Japanese continue active in market

By Peter Blais

Despite a slowing economy in their own country, Japanese are still investing in golf throughout the world, according to an expert on international finance.

Japanese investment was down somewhat last year and will likely be still lower in 1991, according to Paul DeMyer, national director of hospitality consulting services with the international financial firm Clark Kenneth Levantco & Co.

But the Japanese are still interested in U.S. investments and should become even more active in the second half of the 1990s, said DeMyer during the recent Institute for International Research Golf Course Development and Financing Conference in Las Vegas.

JAPOANESE INVESTMENT IN U.S.

Total Japanese U.S. real estate investment in 1990 was $13.06 billion, the third highest level in six years. While that’s down from record highs the previous two years, it’s still above a substantial 1987 investment, DeMyer said.

The figure is all the more impressive considering a number of negative factors — the U.S. recession, the doubling of Japanese interest rates, a 48-percent decline in the Japanese stock market, a continued decrease in the Japanese trade surplus, deregulation of Japanese financial institutions, overbuilt U.S.

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Vegas turns hot territory despite recession

By Peter Blais

Unlike other parts of the country, the recession has made Las Vegas a more attractive place for golf course communities, according to a major developer.

Mark Fine, president of the Summerlin Division of Samma Corp. that is developing Legacy at Green Valley and TPC at Summerlin, has witnessed the growth of the southern Nevada city from a modest 250,000 citizens when he first moved to the valley 18 years ago to more than 800,000 today.

“What’s taken place here is rather amazing,” he said during the recent Golf Course Development and Financing Conference sponsored by the Institute for International Research. “Many people think Vegas is the place to be.

“One of the main reasons it has done so well is because it was never considered a great place to be. Phoenix, Atlanta, Houston were all great places, but not Las Vegas.

“Then, just 24 months ago, when every place else was overbuilt, Las Vegas become a great place. It remains a fairly strong market when you consider what’s happening elsewhere in the country.

Las Vegas has long suffered an image problem. Barren desert, gambling and organized crime were the images that came to mind when you thought of Las Vegas, Fine said.

Although it’s changing, Las Vegas remains primarily a one-industry town — gaming. The growing industries — resorts, second homes, retirement communities — are all linked to golf courses.

Still, it was 1982 before the area attracted any major outside capital. Local banks and the Teamsters union pension fund, especially for resorts and other amenities, were the major lenders of development capital until the mid-1980s, Fine said.

In 1988, when most other U.S. cities were overbuilt, developers started to look toward Las Vegas. Criticizing the development industry, Fine said: “Unfortunately, developers are development-driven, not market-driven. If there is a place they can build and borrow money, they are going to build. It doesn’t matter whether the market justifies it or not. I have to say that, but it has caused the crisis in the building industry today.”

Developers rushed to Las Vegas and laid down earnest money on land. Unfortunately for them, but fortunately for the long-term economic health of the city, 1988 coincided with the drying up of capital nationwide.

Many developers lost their earnest money and left town before their projects got off the ground.

“We were right at the cusp of having major overbuilding problems,” Fine said. But the recession saved Las Vegas from that curse, he added.

Las Vegas has felt the pinch of the national recession and depressed housing market. But it has left the city with “a healthy demand cycle,” he said.

For instance, single-family housing starts dropped from 12,000 to about 8,000 over the past three years, “which I think is very healthy for a town of Las Vegas’ size.”

Multi-family housing starts have been in the 3,000 to 5,000 range the past two years. In 1988, it was 10,000. Projects on the books called for another 18,000 to 25,000 in both 1989 and 1990, a forecast that proved overly optimistic.

“All those would have been built if the financing market hadn’t changed. And there would have been no justification for it and no market for it,” Fine said.

LAS VEGAS’ PAST

Until 1980, there were virtually no residential golf course projects, Fine said.

The Dunes Hotel/Country Club and Desert Inn & Country Club were affiliated with re-

The Sahara Country Club (formerly Stardust Country Club) was the first resident

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McConmack heads lineup of speakers at conference


More than 30 experts will probe golf development at general sessions that will embrace 20 fact-finding workshops. More than 116 exhibitors will present technology. There will be a market feasibility review.

Mark McCormack, International Management Group president, will be the keynote speaker at 8:30 a.m. Sept. 12 at Expo headquarters, The Peabody, 9801 International Drive.

Financing/investment sessions will emphasize golf financing; find out how to tap it; how to joint venture with a name designer; tax-exempt and taxable bond financing; the outlook for Japanese investment; raising seed money; how to attract equity investors; and European joint venture opportunities.

The management and operations field will be reviewed in a checklist for maximum profit; and marketing strategies for faster cash flow.

Development issues to be examined are “The value of golf: Making your deal pencil out”; “Public courses: An entrepreneur’s golden opportunity”; private golf facilities; how to avoid legal blunders; actual cost considerations for your golf course; and hotel and resort golf opportunities.

Design trends and master planning topics are “Master planned communities: Critical design features for maximum profits”; “Initial planning stage: Putting it all together”; solutions for environmental hurdles; and “Lessons learned: An in-depth look at a worst case situation.”

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Vegas developing at fast pace despite outlook elsewhere

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tial golf course. Paradise Valley, which
became Showboat Country Club and is now
Indian Wells Country Club, along with Las
Vegas Country Club, remained un-built.
Up until 1980, all golf course development
was linked to demand for golf, not housing.
And demand was limited. Las Vegas Country
Club was forced by the Trentacosti
and went through three owners before becoming
established, Fine said.
There were no successful real estate golf
developments until 1982, he said. Prior
projects were core courses that weren't de-
veloped to maximize residential housing.
The economics of golf in the 1980s forced
golf to become real estate oriented, the
community in Las Vegas.
"But developers developed to maximize residential housing.
"The legacy of a project," said Fine, a non-golfer.
"It showed me a golf course can extend
the life of a project," he explained. "I've always said the
money in the concrete business, the com-
munity was well designed and successful
from the start through every residential
construction phase, Fine said. It appealed to
many market segments — primary, custom,
pre-retirement and retirement residences.
"That doesn't mean you can't sell
market segments — primary, custom,
pre-retirement and retirement residences.
"It never really identified what it truly
wanting to attract people to golf course com-
munities is the growing air pollution problem
in Las Vegas, the water shortage and dealings
with county and state officials, Fine said.
"But identifying a niche and making sure
there is enough demand to justify the capital
expenditure are keys," Fine said. "The future
of golf is in communities where you know
your niches and pre-retirement communities
for people who are looking to retire in the
next five to 10 years. Those markets are available and those markets are good.
"The challenges facing golf courses are
water, how you use it, how much the county
will let us continue to build golf courses and
the tremendous costs of building courses
since almost every single part of them must
be irrigated. They can be successful. There are
examples of successful courses. But you have to
be market driven, not development driven
when you're involved in golf course devel-
opment in Las Vegas."

Identifying a niche and making sure there is enough demand to justify the capital expenditure are keys.
— Mark Fine

A San City community with a basic course, and homes in the $80,000 to $100,000 range,
has been developed at the rate of 70 units a
year for the last four years on 1,000 acres.
"They told me they're having the best year
they've ever had, which I find incredible
considering the economy," he added.
Among the problems facing developers
wanting to attract people to golf course com-
munities is the growing air pollution problem
in Las Vegas, the water shortage and dealings
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