PRESS RELEASE
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REAL ESTATE SURVEY SHOWS SOME SLOWING IN HOUSING RECOVERY

FOR IMMEDIATE RELEASE

The latest quarterly Survey of Real Estate Trends conducted by the FDIC in July indicates that the vigorous rebound in housing has slowed somewhat nationwide in recent months. However, the added strength in commercial real estate markets reported earlier this year continued into the summer months. Taken together, the findings indicate that real estate markets continue to bounce back from past problems.

Since April of 1991, the FDIC has asked senior examiners and asset managers from federal bank and thrift regulatory agencies around the nation to report on developments in the local real estate markets that they follow in their work. Almost 450 participants were polled in late July 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 composite index covering all types of real estate fell to 72 in July from the record high of 78 registered in April.

"The decline was due almost entirely to less favorable assessments of developments in housing markets," said James L. Freund, chief of industry and financial analysis at the FDIC's Division of Research and Statistics.

Freund also noted that, while the results were below those of the previous quarter, "the summary index for July is still among the highest during the three years we've been conducting the survey, so clearly real estate markets are still on the upswing."

When evaluating their local housing markets in late July, just over 50 percent of the respondents reported conditions had improved during the prior three months. Only seven percent saw worsening conditions. In the April survey, the comparable figures were 69 percent and three percent, respectively. The July results were less positive in all regions of the country.

"While a strong housing recovery is still reported by our experts in the field, the pace of the recovery slowed, most likely due to the dampening effect of rising interest rates," Freund said.

On the commercial real estate side, assessments of the strength of the market were nearly as strong as the impressive results in April. Forty-six percent reported better conditions during the prior three months as opposed to only two percent citing declines. In April, 48 percent said commercial real estate conditions had been improving, while only three percent reported deterioration. Many respondents in July, however, still saw no change -- positive or negative -- in their local commercial markets.

"The improvements in commercial real estate reported by the surveys so far this year are good news for the economy in general and bank and thrift balance sheets in particular," Freund said. "But we still have a long way to go before the excess supply of commercial building space is cleared out." He noted that the July survey found 64 percent of the respondents saying their local commercial real estate market was still marked by oversupply.

Nonetheless, this assessment is far below the 83 percent who detected an oversupply of commercial space a year earlier.

Copies of the survey are available in the lobby of the FDIC's headquarters at 550 17th Street, NW, Washington. They also can be ordered from the Office of Corporate Communications.