War stories

Reaction to Gulf mixed...

BY MARK LESLIE

As the Persian Gulf crisis turned 1 month old, investors, builders and ar-
chitects in the U.S. golf industry reacted with varying degrees of caution and
optimism.

The length of the crisis is crucial to deciding its impact, everyone agrees.

Michael Hurdzan, an architect based in Columbus, Ohio, predicted an "in-
credible impact," from the crisis and hardened back to the Arab oil embargo
of 1974 when the golf construction "virtually dried up."

"I think this situation is so unsettling that developers in the U.S. who have
not already committed (to a project) are going to wait and see. I think that some
of those who are committed and who are on the fine edge are going to say,
'I'm going to cut my losses and stop right now.'"

Perry Dye, president of Dye Designs in Denver, Colo., and of the Golf Course
Builders of America, said: "We're in the
recreational, extra-dollar industry. We're the first to go and the last to come
back. But until it happens we won't feel
it."

Dye said developers whose projects have been in the permitting process
Continued on page 20

... as Supers, others fear
domino effect

BY MARK LESLIE

The domino effect of an oil shortage
would be felt in construction and a range
of operations on a golf course, superin-
tendents and others agree, but how much
is up for debate.

"I'm dead budget-wise," lamented Dan
Jones, superintendent at Banyan Golf
Club in West Palm Beach, Fla.

He said his first delivery of oil after
Iraq invaded Kuwait cost 16 cents a
Continued on page 19
Gulf crisis

Continued from page 1

"are not going to quit because of current affairs ... They've been involved for a year, maybe two, and they're just not going to quit on Aug. 1. It might stop a few guys from starting on Aug. 1, and we won't be affected by those for a year from now ..."

"Do I feel any difference? No, because you can't stop a golf course halfway through construction — unless you're a savings and loan."

Dye said developers are "some of the biggest risk-takers in the industry today. They're fearless-type people. It's the lenders who usually draw back."

Ed Seay, executive vice president of Palmer Course Design in Ponte Vedra Beach, Fla., said: "We have over 60 clients representing 80 projects, and I have no indication it's (Middle East turmoil) affecting anything ... Perhaps we'll feel an effect from the aftershock."

Thomas Clark of Kensington, Md., vice president of the American Association of Golf Course Architects, said it is too early to say what effect the crisis will have on the industry, but added, "I got three calls today from people who want to build courses."

Nevertheless, uncertainty reigns in many quarters, and architect John LaFoy of Taylors, S.C., said the American public's perception of the situation is all-important.

"Perception is the big problem," not the oil itself, nor finances, LaFoy said. "Perception that there will be ill effects on the economy will be the only reason development would stop."

Willard Byrd, an architect in Atlanta, Ga., who specializes in planning golf course communities, said: "Oil prices are going to have some effect if it's prolonged ... If the stock market continues to go down, it will affect the availability of money, particularly with the private investor.

"It may have some effect like it did last time (the 1974 oil embargo), and people just not doing (a project) because of the uncertainty of it. Construction dried up more from the standpoint of the client not going to the project."

Byrd said the length of the Persian Gulf confrontation will determine its impact.

Like Dye, he said: "We can't tell much about it yet because what we've had under contract is still progressing."

But he did say one lender backed off a project after verbally committing to funding.

"What bothers me is that and the stock market going down, and these fellows being able to get private lending. You can lose a lot of money right quick on paper," Byrd said.

Hurdzan said a critical factor is that "so many of these golf course projects are housing-driven."

Explaining that developers usually borrow money at the prime interest rate plus 2 percent, Hurdzan said: "When the prime rate hits 11, the yellow light goes on. When it hits 13, the red light goes on ... When money costs 15 percent, everybody just about dead stops in their tracks. So, if we can keep the interest rates down, things will probably continue to move through.

"But ... people are nervous. We have the S&L problem. We've got the possibility that if we do go to war, what's going to happen to the overall oil supplies. And people are going to get very conservative."

"We are seeing that in developers who are clients. The personal interest has slowed down in guys who were eagersix to nine months ago."

Hurdzan said: "The developers who are affected the most are, in order, the housing people, particularly if they are trying to sell a second home, the condominium developers ... Then it's the resort builders who are trying to build a 200- or 400-room hotel ...

"The governmental ones are going to stay right through to the bitterend. We are building courses in The Depression in the '30s. The government feels part of this function is to provide recreation for the people, and the worse the economy gets, the more they feel they have to get people to the place to recreate. The government will continue to build."

LaFoy and Byrd agreed about which developers would be affected the most.

LaFoy said that in his region at least, many developers are now building medium-priced golf courses and communities because there is a glut of houses $200,000 and up.

"Developers are pretty imaginative. When one market starts drying up they look for other markets, and I think they're hitting the nail on the head with medium-priced houses," he said.

"A lot are going toward semi-private or daily-fee courses with $110,000 to $150,000 homes."

LaFoy said the exclusives and lower-end clubs won't be hurt as much as the ones in between.

He explained: "People with a lot of money never quit spending. New-money people stop spending on luxury items. That applies also to golf courses."

Byrd agreed: "The high-end market is the last to be affected. The middle market is hurting the most — people in the $150,000 to $250,000 second-home market. Above that, we haven't seen the effect too much."

Byrd added that if the Persian Gulf confrontation is short-term, "I don't think it's going to hurt. If it's long-term I think it will have a big impact on the industry."

"We'd have to devote our attention in another direction."

"It is too early to say what effect the crisis will have on the industry."

- Tom Clark

WATERTRONICS Pumping Systems; Meeting Your Irrigation Management Needs

High engineering and design standards plus heavy-duty construction provide the rugged dependability you expect in a packaged pump station. Custom-design services for Watertronics systems to meet each application. No "off the shelf! models, that may not give you the performance capability or configuration you require.

Excellence in system design and construction

WATERTRONICS systems include a selection of high quality pump configurations:

- Vertical Turbines
- Centrifugals
- Submersibles
- Wet Pit Systems
- Variable Speed

But don't just take our word for it. Call us today to find out how easy and cost-effective electronically controlled pumping systems can be. Toll Free: 800-356-6686

For free information circle #118
Irish neighbors, Asians non-plussed

BY MARK LESLIE

The possibility of a war brewing in the neighborhood is not stopping golf course developers in Eastern Europe and Southeast Asia, as American companies involved in projects overseas.

Consultant Jim McLaughlin and architect J. Michael Poellot, both fresh from long trips to Asia, according to Americans involved in projects overseas.

Developers in Eastern Europe and Southeast Asia have 11 projects in Thailand and they are going, "said McLoughlin, president of The McLoughlin Group in Pleasantville, N.Y. "I have 11 projects in Thailand and they're going well for election."

McLaughlin said the Turkish believe the Gulf confrontation is "a political situation, and the only thing that will hurt the projects there is if a policy has to be cleared through government, whose agenda is crowded. So politics would slow it down, not directly but indirectly because of the Gulf crisis. Economics is not a problem. Safety is not a problem."

"And Turkey is as close as you can get to Iraq."

"In that region of the world, they've had political unrest for centuries," McLoughlin said. "This is probably the 83rd time they've had a threat of war."

He added that two projects he is consulting on in Yugoslavia have come to a stop — but because of internal, not external politics. Meanwhile, in Southeast Asia, extreme wealth of developers means money in hand — which means keeping projects alive.

"In all those highly active golf environments in Asia — Japan, Taiwan, Thailand and Korea — the economy won't have an impact on golf for about a year because all the projects are with money in hand..." McLoughlin said. "Golf is popular. There are ways to cut through the government redtape to get approvals. So the impact of the Persian Gulf on the economy won't affect them for about a year."

He said: "In Thailand the wealthy are very, very wealthy. They're dealing with money in hand, not like the United States, where you have to go out and raise it."

"In Thailand said McLoughlin and Thailand get most of their oil from Iran. Thailand's economy is growing about 14 percent a year. Working closely with government officials, McLoughlin said half think the economy is "so strong the Gulf crisis will not make a difference. The other half feel it will slow the economy about one-half."

"They feel that if this happened two years later there would be no impact whatsoever. Japan, on the other hand, is "very vulnerable" because it gets most of its oil from Iraq."

"We have two clients (one for 36 holes) in Japan. But again, in Japan they have their money before they start a project."

"They buy land and decide to build a course. They announce it and get a fully subscribed membership before they break ground. The investor and developer both have money in hand."

"They pay $300,000 to $500,000 for membership."

Poellot agreed: "The average golf course developer (in Japan) is not fazed at all" by the Gulf crisis.

"We're dealing with a segment of society that has been without war... and has only known very good times the last 50 years, and I don't think the gravity of the situation has filtered down to them," he said.

"I've never seen a stronger market for golf in Asia in the 20 years I've done business there. I was in Indonesia, Thailand, Hong Kong, Japan, China."

"In some areas it's waning. In others it's just on the horizon."

Poellot pointed to Indonesia and Thailand as hottest markets.

"To emphasize Japan's feeling of euphoria, he said that although the country is 100 percent dependent on foreign oil, 70 percent of which comes from the Middle East. "Several weeks after Iraq invaded Kuwait there was no change in gas prices in Japan, whereas in the U.S. it was already up 15 percent and it was up as high as 30 percent in many countries in Europe."

A sort of "naive confidence" pervades in Japan, he said.

"Indonesia is not economically affected because it has its own oil supplies. And although Thailand is largely dependent on the Middle East for oil, "they are not too concerned right now," Poellot said. "It is a thorn in their side but they don't seem to be trembling about it.""

---

Impact on construction

Golf course architects Thomas Clark of Kensington, Md., and Willard Byrd of Atlanta, Ga., said builders will feel the effects in the cost of irrigation pipe.

"Our gas prices are fluctuating from month to month regardless of what's going on. We've had 50 cent-per-gallon jumps within a month, span, and then it goes back down, then jumps back up. Yes, it's gone up but nothing out of the norm," Kline said.

"He said electricity increases also have not been approved."

"Some products based on petroleum will skyrocket," Clark said.

"I foresee a price increase for pipe," Byrd said in advance, reasoning that "irrigation pipe is one of the first things to go up in our industry."

"I'm sure the oil crisis will affect us," said Alcss. "But it's not the only thing."

"Bill Rogers, vice president of Oasis Irrigation Systems, Inc., in Nashville, Tenn., said irrigation pipe prices increased in early September by 12 percent, and components like controllers, heads, and valves rose five percent."

Rogers estimated that would translate to $7,000 more for the pipe in building an 18-hole course, plus more for the components. A course requiring 800 heads, at $200 apiece, would see an $8,000 increase just for heads, most of which are PVC.

"If (President) Bush keeps us in a stalemate for a year, I wouldn't be surprised to see another 30-percent increase for pipe," he said.

---

By MARK LESLIE

For free information circle #119

Golf Course News 21

A GOOD RAIN CAN CREATE THE PERFECT GROWING CONDITIONS FOR THINGS YOU DON'T WANT TO GROW.

Pythium blight can strike almost as fast as lightning. To protect your overseed investment from an attack, nothing works better than a preventive program of Apron®-treated seed and Subdue® fungicide.

© 1990 CIBA-GEIGY Corporation, Turf and Ornamental Products
Always read and follow label directions.