



## San Diego ranks 'average' for first-time buyers

By **KATIE THISDELL**, The Daily Transcript  
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San Diegans may wonder why their city is on this list, but according to a new ranking from the personal finance resource company **WalletHub**, these are the most “average” cities in the United States for first-time homebuyers.

Unlike other real estate rankings that consistently name San Diego among the least affordable cities -- **HSH** names San Diego as the second-most expensive metro, **RealtyTrac** reports it's better to buy than to rent here, and **Trulia** says young adults need to save for 18 years before they'll have an adequate down payment -- the WalletHub comparison includes other factors that could put prices in perspective for some buyers.

So while affordability is among the worst in the nation, San Diego has one of the lowest foreclosure rates. Also, price appreciation is strong, and recreation opportunities are in the Top 10.

But while the real estate tax rate may not be so bad, the rent-to-price ratio is troubling.

“In San Diego’s case, they had a lot of these middle-ground numbers in 120s and 130s and some at the bottom of the list and some in the top 10,” said WalletHub spokeswoman Jill Gonzalez. “A real balancing act is what we saw in San Diego.”

WalletHub’s 2015 best and worst cities for first-time homebuyers pits 300 cities against each other based on 18 metrics, which are weighted separately to achieve the overall rankings.

Midwest cities dominate the 10 best cities, with Overland Park, Kan., topping the list, followed by Allen, Texas; Centennial, Colo.; Broken Arrow, Okla.; and Frisco, Texas.

And the worst cities for first-time buyers? New York; Oakland; New Bedford, Mass.; Miami Beach; Richmond, Calif., and, rounding out the list, Compton, Calif.

But, as always, it may be best to read the report with a grain of salt.

“Broken Arrow, Oklahoma, really?” commented Lynn Reaser, chief economist at Point Loma Nazarene University.

“For people using this, it’s useful information, and it’s interesting information, but in terms of home purchase decisions, one is probably not going to base it on this list, because it’s usually the case that housing follows jobs, jobs don’t follow housing,” Reaser said about the report released Monday. “The bottom line for most people is where they can find a job. Most people don’t move to a place and then look for a job, they look for a job then find someplace where they can live.”

WalletHub plans to update the rankings annually. Data for the rankings came from the U.S. Census Bureau, the Council for Community and Economic Research, **Zillow** (Nasdaq: Z), the Federal Bureau of Investigation, **Experian**, **CoreLogic** and WalletHub research.

Submarkets within the city also likely have different rankings as to schools or crime.

Reaser said she believes first-time buyers would likely choose where to locate based on, in order, affordability, schools, commute distance to work, safety, along with amenities and recreation.

Despite the average overall housing affordability ranking -- at 166 of 300 -- costs remain a pressing issue for buyers in San Diego, said Mark Goldman, loan officer at **C2 Financial Corp.** and real estate lecturer at San Diego State University.

“Affordability is still a major hurdle,” Goldman said. “If people don’t have enough money to purchase a home, they can’t purchase a home. Our median house price is double the national median, which is about \$225,000, and we’re around \$450,000.”

Median sales prices for the first half of 2015 were \$520,000 for single-family homes and \$343,000 for condos and townhomes, according to the Greater San Diego Association of Realtors. First-time buyers typically purchase a home that’s 10 percent to 15 percent below the median-priced home.

Much of the report signals that San Diego is in a good place, with a stable market recording one of the lowest foreclosure rates, at just 0.5 percent.

Cities like New York and Newark are still seeing foreclosures in the 4 percent to 5 percent range, said WalletHub's Gonzalez.

And while homes are expensive in San Diego, consistent price appreciation would give first-time buyers a leg up on building their home as a financial asset, Goldman said. WalletHub reported appreciation in San Diego at 7 percent; Goldman said it’s been closer to the 3 percent to 4 percent range, which he calls sustainable.

“Because we have a stable housing market, with strong demand, and limited supply, if you can get in and own a home, it’s very likely your home value will build,” Goldman said.

WalletHub ranked San Diego at 138 for its median household income of \$46,719, which only covers 13 percent of housing costs, resulting in a poor 238 rank for the category.

Rental rates are comparative to housing costs, Goldman said. A benefit to home ownership is building up equity instead of writing monthly checks to landlords, though it comes at a slight premium.

He advises potential first-time buyers to plan ahead, speak to a mortgage professional early in the process -- even two years in advance, manage credit properly, and save up some down payment.

How else did the city score?

- \* A real-estate tax rate of 0.69 percent ranks San Diego at 32.

- \* A rent-to-price ratio of 5.65 percent ranks San Diego at 262.

- \* A sale-to-list price ratio of 97.76 percent ranks the city at 127, and is helpful for buyers, though maybe not real estate agents, Gonzalez said.

- \* The median house appreciation of 7 percent puts San Diego at 80 of 300 cities.

- \* The city's violent crime ranking is 131, and its property crime ranking is 66.

- \* WalletHub scored the city as a 99 for its recession recovery.

- \* The city's driving environment scored a strong 39, while school systems were below average at 179.

- \* Job availability ranked at 77.

San Diego did get props for its "living environment," with an overall score of 79 out of 300.

But for a city known for its year-round mild and sunny weather, locals may question how San Diego pulled just 113 in the weather category.

Gonzalez of WalletHub said the score was based on elements like the number of days with precipitation and days above or below the ideal 75 degree temperature point.

But Reaser said this particular ranking may prompt questions -- and local pride.

"If you polled San Diegans, they would opt for San Diego," Reaser said.