

Manhattan Apartment Prices Hit Record Highs

The first quarter numbers are in for the [Manhattan real estate](#) market, and old records have yet again been broken. While the numbers seem surprisingly positive, the overall picture is more complex.

Average home prices were up roughly one third, or 33.5%, over last year's numbers. All told, the average price of a Manhattan apartment has risen to an astounding \$1.7 million.

There are several warning signs for the New York apartment market, however. There is a growing disparity between Manhattan prices and the rest of the city's real estate market. More importantly, while prices have remained high, sales have slowed significantly.

Furthermore, Manhattan's record average price comes largely from several new luxury condominium buildings that went on the market last month. In all, 71 apartments were sold on the island for more than \$10 million during the first quarter – a number that far outpaces the average figure for Manhattan.

However, what is most troubling about the numbers is the timing of it all. While the first quarter was a surprising success in terms of average sales prices, inventory was starting to increase significantly before the Bear Stearns episode, which presumably put a significant chill on immediate demand for luxury [New York City apartments](#).

Indeed, the very presence of record average prices in the 1Q may end up causing some alarm when the 2Q numbers are released.

A significant problem in analyzing the potential impact on the New York apartment market of the evaporation of Bear Stearns lies in the differing empirical data sets from Manhattan's major real estate brokers. According to Prudential Douglas Elliman, the number of sales declined 34% during the first quarter. Two other real estate firms recorded a drop of low single digit percentage points.

If the Prudential Douglas Elliman's number are correct, then that could spell trouble for the market: a sharply declining rate of sales is then combined with a major disaster like the closing of one of the city's largest private employers. Whereas if the less dire assessments prove true, then it seems likely that the downturn will not lead to a full scale retreat of prices.

In all, the 1Q numbers are more positive than many predicted. However, unmistakable signs of a slowing market can be seen in all three of the major reports released so far. How the [Manhattan apartment](#) market reacts to Bear Stearns will be the next major determinate of the near-term future of the market.

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. [New York City Apartments](#)

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