# PRESS RELEASE

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## LATEST QUARTERLY SURVEY OF REAL ESTATE SHOWS STRONGEST IMPROVEMENTS IN YEARS

FOR IMMEDIATE RELEASE

The latest FDIC Survey of Real Estate Trends, conducted in late January, shows a dramatic strengthening in U. S. real estate markets.

Each quarter since April 1991, the FDIC has interviewed senior real estate examiners and asset managers from federal bank and thrift regulatory agencies across the country about developments in the local real estate markets they follow. The results of the latest survey of nearly 470 participants show an expanded recovery in residential markets between October and January, including some improvement in California. The survey results also revealed the biggest improvement in California. The survey results also revealed the biggest improvement in commercial real estate markets overall for any three-month period since the FDIC survey began.

Under the scoring system used by the FDIC to summarize the results of the survey, values above 50 indicate that more respondents thought conditions were improving rather than declining. Values below 50 indicate the opposite. The national composite index used to summarize the survey findings for both commercial and residential markets surged to a record of 73 in January, up from the 67 rating in the two previous quarterly surveys. The previous high rating was 72 in May 1992.

"These survey findings represent good news for the banking system and the economy as a whole," said James L. Freund, chief of the financial and industry analysis section of the FDIC's Division of Research and Statistics. "We've already seen a reduction in the volume of troubled real estate-related assets at banks. The gains reported in this latest survey could bode well for asset quality down the road, which in turn could mean even healthier banks that are better protected from economic shocks and better able to serve their communities."

Survey respondents were overwhelmingly positive about housing markets. Sixty percent of the survey respondents in January reported improvements in their local markets, and only 4 percent observed weaker conditions. Also, the proportion of respondents who noted an excess supply of housing in their local markets fell to a new survey low of 33 percent.

With respect to commercial real estate trends, 40 percent said local conditions were better than three months earlier. Only 5 percent reported a deterioration -- the lowest reading to date. Among the other encouraging signs was the fact that the percentage of respondents who said commercial real estate prices were increasing rather than decreasing was the highest of any FDIC survey thus far.

Regional results for both residential and commercial real estate conditions indicate that improvements were most prominent recently in the South and in the West.

"The majority of the experts we surveyed in California," Freund said, "found that commercial real estate had stabilized, which signals a departure from the predominantly negative reports in other recent surveys." He noted that almost all of the respondents were polled immediately after the recent earthquake in California, and it is unclear if the damage had an effect on the findings. "We will be watching future surveys carefully to see if the stronger results in January are sustained," Freund said.

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