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Development slowdown a healthy trend, experts say
By Andrew Overbeck
JUPITER, Fla. — The downturn in golf course development that was predicted by the National Golf Foundation's 2001 facilities report is becoming evident. The foundation recently reported that for the first half of 2001, just 176 courses were completed. The updated prediction for the year is 378 course openings, down from a record 524 in 2000. This will bring total development numbers back to early 1990s levels.

The significant drop in development, however, is not seen as a negative.
Development slowdown
Continued from page 1

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**HARD GROWTH
CAUSES OVERTURE**

After six years of breakneck growth, golf course development was bound to slow down. "It is a cyclical pattern," said Henry DeLozier, vice president of golf operations for Del Webb Corp., which recently merged with Pulte Homes. "In most markets, the oversupply will give all the new courses that have come on line a chance to be absorbed into the market."

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Besides the oversupply in some areas of the country, the softening economy and flat golf participation rates also have scared off potential lenders. According to Frank, this combination will lead to fewer courses "graduating" from the NGF's list of courses "in planning" to "under construction."

Rick Nekoroski, with Heller Financial, which was recently acquired by GE Capital, said, "These numbers tell us that what is already in the pipeline is getting completed, but there are not a lot of new projects getting started," he noted. "Developers don't see building courses as being an attractive option, because in given markets there are too many courses."

"However, from a lenders perspective," he continued, "those numbers are more positive than negative. It will give the inventory that has come on the market time to be absorbed. That will stabilize the market in the coming years."

While a prolonged slowdown may lead to a more hospitable lending environment, national lenders are still shying away from new construction loans, said DaimlerChrysler Financial Service's Bobby Fitzpatrick. "We have not done a new construction loan in 18 months," he said.

**STILL PLENTY OF WORK TO DO**

Phil Garcia, president of Ryan Golf Corp. in Deerfield Beach, Fla., knew the end of the boom was coming. However, his company still has plenty of work, and 2002 is scheduled to be another healthy year, despite the development drop off.

"We did not expect the record number of courses that were built in the late 1990s to continue forever," he said. "It was not reality. But the numbers that we are seeing now are still substantial. This roll back that is starting will just help to bring some sanity back into the marketplace."

However, if the trend of fewer courses holds true, Garcia admitted that some builders might be left out to dry. "With the record numbers, there were a number of newcomers to the industry," he said. "This downturn will affect the newcomers more than the established companies that are in it for the long haul."

**BLOODLETTING TO COME**

With new construction loans out of the question, national lenders are focusing on acquisitions and the refinancing of existing courses.

"Why would you build a course when you can buy someone's mistake at a lower price?" said Fitzpatrick. "It is not busy yet, but a lot of people are looking to buy and are hopeful that prices will continue to drop. This fall people will put courses out on the market. I do think there will be some bloodletting a little later in the year."

Nekoroski concurred. "In the next 12 to 24 months there will be a strong opportunity to buy," he said. "People are looking to acquire courses."

According to DeLozier, courses changing hands does not translate to a market in free fall. "Those who talk about a free fall are not paying attention to long term cycles," he said. "Those who are paying attention are positioning themselves to participate in the cycle. There are some developers who have positioned themselves to be buyers of courses."

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