

Japanese building binge netted 109 courses in '91

By Jillian Yorke

In spite of frequent statements to the contrary and a general pessimism regarding the Japanese economy as a whole, the number of golf courses that opened in 1991 shows the Japanese golf industry remains strong.

One hundred and nine courses opened last year, more than at any other time in Japanese history, except 1976 when 135 opened. Between 140 and 150 new courses are expected to open this year.

This is not so much a new boom in golf course construction as a reflection of the rush to build courses that began a few years ago.

According to the Japan Golf Course Association (NGK), as of March 31, 1991, there were 1,818 golf courses in Japan, while the total number of visits to golf courses during fiscal 1990 (April 1, 1990 to March 31, 1991) was 95.19 million, an increase of 5.59 million visits and 86 courses over the previous year. These figures compare with the increases of 82 courses and 7.77 million visits in fiscal 1989, a period of exceptional growth.

This means a national average of 52,361 visits per course per year, slightly higher than the 52,243 of 1989.

Prefectures reporting the biggest increases were Hokkaido (18 new courses),

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Ibaraki (12), Hyogo (11), Mie (eight) and Gunma (eight).

The districts with the most visits were Chiba (6.57 million) and Hyogo (6.44 million), a predictable result, since they also have the most golf courses. Twenty-one prefectures reported a drop in the number of annual visits per course, perhaps because of the large number of newly opened courses.

Of the 109 courses, 14 are public or semi-public and 23 are designed by foreigners, including five by J. Michael Poellot, two each by Jack Nicklaus and Jim Fazio, and one each by Pete Dye, Perry Dye, Ronald Fream, Ian Baker-Finch, Hale Irwin, Karl Litten, Nancy Lopez, Johnny Miller, Desmond Muirhead, Larry Nelson, Jack Newton, Ted Robinson, Robert von Hagge and Marsh Watson.

Prolific Japanese designers are Shunsuke Kato, perhaps Japan's best active course architect, and Mitsuaki Kobayashi—both with five courses opened in 1991. Taizo Kawada designed three, while Hirochika Tomizawa, Takeaki Kaneda and Shozo Ozasa designed

two each.

Kaneda is well known as a historian, author and scholar, and was a top amateur player. Ozasa is also respected and acclaimed as a course designer. Some of the courses were designed by Japanese professional golfers, who have followed the example of their Western counterparts.

Of the 109 new courses, six are nine-holers, four are 36 holes and three are 27 holes, while the other 101 are 18-hole facilities.

Japanese golfers have to pay a tax each time they play. The total amount of golf course users' taxes paid in fiscal year 1990 was ¥90.4 billion (US\$723 million), an 18.5-percent increase—or ¥950 (\$7.60) per person per visit, an increase of 4.3 percent.

Controversial issues facing the Japanese golf industry include the growing environmental movement, fluctuations in the golf club membership market (memberships in Japan are bought and sold like shares), and continuing golf-related scandals.

Environmental groups tend to use golf courses as a scapegoat for their concerns

about the use of agricultural chemicals as a whole, which are applied far more widely in industries unrelated to golf. But nevertheless they have been effective in increasing public and industry awareness of these issues.

The membership market is currently down in value, partly because of the weakened state of the Japanese economy as a whole, and the fact that financing is generally less readily available. Although interest rates are low, banks are less willing to lend.

The Ministry of Trade and Industry has recently tightened regulations concerning the marketing and advertising of golf club memberships in an effort to improve standards. These and other regulations recently introduced by local governments are making it more difficult for golf course developers and designers to construct new courses in a creative way.

Golf Asia '92, a merchandise show being held March 26-29 in Singapore, will help highlight issues facing the golf industry throughout Asia. One exciting development is the establishment of the Asian Pacific Golf Course Superintendents Association, which is expected to take place at Golf Asia '92.

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Japanese report sheds light on golfers, courses and costs

Kenneth Leventhal & Co. has released some interesting information in its annual special report, *Golf in Japan*.

In its January 1992 update, the Los Angeles, Calif., U.S.A. firm states:

- Ninety percent of the golf courses in Japan are private in comparison to 40 percent in the United States.

- Private clubs in Japan offer memberships similar to non-equity programs found in the United States and represent a right to use and not an equity interest in the club. Therefore, the majority of clubs are owned and controlled by an outside entity and members generally do not have voting rights.

- Japanese golf clubs averaged 1,698 members in 1989, compared to 400 to 600 in the United States. "Since the majority of clubs (in Japan) are not member-owned, the number of memberships sold at a facility is controlled by the owner. There have been several cases over the last year where an owner of a club in Japan has sold many more memberships at a facility than the number of memberships represented. No checks and balances exist to control this," Kenneth Leventhal & Co. said.

- Historically, new golf course developments sold their memberships before the start of construction. However, because of the increased perception of fraud, certain prefectures are starting to restrict membership presales. While they can control only public offerings, some prefectures do not allow membership sales until construction starts and others allow presales after the entitlement process.

- Approximately 25 to 35 percent of memberships are owned by corporations, which treat them as assets and record them as investments on financial statements.

- Memberships are bought and sold on the open market. Brokerage firms in Tokyo specialize in golf memberships.

Number of golf courses

| Year | No. Courses | Additions | Percent change |
|------|-------------|-----------|----------------|
| 1981 | 1,416 | — | — |
| 1982 | 1,419 | 3 | 0.2% |
| 1983 | 1,425 | 6 | 0.4 |
| 1984 | 1,439 | 14 | 1.0 |
| 1985 | 1,469 | 30 | 2.1 |
| 1986 | 1,496 | 27 | 1.8 |
| 1987 | 1,538 | 42 | 2.8 |
| 1988 | 1,588 | 50 | 3.3 |
| 1989 | 1,640 | 52 | 3.3 |
| 1990 | 1,709 | 69 | 4.4 |
| 1991 | 1,818 | 109 | 6.3 |

The number of golf courses in Japan increased by 28.3 percent from 1981 to 1991.

Membership prices

| Year | Overall ave. price | Overall dollar change | Percent change |
|------|--------------------|-----------------------|----------------|
| 1985 | \$48,000 | — | — |
| 1986 | 73,000 | \$25,000 | 52.0% |
| 1987 | 124,000 | 51,000 | 69.9 |
| 1988 | 117,000 | -7,000 | -5.6 |
| 1989 | 166,000 | 49,000 | 41.9 |
| 1990 | 213,000 | 47,000 | 28.3 |
| 1991 | 185,000 | -28,000 | -16.9 |

While the number of golf courses and golf rounds per course have increased, the price of golf memberships in Japan has dramatically increased from 1985 through 1990.

Kenneth Leventhal & Co. surveyed 665 clubs in the Kantou, Chubu and Kansai regions of Japan to assess the current and historical membership prices.

Overall, membership prices increased from 1985 through 1990, growing at a compound annual rate of 34.7 percent, then dropped 16.9 percent from the end of 1990 through last August.

Membership prices in Japan vary from less than \$50,000 to more than \$1 million.

Rounds played per course

| Year | No. courses | No. rounds | Rounds per course | Percent change |
|------|-------------|------------|-------------------|----------------|
| 1981 | 1,416 | 54.0M | 38,135 | — |
| 1982 | 1,419 | 59.2M | 41,720 | 9.4% |
| 1983 | 1,425 | 64.4M | 45,193 | 8.3 |
| 1984 | 1,439 | 63.3M | 43,989 | -2.7 |
| 1985 | 1,469 | 66.9M | 45,541 | 3.5 |
| 1986 | 1,496 | 68.2M | 45,588 | 0.1 |
| 1987 | 1,538 | 72.3M | 47,009 | 3.1 |
| 1988 | 1,588 | 77.6M | 48,866 | 4.0 |
| 1989 | 1,640 | 82.2M | 50,122 | 2.3 |
| 1990 | 1,709 | 89.6M | 52,243 | 4.2 |
| 1991 | 1,818 | 95.2M | 52,365 | 0.2 |

Golf rounds per golf course in Japan increased by 37.3 percent between 1981 and 1991. Japanese golf courses experience some seasonality because of inclement weather in December, January and February in the southern part of the country, where courses generally stay open year round.

Number of rounds played

| Year | No. rds. yearly | Additional rounds | Percent change |
|------|-----------------|-------------------|----------------|
| 1981 | 54M | N/A | N/A |
| 1982 | 59.2M | 5.2M | 9.6% |
| 1983 | 64.4M | 5.2M | 8.8 |
| 1984 | 63.3M | -1.1M | -1.7 |
| 1985 | 66.9M | 3.6M | 5.7 |
| 1986 | 68.2M | 1.3M | 1.9 |
| 1987 | 72.3M | 4.1M | 6.0 |
| 1988 | 77.6M | 5.3M | 7.3 |
| 1989 | 82.2M | 4.6M | 6.0 |
| 1990 | 89.6M | 7.4M | 9.0 |
| 1991 | 95.2M | 5.6M | 6.0 |

Golf rounds in Japan increased by 76 percent from 1981 to 1991. Golf rounds appear to have grown faster than the number of golf facilities.

Sources: *Golf Business Club Year Book 1990; Golf Tokushin 1991; Kenneth Leventhal & Co.; International Golf Research Institute.*

- A purchaser of a golf membership is typically entitled to receive back between 85 and 90 percent of the original initiation fee at some future time.

- Construction of an 18-hole championship golf course costs between \$2 million and \$10 million per hole in Japan, not including land. Construction takes about two to three years because of seasonality. Construction costs have escalated in recent years because of the characteristics of development sites, which are usually mountainous.

Leventhal said: "Future golf course development is expected to be constrained by the prohibitively high cost of land and the availability of developable sites... Approximately 75 percent of Japan is mountainous. Therefore, land suitable for golf course development is scarce."

The research firm added: "Golf courses in Japan have historically been financed primarily by membership sales while financial institutions provided the remaining capital. The typical golf course development in Japan was constructed with the proceeds from membership sales. Up to 100-percent financing from banks in Japan was historically available for the purchase of golf memberships. The historical financing environment was conducive to promoting golf development."

But that financing environment has changed, Leventhal reported.

"Membership presales activity is now regulated by prefectures. Some prefectures have no restrictions on membership presales activity, while others do not allow developers to market memberships until construction ends. While membership presales activity has been regulated, financial institutions are not filling the void left from membership presales," Leventhal said. "Japanese financial institutions are no longer providing significant golf development financing, either for development or membership sales."