



PRESS RELEASE

Federal Deposit Insurance Corporation

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SURVEY FINDS FURTHER SLOWING IN HOUSING RECOVERY BUT COMMERCIAL MARKETS STRONG

FOR IMMEDIATE RELEASE

The FDIC's latest quarterly survey of real estate trends continues to report widespread gains in local housing markets, but the proportion of respondents who found improving conditions was the lowest in two years. In contrast, commercial real estate continued to receive high marks for the third consecutive survey.

Since April of 1991, the FDIC has asked senior examiners and asset managers from federal bank and thrift regulatory agencies across the nation to report on developments in the local real estate markets that they follow in their work. For the latest survey, just over 430 participants were polled during the last two weeks of October about developments during the prior three months.

The FDIC uses an index scoring system to summarize the results in which values above 50 indicate that more respondents thought conditions were improving than declining. The higher the reading, the higher the proportion of positive assessments. The October composite index covering all types of real estate fell to 67 from 72 in July. This is the second consecutive decline in the index.

FDIC Chairman Ricki R. Tigert said: "We can trace the less positive October results directly to weaker housing markets. Our most recent opinion survey picked up new indications that higher mortgage interest rates are adversely affecting potential homebuyers and, ultimately, home sales and construction."

Specifically, 41 percent of respondents in late October reported improvements in their local housing markets during the past three months, while 13 percent reported worsening conditions. The comparable figures six months ago -- before higher mortgage interest rates had time to become fully effective -- were 69 percent and three



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percent, respectively. As was the case in the July survey, the proportion of positive assessments declined in all regions of the nation.

Regarding commercial real estate, 44 percent of the examiners and asset managers polled in October reported improved conditions. Less than one percent noted deterioration. Further, survey respondents indicated more progress has been made in reducing the glut of commercial properties. Fifty-nine percent of the respondents reported excess supply in their local markets -- the lowest proportion in the 3 1/2-years that the survey has been taken. Another positive sign is that only nine percent said that commercial real estate prices were still falling, also a new survey low.

"Considering the depth of the problems that have plagued commercial real estate markets, the continued strong survey results are very encouraging," Chairman Tigert said. "The decline in the excess inventory is especially positive news."

While commercial real estate conditions were found to be improving across the country, respondents in the South continued to report the most positive developments. Just over 60 percent there noted further gains in commercial real estate, with no reports of weaker conditions. By way of contrast, 85 percent of California respondents reported unchanged conditions and only 13 percent noted gains -- among the least positive in the survey.

The latest results, contained in the Survey of Real Estate Trends, are available in the lobby of the FDIC's headquarters at 550 17th Street, NW, Washington and from the Office of Corporate Communications.

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