CHAPTER 11
CONCLUSIONS AND TRENDS

In the 1990’s, a campaign was waged by leaders in the golf industry to add “one new golf course per day”, an almost unbelievable concept in 2012. Despite warnings about overbuilding in many quarters, the number of new golf courses continued to grow unchecked. By 2005, it was clear to most observers that in fact there were more golf courses than needed and with the onset of rough economic times in recent years, the foundation was laid for years of headaches and losses.

At the time of this writing, the U.S. continues to wrestle with the complexities of a recessionary period that produced declines in equity investments, high unemployment, and a housing sector that continues to suffer from price reductions that reached over 30%. At the end of 2011, there were signs of a weak recovery, but little enthusiasm has been generated to date. Many experts believe the real estate market will not see a meaningful recovery for several years.

These conditions (and others) have led to dismal performance in practically all sectors of the golf industry:

- Since 2000, the number of golf courses has declined 11.2% according to NGF.
- In 2011 a total of 157.5 golf courses closed (120 Daily Fee, 11.5 Municipal, and 26 Private courses. A total of 775 courses have closed since 2006.
- In 2001, a total of 399 new golf facilities opened…this number plummeted to 19 in 2011. Between 1995 and 2000, the average was about 350 openings per year.

All of these factors have contributed to a downward trend in the number of golfers and annual rounds played:

- In 2003, the number of golfers in the U.S. reached a high of 30.6 million. By 2011, that number had plummeted to 25.7 million. NGF believes the number of golfers is entering a stabilized phase at 26.0 million golfers.
- Rounds are down about 20% over the last decade. In 2005, total rounds played were estimated at 500 million, but only 463 million in 2011. Again, NGF forecaster’s thinks it is likely the number of rounds played bottomed out in 2011.

Most of the golf courses since 1995 have been built in association with residential real estate developments. Clearly, that game is over. Lenders have essentially left this market until recovery occurs, and even then most will probably be leery of making large loans for such projects. The main benefactors of the decimated values in the golf market are those individuals or groups who have plenty of cash to take advantage of what they believe are undervalued assets with a hopeful upside in the future.

Although private clubs have historically been one of the most stable sectors in golf, they are facing steady decline. Many long-time members who have experienced significant losses in the current economy have turned in their membership credentials and are playing at the better public
courses. In the past, clubs looked to younger affluent families to replenish membership rolls but now the typical young executive worries about job security and the demands of family life. While there will always be a number of the traditional golf clubs that cater to wealthy older members, most private clubs today must reassess everything from initiation fees and dues requirements to changes needed in their physical setup to attract the entire family, including young children.

All of this is not bad news for golf enthusiasts. With more facilities available for play and the decline in the hospitality industry, there are more tee times available at lower prices than ever before. Golf management companies are using on-line reservations and other marketing techniques recently developed by hotels and resorts to fill tee times that would otherwise go unused. Because there is a finite number of golf participants, some facilities will probably gain while others will lose players.

Much of what was stated relative to trends in the 2003 text is still applicable in today’s market circumstances. Prices for golf courses have declined in the last several years. Numerous transactions reported in Table 7.1 involve facilities with financial problems, an auction sale, a bankruptcy, a foreclosure or other non-performance issues. Development costs have continued to increase which would mean that a proposed facility is not feasible. If a project is to be developed, the loser is the land, which would have to be priced lower, all others things being equal.

As this manual goes into production, NGF has issued a small report titled, “Golf Participation in America, 2010 – 2020” available online. Its subject matter is supply and demand in the 2010s. Data in the publication includes golfer participation by year from 1986 to 2009, supply and demand growth for courses and golfers from the decades of the 1960s to the 2000s, participation rates by clusters of age, gender, ethnicity, income and working status, population change by golf participation cluster and implications for golf course operators, which are as follows:

1. The increase in the number of golfers and rounds played over the next ten years will come, but it will be gradual, and hardly noticeable. At the end of the decade the average number of golfers per golf course may rise by only 150 to 200 golfers. Rounds will increase somewhat due to the aging of the population, particularly, the “Baby Boomers.”

2. Local market conditions will have much more to do with individual course performance than the macroeconomics of the golf business. One or two conversions from private club to public course can make a big difference on a local trade area as can the closing of one or two courses or clubs.

3. Increases in golfers and rounds will not necessarily lead to proportionate increases in revenues, as aggressive pricing will continue to attract bargain-hunting golfers.

The golf course appraiser faces new challenges in this economic environment and changing social influences. Many experts believe that golf course values have declined at least 30% or more since 2007. A large number of golf courses have faced foreclosure and bankruptcy with
rapidly falling or no net operating income. These conditions demand that appraisers utilize new and creative analytical tools and methods to determine value. Hopefully, we have offered suggestions in this book that will assist with this task. It is more difficult to forecast rounds played and it is increasingly more troublesome to predict future fees and expenses.

We believe there is a tremendous opportunity for appraisers who seek the training and acquisition of knowledge required to specialize in golf course valuation. One does not have to be a golfer to do this work (although it is recommended), but a working knowledge of what makes a golf course work is helpful. Hopefully this book has succeeded in sparking new interest and meaning information to those who may be seeking new areas of specialty in their real estate appraisal practice.