



PRESS RELEASE

Federal Deposit Insurance Corporation

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OCTOBER FDIC SURVEY FINDS LEVELING OFF OF REAL ESTATE EXPANSION

FOR IMMEDIATE RELEASE

The ongoing expansion in the nation's residential and commercial real estate markets may have lost some momentum, according to the FDIC's latest quarterly Survey of Real Estate Trends. Although the poll showed fewer reports of improvements in local markets, this does not signal a downturn. Instead, the results indicated that residential and commercial conditions for the three months ending in October were largely unchanged from previous favorable reports.

The FDIC's nationwide survey polled 295 senior examiners and asset managers from the FDIC, the Federal Reserve System, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision. The survey was conducted in late October.

Results of the survey hinted, for the first time, that the gains in commercial real estate markets that had been observed almost continuously since 1996 appeared to have leveled off. While reports of better conditions fell to 28 percent in October from 52 percent in July, responses that conditions were unchanged grew by almost the full amount of that decrease. At the same time, seven percent reported declining activity, up from the one- to two-percent range recorded steadily since early 1996.

Readings of commercial market activity suggested stable activity rather than a downturn. Those who noted excess supply of commercial space edged up to 18 percent, the first notable increase in such reports. However, the percentage of observers who characterized supply and demand as "in balance" was - at 65 percent - near the survey high of 66 percent in April 1998. In addition, 34 percent of respondents



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cited above-average commercial property sales, down from 46 percent in July but on par with last year's 35 percent. While reports of weakening commercial sales prices were slightly more frequent, those noting stable prices jumped to 43 percent from 29 percent in July.

Respondents were somewhat less positive about the strength of housing markets in October than in recent surveys, with 36 percent noting better conditions than three months earlier, compared to 61 percent in July. However, with only a slight uptick in reports of worsening conditions, most of the difference represented a switch to reports of no change (53 percent, up from 35 percent in July).

The October survey results showed some moderation in recent gains in housing market activity, although assessments remained higher than a year ago. Fifty-seven percent observed above-average home sales (down from 68 percent in July but higher than 44 percent a year ago). In addition, 62 percent said sales prices were increasing, compared to 74 percent in July and 59 percent a year ago. Housing construction fell back slightly but remained quite vigorous, with 60 percent noting above-average levels in new home building and 39 percent reporting a similar level of apartment construction. Both figures, while below July's readings, remained higher than a year ago.

In all regions, there was a drop in the percentage of respondents reporting better conditions and an increase in those reporting no change in market conditions. Reports of worsening conditions also increased but, in most regions, had little influence on the change. In California, respondents overwhelmingly signaled that residential and commercial conditions were the same, reflecting continued strength in markets since July.

The national composite index used by the FDIC to summarize results for both residential and commercial real estate markets was 62 in October, down from 77 in July and from 71 in October 1997. Index readings for residential and commercial markets were down in every region. Under the FDIC's system, index scores above 50 indicate that more respondents thought conditions were improving than declining, while index scores below 50 mean the opposite.

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