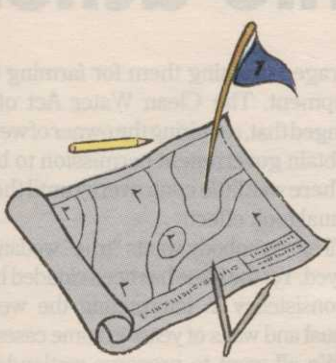
Briefs



DAVIS COURSE OPENING IN OCTOBER

CALHOUN, Ga. — Take several rolling hills, lots of trees, two lakes and a river. Mix well, and you have Fields Ferry Golf Club, scheduled to open in October.

The testing layout designed by Arthur Davis embraces several water holes, with strategic positioning of the greens to take full advantage of the waterways, ponds and lakes. Fairways without sharp contours gently roll in design that blend with the existing terrain. Elevated tees and greens enhance the vistas surrounding the historic civil war site.

Fields Ferry's three finishing holes are cited as outstanding. No. 16, a 523-yard par 5, challenges the better player to carry the lake and approach the island putting surface in two.The 17th, a 155-yarder, plays from an island tee over a lake to a well-bunkered elevated green and old chimney.

The 18th is a 525-yard par 5 that can be reached in two with a strong drive.

HALL & LINDSAY LAYOUT POPULAR

VICTORIA BAY, B.C. — Word-of-mouth advertising can be too powerful.

As news of an18-hole course being built at Cordova Bay on Vancouver Island leaked out, 2,500 persons vied for membership.

Rather than discriminate, it was to decided that the course, which opened in July with a new clubhouse, would be for greens fee players only.

The Canadian firm of Hall & Lindsay Developments Ltd. is the builder. That company's Wilfred S. Hall has been building golf courses since 1958.

Hall & Lindsay has built the back nine at Arbutus Ridge, a retirement complex on Vancouver Island, scheduled to open May 15 with a new 15,000-square foot clubhouse.

Hall & Lindsay's U.S. company, directed by Wilfred's son, Scott L., just completed the new nine at Fiddlers Elbow, Far Hills, N.J., and is doing a major renovation job at Copper Hill Country Club in Flemington, N.J.

RICHARDS' HEAD OF BAY ON SCHEDULE

PLYMOUTH, Mass. — The new Head of the Bay Golf Club here is rapidly taking shape in the sand hills of upper Cape Cod.

The 6,000-yard course is designed by Richard and Associates of Sagamore Beach, Mass., and is owned by Carl Nuissl of Wrentham, Mass.

All 18 fairways have been cleared and graded, the greens are being shaped, and the irrigation system is being installed. Head of the Bay Country Club plays over a rolling 180-acre site.

"I believe the golf course will be a fine addition to the New England golf community," designer Ray Richard said. "I feel we have quite a story with the progress made by the contractor, the difficulty in putting together a deal like this in tough times, and the beautiful site with which we had to work.

The course will be seeded in the fall. Opening is planned for September 1992.

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 Leventhal & 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.

JAPANESE 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 40-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

Tee areas shaped like the four suits in a deck of cards make Grand Legacy at Green Valley, on the outskirts of Las Vegas, a unique property. The course was designed by Arthur Hills and Associates, while the community was planned by David Jensen Associates.

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 Summa 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 one thought of the city, Fine said. Although it's changing, Las Vegas remains primarily a one-industry town — gaming. The growing industries — resorts, second homes and 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 hate 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 18,000. 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 resorts.

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

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McCormack heads lineup of speakers at conference

ORLANDO, Fla. — The future of golf will undergo in-depth scrutiny at Golf Development Expo here Sept. 12-14.

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 profits; a legal checklist for development; the next real-estate boom: more than just golf; clubhouse management for maximum profits; 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 work-out situation."

Japanese firms continuing investments in the

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real-estate markets, the Persian Gulf crisis, the Japanese Ministry of Finance's concern about adverse publicity and restrictions on foreign investments, negative media coverage, and the difficulties facing U.S. investment institutions.

While the Japanese are not pulling out of the U.S. market, the types of investments that attract them have changed, DeMyer said.

Early Japanese interest was in trophy properties. But the finances proved unsustainable and there was a limited supply.

Japanese investors in the past three years have shown a preference for properties with more sustainable growth patterns. More investors are involved and the average price per acquisition has fallen.

Office properties have become less popular while resort and hotel properties with golf facilities have become more attractive. Mixed-use projects, residential developments and land have become primary targets. Land has shown the biggest percentage increase the past two years and that is likely to continue as the land is developed, DeMyer said.

Hotels and resorts remain prime targets, particularly those with golf courses. They were the top choice for the second straight year, comprising 29 percent, or $3.8 billion of Japanese real estate investment. Most of that money, 59 percent, was spent in Hawaii and California.

"Most of the money to develop resorts is coming from foreign investors who consider a golf course an attractive and essential element in terms of financing desirability," DeMyer said. "If there were no golf courses, there would be no resorts. These days a resort has to offer oceanfront or golf."

Japanese golf course investment is increasing because of prestige, the high cost of golf in Japan and barriers to development in their home country. In 1990, the Japanese invested $547 million on pure golf course deals, not including courses that are parts of resorts or mixed-use deals like Pebble Beach. That's double the amount spent in 1989. Sixty-nine percent of pure golf course investment was in Hawaii and California.

The trend is away from joint ventures and toward 100 percent Japanese ownership, with American professionals brought in only as consultants, in golf course and resort deals.

"It may be they were less satisfied with their joint-venture partners than expected," DeMyer said.

Predictions for 1991 are that Japanese investment will be on the low end of the $6 billion to $10 billion range. Longer term, the outlook is better, DeMyer said. The large investment in land bodes well for future investment. By 1993 all major Japanese banks are expected to meet international standards for capital requirements and the United States should be well out of the recession, he said.

Golf interest is expected to remain high. The Japanese have agreed to buy Grandote Golf & Country Club and Meridian Golf Club in Colorado and Holly Ridge Golf Club in Sandwich, Mass., the first Japanese foray into New England.

"There is a burgeoning of golf worldwide and the Japanese will continue to acquire golf courses," DeMyer said. "Japanese memberships will continue to impact the worldwide golf market into the next century.

"But we don't believe in the Reaganomics of Japanese golf. It will probably not trickle down much further than the top tier of the market. The rest of the market will depend on the old tried-and-true valuation method of cash flow."

EFFECT OF JAPANESE MARKET ON U.S.

Japan is a nation of 125 million people using 1.800 domestic golf courses. America has roughly twice as many people, but six times as many golf courses.

"Compared to the United States, Japan has, and always will have a shortage of golf courses relative to the population," DeMyer said.

The number of rounds increased 7 percent annually from 1979-89, reflecting the Japanese growing love of golf. More courses are expected to open in 1991 than in any other single year in Japan. But environmental concerns, astronomical land prices and high interest rates will limit Japan's potential capacity to about 2,300 courses, DeMyer said.

"We foresee a long-term inability of the Japanese to meet their own golfing needs," he added.

Private country club membership prices have increased dramatically during the last decade. A survey of 665 courses near Tokyo revealed membership prices many times higher than in the United States. The difference is due, in part, to the types of memberships in the two countries.

Japanese memberships are an investment as much as a right to play. They are traded like securities, which buoys their price. Membership costs could drop in the near future, as they did for a short time in 1988, DeMyer said, reflecting the increase in course supply.

Japanese clubs that grab headlines are those with memberships of $1 million or more. But they are the minority. The greatest demand is for courses with membership costs below $200,000. A survey of courses scheduled to open in 1991 showed most in the $100,000 to $250,000 range with those between $250,000 and $500,000 still popular.

Importantly for would-be sellers or developers of U.S. golf properties, "We anticipate a retrenchment outside the borders of Japan over the next few years as the supply of golf courses tries to catch up with the demand," DeMyer said.

"During that time, overseas membership clubs targeted to the Japanese aren't likely to perform at their hoped-for levels. During the latter half of the 1990s, we foresee a resurgence in Japanese tourism and golf activity outside of Japan."

Still, higher prices for existing courses, joint ventures or selling memberships to the Japanese are not out of the question. Most U.S. clubs that have sold memberships in Japan are located in Hawaii and already owned by the Japanese. More membership sales are possible in Hawaii, which the Japanese can visit for a short vacation or long

Japanese buy Idaho, Colo., Wash., Mass., La. courses

Japanese investors are expanding their golf course purchases from the traditional targets of Hawaii and California.

Recent buys have been in such locations as Idaho, Washington, Massachusetts, Colorado, Florida and Louisiana.

Hidden Lakes Country Club, an 18-hole course in Sandpoint, Idaho, about 60 miles from the Canadian border, was purchased for undisclosed investors. Some were said to be Japanese.

The new owners intend to renovate and upgrade the facility.

The $29.6-million Indian Summer Golf and Country Club in Lacey, Wash., is scheduled for completion in 1992 and a golf school in Lacey also is planned.

In Massachusetts, Cape Cod Golf Properties, a subsidiary of the Nakamoto Group of Kobe, Japan, bought Holly Ridge Inc., which owns the Ridge Club, a 300-acre golf and residential community.

The Japanese have been very active in Florida and Louisiana.

Turtle Creek Golf Club, near Rockledge, Fla., was sold in February to Tokyo businessman Shigeo Sekiya.

Sabal Point Country Club in central Florida went for $5.5 million in March, and Sweetwater Country Club near Longwood, in Seminole County, was sold in April. The buyer was not revealed, but it may have been Japanese.

The Country Club of Louisiana is about to be sold for $20.5 million to Japanese businessman Hiroshi Furui. Other Japanese-owned courses in Louisiana include Le Triomph Country Club in Broussard and Meadowlake Country Club.

Colorado has also captured Japanese attention. Tokyo developer Koji Fujiki hoped to buy South Ridge Golf Course from the city of Fort Collins May 16, but the $3.2-million deal fell through because of a wetlands problem.

In La Veta, in the southern part of Colorado, Nihon Unix Co. Ltd. of Tokyo bought the 18-hole Grandote Golf and Country Club. The reported purchase of $2.5 million is said to be a conservative figure.

In the Denver suburb of Englewood, Meridien Golf Course is believed a target of Central Sports of Japan.

Japanese investors seem to have switched from purchasing premium courses at premium prices in premium states to buying bargain courses at bargain prices in bargain states.

U.S. but changing interest in types of property

weekend. Guam is even closer and is experiencing a major golf development boom.

Hawaii's limited developable land also works to its advantage in attracting Japanese buyers, DeMyer said. Japanese investors seek memberships in courses that are scarce. If a course can be easily duplicated down the road, its membership values will probably never rise very high. Limited space, environmental concerns, zoning problems, anti-development settlements, and possible multi-million-dollar impact fees will make further golf course development difficult.

On the mainland, membership sales to Japanese offer some potential. Japanese expatriates working in the United States have been the most lucrative market to date. Major cities like New York, Los Angeles, San Diego, Atlanta, San Francisco and Chicago have had some success.

Misconceptions about Japanese memberships abound, DeMyer said. A membership purchaser is entitled to 85 to 90 percent of the initiation fee back at some future date. It acts as a guarantee that reduces the risk of buying at the initial offering price.

"If you bought a stock today, and were always guaranteed 90 percent of that price, more people would be willing to acquire stock," he said.

The 90-percent guarantee is transferable to all future buyers of the membership. Any profits at the time of sale belong to the seller. Generally, private clubs don't participate in the re-sale of memberships.

"How is this different?" DeMyer asked. "A new club can obtain substantial cash inflow without the responsibility of payback or interest on those funds in the future. The club is not obligated to refund the 90 percent until it has reached a stable level or after a period of, say, 10 years. If after 10 years all the members want their money back, the owner has effectively financed the entire project for free and is repaying those investors with cheaper dollars of tomorrow.

"The Japanese golf industry is fueled by the assumption that the initial offering price will never be lower than the market price at any given time. This assumption is very important in understanding the difference between Japanese and American memberships."

Other trends will include selling memberships to a group of golf courses, either in the same metropolitan area or in geographically diverse resort areas; tying playing rights in U.S. courses to membership sales in local Japanese courses; or tying memberships to hotel, condominium or home ownership adjacent to the course.

"By attaching memberships to real estate, the developer is appealing to the twin hearts of Japanese investors — real estate and golf," DeMyer said.

DeMyer said the typical U.S. course is not a candidate for Japanese investment. Courses with the best chance of appealing to the Japanese should have one or more of the following attributes: located in Hawaii, Guam or the West Coast; proximity to a major metropolitan area with many Japanese executives and expatriates; high-quality reputation; famous designer; tie-in to a Japanese course; or a link to real estate.

Few courses have attracted more than $50 million in Japanese memberships, but chances for some to attract millions or tens of millions can't be dismissed.
— Paul DeMyer

Few courses have attracted more than $50 million in Japanese memberships, but chances for some to attract millions or tens of millions can't be dismissed, DeMyer said.

RESORT GOLF TRENDS

A Leventhal study of 400 international resorts revealed some of the better locations for investing in golf resorts.

Guam had the highest room occupancy rates at 95 percent, followed by Hawaii, Florida, U.S. Southwest and Northern California. Australia and U.S. ski resorts were the lowest at less than 60 percent.

Daily room rates varied from an average of $200 in the Caribbean down to $60 in Mexico.

Of importance to golf marketers is that groups (conference go-ers, seminar attendees, etc.) make up a larger percentage of visitors (50 to 60 percent) than do tourists (40 to 50 percent). And group business is on the rise.

Compared to standard hotels, resort hotels had a 9-percent higher occupancy rate and charged 80 percent more per room.

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Greatest potential is in Guam, S'east, Mexico, Caribbean

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Chain affiliation is growing, with 58 percent of the resorts surveyed affiliated with major chains. Hilton, Sheraton and Marriott were the top three. Luxury hotel operators like Four Seasons and Ritz Carlton are also expanding into resort destinations.

Foreign ownership of major hotel companies is increasing, although American companies still control the majority of resort hotel rooms.

The report compared the acquisition, repositioning and development potential at international resort locations based on politics, potential for increased demand, existing lodging supply and demand, costs compared to revenue potential, available land and resort sites, overall infrastructure and local economy.

Australia, Northern California, Arizona and Florida were prime targets for acquisition.

Hawaii, Mexico and the Mediterranean were excellent areas for repositioning.

The greatest new development potential existed in Guam, U.S. Southwest, Mexico and Caribbean. Guam, a 3-1/2-hour plane trip from Tokyo, is experiencing tremendous growth as a destination resort for Japanese and South Korean tourists.

"The best opportunities for resorts are those offering cultural and historical amenities. People want to relax but also experience the places they visit," DeMyer said.

INTEGRATING GOLF INTO RESORTS AND COMMUNITIES

Resort hotels developed in conjunction with master planned residential communities will be a significant trend into the 21st century.

"In many instances the resort and golf course have increased the value of the residential components," DeMyer said.

Integrating golf into resort and residential communities takes careful planning, professional experience or assistance, an understanding of the variables that determine type and purpose of the golf course and a knowledge of the different options, DeMyer said.

Golf can increase a resort's profitability, hotel utilization, marketability and ability to attract financing.

The Undivided Interest Concept is a new trend. It is similar to time-sharing, but differs in one major aspect. UDI units usually have a golf course, making it potentially more attractive to certain buyers. One of the most successful is the Melrose Club on Daufuskie Island off Hilton Head, S.C., DeMyer said.

Formal and informal use agreements between golf courses and resorts without courses are becoming more common, especially in areas with excess golf capacity, DeMyer said. The Ritz Carlton in Laguna Niguel is an example.