

Where New York City Apartments Fall in the Global Economy

At the beginning of 2007, when most mainstream economic analysts looked forward to what 2008 would be like, few of them got their predictions right. They all predicted slower rates of growth, both globally and in the US. But their predictions underestimated the effect of the subprime crisis, and for the most part, their predictions were quite off.

That's a bit of an understatement, really. For the most part, they got completely blindsided by the subprime crisis. Sure, many knew that it was coming, but few realized it was going to be as bad as it was.

The big thing they missed was the huge hit the big financial companies would take when, all of a sudden the liquid, easy-to-move mortgages that they traded back and forth became as illiquid as, well, what they, in effect, were: houses. A study by the International Monetary Fund detailed recently how the valuation models analysts used for these mortgage packages simply broke down as the going got rough, and a whole lot of companies lost a whole lot of money.

So, as the world's mainstream economic experts meet in Davos for their annual forum, the normal hyper-optimism and self-congratulations that float around the place aren't likely to be quite so prevalent this year.

Indeed, the Commerce Department just reported that last year was the worst year for the national housing market since the Great Depression.

However, in the world's financial capitals – New York, London and Hong Kong – the economy is still comparatively solid.

The same goes for their real estate markets. No one expects 2008 to be as kind to their real estate markets as 2007 was, but each city enjoys a combination of limited space and significant predicted economic growth.

Indeed, in the case of the value of [New York apartments](#),

the city is relatively sheltered from the subprime crisis in two major ways: First, the city's co-ops have kept an adequate level of regulation in place to make up for governmental malfeasance. This has largely protected the city from the direct impact of the subprime crisis. Second, the falling dollar has increased foreign demand for US housing. When foreigners think of US housing, they tend to think of NYC apartments. NYC is our most famous city – except maybe Hollywood – and citizens of other countries have thusly been buying [NYC apartments](#) at a breakneck pace.

So, even though the US financial industry, which is centered in New York City, has largely been responsible for the past two recessions, the city's apartment market shall be relatively sheltered from the storm some of its inhabitants have brewed.

While the market definitely will not have a great year in 2008, things won't be so bad that savvy buyers and sellers can't make great deals, and there will most certainly be much profit to be had.

It'll be no thanks, though, to the right-leaning economic experts meeting in Davos this year.

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.

Source: <http://www.spivo.com>