home prices.

Best Places for First-Time Home Buyers

- 1 McKinney, TX
- 2 Frisco, TX
- 3 Allen, TX
- 4 Cary, NC
- 5 Norman, OK
- 6 Lincoln, NE
- 7 Richardson, TX
- 8 Boise, ID
- 9 Thornton, CO
- 10 Murfreesboro, TN

Worst Places for First-Time Home Buyers

- 291 El Monte, CA
- 292 New York, NY
- 293 San Mateo, CA
- 294 Newark, NJ
- 295 San Francisco, CA
- 296 Miami Beach, FL
- 297 Santa Monica, CA
- 298 Oakland, CA
- 299 Berkeley, CA
- 300 Santa Barbara, CA

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About the stats

To compile the list, WalletHub analysts compared 300 metros of varying sizes across 23 indicators of market attractiveness, including:

- Housing affordability
- Real estate tax

▼ AVERAGE ENERGY COST PER HOUSEHOLD

From there, indicators were put into one of three categories — affordability (33.33 points), real estate market (33.33 points) and quality of life (33.33 points) — that totaled 100 points.

McKinney, Texas — part of the Dallas-Fort Worth metroplex — received the highest total score of 68.32. Although the city ranks 191 in affordability, its quality of life ranks no. 7 and its real estate market, which is based on factors such as the rent-to-price ratio and median home price appreciation, ranks no. 1. These numbers pushed the Texas town to the top.

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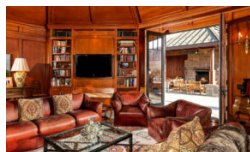
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On the other hand, Santa Barbara, California, received the lowest total score of 36.22. The city ranks 298 in affordability, 276 in real estate market indicators, and 17 in quality of life.

What to consider when choosing a home

Louisiana Manufactured Housing Association professor in CUPA Michelle M. Thompson weighed in on WalletHub's results and advised first-time buyers to consider more than pricing when choosing a home or neighborhood. As seen above, the most affordable cities don't necessarily have the highest quality of living.

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For example, Fayetteville ranks no. 225 in quality of life, which means the savings you'd get on a home may not be worth it when other factors are taken into account.

Thompson acknowledges that some first-time buyers may not have a wide range of neighborhood choices due to lower incomes, but that shouldn't prevent them from doing extensive research before deciding on the best neighborhood within their price range.

listing or promotional advertisements,” she said.

Thompson suggests first-time buyers look at the quality of schools, hospitals and other social services in the area to help make a final decision.

When it comes to preparing buyers for their first home purchase, George Washington University research professor and chair of the Center for Real Estate and Urban Analysis Christopher B. Leinberger says newbies must have the required down payment, monthly all-in mortgage costs and insurance costs taken care of.

He also suggests going for the lowest possible down payment, which the National Association of Realtors (NAR) says is around 6 percent. Think about investing more if you can do without dipping into a “rainy day” fund.

“The lowest you need to get into the house, since getting on the ownership ladder is the first step in building household net worth and having the security and pleasure of homeownership,” he says.

Leinberger noted that buyers should reduce their down payment and use the freed-up funds to eliminate outside debt, such as student loans.

Read the full study [here](#).

[Email Marian McPherson](#).

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