



NEWS RELEASE

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SURVEY SHOWS REAL ESTATE RECOVERY BROADENING IN COMMERCIAL MARKETS

The results of the most recent FDIC Survey of Real Estate Trends, conducted in late October, suggest that the ongoing real estate recovery is broadening to include an increasing number of commercial markets. Moreover, in both residential and commercial real estate markets, some progress also was found in reducing excess supply left over from earlier overbuilding. Against this general backdrop of improving real estate conditions, however, negative reports about California real estate continue.

The FDIC's survey of real estate conditions has been conducted quarterly since April 1991. It asks senior real estate examiners and asset managers from federal bank and thrift regulatory agencies to report on developments in the local real estate markets they follow in their work. More than 450 participants were polled in late October about developments during the prior three-month period.

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 than declining. Values below 50 indicate the opposite. The national composite index in the most recent survey held at 67 — the same level as in July. "This survey marks the fourth consecutive quarter in which solid gains were registered," noted William R. Watson, Director of the FDIC's Division of Research and Statistics.

The October and July readings of 67 are topped only by the 72 in May 1992.

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Nearly a third of the respondents in October reported improvements in their local commercial real estate markets -- the highest proportion to date. Only 10 percent cited worsening conditions. Another indication that more commercial real estate markets are beginning to mend is the decline in the proportion of respondents who reported excess supply. Also, there were fewer reports than in previous surveys of below-average commercial property sales.

"The improvement reported in commercial real estate markets is particularly encouraging," Mr. Watson said. "Outside of California, only 12 percent of the respondents said commercial real estate prices had declined."

The ongoing recovery in housing markets has carried into October. Almost 60 percent of the participants reported conditions were getting better, while less than 10 percent said conditions worsened. Nearly 70 percent reported new home construction activity was at average or above-average levels. Likewise, three-fourths characterized local resale markets as average or above-average.

While many markets in the West were characterized by respondents in October as very strong, reports from California continue to be markedly weaker than elsewhere in the nation. Mr. Watson added that although California had the largest proportion of respondents who found deteriorating conditions, "the readings from California were somewhat less negative than earlier surveys this year."

The recovery in real estate markets in the Northeast appears to have strengthened in the past three months. The composite index for this region rose to 68 in October, up from 66 in July and the strongest reading to date. As before, survey participants were most positive about local real estate market developments in the South and in the Midwest.

Copies of the survey can be ordered from the FDIC's Office of Corporate Communications.

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