



PRESS RELEASE

Federal Deposit Insurance Corporation

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JULY FDIC SURVEY FINDS CONTINUING GAINS IN REAL ESTATE MARKETS

FOR IMMEDIATE RELEASE

Commercial and residential real estate markets continued to show improvement during the early summer, according to the FDIC's July Survey of Real Estate Trends. Many experts noted robust home sales and higher home sale prices. As for commercial markets, gains reported in April continued into the summer. The nationwide poll, which asks about developments in local real estate markets during the prior three months, was conducted in late July. FDIC Chairman Donna Tanoue said, "Housing markets are showing continued strength despite recent rises in mortgage interest rates."

Forty-five percent of the survey respondents said local housing market conditions were improving, while only three percent noted deterioration. Underlying the continued favorable observations of housing markets were reports of strong home sales and increasing prices. Sixty-four percent described the pace of existing home sales as above average, up from 61 percent in April. Only one percent cited below-average sales volume, the lowest figure since the FDIC survey began in April of 1991.

In addition, 72 percent of the respondents reported increasing prices for existing homes, up from 70 percent in April. Although a majority of those surveyed characterized supply and demand as "in balance," 36 percent indicated that residential supply was tight, the highest proportion of any survey to date.

The latest survey also indicated that improvements in commercial markets reported in the April survey continued into the summer. Thirty-five percent of the July respondents noted gains in local commercial markets, up from 33 percent in April. Furthermore, reports of worsening conditions declined slightly, to three percent. Reports of tight



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commercial supply were up in all regions and, in fact, doubled in the Northeast (18 percent) and in the Midwest (20 percent).

“The steady decline in excess commercial space and rising sales prices are generally positive signs,” Chairman Tanoue said. “However, we are carefully monitoring developments in local commercial real estate markets for potential overbuilding.”

Only three percent of respondents reported that commercial real estate sales were below average - the lowest proportion of the survey to date, and in dramatic contrast to the 54 percent reported in the first survey in 1991. Commercial real estate prices continued to improve, with 59 percent citing higher sale prices than in April. There were no reports of decreasing prices in any of the four regions.

Evaluations of residential and commercial markets varied by region. However, the biggest increase in positive assessments of local real estate markets came from the Midwest, where respondents were the most favorable of any survey to date about increasing home sales, residential sales prices, and sales of commercial real estate in the region.

The national composite index used by the FDIC to summarize results for both residential and commercial real estate markets was unchanged at 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 293 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.

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