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Time to Embrace the Three Ms

There are mixed signals out there.

Recently I visited Orlando for the Golf Industry Show, National Golf Course Owners Association Conference and the Club Managers Association of America conference.

Usually, along with the recent PGA Merchandise Show, these events are a good opportunity to "take the temperature" of the golf course industry. But there are mixed signals.

On the positive side, I spoke with several golf course architects and builders, who while not doing much in new course development are busy with renovations and restorations. Membership at many private clubs is up, with some of the more prominent clubs having waiting lists for the first time in a long while. The last couple of years has seen increases in rounds played at daily-fee facilities, albeit still at competitive rates.

Conversely, according to the National Golf Foundation, in 2015 there were more than 1.6 million *fewer* golfers in the U.S. than just four years earlier. Participation is down to 8.2 percent from nine percent.

Participation among minorities (non-Caucasians) has dipped from 5.4 million to 4.7 million. Not long ago, we learned that the 45-55 age group after years of being golf's largest player, the largest segment has shifted to those 55-65.

That's a bad sign because it means we're not doing a good job of attracting the next generation. Of particular interest to us at Golf Property Analysts is the nature of recent assignments – three separate assignments involving golf courses that have ceased operations and are seeking approval for redevelopment to alternative uses.

In at least two of those cases, there is potential market depth to accommodate these facilities, but since they now require redevelopment for golf, the cost is too high to justify the project and other uses are being pursued.

The mood at each of these industry events generally has been upbeat, except for the CMAA event, which seemed larger than past events to me, the PGA and GIS were noticeably smaller and appeared to have fewer attendees, if only from the "eyeball" perspective.

What is the impact of these observations on the economic viability or value of golf course properties?

In recent years, there has been an ever-so-slight decrease in capitalization rates from golf course sales. Some say simply that values are increasing. Recent surveys and sales analysis of gross revenue multipliers shows a very steady pattern with little movement. All this would suggest that golf property values are pretty stable relative to income characteristics.

It stands to reason that courses that do survive should ultimately gain market share as more and more courses close. And, while I haven't seen the numbers yet, I'm told that the U.S. last year lost a net of about 150 courses. Some predict this number could be higher if development restrictions were to ease on many of these properties, which developers are pursuing regularly.

Golf is not doing a good job of creating growth. *Millennials, Minorities and Moms* – The Three "Ms" – are underrepresented and the game's hierarchy is still focused on the age-old issues of cost, time and difficulty.

If golf is to turn the tide and experience growth, which in turn will spur both economic success at existing facilities and new development, the game needs to embrace the Three Ms. For the Three Ms, golf and its venues have too many rules. In many cases, these rules are tied to time honored traditions. Where's the happy medium? Hopefully, we'll find it soon, because our game needs a shot in the arm. **BR**