



PRESS RELEASE

Federal Deposit Insurance Corporation

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FDIC SURVEY FINDS STRONGEST GAINS IN COMMERCIAL REAL ESTATE IN MORE THAN TWO YEARS

FOR IMMEDIATE RELEASE

The nation's commercial real estate markets showed their strongest gains in more than two years during the early fall, according to the FDIC's latest quarterly poll of experts from the federal bank and thrift regulatory agencies. The results suggest that the ongoing recovery in commercial real estate is spreading to more markets, especially in the West.

"The increasingly positive reports of commercial real estate market conditions during 1996 suggest that the recovery in this sector is gaining momentum," said FDIC Chairman Ricki Helfer. Opinions of residential market trends also remained quite positive, although they were somewhat less favorable than in the previous FDIC survey taken in July.

"The recovery in housing markets still appears to be solid," Chairman Helfer said. "With mortgage interest rates easing recently and the economy remaining strong, underlying conditions remain favorable for the residential sector in the near future."

The poll was based on responses from 310 senior examiners and asset managers nationwide from the FDIC, the Federal Reserve System, the Office of the Comptroller of the Currency and the Office of Thrift Supervision. It was conducted by the FDIC in late October and covered developments in local real estate markets during the prior three months.

Assessments of commercial markets were decidedly more upbeat in October than in July. Almost half of the respondents (46 percent) noted improvements in their local



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markets, the highest proportion since July 1994 (also 46 percent) and second only to the 48 percent in April of 1994.

The experts polled continued to cite steady reductions in excess supply of commercial space. The 29 percent who reported an oversupply in their market area was the lowest since the survey began in April of 1991. Also, a record 84 percent reported above-average or average commercial property sales. While this level is only slightly above the previous high of 83 percent in July 1996, it is more than double the 41 percent reported when the survey began.

Regarding residential markets, 35 percent said conditions were on the upswing during the prior three months, compared to 45 percent in July and April. Respondents in October described changes in home sales and resale prices somewhat less positively than in recent surveys. In contrast, residential construction showed further improvement. A survey high of 88 percent noted above-average or average new home construction, while 72 percent found apartment and condo construction activity to be above-average or average.

The index used by the FDIC to summarize both commercial and residential real estate markets showed conditions in October remained high -- at 67 in October compared to 68 in July. Under the FDIC's system, scores above 50 indicate that more respondents thought conditions were improving than declining, while readings below 50 mean the opposite. The more the reading goes above or below 50, the greater the proportion of positive or negative assessments.

Regionally, the big news in the October survey was the favorable assessments in the West, led by increasingly positive responses from California. In little over a year, observations of improving market conditions in California have increased dramatically. Sixty-four percent of the respondents saw better commercial markets, up from 39 percent in July. Seventy percent reported stronger housing markets.

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Copies of the Survey of Real Estate Trends are available on the Internet (at <http://www.fdic.gov/bank/analytical/survey/index.html>), by fax (dial 804-642-0003) on your fax machine and follow the voice prompts to request Document No. 231), or by mail or messenger (contact the FDIC's Public Information Center at 800-276-6003 or (703) 562-2200).