Manhattan Remains Stronghold of Nation's Real Estate Market

As the subprime crisis only gets worse, the nation's housing market is set to suffer the same ignominious fate as it did in 2007. Last year was the worst year for the national housing market since the Great Depression, and the subprime crisis is beginning to give America's financial markets a reputation as the world's chief exporter of recessions. 2008 is expected to be as bad, if not significantly worse.

A number of housing markets, however, have remained strong during this time. That being said, the Manhattan real estate market is the only major market that could still feasibly be characterized as a bull market.

Even here, most of the market has reached a standstill, neither advancing or retreating in a particularly stark way. However, the highest of the high end New York apartment market has continued to push forward, with a number of positive developments and new buildings coming on to the market.

The significant growth in real value of the New York City apartment market is largely thanks to the housing Coops that most free market-loving economists typically deride. Their stringent regulations effectively sheltered the market from the direct impact of the subprime crisis. As such, the rest of the market has held steady, allowing the advances in the high end market to create a significant uptick in the overall value of the Manhattan real estate market.

The statistics showing this large increase in average value during the first quarter of 2008 are not particularly important unto themselves. In the context of Bear Stearns' collapse, however, they were a surprising piece of positive news that has kept confidence – the life blood of any market – alive and well in the New York apartment market.

The rest of the New York City market, however, is not faring as well. While high end markets outside of the borough are doing well, more middle class neighborhoods are feeling the effects of the national economy more acutely. Queens, for instance, saw a 12% year-over-year decline in average prices for the first quarter.

The Bronx and Staten Island, meanwhile, saw smaller declines in average prices.

As the national economy worsens and the rest of the city begins to be pulled down by the national real estate market, the resilience of the Manhattan market will be tested.

Whether or not it passes that resiliency test remains to be seen. If any place can, it's Manhattan. The result of that test seems to be dependent on the fate of the city's vaunted financial services industry. If there are more Bear Stearns, no market can hold up against that pressure. If we've seen the worst that Wall Street incompetence has to offer, than Manhattan may just be an island of steady value in a sea of turbulent prices.

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.

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