PRESS RELEASE
Federal Deposit Insurance Corporation

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QUARTERLY SURVEY FINDS REAL ESTATE STILL RECOVERING BUT AT A SLOWER PACE

FOR IMMEDIATE RELEASE

The broad-based recovery in real estate markets is continuing but at a somewhat slower pace, according to the latest quarterly survey from the FDIC. Weaker housing market trends were the key factors in the results of the nationwide poll of federal bank and thrift regulators conducted in late January. The latest survey covered developments during late 1994 and early 1995.

The FDIC's composite index, covering commercial and residential real estate markets, stood at 62 in the January survey. This indicates that many markets are continuing to improve. However, the composite index is down from the 67 recorded in the October 1994 poll. This latest survey also marks the third consecutive decline in the composite index, after peaking in last April's survey at 78.

Under the index scoring system used to summarize the 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 goes above or below 50, the greater the proportion of positive or negative assessments.

"Many real estate markets are still improving, but the recovery in general has lost some steam," FDIC Chairman Ricki Tigert Helfer said. "The recent slowing has been concentrated in housing markets, no doubt reflecting the effects of rising interest rates on home buying and construction."

The poll found that only 32 percent of respondents in January cited an improvement in local housing markets. That is the lowest percentage since the FDIC survey began in April of 1991. Nonetheless, the latest survey also shows that housing markets are still in relatively good shape. For example, only 28 percent of the respondents reported an excess supply in their local housing markets, among the best readings to date.

Thirty-eight percent of those surveyed in January cited gains in commercial real estate activity during the previous three months, the lowest proportion in more than a year but still far above the four percent who said conditions had worsened. Just over half the respondents in the most recent poll observed an excess supply in local commercial markets -- a vast improvement over two years ago when 84 percent saw oversupply.

"The experts across the nation continue to report positive developments in many commercial real estate markets," Chairman Helfer said. "Vacancy rates have fallen in several areas of the country, and the strength of the economy apparently has businesses looking for more floor space."

Composite findings differed little among regions of the U.S. Readings in the South and in the Northeast were a bit more positive than the average, while those in the Midwest were somewhat below average primarily due to a noticeable softness in housing activity.

The FDIC quarterly survey polls senior examiners and asset managers from the federal agencies about developments in the local real estate markets they track. For the latest survey, 407 participants were asked in late January about developments during the prior three months.

Copies of the latest 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.