



Henry DeLozier is a principal in the Global Golf Advisors consultancy. DeLozier joined Global Golf Advisors in 2008 after nine years as the vice president of golf for Pulte Homes. He is a past president of the National Golf Course Owners Association's board of directors and serves on the PGA of America's Employers Advisory Council.

BUILDING WITH THE HOUSING MARKET

Other than weather patterns, no single influence has a greater impact on golf and its related businesses than housing. The housing engine drives demographic changes, which, in turn, create new markets and change the face of established ones.

As housing recovers from a recessionary body blow, its impact on golf will be favorable. Developers and homebuilders, as they have for decades, will continue to view golf courses and country clubs as primary

mixed-use properties are starting new projects. Tonette Echols, a financial advisor at Wells Fargo Advisors in Phoenix, observes that the combination of declining unemployment and moderating inflation is helping the economy find a "sweet spot" of opportunity.

Homebuilders seem to agree. Rick Judson, chair of the National Association of Home Builders and a Charlotte-based builder, said recently, "Builders are noting an increased sense of urgency among potential buy-

past decade Baby Boomers have felt another tug: proximity to children and grandchildren. The markets benefiting most are along the coasts and in population centers of Arizona, California, Florida, the Carolinas, Georgia, Tennessee and Texas. Generally speaking, states with favorable climate and more affordable health care will prosper; states without those advantages and those with high taxes will be less attractive to current and prospective residents.

Some markets – especially those where the recession brought new construction to a standstill – are now seeing the effects of a supply shortage. After several years of near-zero growth, sellers have corrected prices and builders have relocated their tool belts. Until inventory levels stabilize, home values on resales are increasing and it's once again a seller's market. Nationally, prices have increased 5.2 percent since January, with several California markets, Phoenix and Las Vegas leading the way.

If you're wondering if or when your market will join the housing resurgence, here are several trends to watch:

- Consumer confidence is growing and fueling activity nationally. But housing a local market dynamic, so look for close-to-home signs such as continued layoffs or new businesses moving in.
- Homebuilder confidence is growing as builders scurry to take advantage of market conditions and credit availability.
- Building permits (usually six to nine months ahead of the cycle) are increasing in hot markets.
- Housing starts (usually four to six months ahead of sales) are up 35.8 percent from April 2012 to May

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amenities for many of their projects. However, predicting the vagaries of the housing cycle is an imprecise process. It's this symbiotic relationship between golf and housing that makes it important to keep a careful eye on this recovery.

As the housing market heats up, it's interesting to remember the dire prognostications of some market watchers from only a few years ago. "The glory days of the housing economy are gone forever," predicted some of the least informed. As often happens, many failed to remember the fundamentals that drive the housing cycle: developers' access to capital, homeowners' access to mortgage debt and the confidence levels of both buyers and sellers. The doomsday prophets also forgot their history and the reason that cycles are so named: they come and they go.

As the economy slowly and fitfully recovers, developers of residential and

ers as a result of thinning inventories of homes for sale, continuing affordable mortgage rates and strengthening local economies."

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Demographically, the greatest demand for new homes is driven by more than 70 million Baby Boomers. This is a population segment that has what home mortgage companies love to see: cash and credit worthiness. According to John Burns, the respected California-based real estate observer, people over the age of 50 have purchased 39 percent of new homes thus far this year.

Traditional wisdom held that the Sun Belt held the greatest allure for the over-50 crowd. However, for the

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based and the block zoning of the small sprinklers watered the tees top and a great deal of surrounding tee area that was both sloped and a heavy soil all together. The tees were mostly elevated and therefore windy. The trees were very dry from a combination of poor sprinkler spacing and small nozzles that allows the water to be easily blown around.

Lastly, we visited a small practice facility operated by the Columbia Federation of Golf. This inexpensive public facility consisted of several practice putting greens, a driving range, a golf school and a par-3 course. The facility was also being used as an educational facility to teach several interns about golf course maintenance. The irrigation on this facility was very rudimentary, consisting of residential products with some automatic (not working) and manual irrigation. There was a small pump system and not enough water. But again with the kikuyugrass it was in pretty good shape.

Like most countries, golf in Columbia is very diverse with old established clubs and new resort courses. Qualified help is an issue and maintenance practices are behind the times. The use of chemicals and drainage and irrigation systems are rare due to availability and cost, but the golf course superintendents and foreman are eager to learn. During the seminars there were lots of questions both in the classroom and out in the field.

I have been to a lot of high end golf courses in the United States over the years and many private country clubs with lots of amenities. The Lagartus Club in Bogota where the seminar was held is very high end and with your typical country club services including: golf, swimming, tennis, squash, bowling, fitness center, practice area, short game area and several restaurants. However, Lagartus had an amenity I had never seen attached to a country club before. That was competitive water skiing on their irrigation lake, complete with a marked out course and a scoring building on the shore. Something to bring up as a possibility at your next board meeting? **GCI**



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from new path to the old, when the old section breaks up, so we try the next section... and sometimes the next section, etc.

Turf. On most renovations, we try to minimize turf destruction and replanting. This cuts cost, but leaves noticeable seams between old to new turf. Once seen, many prefer new turf be taken out to logical stopping points for consistency. Also, I can't recall a project where everyone didn't want more sod than was specified.

Most projects follow the proverbial desire for "champagne on a beer budget." Thirty six years of experience has taught me to be smart and plan on spending 10-20 percent more than the client really wants to get the product they really want and need. Very few projects get built exactly as per plan, and most changes increase costs over causing "pleasant" budget surprises.

Conscientious project teams continually balance between construction cost, project quality, and future maintenance or additional construction costs. They also realize that things just tend to come up and plan for the unplanned. **GCI**

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2013, according to the Census and Department of Commerce statistics.

Consider two additional important impacts on golf:

- Golf participation will increase in areas with a growing concentration of homebuyers above the age of 50.
- Market radials (the distance radius that feeds a facility) are shrinking due to over-supply of courses.

How should those of us in the golf business react to the changes in the housing market?

- Monitor housing trends that favor new construction and neighborhood resurgence in your area and market to new residents.
- Because of the shorter drive-time to the nearest course, loyalty programs that reward repeat business have new importance. Evaluate yours to make sure it's appealing to new customers and rewarding to your business.
- Research your close-in market to understand its demographics and see where your facility makes the strongest connection with residents. Identify your facility's strengths and most attractive features. Then focus your communications to take best advantage of your marketing budget.

The rising tide of a stronger housing economy may not lift all boats, but it can lift yours if you plan ahead. **GCI**