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The 600-yard 18th hole at Robin Nelson's Moose Run in Alaska.
Course valuations flat or declining

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frenzied market of the past few years seems to be "taking a breather." Hirsh sees no imminent "bust" in the market, but said it is clear that course buyers have become more price conscious. Two years ago, 90 percent of respondents to a similar GPA survey said they perceived course values to be on the rise. Last year, half of them believed prices were still climbing. But this year, half of respondents said values were stagnant, and another 29 percent reported that golf course prices were actually falling. Only 21 percent perceived values as being on the upswing.

Impact of Interest Rates

Hirsh ascribed the shift to the interest-rate environment. "There is certainly a reality that rising interest rates negatively affect the value of golf courses - and all income-producing properties, for that matter," he explained. "The rising rates create higher costs for money and lower values. But there's still nothing to suggest that revenues and cash flows are declining.

Greens fees are still going up, and cash flows should be improving, at least in theory.

"But the bottom line is, that could be perceived as real value declining, because the same amount of net income won't create the same amount of value it used to," he said. "With interest rates higher, in order to get the same amount of value, you'd need more income."

Among the survey's biggest surprises, Hirsh said, is that 50 percent of responding firms indicated that they perceived values as being on the rise. Last year, half of them believed prices were still climbing. But this year, half of respondents said values were stagnant, and another 29 percent reported that golf course prices were actually falling. Only 21 percent perceived values as being on the upswing.

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Because of rising interest rates, "the acquiring companies - and some people have just decided to focus on private clubs."}

Equally surprising, Hirsh said, is the new interest in courses in the North and Northeast. Last year, 65 percent of acquiring companies preferred Sunbelt locations, but that attitude is definitely changing.

One reason, Hirsh said, could be that buyers see the Southeast and Southwest as saturated with courses. Another could be that management firms have awakened to the advantages of running courses in such places as Michigan, Pennsylvania, and New England.

"There are many operational issues that affect profitability," Hirsh said. "In the South, they have to be open all year long, and maintained all year long. In many cases, in Florida in particular, people don't want to play golf in the summertime, but that's when they have the most tee times to sell, because of the daylight. In the winter in Florida, they can't put anybody on the course after about one-thirty in the afternoon.

"In the North, the playing season is shorter, but they can sell tee times up til four o'clock. That's a big advantage," Hirsh said. "They can close in the winter and not have to pay people to maintain the course then. Consequently, you might enjoy strong cash flow. So the acquiring companies see a lot of opportunity in well-positioned cool-season courses. There are a lot of population centers in the Northeast and Midwest."

Hirsh, whose company performs valuation, consulting, and brokerage services, said quite a few companies are actively looking for acquisitions in the North. "Gotham Golf Partners, Arnold Palmer Golf Management Company, Crown Golf Properties, LinksCorp - those are just a few that I know are looking favorably upon the Northeast," he said.

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