



PRESS RELEASE

Federal Deposit Insurance Corporation

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FDIC REPORTS STRONG HOUSING GAINS IN REAL ESTATE RECOVERY

FOR IMMEDIATE RELEASE

The nation's housing markets rebounded in recent months after a lackluster fall and early winter, according to experts polled in the FDIC's April Survey of Real Estate Trends. The increasingly upbeat reports on residential markets as well as commercial real estate came from across the country.

"The ongoing real estate recovery has broadened significantly," FDIC Chairman Ricki Helfer said. "We found a sharp upswing in housing markets across the country, consistent with other strong economic news. Together with the continued improvements in commercial markets, it appears that real estate trends have been moving solidly in the right direction."

The nationwide poll of 326 senior examiners and asset managers from the federal bank and thrift regulatory agencies was conducted in late April and covered developments during the prior three months. This latest survey marks the fifth anniversary of the FDIC's poll. Chairman Helfer described the survey as "a valuable tool in tracking real estate cycles, which has helped the FDIC monitor credit quality at banks for the last five years."

Reports of improving housing markets were at their highest level in two years. Positive reports in April outpaced negative ones by a five-to-one margin, with 45 percent saying residential markets improved during the previous three months compared to nine percent who detected a weakening.

Survey participants also were upbeat about both new home construction and existing home markets. Thirty-three percent characterized sales of new and existing homes as above-average -- the highest proportion in almost two years. Only eight percent noted



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decreasing prices on existing homes, matching the survey low of July 1994. Forty-three percent said resale prices were rising in their local markets.

Assessments of local commercial real estate markets were somewhat more positive in April than in recent reports. Nationwide, 35 percent said conditions had strengthened during the past three months (compared to 32 percent in January), while those observing weaker conditions fell to three percent (from five percent in January).

Only 35 percent noted excess inventories of commercial real estate, down from 53 percent a year ago and from 78 percent when the FDIC survey started five years ago.

The index used by the FDIC to summarize survey results jumped sharply in April. 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 commercial and residential real estate markets climbed to 67 in April from 60 in January. This increase in the index is the first sizable improvement in more than two years, due primarily to the gains in residential markets.

Regionally, the best news came from the West, where readings of real estate markets were noticeably more positive than in the January survey. Of note was the turnaround in California, where observers were more upbeat about trends in both residential and commercial markets than in the last five years.