

4% rise in home prices forecast

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Average U.S. home prices — down by a third since 2006 and still falling — will rise almost 4 percent a year for the next five years, according to a new forecast.

Market watcher Fiserv sees prices stabilizing by summer's end and then climbing, quickly in some places, until gains taper off. The forecast is based on an analysis of leading home price indexes.

Investors will drive much of the momentum, as they are now in cities such as Las Vegas and Phoenix.

First-time and trade-up buyers will eventually follow.

By the time home prices stop falling, they'll be almost 35 percent below their 2006 peak, Fiserv says.

Separately, market researcher CoreLogic said Tuesday that U.S. home prices rose 0.6 percent in March from February, the first month-over-month increase since July.

Good affordability and declining inventories are key factors.

Conventional mortgage payments now account for just 12 percent of median family incomes vs. a historical norm of 20 percent, says Fiserv economist David Stiff.

The Fiserv forecast, completed with Moody's Analytics, assumes steady economic growth with no major shocks.

Markets hardest hit by foreclosures will show the biggest five-year increases in home appreciation, it adds.

Six of the 10 markets where annualized prices are expected to rise most over the next five years had price drops of more than 50 percent from their peaks.