

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

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 Triomphe 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, Meridian 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.

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.

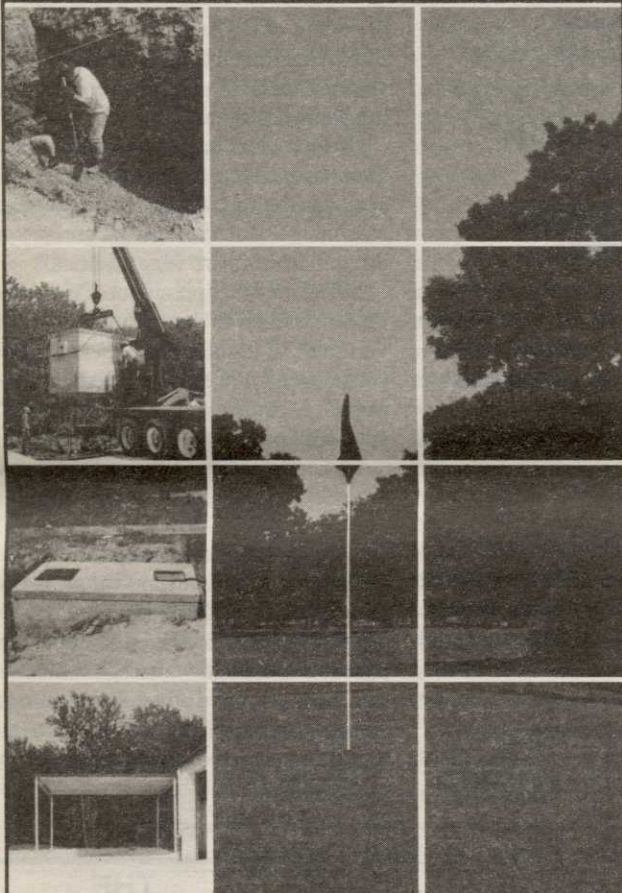
Japanese clubs that grab headlines are those with memberships of \$1 million or more. But they are the minority. The greatest demand is for courses with membership costs below \$200,000. A survey of courses scheduled to open in 1991 showed most in the \$100,000 to \$250,000 range with those between \$250,000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

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