FDIC
FEDERAL DEPOSIT INSURANCE CORPORATION

NEWS RELEASE

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LATEST FDIC SURVEY INDICATES REAL ESTATE MARKET RECOVERY HAS SLOWED

Real estate markets around the country are continuing to improve, but at a slower rate than had been previously expected, according to survey results released today by the Federal Deposit Insurance Corporation.

"The results suggest that the recovery in real estate markets has slowed in many areas of the country and has yet to take hold in others," said William R. Watson, Director of the FDIC's Division of Research and Statistics.

The FDIC's findings are contained in the agency's latest quarterly Survey of Real Estate Trends, which is based on nationwide interviews with more than 450 senior examiners and liquidators at federal bank and thrift regulatory agencies. The latest survey presents the assessment of trends in real estate market conditions between late July and late October.

The FDIC said its composite index for real estate markets trends nationwide was 57 in October -- down from 64 in July and 61 in April. Under the summary scoring system used by the FDIC, values above 50 indicate that more respondents said local real estate conditions were improving than cited a decline. Values below 50 indicate the opposite. On a regional basis, the strongest results in October were reported in the South (63) and Midwest (59), while the weakest were in the West (56) and Northeast (49).

The survey also gives separate readings on developments in both residential and commercial real estate markets.

With respect to housing markets, the national index was 63 in October. This reflects 43 percent reporting improved conditions in their local areas in the prior three months versus 16 percent who found conditions deteriorated.

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However, the October assessment for housing market trends is less upbeat than in the previous two surveys. The index was at 73 in July (when 54 percent of those surveyed reported improvements in residential markets) and at 70 in April (when 52 percent cited improvements).

As in the two previous surveys, assessments of commercial real estate market trends were less positive than those for the housing markets. The index score of 48 for commercial markets (down slightly from 51 in July) reflects the fact that more respondents said conditions deteriorated (23 percent) than said conditions improved (18 percent).

"Negative assessments of commercial market conditions were far more common in the West and in the Northeast than elsewhere in the country," Mr. Watson added.

The FDIC survey also asks examiners to gauge the level of bank funding for real estate construction and development projects. In October, most of those interviewed said they saw no change in the level of funding for the construction of commercial buildings (68 percent) and for homes (58 percent). However, 26 percent said they believe banks in their area became less active lenders for commercial projects during the prior three month period, while five percent thought banks became more active. As for residential construction loans, 21 percent said banks were less active during the three month period, but almost the same proportion (19 percent) said banks were more active.

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