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READY FOR THE RESTART

Warren Buffet likes to say the way to become rich is to “Be fearful when others are greedy and greedy when others are fearful.” The golf industry hasn’t done a very good job of heeding the Oracle of Omaha, but we can do better next time. And there will be a next time. Beaten-down developers and architects will come off the sidelines to build new golf communities and design courses. And prospective club members will again reach for their wallets to join. That’s what business cycles are all about. This got me pondering a few questions.

What will it take to dislodge the logjam in course development? Until a large percentage of home buyers can qualify for a mortgage, nothing is going to happen in the housing sector, which means nothing much is going to happen in golf. But whether it’s with federal assistance or other programs, mortgage funding will become available, and that’s when we’ll see things take off again.

Which builders will be first to jump back into community and course development? The big homebuilders. They have access to capital through public equity markets. Plus, that’s their core business and they must get back in the game. Companies like Pulte, Lennar, D.R. Horton and Toll Brothers will come back first because they have the most experience building large-scale communities and their business models historically have relied, at least to some extent, on golf.

Are those firms getting ready to build again, even if they don’t know when they might get started? Every one of those companies is getting their plans in order. While people are wringing their hands because

they’ve heard “experts” predict there will never be another home built in America, the shrewd builders are quietly assembling land because they understand business cycles and know opportunity when they see it. They really don’t have a choice. If they wait until there is confirmable evidence of a recovery, they’ll be eight to 14 months behind the market cycle.

What important lessons did the economic downturn teach developers? For starters, there’s no room for ambiguity and design-on-the-fly. In the past, builders could dismiss creep-

standpoints. Courses will start to look more traditional with routing following the site’s natural terrain. As a consequence, there will be less bulk grading – a source of major construction costs. Designs will be refined to reduce on-going operational expenses such as irrigation and drainage costs. The number and contours of bunkers will be reevaluated, which will impact strategy. Overall, designs will emphasize time efficiency and enjoyment.

Does that mean we won’t see any new 7,600-yard courses? I don’t know how long the courses of the

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ing development costs in large-club projects simply by increasing the cost of the lot by \$1,200 or so. Now an increase of \$1,200 is the difference between whether someone can afford that lot and the house scheduled to go on it. There was so much elasticity in the recent market cycle that planners and developers could indulge in a certain amount of inefficiency. That elasticity is gone, which puts the priority on cost-containment. If the prevailing attitude was once to err on the side of throwing money at a problem, now the default will be the most cost-effective solution.

How will course design change going forward? Golf will not be the driving amenity in all communities, as it has been for so long. We’ll see sports and fitness and golf membership being equally desirable to many homeowners. The courses built will be more affordable from a construction and ongoing maintenance

future will be, but women will apply a fresh dose of long-needed reason to the design process. Developers are beginning to understand that women make buying decisions. Developers need to ascertain what women want from a community and club experience. They may want to be part of a golf community because it’s important to their husbands. But golf is not as important to her as her family’s well-being, safety, schools, health and fitness. Those things trump a great golf course in her book most every time.

What do we do next? Be prepared for the market to restart. Savvy investor groups have begun acquiring land for the next development cycle. Align your project planning to proven and measurable markets; measure the location and proportion of your target market segments. Maximize efficiencies by calling on experienced golf community and course experts; place substance ahead of marketing pizzazz. **GCI**