Investigating buy rather than building — experts

By Mark Leslie

Developers may be better advised to buy existing courses rather than build new ones, considering the many facilities on the market, according to golf industry finance experts.

“There are more people out there selling than buying,” said Tom Powers, executive vice president of Goodwin Research Corp., a real-estate research and marketing firm based in Lasdelle-By-The-Sea, Fla.

“There are probably opportunities for acquisition out there around the area,” said John Johnson IV, a partner in the national accounting and consulting firm of Laventhal & Holrah in West Palm Beach, Fla. “The interest in acquisitions seems to be in existing facilities. The money is usually prearranged — particularly in parties from Japan.”

Powers said the only buyers he is dealing with are from the Pacific Basin. “Two years ago there was a very healthy mix of ethnic types. It would have been 50/50,” he said.

James McLoughlin of The McLoughlin Group in Pleasantville, N.Y., said Japanese and Asian groups don’t want to take the time to design and build.

“They just want existing properties,” he said.

McLoughlin said that whereas in the past Japanese and Asians usually wanted to buy a golf facility to operate and sell tradable memberships back home, nowadays half are buying properties solely as investments.

Johnson said historically golf course buying has been characterized by “surges of interest in regions.”

Tight money putting squeeze on optimistic developers

By John Johnson IV, partner Laventhal & Holrah

Powers said that from 1985 to 1987 most developers were Americans whose plan was to “build a course, run it for a year or a year and a half, and sell and build.” But the course number two, repeat that and go to course number three. At the end of five or six years, they’ll have five golf courses.

“But the financing environment fell apart and it stopped there now with one or two golf courses and they are very, very heavily positioned to sell.”

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Pacific Rim and Sunbelt courses have been the most sought-after this year, he said.

“Pacific Rim buyers are concentrating in Hawaii and the West Coast, Johnson said.

“The interest in Florida is from both domestic and foreign investors. There is a sense the Texas markets are coming back, that there are less regulations.” Also, the Southeast in general. The season is longer, therefore more rounds are played, and operation can be more productive.

Johnson said that some are also interested in New York and Arizona.

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