FDIC FEDERAL DEPOSIT INSURANCE CORPORATION

NEWS RELEASE

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SURVEY SHOWS MOST REAL ESTATE MARKETS MENDING, BUT CALIFORNIA IS WEAKENING

The most recent FDIC Survey of Real Estate Trends, conducted in late July, marks the third consecutive quarter of increased reports that real estate markets are on the mend. However, the persistent weakness reported in California contrasts sharply with improvements elsewhere.

In each quarter since April 1991, the FDIC has interviewed senior examiners and liquidation specialists from federal bank and thrift regulatory agencies across the country. The nearly 470 participants polled in late July were asked to assess recent developments in real estate markets.

Under the FDIC's scoring system used to summarize the answers to 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 edged up to a solid 67 in July, following very positive ratings of 66 in both April and January. In contrast, in October of 1992, the composite index was only at 57, indicating less widely held beliefs that markets were improving.

"What we're finding in 1993 is a strong recovery in residential real estate and signs of life emerging in an increasing number of local commercial markets," said William R. Watson, Director of the FDIC's Division of Research and Statistics. "On balance, examiners and liquidators are much more positive about real estate markets this year than they were in 1992 or 1991."

Housing markets in particular continued to rebound during the May-July period, according to survey respondents. Nearly 60 percent of the respondents

-more-reported improved housing market conditions in their local markets during the previous three months, versus only 8 percent who observed weaker conditions. Furthermore, the proportion of respondents observing excess supply of housing in their local markets fell to 45 percent, the lowest survey reading to date. Also, the number of respondents who cited new home construction at average or above-average levels was the highest in any survey.

With respect to commercial real estate trends, 30 percent of the respondents said conditions were better in July than three months earlier. Only 11 percent of the respondents reported deterioration in their local commercial markets -- another new low. "This assessment of commercial real estate markets represents a sharp and sustained improvement from earlier surveys," Mr. Watson said.

Reports from the regions indicating improved residential and commercial real estate conditions were most common in the South and Midwest. Respondents in the Northeast also have been consistently more positive during 1993 than during previous years. During the past three months, more than half in the Northeast saw improved housing markets and one-fourth noted stronger commercial markets.

But results in the West once again were held down by reports from California, where nearly half of the respondents observed declines in both commercial and residential real estate conditions. In contrast, very few respondents in the West outside California reported weaker conditions in their local commercial or housing markets.

Copies of the survey, contained in the agency's Survey of Real Estate Trends, can be ordered from the FDIC's Office of Corporate Communications.

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