PRESS RELEASE
Federal Deposit Insurance Corporation

February 26, 1999

Media Contact:
Jay Rosenstein (202) 898-7303

JANUARY FDIC SURVEY FINDS REAL ESTATE MARKETS STILL FAVORABLE

FOR IMMEDIATE RELEASE

The ongoing expansion in the nation's residential and commercial real estate markets slowed during the late fall and early winter, according to the FDIC's latest quarterly opinion survey. Assessments of trends in local real estate markets remained positive but were not as frequent as in earlier favorable surveys. Increased reports of "no change" in market conditions in the January survey signal a slowing of the robust commercial and residential markets' expansion.

The FDIC's nationwide survey polled 304 senior examiners and asset managers from the FDIC, the Federal Reserve System, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision. The survey was conducted in late January.

The proportion of respondents saying housing markets were on the upswing during the prior three months slipped to 29 percent from 36 percent in October. However, with only five percent saying conditions were weaker (down from 11 percent in October), positive views still outweighed negative ones by almost six to one. Sixty-five percent characterized supply and demand as "in balance" compared to 61 percent in October, while 15 percent cited excess supply, down from 17 percent in the last survey.

Housing market activity was thought to be somewhat lackluster compared to the July and April surveys but reports of above-average home sales and increasing home prices were higher than a year ago. Sixty-two percent of respondents in January of 1999 said prices for existing homes increased in their market areas, up from 60 percent in January of 1998. Similarly, the 50 percent observing above-average home sales was slightly higher than the 47 percent a year ago.

As for local commercial real estate markets, assessments continued to be positive but not as much as in earlier surveys. Twenty-six percent of the survey respondents in January observed better conditions than three months earlier, down from 28 percent in October. Only six percent cited worsening conditions, versus seven percent in the last survey. The majority of respondents in January - as in October - reported that commercial markets remained essentially unchanged during the prior three months. In fact, the 67 percent reporting "no change" is the largest since the survey began in April of 1991 and follows the very favorable assessments of commercial markets in July and April.

A record 67 percent also characterized the supply and demand in local commercial markets as "in balance." Reports of falling prices remained low at four percent, while 47 percent noted increasing prices. In addition, only seven percent reported below-average levels of activity, which is little-changed for more than 18 months and much-improved since January of 1992, when two-thirds noted sales at below-average levels.

The national composite index used by the FDIC to summarize results for both residential and commercial real estate markets was 61 in January, compared to 62 in October. Under the FDIC's system, index scores above 50 indicate that more respondents thought conditions were improving than declining, while index scores below 50 mean the opposite.

Regional composite indices also continued to indicate improvement, as all scores were above 50. However, only the Northeast region had a rise in its composite index score, reflecting a drop to zero reports of weakening housing conditions (from four percent in October), and stronger assessments of home sales prices compared to three months ago (54 percent versus 39 percent).

Last Updated 07/14/1999