



NEWS RELEASE

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REAL ESTATE MARKETS IMPROVED IN MAY, FDIC'S QUARTERLY SURVEY SHOWS

The latest quarterly survey of real estate conditions released today by the Federal Deposit Insurance Corporation shows that — despite continuing signs of difficulty in many areas of the nation — respondents report strengthening in both residential and commercial markets.

"Assessments of residential market trends were the most positive of the five quarterly surveys conducted so far," said William R. Watson, Director of the FDIC's Division of Research and Statistics. Readings of activity in commercial real estate also were the strongest received to date. The largest number of respondents reported no change in commercial activity. However, Watson noted, "the May survey was the first in which positive assessments of commercial real estate developments outweighed negative evaluations by a substantial margin."

The FDIC's findings are contained in the agency's latest Survey of Real Estate Trends, which is based on nationwide interviews with 500 senior examiners and liquidation specialists at federal bank and thrift regulatory agencies. The latest survey, taken during the first two weeks of May, represents the assessment of trends in real estate market conditions since early February.

The FDIC's national composite index covering both residential and commercial markets jumped to a new high of 72 in May. Previously, the most positive reading was 64 in July 1991. Under the summary scoring system used by the FDIC, values above 50 indicate that more respondents said local real

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-2-

conditions were improving than cited a decline. Values below 50 indicate the opposite.

"Better assessments of commercial real estate trends in May were particularly notable," according to Watson. Thirty-one percent of respondents noted improvement in their local commercial real estate markets during the February-to-May period. Only 13 percent reported deterioration. A year ago only 23 percent saw improvement, while almost 30 percent reported a decline.

Respondents were even more bullish on housing market trends. The proportion in May who thought housing markets had improved during the prior three months rose sharply to 68 percent; only 6 percent believed housing markets had worsened.

After several quarters of recovery, May survey respondents noticed some progress in working off surplus inventories in residential markets. "Noticeably fewer respondents in May reported local housing markets were marked by excess supply conditions," Watson noted.

Assessments of both residential and commercial real estate market conditions improved markedly in all regions of the country. Assessments of residential market conditions in May were uniformly stronger than in earlier surveys, except in the West where evaluations had been relatively strong in earlier surveys. With respect to commercial markets, for the first time more respondents who noted change reported improvements rather than declines in all regions of the country.

Over the past year assessments of commercial real estate market conditions improved the most in the Northeast. Only 14 percent of respondents in the May survey observed deterioration in local commercial markets in the Northeast; a year ago 48 percent reported their local markets were still on the downswing.

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