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Dollar May Boomerang on the City

ARTS & LETTERS

Hercules Hits the Metropolitan



EARLY OLYMPICS On temporary loan to the Metropolitan Museum of Art is Cornelis Cornelisz van Haarlem's 'Hercules and Achelous' (1590).

Syria's Assad Pays a Call to the Kremlin

By BENNY AVNI
Staff Reporter of the Sun
UNITED NATIONS — With Russia issuing new threats against America over its planned missile shield, one of the Bush administration's least favorite Middle Eastern leaders, President al-Assad of Syria, is on a two-day visit to the Russian resort city of Sochi, where he is expressing support for the Kremlin's war on Georgia and making deals to buy fighter jets.

Russia's confrontation with the West is escalating, with Moscow

vowing to respond — and not only through diplomacy — to America's agreement yesterday to deploy 10 interceptor missiles in Poland. Russia also is countering Western calls for Georgia's territorial integrity to be recognized with a bill in the Russian parliament that would officially recognize the independence of Abkhazia and South Ossetia, the two separatist regions of Georgia at the center of the Russia-Georgia conflict.

"The war, which was triggered in

Georgia, is the culmination of attempts to encircle and isolate Russia," Mr. Assad told the Russian daily *Kommersant* on the eve of a two-day visit to Sochi at President Medvedev's invitation. "Georgia started this crisis, but the West is blaming Russia."

Asked about the purpose of his visit, Mr. Assad said, "Of course military and technical cooperation is the main issue. Weapons purchases are very important."

Syria reportedly is seeking to buy Russian MIG-31 fighter jets, as well as help in revamping its air defense systems. Moscow has been rebuilding the Syrian port of Tartus, which served as Russia's main Middle Eastern naval base during the Cold War. On his arrival in Sochi yesterday, Mr. Assad agreed to let Russia reopen its base in Tartus; with the pact signed, a fleet led by Russia's sole aircraft carrier, the *Admiral Kuznetsov*, a missile cruiser, the

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Two Canvases Here In Unanticipated Museum Delight

By JAMES GARDNER
Special to the Sun

Pure fortuity has brought two artists named Cornelis into the same gallery of the Metropolitan Museum and into the same column of *The New York Sun*. They are Cornelis Cornelisz van Haarlem (Haarlem, 1562-1638) and Cornelis van Poelenburch (Utrecht, 1594-1667). "Hercules and Achelous" (1590), by the former, and "A Rocky Landscape with Nymphs and Satyrs near Ruins" (1630-35), by the latter, are now up at the Met on short-term loan.

As such, these two works underscore a delightful, if unsung, practice whereby the museum's permanent collection of Old Master paintings is periodically enhanced, especially in the summer months, by unanticipated arrivals.

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CURRENCY RISE COULD IMPACT REAL ESTATE

By CANDACE TAYLOR
Staff Reporter of the Sun

A rapidly rising dollar is threatening to boomerang on New York City's real estate and tourism industries, economists and real estate officials say.

Over the past month, the greenback has surged against gold and foreign currencies, including the euro, and economists predict it will continue its upward trajectory throughout next year. This trend, along with a weakening European economy, could herald a tapering off of the flurry of European buyers who have so far insulated the city from the slowdown plaguing much of the rest of the country.

"Europeans are going to start pulling back, to change business and personal vacation planning," a former New York State deputy comptroller and an associate professor at New York University, Rosemary Scanlon, said. The influx of foreign tourists "has been a really good buffer for us all summer, but now, we'll be much more at the mercy of whatever the local downturn may be."

In the past month, the dollar has exploded, with \$1 now worth 0.0381 grams of gold, a 21% increase from one month ago. The dollar has also risen 8% against the euro, to about \$1.47, translating into skyrocketing real estate and goods prices for overseas buyers. A \$3 million condominium, for example, now costs 2.03 million euros, compared with 1.87 million euros in mid-July.

"The dollar's run-up against the euro is bad news for the real estate industry, as Europeans make up roughly one-third of all new condominium purchasers and about 15% of the overall market. With as much as 20% of the city's visitors coming from Europe, a weakening euro could also translate into slower retail sales and greater hotel vacancies."

With a combination of fewer European visitors, a slowing American economy, and several hotels in the construction pipeline, "all factors are pointing in the wrong direction right now for hotels," a senior vice president at hotel advisory firm PKF Consulting, John Fox, said. "I do predict that hotel occupancies are going to drop from where they were."

In addition to hurting the real estate and tourism industries, a strong dollar will curtail American exports — the one bright spot for the economy so far this year. In fact, net exports added 2.4 percentage points to GDP in the second quarter, its largest contribution since 1980, according to a senior economist at Moody's Economy.com, Tu Paekard. "Our export growth has been responsible for keeping the economy afloat."

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BUILDINGS POPULAR AMONG EUROPEANS NOW COST 8% MORE



COURTESY OF THE HIGHPOINT

The Highpoint, 250 E. 40th St.

- A 707-square-foot one-bedroom condo, asking price: \$745,000
- Price in euros last month: 465,625
- Price in euros now: 504,452
- Difference: +8.3%



COURTESY OF THE CENTURION

The Centurion Condominium, 33 W. 56th St.

- 1,248-square-foot two-bedroom condo, asking price: \$3.9 million
- Price in euros now: 2.64 million
- Price in euros last month: 2.44 million
- Difference: +8.2%



PETER KRAMER/GETTY

The Plaza, 1 Central Park South

- 2,841-square-ft three-bedroom condominium, asking price: \$18 million
- Price in euros now: 12.19 million
- Price in euros last month: 11.25 million
- Difference: +8.4%



DANIEL ACKER/BLOOMBERG

The Flatiron building

- A 53% share acquired in June by Italian investor Valter Mainetti: valued at \$95.4 million
- Value in euros now: 64.6 million
- Value in euros last month: 59.63 million
- Difference: +8.3%

Stronger Dollar May Weaken City

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she said. While a strong currency is often a symptom of a thriving economy, in this case the dollar's rise is due more to the weakness in Europe, with more economists predicting a recession there.

"The best time to buy for Europeans is behind us at this point," a global economist at Wachovia, Jay Bryson, said, adding that the exchange rate with the euro could reach as low as \$1.35 next year. "The euro just isn't going to be buying as much. Next year, if Europe is in a full-blown recession, I would expect to see a significant decline in buyers."

During the past several years, the weak dollar spurred a European invasion, with even middle-class foreigners able to afford expensive American real estate, clothing, and technology. "The weak dollar opened up an entire market for investment," a principal at the real estate law firm Rosabianca and Associates, Luigi Rosabianca, said. "Suddenly, mom and pop who'd saved some cash were able to get in."

Now, as the European economy softens, these investors are less

likely to look abroad for purchases, and may consider shedding the American goods they already own. "If it's slowing at home, they're less inclined to throw money overseas," a vice president at Halstead, Noah Rosenblatt, founder of the Web log UrbanDigs.com, said.

Already, a vice president at the Corcoran Group, Anne Marie Moriarty, said she has a European client who bought property in New York more than a year ago and is now considering selling.

"In his country, the property market has plummeted," she said. "He's been asking if he should sell — he overextended himself in Europe."

Still, economists said changes resulting from the strengthening dollar will not likely be felt right away. The dollar's rise is expected to occur gradually over the 12 months, Mr. Bryson said, adding that most travelers set their travel plans months in advance, so a falling off of tourism won't be felt until well into the fall.

Before things become too dire, observers expect a rush of European buyers looking to take ad-

vantage of favorable exchange rates before they fall further.

"You may see a group of buyers rush to buy now, because they feel their euros are going to devalue more and more and they'll get it cheaper now," an executive vice president and chief economist for Terra Holdings, Gregory Heym, said.

One international buyer who recently purchased the entire 10th floor of the I.M. Pei-designed Centurion Condominium at 33 W. 56th St., for example, asked to pay the \$15.5 million price tag up front rather than at closing, in expectation that the euro would continue to weaken against the dollar, according to the director of sales at the Centurion, Michele Conte. Of the 24 units sold so far at the building, full-time New Yorkers purchased just two.

After news last week of the dollar's rise, the phones at the Centurion began ringing off the hook with Europeans looking to make deals, Ms. Conte added. "All of a sudden the phones went nuts," she said. "If they take too long, it could cost them 10% to 20% on the currency exchange."