PRESS RELEASE

Federal Deposit Insurance Corporation

September 7, 2001

Media Contact:
Jay Rosenstein (202) 898-7303

LATEST FDIC SURVEY FINDS SOME WEAKENING IN REAL ESTATE MARKETS

The latest results of the FDIC's *Survey of Real Estate Trends* indicated somewhat weaker conditions in the nation's real estate markets, particularly for local offices. Although reports of stability continued to dominate, the survey results indicate some deterioration in real estate markets. The nationwide poll, which was conducted in July, asked about developments in local commercial and residential real estate markets during the six-month period of January through June 2001.

Survey respondents were asked if general conditions for U.S. real estate markets (as characterized by vacancy rates, market prices, or the pace of sales) had changed in the first six months of the year. The percentage of respondents reporting no change were clearly in the majority for most property markets: single-family (53 percent), multifamily (65 percent), retail (63 percent), and industrial (71 percent). However, for all property markets, reports of some deterioration in conditions were more prevalent than those of improvement. The difference was most noticeable in commercial markets, especially in local offices. It should be noted that respondents' reports of deterioration or market imbalance were qualified as "slight" as opposed to "strong."

Office markets had the highest proportion of respondents noting somewhat worse conditions (48 percent) versus better conditions (6 percent). Observations of some deterioration in local retail markets, at 34 percent, far outnumbered those of improvement (3 percent). A similar imbalance was seen in industrial markets between reports of worse conditions (26 percent) and better conditions (3 percent). Only in the residential markets did reports of better conditions increase from the previous survey in January, although only slightly. Single-family markets had the highest proportion of respondents noting better conditions, at 20 percent, followed by 14 percent who observed improving multifamily markets. Nonetheless, reports of worse conditions were more frequent, at 27 percent for single-family and 21 percent for multifamily.

The FDIC's survey focuses on changing conditions for a six-month period in single-family, multifamily, office, retail, and industrial real estate property markets in metropolitan areas across the country. The survey polled FDIC senior examiners and asset managers as well as bank examiners of the Federal Reserve System, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision. The latest report summarizes the opinions of 274 respondents.

Readings of residential and commercial markets were less positive than in the last survey in January. The results suggested weakness in activity rather than a downturn, as respondents continued to describe supply and demand most frequently as "in balance" for all property types except office markets, where only 31 percent noted balanced conditions. Those seeing market imbalance were strongly inclined to report "some excess capacity" in commercial markets.

The most favorable conditions were observed in the single-family home markets, with reports of improving conditions more frequent than in January. Sales volumes and home sale prices were reported to be higher than six months ago for both existing and new homes. In addition, construction was on the rise for single-family (22 percent) and multifamily (17 percent) properties.

Sales prices slowed in all commercial markets. Respondents noted price declines far more frequently than price gains for office (19 percent), retail (19 percent), and industrial (14 percent) properties. The proportion of respondents reporting a drop in prices was about three times the number reporting this in the January survey.