



PRESS RELEASE

Federal Deposit Insurance Corporation

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LATEST FDIC SURVEY FINDS REAL ESTATE MARKET GAINS SLOWING

FOR IMMEDIATE RELEASE

Commercial and residential real estate markets continued to show improvement during the late summer and early fall but at a somewhat slower pace than before, according to the FDIC's latest quarterly Survey of Real Estate Trends. The nationwide poll, which asks about developments in local real estate markets during the prior three months, was conducted in late October.

Reports about residential real estate market activity were notably less positive than in recent surveys. "Housing markets often show a seasonal downturn after the active spring season," FDIC Chairman Donna Tanoue said about the latest findings. She added that "the rise in mortgage interest rates also is likely to be a factor in the slower activity recently seen in residential markets." Chairman Tanoue noted, however, that assessments of improvements in residential markets continued to outweigh reports of worsening by a three-to-one margin.

Specifically, 31 percent of the survey respondents described the general direction of their local housing market as better in October than three months earlier, down from 45 percent in July. Reports of weaker housing markets increased to 10 percent from three percent.

In addition, 58 percent cited improving home sales (down from 64 percent in July) and 66 percent observed increasing prices for existing homes (down from 72 percent). Although a majority of those surveyed characterized supply and demand as "in balance," 17 percent noted excess supply in their areas, up from 12 percent in July.



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As for commercial market trends, 33 percent of the respondents in October noted better conditions in local markets, down a little from the 35 percent in July. Twenty percent of the respondents reported excess supply, up from July's 16 percent. However, characterizations of supply and demand as in balance remained high, at 64 percent.

"We are continuing to carefully monitor developments in local commercial real estate markets for signs of potential overbuilding, such as increases in excess commercial space," Chairman Tanoue said.

One-third of those surveyed reported an above-average volume of commercial property sales, down from July but on par with the 34 percent of a year ago. Similarly, 57 percent reported higher commercial sale prices, down slightly from the 59 percent in July but on par with last year's figure. Reports of weakening sale prices remained very low, at one percent.

The national composite index used by the FDIC to summarize results for both residential and commercial real estate markets was 62, down from April's and July's figure of 69. 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. The quarterly survey polled 297 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.

Beginning in 2000, the FDIC will conduct a substantially revised and expanded survey semiannually, covering the periods January to June and July to December. As a result, the next published results are expected to be available in August 2000

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