Monroe Township the Best Place to Buy a First Time Home in New Jersey

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First-time Homebuyer Center

by NerdWallet

Buying a house, especially for the first time, can give you a great deal of satisfaction and fulfillment. Of course, it also means navigating a maze of jargon, hidden agendas and conflicts of interest. It's easy to feel underprepared, overwhelmed and outgunned as a first time homebuyer.

You'll deal with real estate agents and mortgage lenders and face acronyms such as FHA, HUD, MLS and HOAs. But the good thing is, with today's online resources you've got more information than ever to make an informed purchase. The downside: It's hard to tell where the free advice ends and the sales pitch begins. We've got your back.

Buying your first home, one simple step at a time

From finding the right neighborhood to choosing a mortgage and closing the loan, we've stripped the lip service to walk you through the process step-by-step. NerdWallet has consulted with experts from around the country. We've spoken to people who've done the deal, made the mistakes and are eager to share what they've learned. And with a staff of hundreds spread across the nation, many of us have been through the homebuying process ourselves.

Let's get started.

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Top Places for First-time Homebuyers in New Jersey

By Jonathan Todd

It's hard to beat the urban appeal of places like Brooklyn, where even former residents feel the need to make frequent trips back to the borough, according to the New York Times. But for many first-time homebuyers tired of city living and wanting more space and affordability, New Jersey is becoming their home.

Each year, about 42,700 people move from New York to New Jersey, while around 38,400 move from New Jersey to New York, according to the U.S. Census Bureau. The net migration to the Garden State of about 4,300 is the biggest of any state to New Jersey.

To help first-time homebuyers, NerdWallet analyzed how much they could spend on a mortgage and examined the data on appreciation to find the best cities in New Jersey to call home.

How much can first-time homebuyers afford?

We assumed a personal savings rate of 4.8%, based on the U.S. 10-year average as measured by the Federal Reserve Bank of St. Louis, and starting with nothing saved, we estimated how many years it could take to save for a 20% down payment. But the actual number of years of savings will vary depending on each individual's financial situation.

By following the Consumer Financial Protection Bureau's recommendation that homeowners shouldn't allocate more than 28% of their monthly income to housing costs, we determined that a first-time homebuyer in New Jersey could afford to spend $1,824 a month.

Top places for first-time homebuyers in New Jersey

1. Monroe Township (Middlesex County)

Monroe Township, located in Middlesex County in the north-central part of the state, has been a popular place in recent years. The population grew 7.64% from 2010 to 2013, by far the largest growth in the top 10, and the median property tax rate of 1.83% is significantly lower than the statewide median of 2.24%. Median ownership costs, which include mortgage payments, taxes and utilities, are relatively high at $2,562 a month — about $738 more than a typical first-time homebuyer here should allocate to housing costs. But the higher cost may be digestible on a New York salary: a train from nearby New Brunswick gets you to midtown Manhattan in under an hour.

2. Lower Township (Cape May County)

Lower Township, located at the very southern tip of the Cape May peninsula, offers unmatched affordability among the top 10 cities and views that are hard to beat. A median homeowner in Lower Township can expect to allocate $1,657 a month to ownership costs, or $167 less than the recommended housing allocation. With that savings, you could buy world-class binoculars to start training for the World Series of Birding, which is held on the peninsula.

3. Florence Township (Burlington County)

Located on the banks of the Delaware River just south of Trenton, Florence Township has the lowest barrier to homeowner entry: a 20% down payment on a median home is $45,160. The typical first-time homebuyer here, starting from scratch, would need 14 years — the shortest duration in the top 10 — to save enough for the down payment. The township's affordability has been a draw in recent years, as the population grew 2.16% from 2010 to 2013.

4. Upper Township (Cape May County)

Upper Township, the second Cape May County municipality to rank in the top 10, is a bit pricier than Lower Township, with a median home value of $319,700, according to the U.S. Census Bureau's 2013 American Community Survey. However, this is still cheaper than the statewide median of $320,350. Upper Township is also located among some of the state's best recreational areas — the Cape May National Wildlife Refuge is located in the township, which features a beautiful and secluded beach to explore.

5. Lacey Township (Ocean County)

This South Jersey township of nearly 28,000 people hugs Barnegat Bay, the body of water that separates it from Island Beach State Park, one of only a few undeveloped barrier beaches on the East Coast. In spite of its location, Lacey Township remains relatively affordable — it would take about 17.2 years of saving for a down payment, which is below the statewide median of 19.9 years.

6. Franklin Township (Gloucester County)

Franklin Township in Gloucester County gives residents easy access to Philadelphia, which is just 32 miles to the north, while offering a quick escape to the outdoors to places such as Parvin State Park, Winslow Fish and Wildlife Management Area and Glassboro Fish and Wildlife Management Area, which are some of South Jersey's best recreational offerings. Even with this combination of city and country, it would take 14.2 years of saving for a down payment, the second-shortest duration in the top 10.

7. Plainsboro Township (Middlesex County)

With a median home value of $439,500, Plainsboro Township is one of the pricier places in the top 10. The township is next to Princeton Junction, where a train trip to Penn Station and New York's job market takes less than an hour. After returning from the busy streets of Manhattan, residents can escape to the Plainsboro Preserve, a 1,000-acre setting of lakes and trails.

8. Hammonton (Atlantic County)

This South Jersey town of about 14,800 is adjacent to Winslow Fish and Wildlife Management Area and Wharton State Forest, a couple of the state's best outdoors settings. And with monthly homeownership costs of $1,993, one of the lowest in the top 10, Hammonton is a great choice for active homebuyers on a budget.

9. Florham Park (Morris County)

Located 30 miles west of Manhattan, Florham Park is a destination for homeowners seeking relief from New York City's real estate market. A median home is valued at $627,800, making it one of the more expensive communities on the list. But with a median property tax of 1.32%, Florham's rate is the third lowest in the state. It may be relatively expensive, but it's a fraction of the median sale price of $980,000 in Manhattan.

10. Little Falls Township (Passaic County)

Little Falls Township is about 15 miles north of Florham Park, but with a median home value of $372,900, homeownership is within reach for a larger swath of potential buyers. The area's relative affordability may explain why the population grew 4% from 2010 to 2013. Residents also have easy access to Manhattan via the Montclair-Boonton train line, which has a stop on the Montclair State University campus in Little Falls.

Methodology

We evaluated all municipalities in New Jersey with populations of 10,000 or more. All housing and demographic data are from the U.S. Census Bureau's American Community Survey. Our score is based on these factors:

Value appreciation is 40% of the score. To determine value appreciation, we looked at the average growth rate for population and home value from 2010 to 2013. Within this total score, home value appreciation is 70% and population growth is 30% of the score.

Housing cost is 40% of the score. To determine housing cost, we averaged the median property tax rate, how long it would take a first-time homebuyer to save for a down payment for 20% of the median home price, the difference in selected monthly ownership costs of each location and the recommended $1,824 in New Jersey. Since typical first-time homebuyers are in their 30s, we looked at the 25-44 age group's median annual income, which in New Jersey is $78,151. The personal savings rate of 4.8% is from the U.S. 10-year average, as published by the Federal Reserve Bank of St. Louis.

Prosperity is 20% of the score. To determine prosperity, we looked at the percentage of families living in poverty in each city.

Cape May, New Jersey, image via iStock.