

Second Half of 2008 May Present a Gloomy Market

Analysts are growing concerned over the potential of a significant deterioration of the [New York City real estate](#) market in the second half of 2008. So far, the city's market has been far and away the most successful at avoiding the damage that the national real estate climate has done to most other markets. Signs of the New York apartment market's mortality, however, began to appear at the end of 2007.

Even so, most of the drawback in demand has effected negotiation times and other aspects of the selling process more than it has actual prices. Ironically, this could actually feed into the problem. Some sellers in the [New York apartments](#) market have started to look at the almost-invulnerability of the market and drawn conclusions steeped in economic hubris. Some analysts have noticed this and have grown particularly worried that, while demand softens in the middle of the year, the supply side will be unwilling to lower prices appropriately.

It is doubtful this will be a particularly big factor in the slowdown of the market, but it certainly won't help.

To be sure, a downturn has grown in probability in the past several months. For example, one analyst, quote by Reuters, said that the market is "definitely going to see weakness."

Average prices in the New York apartment market have seen substantial increases recently, due in large part to the introduction of several major luxury condominium buildings to the market.

Thus, the numbers from last quarter largely soothed any potential bearish attitude in the market. The market knew full well that it was largely being held up by the luxury market. Nonetheless, the psychological impact of new numbers being released that showed starkly reduced growth in value was avoided.

That being said, the median price still increased a solid 6.2% last quarter. (Median values are not much effected by the introduction to the market of super-valuable luxury condos.) So, it is unlikely that the market will see drastic reductions in prices by any means.

What all of this means for the market in the second half of the year is difficult to say. It should be clear by that point if the economy has entered a full-blown recession or not. While it's hard to pierce the protective veneer of the NYC real estate market with national numbers, the word "recession" always strongly weighs on everyone's minds.

If the national news is bad enough, the [NYC apartments](#) market could start to see a declining overall value by the start of the second half of the 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.

[NYC apartments](#)