



PRESS RELEASE

Federal Deposit Insurance Corporation

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FDIC SURVEY FINDS CONTINUING GAINS IN REAL ESTATE MARKETS

FOR IMMEDIATE RELEASE

Commercial and residential real estate markets continued to show improvement during the early fall, according to the FDIC's October quarterly survey. Many experts reported that conditions in their local commercial real estate markets were better than three months earlier, and the housing recovery continued to strengthen after slowing a bit in late 1994 and early 1995.

The nationwide poll of 365 senior examiners and asset managers from the federal bank and thrift regulatory agencies was conducted in late October and covered developments during the prior three months. Positive assessments in October far outweighed negative ones for commercial and residential markets, and reports of weakening conditions were at a very low level.

FDIC Chairman Ricki Helfer said, "The recovery in both commercial and residential markets is on track, which is important to our economy and to the balance sheets of real estate lenders."

An index scoring system is used to summarize survey results. Scores above 50 indicate that more respondents thought conditions were improving than declining, while readings below 50 mean the opposite. The more the reading registers above or below 50, the greater the proportion of negative or positive opinions. The composite index for both commercial and residential real estate markets in October held at 64, the same as in July. This indicates a continuation of the renewed strength of real estate markets.

Regarding commercial real estate, a third of the respondents in October reported gains in the prior three months; only two percent noted weaker conditions. For the first time since the FDIC survey began in April 1991, a majority (53 percent) characterized supply



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and demand in their local commercial market as "in balance." An additional six percent said supply conditions were "tight."

"The fact that businesses are absorbing long-vacant space could be the first step in a sustained commercial real estate recovery, which would be a big plus for many local economies," Chairman Helfer said.

As for residential real estate, improvements cited in the July survey continued into the early fall. Thirty-seven percent of those asked reported gains in their local housing markets; only 12 percent reported deterioration. The level of respondents noting average or above-average existing home sales (78 percent) was the highest in a year. The long-depressed apartment market showed further improvement; a survey high of 61 percent of respondents noted average or above-average levels of apartment and condo construction. "The news about housing markets was quite positive," Chairman Helfer said. "Single-family markets are being helped by lower interest rates, and apartment construction seems to be picking up some steam."

The October survey revealed strengthening in both the Northeast and the West, where the weakest market conditions were observed in previous surveys. Participants cited solid gains in the Northeast's commercial markets and in the housing markets of the West, the first such increases in six quarters.

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Copies of the Survey of Real Estate Trends are available on the Internet (via the World Wide Web at <http://www.fdic.gov/bank/analytical/survey/index.html>), by fax (dial 804-642-0003 on your fax machine and follow the voice prompts to request Document No. 218), or by mail or messenger (contact the FDIC's Office of Corporate Communications at 202-898-6996).

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