

Construction Levels Help Manhattan Rental Rates

In many ways, 2007 was the culmination of one of the most important periods in the history of [New York City real estate](#). Over the past decade, Manhattan apartments have more than tripled in value. While the rest of the country began to buckle under the pressures of the subprime crisis, the momentum from such a breakneck pace of growth kept the New York City market going strong throughout 2007. Nationally, it was the worst year for housing since the Great Depression; for New York apartments, it was just another solid year of growth.

It was more than just momentum, however, that helped make 2007 a strong year for [NYC apartments](#). At least in terms of Manhattan, there is a long-term, fundamental transformation of the market taking place. Demand started this transformation, as more and more people — especially professionals — wanted to move onto the island. Supply is finally catching up, however. Recent construction has been heavily tilted in favor of the high end markets, both in terms of the upper reaches of the middle class and the pure luxury market.

It's a general rule in real estate that speaks to a basic faith in the responsiveness of markets: The nature of recently completed buildings says a lot about where a market is headed.

For most markets, recent construction is varied enough that it is tough to find any discernible trends just by looking at the new buildings that have started to go to market. In Manhattan, however, the nature of recent buildings speaks volumes about the one and only direction the market is heading in: upscale.

Recently constructed buildings with a doorman, for instance, are 34% more expensive than older buildings with doormen. This reflects much more than the desire for the most modern of accoutrements. Rather, it says that [New York real estate](#) is shifting at, historically speaking, a rapid pace towards a market that caters almost exclusively to professionals, the upwardly mobile and others with relatively high salaries.

Furthermore, the average rent in Manhattan south of 96th Street grew to an astounding \$3,310 over the course of 2007.

The nature of the recent construction combines with political developments in relation to public housing that further shifts Manhattan towards a nearly irrevocable movement away from the socioeconomically diverse past of the island.

It is good news that supply is responding to demand in a big way on the island of Manhattan. What is troubling, however, is that rents have gotten so high that the most famous of American islands may begin to look fundamentally different in the coming years.

About the Author

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