



PRESS RELEASE

Federal Deposit Insurance Corporation

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Media Contact:
Jay Rosenstein (202) 898-7303

LATEST FDIC SURVEY FINDS REAL ESTATE MARKET SLOWING

The latest results of the FDIC's *Survey of Real Estate Trends* indicated that conditions generally remained favorable in the nation's real estate markets during the second half of 2000 but there was some deterioration, especially involving single-family homes and local retail properties. The nationwide poll, which was conducted in January, asked about developments in local commercial and residential real estate markets during the six-month period of July through December 2000.

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 last six months of the year. The percentage of respondents reporting no change was high across all property markets: single-family (56 percent), multifamily (75 percent), office (69 percent), retail (75 percent), and industrial (76 percent). However, reports of slight deterioration in conditions were more frequent than those of improvement for all property markets except industrial. This development was in contrast to the previous six months, when reports of improving conditions outnumbered those of worsening ones.

Single-family markets had the highest proportion of respondents noting somewhat worsening conditions, 27 percent versus 17 percent seeing better conditions. Observations of deterioration in local retail markets were, at 18 percent, more than double those of better conditions (7 percent). Respondents reported a more even split between better and worse conditions in multifamily markets (12 percent versus 13 percent) and office markets (14 percent versus 17 percent) and, for industrial markets, saw better conditions somewhat more frequently than worse conditions (13 percent versus 11 percent).

The FDIC's survey focuses on changing conditions for a six-month period in single-family, multifamily, office, retail, and industrial real estate markets in metropolitan areas across the country. The survey polled FDIC senior examiners and asset managers as



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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 265 respondents.

Although respondents continued to observe improvements in many areas, the survey indicated fewer gains than reported previously. Residential construction was viewed as less robust than six months earlier, particularly in single-family markets (42 percent of the respondents). In addition, the pace of home sales slowed for both existing (36 percent) and new homes (38 percent). Vacancy rates in multifamily housing were widely reported as unchanged.

While home sales and residential construction were slowing, sales prices of single-family homes were on the rise, according to a high proportion of respondents. Forty-three percent observed higher sales prices for existing homes and 47 percent for new homes.

Sales prices also maintained a positive momentum in all commercial markets. Respondents noted price gains far more frequently than price declines for office (21 percent), retail (16 percent), and industrial (19 percent) properties.

Commercial markets were characterized as in balance by the vast majority of respondents. However, where market imbalances were observed, reports of excess supply outnumbered those of tight supply, particularly in retail markets (35 percent). Respondents on retail markets also noted more often that retail rental rates had decreased.
