Change births opportunity

Andrew Overbeck, editor

According to many economists, the United States is slipping into a recession. With the stock market down on the year, corporate earnings in decline and consumer confidence steadily dropping, the government has acted by passing a large tax cut and repeatedly cutting interest rates. So far these efforts have fallen flat and the events of Sept. 11 have simply exacerbated an already difficult situation.

What does this mean for the golf course industry?

As *Golf Course News* has reported, there is plenty of hard evidence that the golf industry is slumping along with the rest of the economy. Rounds are down across the country and golf course construction is down nearly 30 percent on the year.

Clearly, this is a time of change for our country, our economy and the golf course industry. With change, however, comes opportunity.

Over the past couple weeks, we have been urged by President Bush, the news media and others to return to "business as usual." If the last couple of years in the golf industry have been the norm, I hope we don't return to business as usual.

Everyone, from lenders to builders to architects and industry suppliers, agrees that the 500-plus new course openings that we have seen in the past few years was an aberration. The "if-you-build-it-they-will-come" development strategy was never sustainable or feasible and many believe that the downturn in construction will allow for a healthier industry going forward.

The slower pace of development will allow existing courses to be absorbed into the market, but more importantly, it should lead to better development going forward. Successful developers will complete more rigorous feasibility studies in order to identify and attack under-served markets.

More efforts also need to be focused on making golf more accessible to more people. Current initiatives to bring more players into the game need to be supported and encouraged.

The American Society of Golf Course Architects is making affordable golf its battle cry, calling for more city- and county-owned courses, par-3 tracks and executive layouts. Through The First Tee, the United States Golf Association's For the Good of the Game grants, the National Golf Course Owners Association's Kids on Course program and other initiatives, work is being done to bring new players to the game.

Recent research by GOLF 20/20 demonstrated that these efforts pay off. Their report showed that adults aged 19-34 who were exposed to golf through a structured junior program are playing 50 percent more rounds and spending 70 percent more on green fees and equipment.

As the golf industry moves back into balance, there is plenty of opportunity out there. Let's take advantage of it.

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As *GCN* has reported on its Web site and in its e-news in the past month, many in the golf course industry have stepped up to raise hundreds of thousands of dollars for disaster relief efforts. Among them are: Standard Golf, Textron Golf Turf and Specialty Products, BASF, Syngenta, ClubLink, John Deere, the Club Managers Association of America, the Golf Course Superintendents Association of America and the National Golf Course Owners Association. Well done.

Here at *GCN* we'd also like to thank the hundreds of readers who recently took part in our readership survey. The information and comments gleaned from the survey were valuable and will help us shape our editorial vision going forward.

What impact will the events of Sept. 11 have on the golf course industry?

By LAURENCE A. HIRSH

Laurence A. Hirsh

As I write this installment of Market Comments for *Golf Course News*, it occurs to me how unimportant golf is in the scope of life. On Sept. 11 while attempting to qualify for the U.S. Mid-Amateur, I observed a fellow competitor on his cell phone, walking the course. Since it's quite unusual to see cell phones at USGA events, I joked to him that he must be having a rough day since he was already calling the office. Little did I know how rough when he informed me of the attacks on the World Trade Center.

Shortly after playing my next tee shot, we were informed that the tournament had been cancelled as a result of the attacks. Walking to the clubhouse, my mind was filled with the same thoughts all Americans had that day: my family's safety, my ability to get home, and "How could anybody do such a thing?" When my thoughts were interrupted by an F-16 flying overhead, it struck me that we were really at war.

After having time to reflect on these events, the President has implored us to get back to work. We have seen an unprecedented one-day point drop in the Dow Jones Industrial Average and many in the golf business are asking what this will do to our industry. Here's what I think:

- With several golf course management companies suffering and round counts down in many markets, operators will continue to dispose of under-performing and undesirably located (not clustered) assets and try to bolster cash reserves.
- As a result of falling interest rates, many new players will enter the market and attempt to take advantage of possibly falling prices. These returnees will include multi-course management firms (those in good financial shape), many individual investors and "Mom & Pop" operators.
- Some course operators (perhaps those who have been around a while) will decide they've had enough, move to retirement earlier and sell their properties.

ABSORPTION PHASE

With rounds down in most markets and construction reported to be slowing, those seeking entry into the business will find opportunity and, like many businesses, the golf industry will begin the upward swing in the cycle. The big question is timing.

In golf, it not only takes time for new supply to be developed, but also for that supply to be absorbed. Right now we are in the absorption phase and many courses built in the past 10 years (or affected competitively by those built in the past 10 years) will assess their performance history; they will consider/evaluate operating practices and possible market positioning. One sector that is entering the evaluation stage are private clubs whose membership has changed, whose facilities have aged and whose revenues have been stagnant or declining. Another sector is upscale daily-fee courses in markets overbuilt with that particular type of facility.

Continued on next page

2001 Golf Course Builders Award applications on the way

Nomination applications for the 2001 *GCN* Builder of the Year award will be mailed to all golf course builders in early November. The award, which recognizes the top large and small builders, is the pre-eminent honor in the golf course construction industry.

GCN encourages all builders to submit their 2001 project portfolio for evaluation. This year's award will be presented in February at the GCBAA's Builders Dinner during the 2002 GCSAA International Conference and Show in Orlando, Fla.

Get more out of *Golf Course News* @ www.golfcoursenews.com

Read this month's stories online at **www.golfcoursenews.com**. In addition to the November issue, there are numerous resources available on the site. You can search for stories in the *GCN* archives, locate products and companies in the 2001 Buyers' Guide and get information about management companies by surfing the 2001 Management Company List.

At **www.golfcoursenews.com** you will also find links to breaking news through *GCN*'s weekly e-news updates.

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