



PRESS RELEASE

Federal Deposit Insurance Corporation

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FDIC SURVEY SHOWS REAL ESTATE RECOVERY HOLDS FIRM

FOR IMMEDIATE RELEASE

Further gains in the nation's real estate markets were noted in the FDIC's quarterly poll of experts in late July. The survey results mark the second consecutive quarter of improvement, indicating that the loss of momentum in real estate markets during the fall and early winter has been reversed.

The nationwide survey of 316 examiners and asset managers from the federal bank and thrift regulatory agencies was conducted in late July and covered developments in local real estate markets during the prior three months.

"Based on the gains we noted in April and now in July," FDIC Chairman Ricki Helfer said, "it seems clear that many real estate markets across the nation improved during the first half of 1996. The findings of continued progress, especially in the commercial sector, are encouraging."

The FDIC survey showed positive developments in both residential and commercial markets, most notably in the Northeast and the West.

Readings of local residential markets continued to be favorable, with 45 percent of respondents reporting gains. That observation was reinforced by positive views of home construction, with 44 percent citing above-average levels of home building compared to 38 percent in April. As for existing home sales, 51 percent reported increasing prices and 42 percent observed above-average sales. Both percentages are the highest in more than two years.

Thirty-eight percent saw improvements in local commercial real estate markets, while only one percent reported deterioration. Assessments of increased demand for office



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space were the most positive since the FDIC began conducting the survey in April of 1991. Nationwide, 83 percent cited sales at average or above-average levels, up from 73 percent in April. The 40 percent reporting increasing sale prices was the most favorable reading of any survey to date. Lastly, only 30 percent of respondents noted excess commercial supply, down from 82 percent three years ago.

"With demand strengthening and sales activity on the rise," Chairman Helfer said, "conditions in commercial real estate markets nationwide are showing substantial improvement."

Although the index used by the FDIC to summarize survey results increased only slightly, the level was the highest in two years. 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. The composite index covering both residential and commercial real estate markets edged up to 68 in July from 67 in April.
