

Of Stern Bears Could

The collapse of Bear Stearns has sent shockwaves across the international economy. One of the five big New York investment firms, its demise has had a psychological effect on the economy perhaps greater than its actual direct impact.

Its timing for the national economy is also particularly bad: When the consensus has just developed that the economy is decidedly in a recession, all of a sudden a major New York bank has vanished, making what could be perceived as a mild recession look like a possibly massive one.

The same is even more true for the Manhattan real estate market.

The city had started to just barely noticeably tip in the direction of a seller's market from the balance that had existed as a sort of buyer-seller detente during the turn of the year. New York apartments were by and large losing a little of their value, though the market as a whole was being held up by a luxury market that has been perhaps the single strongest real estate market in the country.

Now, some worry that the collapse of Bear Stearns and the resulting job loss in the financial sector could lead to a significant reduction in the demand for luxury [Manhattan apartments](#).

Again, the psychological impact could be as great as the direct impact: As newspapers like the New York Times and other major NYC publications write articles in their real estate sections about the possibility of a "Bear Stearns discount," more and more buyers may begin to wait for another six months before purchasing a home, and thus the self-fulfilling phase of a recession kicks in.

While very few people are excited by the prospect of a recession, the prospect does hold out some hope for the New York apartment market: Prices have grown so high that many middle-class potential buyers have been priced out of even modest homes in or close to Manhattan. While a recession would certainly be bad for the luxury market, the city as a whole may avert some of the extremely rapid gentrification that could end up damaging the city's culture in the long run.

Certainly, a significant recession would do terrible things to the [Manhattan real estate](#) market in the short to medium term. However, it may also be the only thing that can bring on a correction to the real estate bubble that has so visibly effected the city's demographics and development over the past decade or so.

About the Author

Nicholas Adams Judge is a freelance writer specializing in business, politics and economics. He holds a B.A. in political science and will begin his PhD studies in political economy and public opinion next fall. He has studied economics and political science at a number of different institutions, both here and in the U.K., including Amherst College, Warwick University, Oxford University and the University of Massachusetts-Amherst. [NYC Apartments](#)

