National Golf merger pending

National Golf Properties has proposed a merger with its largest tenant, American Golf.

Development slowdown

New construction will continue to soften in 2002, but opportunities still exist.

With financing scarce, builders grapple with equity gamble

By Andrew Overbeck

As golf course development financing has become increasingly scarce, more golf course builders, both large and small, are being asked to take equity positions in projects.

"It seems like seventy percent of the deals we see, the developer is looking for money," said Robert Steele, president of Scottsdale, Ariz.-based SEMA Golf. "More developers are trying to figure out how they can still have a golf course and not spend their money."

While larger, established companies such as Lincoln, Neb.-based Landscapes Unlimited and Colorado Springs, Co.-based Niebur Golf have been involved in the equity partnership and ownership game for some time, this trend opens up a whole new set of challenges for medium and small builders which take comparatively larger risks when they trade profits for an equity stake in a project.

Newly elected Wallace determined to move GCSAA forward

By Andrew Overbeck

ORLANDO, Fla. — Newly elected president Michael Wallace has taken the leadership reins at a pivotal time for the Golf Course Superintendents Association of America. The association, which is feeling the effects of a slowing golf economy, will be tackling some weighty tasks this year from PDI implementation to the launch of its e-business initiative.

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Palmer Golf looks to third party deals, acquisitions

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Hills. “Stone Ridge is a great golf course,” said Tierney. “With some more aggressive sales and marketing it will do very well.”

As far as other new management contracts, Tierney said the company would continue to focus on its cluster markets and look at opportunities in the Northeast and Mid-Atlantic.

MARKET OPPORTUNITIES

With large numbers of courses for sale, and the golf market at or near the bottom, Tierney said the company has received the green light from its financial backer Olympus Real Estate Partners to look at acquisition opportunities.

“If you are a major player like us, now is the time to take advantage of the down cycle and the lower multiples to bulk up,” he said. “This is a very reasonable time to add to your portfolio.”

According to Tierney, the firm is getting calls from banks that have reposessed courses. “This may be a good opportunity to come in and operate under a management contract for a bank,” he said. “It would be a good way to do due diligence while operating the course. If it worked out you could just take over the debt.”

High-end courses present the biggest acquisition opportunities, said Tierney.

“Affordable golf will continue to prevail,” he said. “High-end daily fees that were underwritten at $80 to $100 a round at 50,000 rounds per year will be on the market. They can do 50,000 rounds, but at $50 a round. There is a lot of great product out there that is not going to be able to command the rate that was anticipated, but if you buy right you can make it work.”

While they have not officially teamed up on any developments to date, Palmer Golf is looking to partner with Palmer Course Design on several projects this year.

“We are exploring more possibilities with PCD than we have in the past,” Tierney said. “The design and build team will work with our management team. Some renovation work, new development and international projects will come on line.”

SLIMMING DOWN

While acquisitions and new projects are a focus for Palmer Golf, the events of Sept. 11 forced the firm to concentrate on cutting costs and running its courses more efficiently.

“We took a hard look at how we were operating our facilities from revenue management to expense control, to doing more with less in the off season,” said Tierney. “In the end it was healthy.”

In order to slim down, the firm implemented early seasonal layoffs, reduced fixed costs and combined some positions. They also held 2002 budgets until the end of December. Moving into the year, the firm is using more regional marketing and Internet promotions and advertising.

It is too early to tell whether levels of play at its facilities have returned to normal or not because many of the company’s courses are closed for winter. However, Tierney said event booking is coming in, albeit at lower rates. “A couple of years ago we were able to package food and beverage and a lot of other amenities,” he said. “They are still holding tournaments, but they have scaled back spending on the amenities.”