

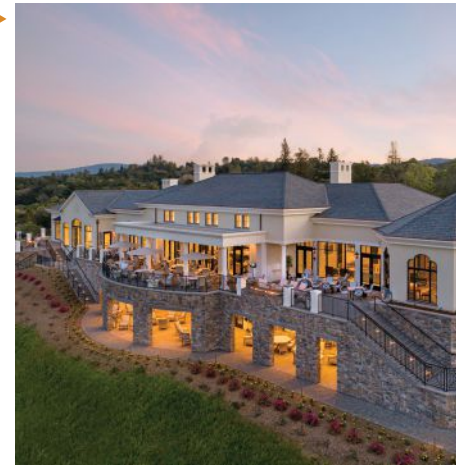
Good news  
for green fees

Will golf course  
values keep rising?

2022 Clubhouse  
of the Year

# Golf Inc.™

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Menlo Country Club

## A **NEW AGE** for GOLF DEVELOPMENT

Booming interest in the game has opened the door for new development. But 18-hole courses may still be a rarity, as macro trends favor short courses and golf entertainment facilities.



# Golf course values keep rising

A limited inventory of courses and pandemic-fueled revenues have driven up valuations. **BY JIM TATUM**

Steve Ekovich is perhaps golf's greatest cheerleader. When the Great Recession cut golf course valuations in half, the untiring broker told the world it was a great time to buy golf courses. After all, you could get them cheap.

Every year after that, he hammered home that the game was rebounding and would be around forever — making it a great investment.

And when COVID-19 hit, he extolled the rising participation numbers.

Some 37.5 million people turned to golf in 2021, including 25.1 million who played on traditional courses and another 12.4 million who used off-course facilities such as driving ranges and indoor simulators. Not only that, but 3.2 million beginners played for the first time — even more than when Tiger Woods was at his height.

“COVID was a real shot in the arm for golf,” said Ekovich, managing director of Leisure Investment Property Group.

Golf became a great outdoor activity that people could enjoy while social distancing, which made it a great time to buy a golf course.

This turned golf into what Ekovich calls a hot market.

“Multiples are up,” he said. “There is a lot of new money coming in, including from foreign investors as well as other revenue streams. There's also a tremendous amount of capital going into existing facilities.

“Private clubs are doing well; memberships are strong, and their dues and fees have increased. Some are even reinstating their initiation fees.”

The problem with this surge in interest? Golf course valuations have skyrocketed.

Of course, if you are selling, that is a great thing. It's only a problem if you are buying — or paying property taxes.



**GOLF COURSE VALUATIONS** have skyrocketed. Appraisers and brokers say the last two years have shown high activity in both sales and renovations. Greenhorn Creek Resort golf course (pictured) in the Sierra Nevada Mountains sold in 2021 to a buyer who owned two other courses in the region.

“Is this a passing fad? We think it's probably the new normal,” Ekovich said. “If interest rates keep going up, it will affect the metrics some, but probably not long term.”

The rise in interest among golfers has generated investors' interest in golf courses. And there are only so many courses in the U.S.

Ekovich said that while construction of new courses has been steady in other countries for the past decade, the construction of new courses in the United States has been practically non-existent.

According to the National Golf Foundation, there are currently 13 traditional courses in various stages of development in the U.S.

Yes, that's 13 courses across the entire country.

“There have been more golf course closings than openings the last 15 years,” said Jeff Woolson, CRBE's Golf and Resort Group managing director. “Yet, for the first time, we're hearing about people building courses. So there's definitely a demand.”

While most sellers during the past 12 years were selling because their courses

were financially stressed, that's no longer the case.

Z. Gordon Davidson, owner of Z. Gordon Davidson Associates, said the level of interest and activity he's seeing is unprecedented.

"I haven't seen anything like this in 20 years," Davidson said. "We believe this zeal

for golf is here to stay."

Davidson, who specializes in appraisal, brokerage and consulting for golf course properties, has performed more than \$1 billion in appraisals during the past 23 years. He said the last two years have shown high activity in both sales and renovations.

"The land is there, but we're seeing them get creative with configuration to utilize excess property," Davidson said.

Examples of such projects abound. A resort in Colorado is working to build a hotel around its driving range. A course in California is reconfiguring to be part of a trail system. HOA-owned courses within gated communities are looking to upgrade facilities, as well as to provide outside players access to the courses to keep them financially viable.

"Valuations for golf are driven by income," said David Pope, principal of Hotel and Club Associates. "The higher the income, the higher the value. The COVID boost has taken pressure off owners and private member clubs, clubs that may have been in more pressured financial situations.

"Revenues are going up. Clubs are going from having waiting lists to get out to having waiting lists to get in. At the same time, I think it's a great opportunity for people to exit if they are seeking to do so."

One difference between golf and other commercial real estate sectors is that golf courses tend to have high fixed costs, Pope said.

"That can cut both ways," he said. "When you cross that break-even threshold, revenues improve, profits improve. So once you get beyond a certain income level, the profitability can improve dramatically."

Economic cycles are a reality, and golf is an extra many people tend to drop when they are cutting back on expenses to ride out tough times. Nonetheless, confidence in the industry is solid.

"Even if you're a buyer in this market, when you look at financial statements for the last few years, you have to ask if it's sustainable long term," Pope said. "I think the longer it goes, the longer buyers and underwriters are willing to accept it.

"Early on, in late 2020, early 2021, buyers were a little more skeptical. As it has gone on a little longer, they may be a little more willing to accept underwriting based on higher levels of income."

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