Construction to continue downward trend in 2002

By JOEL JOYNER

JUPITER, Fla. — The U.S. economy hit a recession last year, and a slow down ensued in new golf course construction. The numbers for new construction in 2001 fell off a cliff compared to those recorded in 1999 and 2000. As a result, those in the industry take a cautious perspective on what 2002 has in store for new development projects and where some potential opportunities exist.

New construction hit a peak in 2000 when 524 total projects opened. "Looking at the openings in 2000, it's a pretty safe bet that was the high-water mark. We will not see that number ever again," said Barry Frank, vice president of member services at the NGF.

New development projects completed in 2001 topped out at 377. In 18-hole equivalents, that came to 284 courses compared to 18-hole equivalents of 398.5 courses in 2000 — a downward slide of 114.5 courses. "According to what we see in the pipeline right now, we think there's going to be about 325 openings this year," said Frank. "Our projections are that there will be about 230 daily-fee, 40 municipal and 55 private course openings."

FINANCING TOSSED UP

Financing will be a challenging component to most new construction projects. "What the sources out there are saying is that major lenders for new golf development do not have a great deal of interest," said Frank. "They're primarily cash flow lenders that like historical cash flows that they can project forward, and they take into account the expertise of the operator."

"If there's a choice between putting money into a new project versus something that has a historical track record, lenders are going to go with the history," he continued. "The biggest source for new construction will likely be local banks or private funding in unusual situations."

Real estate related golf projects are expected to remain consistent regardless of demand, according to Frank. "Because they serve an alternative purpose, to sell lots at an increased rate and to increase absorption," he said. "Developers will continue to build real estate related golf projects not so much that they are self-sufficient but as an amenity to the overall project."

New construction, however, will continue despite financial barriers. In tough economic times, development projects with merit will proceed, according to Jim McLaughlin with the McLaughlin Group in Pleasantville, Ky. "A soft economy tends to weed out weaker projects before they get off the ground," he said. "Projects that are worthy, that are good for the developer and the local community, will continue to be developed."

DEVELOPERS ARE FOCUSING ON SPECIFIC REGIONS

While industry leaders say development depends on locality and demographics, there are some hot spots. According to the NGF, some of the top states for projected openings in the top four regions include: Texas, 31 courses; Florida, 20 courses; Michigan, 18 courses; Ohio, 13 courses; and Arizona, 12 courses.

"The top region is expected to be our South Atlantic region that we project to have 62 openings this year," said Frank.

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Raymond Hearn: Industry must learn that less is often more

PLYMOUTH, Mich. — The one matter of seemingly universal agreement concerning the aftermath of Sept. 11 is that things will never be the same, and it is difficult to identify an industry that remains unaffected. Golf is no exception. But like many businesses, shifts in the golf industry have been percolating for some time.

Increased competition for green fees and an overabundance of courses in some areas has been with us for some time now, and the construction of new courses has slowed considerably from the record levels of the 1990s. Plymouth, Mich.-based designer Raymond Hearn addresses possible changes facing the industry and the impact on, and of, golf course architecture.

Golf Course News: What do developers need to consider when contemplating construction of a new course?

Raymond Hearn: Like any number of business endeavors during boom times, the emphasis in the recent past has been on "more is better." The results have often been intriguing, but of course the more bells and whistles in a given design, the greater the construction and maintenance costs are likely to be. As in any business, profitability can only be achieved by passing along these costs to the consumer.

GCN: How does this transition into specific course features?

Hearn: If we listen to golfers across the board, I believe they're telling us what they want. This includes courses that are easier — "more playable" is the current buzzword — as well as more affordable and, wherever possible, less time-consuming to play. This is especially true of golfers new to the game or contemplating taking it up. In general, this means