



# *Harry's Take*

July 5, 2023

## **Not a Bubble? Tiny, 77-Square-Foot Apartment for \$2,350 a Month!**

I doubt it took most of you long to figure out that the apartment I mentioned in the title had to be in Manhattan. There's just nowhere to hide in the second real estate bubble, the greatest and longest such bubble in history. The bubble has been going on since 2012. It took six years for the first bubble to bottom after its peak in early 2006.

It's not just that 77 sq. ft. is just enough room for a bed and some side tables... this apartment doesn't even have a bathroom. You'd have to go to the one out in the hall, and you'd be sharing that with the people in four other tiny apartments. Now, that is a loss of your dignity, in my view. The apartment is literally 7' by 11'; pace that off for yourself. But yes, it does have a small sink and a mini fridge.

Why so expensive? The apartment is in a good location in the desirable Greenwich Village area. But the real reason is simpler: we're in the greatest real estate bubble in modern history. And what does every bubble in history do, sooner or later? It bursts! I don't think this one will last past this year before starting to burst obviously and more broadly.

After paying self-employment payroll taxes at 15.3%, you would have to earn \$34,000 a year just to cover the rent for a place that will barely hold you alone, unless you have a very loving partner.

This is precisely why bubbles burst, and bear in mind that real estate has more concrete limits than stock bubbles. Real people and businesses have to pay these rents and mortgages, which normally should take up no more than 30% of your income. In this case, that would require \$94,000 in income for this hole in the wall. Now, the costs are 50% plus for more people...

It better end soon, my friend!

Harry

Got a question or comment? You can contact us at [info@hsdent.com](mailto:info@hsdent.com).