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Fiserv Case-Shiller Home Price Insights: U.S. Housing Markets Stabilizing, Affordability Reaches 40-Year High

- Conventional mortgage payment now just 12 percent of median family income
- Home prices back to 1998 levels compared to rents
- Average home prices expected to rise at annualized rate of 3.9 percent over the next five years

BROOKFIELD, Wis.--(BUSINESS WIRE)-- Fiserv, Inc. (NASDAQ: FISV) today released an analysis of home price trends in more than 380 U.S. markets based on the Fiserv® Case-Shiller Indexes®. The indexes are owned and generated by Fiserv, a leading global provider of financial services technology solutions, and data from the Federal Housing Finance Agency (FHFA).

After years of large declines, the housing market is showing signs of stabilization. In the fourth quarter of 2011, home prices in 70 markets, representing 18 percent of the 384 metro areas tracked by Fiserv Case-Shiller, were unchanged or had increased compared to the fourth quarter of 2010. In 32 percent of the markets (122 metro areas), the price declines were under two percent. In the fourth quarter of 2011, the average price of a U.S. single-family home fell to a new post-bubble low, declining four percent from the year-ago period. Fiserv Case-Shiller projects a further modest decline of 0.8 percent by the end of 2012.

Markets rebounding off very large price declines include Detroit, Mich. (+9.8 percent), Cape Coral, Fla. (+3.5 percent) and Port St. Lucie, Fla. (+1.1 percent). However, prices dropped by more than two percent in nearly one-half of metro areas (191), including double-digit decreases in Atlanta (-12.8 percent), Reno, Nev. (-10.8 percent) and Tucson, Ariz. (-10 percent).

“The year-over-year decline in average home prices does not tell the full story of stabilization and recovery. Nearly all non-price metrics – existing home sales, rising home order volumes, increased spending on home improvement, a jump in multi-family construction – indicate that the housing sector hit bottom last year and has started along a path of slow recovery. The recovery this spring and summer will be driven by investors, who buy primarily in lower-cost markets. In the current environment, focusing on mortgage applications is not a true indicator of sales activity, as investors are less likely to finance home purchases via mortgages,” says David Stiff, chief economist, Fiserv. “We expect that home prices, which generally lag changes in sales activity by nine to 12 months, will stabilize by the end of this summer and then rise at an annualized rate of 3.9 percent over the next five years.”

When home prices finally hit bottom later this year, they will be 35 percent lower than their peak level in the first quarter of 2006. Due to this unprecedented decline and record-low mortgage rates, affordability has improved dramatically. The relationship between home prices and rents has returned to 1998 levels. The ratio of median single-family home price to median family income is lower than any time since 1991. For a conventional mortgage, the payment for a median-priced home represents just 12 percent of median-family income, the lowest percentage on record (since 1971). Fiserv Case Shiller projects this record-level affordability will eventually bring more first-time and trade-up buyers back into the housing market, especially as apartment rents continue to increase and new households are formed, making buying a cheaper option than renting. Growing demand from first-time and trade-up buyers will finally put a floor under home prices, ending the nearly seven-year collapse of the housing bubble.

“The precipitous drop in home prices was an immediate cause of the last recession and the financial crisis. Falling home equity has cut into household consumption and has further constrained the economic recovery,” Stiff added. “However, very low prices have also started to draw in more buyers. As demand for houses ramps up, construction activity will increase and residential investment will begin to make a substantial contribution to the recovery and GDP overall.”

Other highlights from the latest Fiserv Case-Shiller Indexes include:

- Some of the hardest-hit markets are expected to experience the fastest growth during the recovery. Six of the 10 markets where annualized prices are expected to rise the most over the next five years have experienced price declines of more than 50 percent from their peaks.
- Conversely, home prices in markets that were spared the worst of the housing downturn are projected to grow at a slower pace. Texas, for example, accounts for 11 of the 39 markets where prices are projected to increase at an annualized 1.5 percent or less over the next five years.
- Of the 30 best-performing housing markets in the 2011 fourth quarter, 13 had unemployment rates of seven percent or less and 14 had a median family income above the national average.
- Seven of the 10 worst-performing markets in 2011 had unemployment rates higher than the national average and median family incomes below the national average.
- Twenty-two of the 25 markets that have seen the largest decline in home prices from peak to the end of 2011 are in California and Florida.

The Fiserv Case-Shiller Indexes, which include data covering thousands of zip codes, counties, metro areas and state markets, are owned and generated by Fiserv. The historical and forecast home price trend information in this report is calculated with the Fiserv proprietary Case-Shiller indexes, supplemented with data from the FHFA. The historical home price trends highlighted in this release are for the 12-month period that ended December 31, 2011. One-year forecasts are for the 12 months ending on December 31, 2012. The Fiserv Case-Shiller home price forecasts are produced by Fiserv and Moody’s Analytics.

Representative home price data for major U.S. markets:

Metro Area	***Population*** *(2011)*	***Change in Home Prices*** *(2008:Q4 to 2011:Q4)*	***Change in Home Prices*** *(2010:Q4 to 2011:Q4)*	***Forecast Change in Home Prices*** *(2011:Q4 to 2012:Q4)*
United States	*311,591,917*	*-9.9%*	*-4.0%*	*-0.8%*
Austin, TX	*1,783,519*	*-1.1%*	*-1.6%*	*-0.7%*
Baltimore, MD	*2,729,110*	*-12.9%*	*-4.6%*	*-0.7%*
Columbus, OH	*1,858,464*	*-3.5%*	*-1.9%*	*-1.2%*
Fort Worth, TX	*2,180,758*	*-2.3%*	*-1.0%*	*-0.2%*
Indianapolis, IN	*1,778,568*	*-1.5%*	*-0.7%*	*-1.5%*
Jacksonville, FL	*1,360,251*	*-21.2%*	*-3.8%*	*-6.2%*
Kansas City, MO	*2,052,676*	*-5.0%*	*-2.8%*	*-0.5%*
Louisville, KY	*1,294,849*	*-2.3%*	*-1.1%*	*-1.5%*
Milwaukee, WI	*1,562,216*	*-10.7%*	*-3.5%*	*-1.9%*
Nashville, TN	*1,617,142*	*-4.7%*	*-0.1%*	*-1.0%*
New Orleans, LA	*1,191,089*	*-4.5%*	*-0.4%*	*0.2%*
Orlando, FL	*2,171,360*	*-25.6%*	*-3.7%*	*-6.9%*
Philadelphia, PA	*4,030,926*	*-12.2%*	*-5.7%*	*-0.6%*
Raleigh, NC	*1,163,515*	*-6.8%*	*-2.6%*	*-1.1%*
Sacramento, CA	*2,176,235*	*-14.7%*	*-6.6%*	*-3.7%*
Salt Lake City, UT	*1,145,905*	*-14.8%*	*-3.7%*	*-0.3%*
San Antonio, TX	*2,194,927*	*-0.2%*	*-1.2%*	*-1.2%*
San Jose, CA	*1,865,450*	*1.7%*	*-2.6%*	*-1.2%*
St. Louis, MO	*2,842,155*	*-10.8%*	*-4.5%*	*-2.6%*
Tucson, AZ	*989,569*	*-26.0%*	*-10.7%*	*-4.1%*

Additional Resources:

- Fiserv Case-Shiller - www.caseshiller.fiserv.com
- Federal Housing Finance Agency (FHFA) - http://www.fhfa.gov/

About Fiserv

Fiserv, Inc. (NASDAQ: FISV) is a leading global technology provider serving the financial services industry. Fiserv is driving innovation in payments, processing services, risk and compliance, customer and channel management, and business insights and optimization. For six of the past eight years, Fiserv ranked No. 1 on the FinTech 100, an annual international listing of the top technology providers to the financial services industry. For more information, visit www.fiserv.com.

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