Golf Course Construction Costs

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What is the cost to develop upscale golf? To help answer this frequently asked question, GVI Consulting, a national golf advisory firm, continuously compiles golf course construction cost data across the nation. To answer this question specifically for upscale private club golf courses, we took a representative sampling of 30 upscale recently developed golf facilities.

For purposes of this article, the cost data was categorized into three major categories: Golf Course Hard Costs (the actual construction of the golf course); Building Improvement and Equipment Costs (the actual construction of the building improvements and equipment purchases); and Soft Costs (such as design fees, permits, construction management, etc.).

The data revealed a wide variance in total project costs (excluding land) from about $7 million to about $25 million, with a median cost of about $14 million. We recognize that this is an extremely wide range, but this further exemplifies the many factors that can influence a construction budget. Essentially, the variance is related to two primary factors: Site and design specific characteristics (i.e. location, topography, soil type, etc.), and Owner/developer preferences (i.e. amenities, quality, golf course architect, etc.)

GVI has found there is a base level of core golf course construction items and then there are items added to the costs in the way of amenities and upgrades, much like buying a car and going from the base to the luxury model. When you eventually get down to the construction cost of the golf course itself there is a relatively tight range.

To begin, we will first present a typical breakdown of the total project cost of an upscale golf development. Next we will focus on the costs associated with just the golf course construction, known as the hard (or direct costs). Then we will provide a range of specific cost items that can be easily segmented from a cost budget. Finally, we will discuss the impacts of other cost components such as the clubhouse and soft (or indirect) costs.

When first looking at a golf course construction budget we believe it is helpful to consider the cost breakdown among the golf course, building improvements, equipment, and soft costs. Chart A provides the reader with an illustration of how we see the allocation of costs involved in the construction of an entire golf course project.

The chart illustrates that actual construction of the golf course typically accounts for 50 to 55 percent of the total cost (excluding land). Golf course construction includes grading and site preparation costs, and grow-in (also known as maturation). As an example, assume that the total project costs are $14 million, based on typical ratios, approximately $7.0 to $7.7 million of the total cost might be allocated to golf course construction.

So how much does it actually cost to construct an upscale golf course? We have discussed in general those items that make up a construction budget. Now we will discuss in more detail the costs associated with just the golf course construction. Hard construction costs, typically include the following categories:

* Grading and Mobilization
* Drainage
* Rough & Finish Shaping
* Green Construction
* Tee Construction
* Bunker Construction
* Grassing and Seed Preparation
* Bridge Construction
* Cart Path Construction
* Irrigation System
* Lakes and Water Features, and
* Grow-In Period (Maturation)

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Chart B illustrates the range of actual golf course construction costs (rounded to the nearest $100,000) for an upscale project, along with the median and the mean.

The chart demonstrates a wide range in costs from a low of $3,900,000 to a high of $16,100,000. Reasons for this wide range generally come down to several factors. The topography of the site is one factor - a hilly site may require a developer to cut and fill and move large quantities of dirt, whereas a gently rolling site may require very little earth movement.

On the other hand, a flat site may also require a lot of grading to improve the design, playability and aesthetic appearance of the golf course. The data reveals the cost associated with grading can range from as low as $300,000 to as high as $6,000,000 or more for one 18-hole golf course. That said, when grading is removed from the equation, the range tightens from about $3.0 million to $9.0 million, and a median of about $5.0 million. Other major factors can include the amount and quality of the irrigation system, number of bunkers, quantity and quality of water features, and the amount of drainage.

Some other, and easily isolated cost items include the cost of cart path construction, the irrigation system, grow-in period, and (although not a hard cost) the golf course architect fee.

The range of several key construction items varies. Most notable is the cost of the irrigation system and golf course design fee. The low-end of the range is a typical course in say the northeast or northwest, where extensive turf coverage is not required. The upper end range is indicative of an upscale course in an arid climate such as Southern California or Arizona.

We also mentioned the golf course design (or architect's) fee. This item also indicates a wide range, with the low-end indicative of the local or regional architect, and the upper end indicative of a name designer, such as Tom Fazio, Jack Nicklaus, or Greg Norman. The range of cart path construction and grow-in is somewhat less variable and more consistent from project to project.

Although we have focused primarily on golf course construction, when reviewing a construction budget it is also important to recognize the fact that not all budgets are alike, and contain a variety of other cost components.

In addition to the golf course, most golf projects are developed with a clubhouse, and every golf course requires a maintenance facility. Other building improvements can include the cart barn, remote restrooms, snack bar, starters kiosk, and irrigation pump house. Also included in building improvements are the costs of FF&E, maintenance equipment, and the golf cart fleet (if not leased).

The other aspect of construction is the soft costs (permits, engineering, architect and design fee, construction management, financing costs, and contingency). Both building costs and soft costs can vary greatly between projects.

For example, a modest but well-appointed clubhouse (say 15,000 square feet) at a private club may cost $3.0 million to construct. However, a clubhouse of similar quality but 35,000 to 40,000 square feet may cost $6.0 to $8.0 million. When looking at soft costs, a golf course constructed on the coast may be considerably different than one constructed in an inland area, as the coastal project will likely undergo a lengthy and costly entitlement process.

Additionally, a Jack Nicklaus or Tom Fazio designed course will cost far greater than a lesser-known local or regional architect. Finally, another factor not yet discussed is the cost of off- and on-sites, or roads, infrastructure and utilities. These items are often site and location specific, so we have excluded them from this discussion, however, they must also be considered when reviewing a cost budget.

So, what is the cost to develop an upscale golf project? When looking at the core golf course construction cost, there is a relatively consistent range. However, it is important to recognize that variances come into play, such as site/location specific items and owner/developer preferences. What we have provided are useful guides and ratios, and a breakdown of specific cost items, so one can be more informed when reviewing a construction cost budget.