Staying Ahead of Market Dem

Golf construction slows in-line with demand, so builders and architects tout real-estate projects and sustainable design

BY DAVID FRABOTTA, SENIOR EDITOR

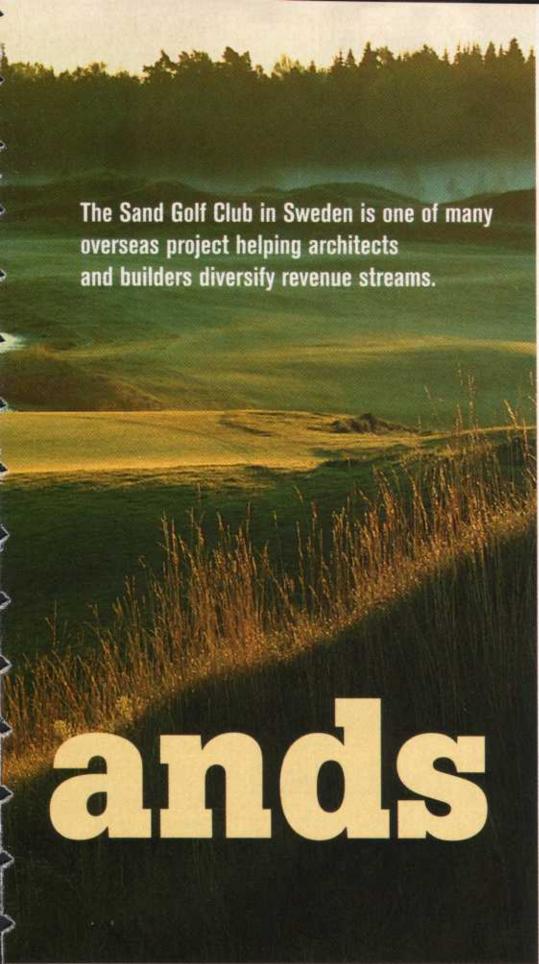
Golf construction has seen better days. Competition for work is tough among builders and architects, but renovations and creative business strategies are helping many survive the lull in new construction.

"Some companies have it pretty tough," says Steve Forrest, president of the American Society of Golf Course Architects and a principal with Arthur Hills/Steve Forrest and Associates in Toledo, Ohio. "There were about 120 courses built last year, and there are 180 members of the American Society of Golf Course Architects. That means a lot of people need to scrounge around for renovation projects. It's a very competitive marketplace, and not everyone survives."

The building boom in the 1990s, which peaked with 400 openings in 2000, has stagnated to historic lows following an ebbing demand. For the first time in six decades, 2006 showed a net of 26.5 fewer golf courses (18-hole equivalents) as 146 courses closed while just 119.5 new facilities came online, according to the National Golf Foundation.

But industry observers agree that's good news. New supply from the previous decade relegated many older courses to obscurity as players opted for new and updated layouts. Some closures were a result of oversupply in certain areas that cannibalized weaker courses, and some were profitable divestitures as owners cashed in on real-estate development. Those trends are expected to continue as the industry waits for demand to spike.

"Golf construction has always been cyclical," says Tom Shapland, president of the Golf Course Builders Association of America and president of Wadsworth Golf Construction in Plainfield, Ill. "It's not uncom-



The Sand Golf Club in Sweden is one of many overseas project helping architects and builders diversify revenue streams.

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mon for one or two sources of work to be down at any given time. But we don't feel like there is too little work. We've always been able to sustain ourselves."

The current cycle of sustainable business for architects and builders begins with renovations. Since the boom time and now, many architecture and construction firms went from about three-quarters of their business in new construction to less than half.

National trends reflect a similar story. In 2006, about 100 18-hole equivalents reopened after makeovers, up 39 percent from the 72.5 courses recorded in 2005, according to the National Golf Foundation. By the end of 2006, there were 97 18-hole courses closed for renovation, up from 74.5 courses at the end of 2005.

At Wadsworth Golf Construction, Shapland says just about a quarter of his business was renovation during the building boom. Now it's more than half.

"Competition is tough and aggressive, but there's nothing the matter with that," Shapland says. "We're not afraid to compete, whether we compete solely on price or what we like to believe is a combination of price and value."

Shapland says he was fortunate to be well-positioned in a down market that might have caught many builders unaware, especially those drawn to the seemingly lucrative field right before the bubble burst.

"Now that it's found its own level a little better, some people have gone out of business and some have gone out of golf," he says. "Some of our competitors do a good job of balancing sports field construction with golf course construction, which is something we haven't done a lot of."

Delving into athletic facilities and overseas business has proven successful revenue generators for many builders and architects. GCBAA has about 110 builder members, so Greenfield projects in the United States won't provide enough business for all of them.

"Business is tough, but it's still good," says Paul Foley, executive director of GCBAA. "There's not a lot of weeping and crying, but you need to scramble a bit today, and builders seem to be doing that pretty well.

"The smart ones, the good businesspeople, have found other avenues to generate revenue," Foley adds. "And we think they will be even stronger as the business comes back because they've branched out and were forced to do things to keep their businesses viable. They're finding there are other niches besides the construction of a new golf course."

The real question that business owners must examine is: What kind of company do you want to be? There is plenty of business abroad as developing nations continue to bol-

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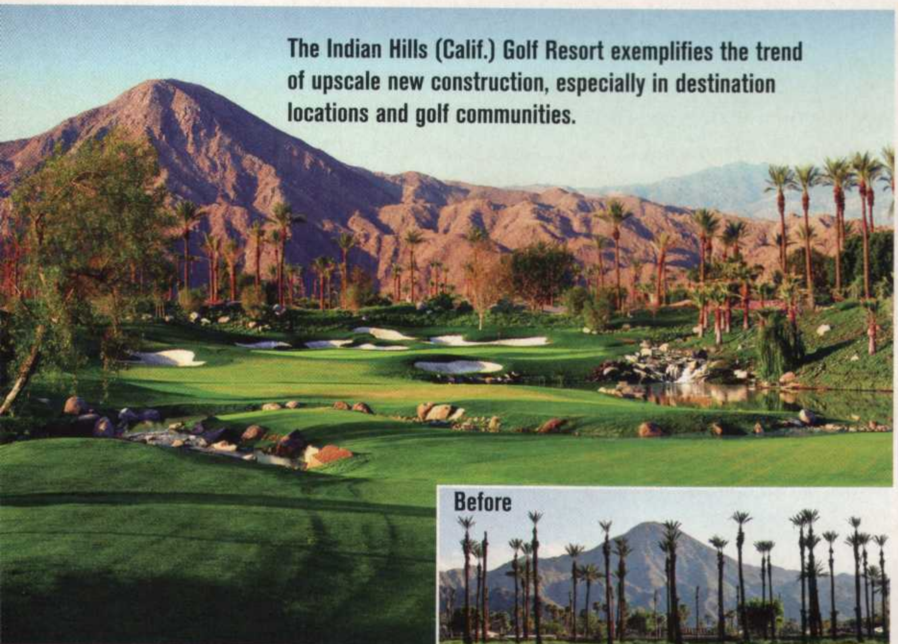
Lifecycle of Golf Course Features

Greens*	15-30 years
Bunker sand	5-7 years
Irrigation system	10-30 years
Cart paths (asphalt)**	5-10 years
Cart paths (concrete)	15-30 years
Practice range tees	5-10 years
Tees	15-20 years
Corrugated metal pipes	15-30 years
Bunker drainage pipes	5-10 years
Mulch	1-3 years
Grass	varies

**Depends on construction*
***Assumes routine maintenance*
Source: American Society of Golf Course Architects

The good businesspeople have found other avenues to generate revenue, and they will be even stronger as business comes back.

PHOTO COURTESY: ARTHUR HILLS/STEVE FORREST AND ASSOCIATES



The Indian Hills (Calif.) Golf Resort exemplifies the trend of upscale new construction, especially in destination locations and golf communities.

Before

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ster the earnings of a burgeoning middle class. But growing your business in the international arena means a fair amount of globetrotting and the increased cost of doing business. It also means that valuable operational personnel are unavailable at home.

There have always been local, regional, national and international players in the architecture and builder professions. Many need to balance the desire to grow with quality-of-life issues and revenue. Many smaller builders can make a good living staying local, but opportunities to grow the company are limited by location.

Conversely, high-growth firms might be cutting margins thin in an attempt to keep workers busy and gain clout. It's the same old business paradox of growth versus profits.

The subsequent diversity in business models among architects and builders results in healthy companies and healthy professions divided by expertise, business strategy and job preferences.

"Some are strictly doing renovations, and some are small companies that only do maybe six to 10 holes a year," Shapland says. "But competition on the types of jobs that we generally compete for has virtually the same group of competitors that we've had for the last five or six years. In some respects it's good because it spreads out the industry a little bit."

Not all business as usual

While competition might be the same, renovation projects have become more diverse as a result of the glut of high-end courses that opened during the last 10 years and a slowing demand among golfers. Operating margins are tight for many semi-private and daily-fee courses. And many older courses are competing for traditional members who might be spending more time and money at hyped-up new builds rather than their traditional clubs.

That dichotomy has prompted many traditional facilities to restore classic features originally laid out by renowned architects, such as the work being done by Ron Forse, Keith Foster and Ron Prichard. Others are basically starting from scratch and carving out development opportunities to subsidize the cost of renovation and hedge operational challenges. And the land is selling like hot funnel cakes at the county fair.

"Residential is a necessary component in about 95 percent of the cases," Forrest says. "We've caught wind of 30-percent to 50-per-

2006 Golf Development Summary – 18-Hole Equivalents

	STATUS												Total Courses Under Development
	Open			Under Construction			In Planning			Proposed			
	New	Expansion	Total	New	Expansion	Total	New	Expansion	Total	New	Expansion	Total	
Daily Fee	55.5	12.5	68.0	139.5	45.5	185.0	188.0	41.5	229.5	157.5	23.0	180.5	663.0
Municipal	7.5	1.5	9.0	15.5	3.0	8.5	21.0	4.5	25.5	30.5	6.0	36.5	89.5
Private	30.0	12.5	42.5	66.5	13.0	79.5	39.0	11.0	50.0	36.0	7.5	43.5	215.5
Totals	93.0	26.5	119.5	221.5	61.5	283.0	248.0	57.0	305.0	224.0	36.5	260.5	968.0

Source: National Golf Foundation

PHOTOS COURTESY: WADSWORTH GOLF CONSTRUCTION

Miami Beach (Fla.) Golf Club underwent an extensive facelift, including rebuilt greens and a regrassing to seashore paspalum.

cent premiums on residential lot sales for property on golf courses. So if you have 100 lots, then you can sell them like you have 150; that's a pretty good deal."

According to NGF, about 69 percent of new facilities were tied to housing developments last year. The trend of building real estate-related courses is expected to continue as 70 percent of courses scheduled to open in 2007 are connected to housing developments.

There are currently another 305 18-hole courses in the serious planning stages, but it remains to be seen if they will break ground.

While development enclaves might be able to fund most new-build and renovations on the onset, it's not a sustainable model, as the income will eventually run out. Courses undergoing a renovation must be able to make money after the development subsidies are gone, says Bobby Weed of Weed Golf Course Design in Ponte Verde, Fla. He says the lion's share of golf courses are still supported by development, and it will continue to play a major role in the marketplace.

One way it becomes an option is by "blowing up" an existing course and carving out development opportunities while redesigning the golf course on the existing track of land. The housing subsidies can be very significant, Weed says.

"We've recently put about $12 million in a few clubs' pocketbooks," he says. "That's a pretty good start to rebuilding your golf course, making upgrades to your clubhouse and paying off debt."

Many blow-up renovations open the door to sustainable design as well. With tight demand and subsequent tight operational budgets, superintendents are under increasing pressure to keep operational costs down while still providing conditions in line with member expectations.

"About 25 years ago, you could get away with some pin-prick mistakes, but today you can hemorrhage and die if you have enough pin pricks," Weed says about maintenance inefficiencies that arise due to design issues.

A more compact, core-routed course is easier to build, manage and maintain, he says. "And since labor, salaries and wages are about 60 per-

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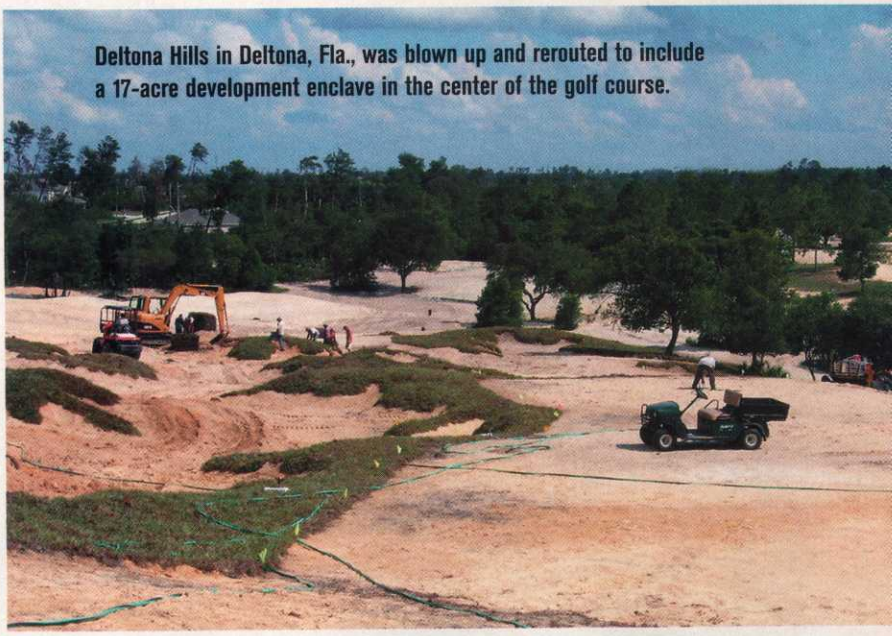
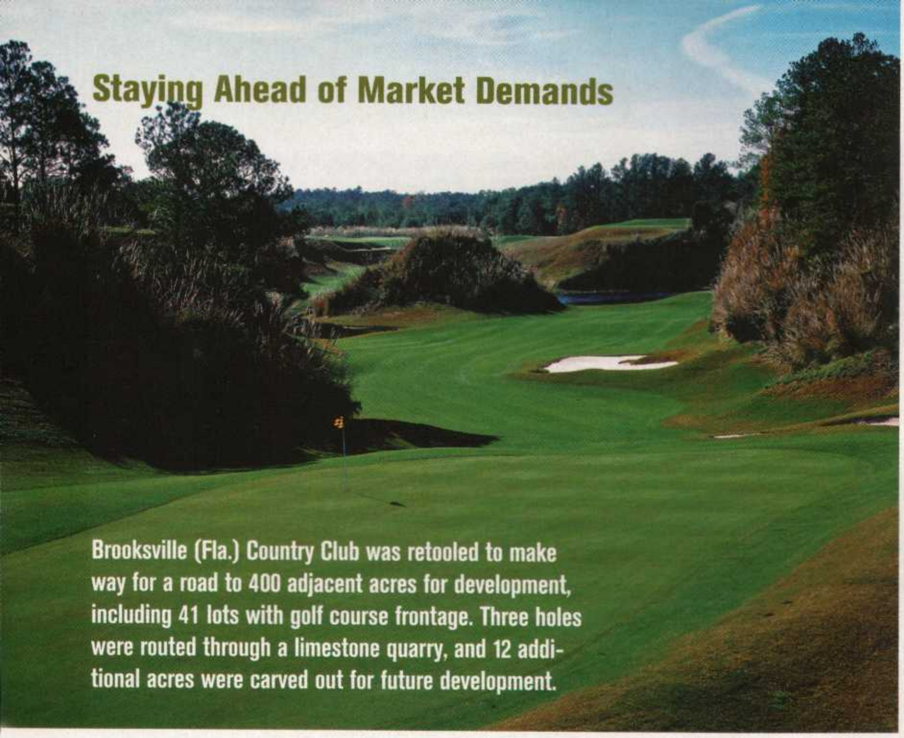


Deltona Hills in Deltona, Fla., was blown up and rerouted to include a 17-acre development enclave in the center of the golf course.

PHOTOS COURTESY: WEED GOLF COURSE DESIGN (BOTTOM RIGHT) AND ARTHUR HILLS/STEVE FORREST AND ASSOCIATES



Brooksville (Fla.) Country Club was retooled to make way for a road to 400 adjacent acres for development, including 41 lots with golf course frontage. Three holes were routed through a limestone quarry, and 12 additional acres were carved out for future development.

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cent to 65 percent of budget, we need to be more concerned about man-hours as well," Weed says.

Renovations allow clubs to re-assess their clubhouses, too. The traditional banquet space/grill room model might not be what newer members are looking for. In contrast to Oakmont Country Club, where members suffer in a second-floor locker room sans air-conditioning, members by-and-large will be increasingly unwilling to do without their creature comforts, such as multi-use rooms, high-speed wireless Internet access and nonfat, no-whip triple lattes.

"The days of the 30,000 to 40,000 square-foot clubhouse are out the window," Weed says. "We need WiFi service, a breakfast Starbucks-style component and a trendy mixed-grill component along the lines of a Wolfgang Puck setup. We need some place to take care of the children, such as a family playroom, and we need to have more porches, terraces, outdoor fire pits and fireplaces, as well as event lawn areas. And we need to stop spending all this money on banquet space that needs to be heated, cooled, maintained and staffed.

"It really starts with the design," Weed says. "Every one of these components is going to have to be value engineered in order to be successful in the future." ■

PHOTO COURTESY: WEED GOLF COURSE DESIGN