Change births opportunity

As an economist, 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 lagging 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.” 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 attract 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 available 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 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.

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 thousands 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

A s I write this installment of Market Comments for Golf Course News, it occurs to me how important 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 attack. As we were leaving 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 adjust to under-performing and underequipped (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.

ASSIMILATION 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.
‘Oh, say can you seed’

JAMUL, Calif. — In the weeks since Sept. 11, Americans have been so fervently patriotic that there is a nationwide shortage of flags. Steele Canyon Golf Club, located just outside of San Diego, solved the problem by mowing a pattern of Old Glory into the third hole at its Ranch Course.

Aloha,

The effects of the WTC tragedy have been startling in Hawaii. The economy is dependent upon visitors from abroad. Hotel occupancy levels have dropped from 80 percent to 30 percent in just one week. Golf courses are losing 20 to 30 percent of their business due to the lack of visitors.

We are expecting this to be a long war, but we anticipate people overcoming the fear of flying eventually. Please, if you take a vacation, come to Hawaii!

Mahalo,
Ron Huffman
Director of Golf
Coral Creek Golf Course
Oahu, Hawaii

Crew member, Arnulfo Sanchez Olvera, came up with the idea, said superintendent Phil Fitzgerald. Olvera picked the third hole at the Ranch Course because the fairway sits 300 feet below the tees, giving golfers an ideal view of the flag. It took him two hours to cut the pattern into the turf using a fairway mower for the stripes and a triplex tee mower for the stars.

Fitzgerald plans to keep the flag mowed into the fairway as long as it looks good.

“We just overseeded with ryegrass so it striped up really well,” he said. “I don’t know if it will look as good with the Bermudagrass.”

— Andrew Overbeck

MAILBAG

Hirsh on impact

Continued from previous page

NARROWING THE GAP

Putting the markets now out of balance back into balance will take time.

As we wrap up the fall season, it seems as though some operators are ready to sell properties in anticipation of seasonally declining revenues. Of late, there has been a reluctance of sellers to accept what they feel are artificially low prices, resulting in a gap between buyers and sellers. My sense is that some sellers seem more ready to move now in order to dispose of unwanted assets. In the golf industry’s game of “wolf” it seems like sellers may be the first to cry, thereby closing the gap that has existed for the past eight to 10 months and, frankly, precluded many deals from happening.

Much like the stock market, the golf market is in a “correction” from the high prices of 1997 and 1998. Like many industries, those with sound fundamentals and strong reserves will survive; the others will be absorbed by the strong. As usual, there are strong markets with much opportunity and some that are saturated. Those investors who do their homework will remain a step ahead of the rest.

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