

4 Reasons More Young People Should Consider Buying Starter Homes

Discussing what millennials are or aren't doing in the real estate market is almost a cliché at this point. Nonetheless, interpreting homebuying trends is a vital component of understanding economic success. Whether you live in the United States or Australia—where the issue is equally prevalent—young people are either uninterested in homeownership or unable to afford a mortgage. In short, few millennials are buying homes.

Still, there are reasons for homeownership many young people don't take into consideration. They might attribute their reluctance to low income and high mortgage payments, but this shows a disregard for the advantages having a property entails. Instead of chasing a dream home, homebuyers should consider the benefits of starting small and working their way up the real estate ladder as their wealth—and family—grows.

In this article, we'll take an in-depth look at four of the advantages of buying a starter home.

1. Flexibility

The present trend among millennial homebuyers is to [skip starter homes entirely](#), saving money into their 30s to afford larger properties. This decision doesn't stem from a desire for a lavish lifestyle as much as it does a scarcity of smaller homes—a result of builders seeking higher profits.

Young people would do well to buck this trend in favor of a smaller investment. A starter home is not only more affordable to millennials burdened with student loan debt, but it offers them a higher degree of flexibility that a “forever home” does

not. Consider the following example:

Joe, a financially conservative engineer three years out college, decides to buy a starter home in a nice area close to his place of work. Several years later, he decides to move into a long-term home nearby and decides to turn his starter home into a rental property that will earn him an additional source of income.

If Joe had purchased a “forever home” initially, the issue of moving would have been a far more difficult proposition. In addition to that, he’d need to make higher mortgage payments earlier in his career, and wouldn’t reap the benefits of renting out another space.

2. Low Mortgage Rates

As the saying goes, *strike while the iron is hot*. In the current economic and political climate, there’s no reliable method of predicting what will affect future mortgage rates. That is advantageous for millennial borrowers who will have to spend less on their monthly payments.

For young people shackled with student loan debt, low mortgage rates represent an opportunity to invest in a starter home they might not have otherwise been able to afford. They have more freedom in how they choose to spend their money.

Low mortgage rates are positive in other ways. Millennials who invest in a starter home with low mortgage rates will enjoy the added benefit of additional savings. These savings could ultimately contribute to payments on the “forever home” they plan to purchase down the road.

More than that, the money they save could go toward maintenance if the house is a fixer-upper. Seeking a 203K loan from the Federal Housing Administration is one way for [cost-minded buyers to improve a starter home’s resale value](#) down

the road. Any improvements greatly help resale value.

3. Stability

Homeownership carries a long list of responsibilities and expectations renters don't have to manage. That may seem like a negative quality, but in fact, it's the opposite. There is no better way to prepare for a future "forever home" than with the challenges of a starter home, including repairs, steady maintenance, monitoring taxes and insurance and finances.

The lessons a young homeowner will learn from handling their first property will carry over into the way they manage their next. It lays a foundation for future stability.

A starter home challenges young people to make tough decisions and handle situations where a great deal is at stake. But the takeaway is valuable and imbues them with an informed maturity that will be relevant later in their lives. The longer a millennial chooses to rent, the further removed they become from the reality of ownership.

4. Tax Deductions

Homeowners enjoy [several tax deductions](#) that renters do not. The simplest way a millennial can slip their foot into this particular door is by purchasing a starter home. Only then can they begin to reap the many monetary benefits that accompany ownership.

The most significant tax break owners enjoy comes from the deduction of mortgage interest. Those who itemize their deductions can reduce their taxable income, subtracting any interest they've paid on a home mortgage. Renters don't enjoy this same privilege.

At the end of the year, when submitting a federal tax return, a homeowner can deduct any taxes they paid on the property.

These include property, school, and local tax, however applicable. Deductions ultimately free up thousands of dollars.

Why Starter Homes Haven't Been a More Popular Option

The lives of young people are always changing. In their 20s and 30s, millennials meet new people, get married, have children, and often outgrow a smaller space to keep pace with the size of their family. A starter home doesn't always provide enough room or opportunity.

Another consideration in the minds of millennials are the expenses involved in upkeep. As mentioned in this article, owning a home comes with a long laundry list of things to do and pay for. Not every young person has the income to afford that lifestyle.

Finally, growing up in the wake of the 2008 crash and witnessing the low housing inventory that's been shaking the U.S. market has created a reasonable hesitation about relying on steady real estate growth.

Still, the fact remains that a starter home is a smart option for a millennial with the means. A young homebuyer should realize that property offers multiple ways to accumulate wealth. Saving for years to move into the perfect home isn't the only way to reach homeownership.

And for many people, a small property is a wise investment.

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