



PRESS RELEASE

Federal Deposit Insurance Corporation

February 25, 1998

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JANUARY SURVEY FINDS CONTINUING GAINS IN REAL ESTATE MARKETS

FOR IMMEDIATE RELEASE

The latest results from the FDIC's quarterly Survey of Real Estate Trends showed continuing favorable views of local residential and commercial real estate markets.

The FDIC's nationwide survey polled 298 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, taken in late January, asked about developments in local real estate markets during the prior three months.

Forty-nine percent of the January survey respondents described local housing market conditions as improving, compared with 42 percent in October and 38 percent the previous January. Contributing to the favorable observations of housing market conditions were reports of strong home sales and a tight housing supply. Forty-seven percent of respondents described resales as above-average, up from 36 percent one year earlier. Home sales have been buoyed by low mortgage-interest rates and high consumer confidence.

In addition, 60 percent of the respondents reported increasing prices for existing homes in their market areas. This figure changed little since October but was up from 48 percent in January 1997. Although a majority of those surveyed characterized supply and demand as "in balance," 17 percent cited tight supply, up from 13 percent in the last survey.

January reports of short-term improvements in local commercial markets were less frequent than they had been three months earlier, with 49 percent of those surveyed observing better conditions, down from a record high of 54 percent in October.



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Nonetheless, the latest figures remained high and represent an increase from 43 percent in January 1997. In addition, there were very few reports of worsening conditions; the decline in such reports has been a consistent trend since the survey began in April 1991.

Fifty-six percent noted rising sale prices for commercial real estate properties. Although this was essentially unchanged from the last survey, more participants reported decreasing prices in January. The proportion of participants noting improving vacancy rates continued to rise, with 37 percent citing below-average vacancy rates compared to 33 percent in October.

Regionally, 73 percent of respondents in the West - up from 59 percent in October - reported that the general direction of their local housing market was better than it had been three months earlier. Fifty-nine percent of respondents in the South noted increasing home sales, up from 43 percent. In the Northeast, 60 percent cited higher home sale prices, compared with 41 percent in October. Thirty percent in the Midwest said apartment construction was above-average, up from 24 percent.

However, reports there of below-average home sales and new home construction were more frequent in January.

The national composite index used by the FDIC to summarize results for both residential and commercial real estate markets was 72 in January, up from 71 in October and from 68 in January 1997. With the exception of the composite index for the Midwest, which decreased from the October survey, the index for the other three regions showed an increase. 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.

Last Updated 11/29/2011
