

If you are planning a golf course development, one of the earliest questions that needs to be asked, and answered, is this: who will you appoint as the course architect? You could opt for a big-name former or current player – such as Jack Nicklaus, Greg Norman or Gary Player – or go for a specialist architect whose name is well respected in the golf industry but virtually unknown to a wider public. Another option is to do it yourself, perhaps with the help of your local golf professional.

The question is important because having a ‘signature’ course – one linked with a well-known player – has many potential benefits. But there is a downside. The most obvious negative is the cost of the signature option, and the bigger the name, the more noughts you will pay. Tiger Woods, for example, reportedly received a \$4 million fee for his first design commission, the Al-Ruwaiha course in Dubai. In fact, the amount paid to Woods’ newly established design company was \$35 million for the course alone.

Another potential downside is the law of diminishing returns. A prolific architect may have completed many projects. For example, Nicklaus has completed over 300 projects worldwide and has another 100 under construction – or at least they bear the Nicklaus name whether he was personally involved or not. With so many courses bearing the Nicklaus name, the one thing they no longer offer is the cachet of exclusivity.

Name game

Nevertheless, for the golf fanatic who wants to buy a property on a golf course development, the Nicklaus name still has considerable appeal and is a considerable inducement to golfers. Colin Hegarty, president of the Golf Research Group in the US, says: ‘If you want a good-quality golf course that people will enjoy playing, there’s no point in spending \$1–2 million for a big name – there are plenty of well-respected architects who will charge \$200,000 and give you an excellent course. If you’re selling houses or trying

to promote a resort, that’s when you should engage a name who is known to a wider public. The speed with which you can sell your properties and the amount you can charge for them are significantly greater if you do. In those situations, you may have to pay \$1 million for the architect’s signature, but you’ll get \$18 million more in return. If you build a hotel attached to a course built by a well-known architect, this has an enormous effect on both the room rates you can charge and your levels of occupancy.’

Property sales

For many developers, the golf course is the come-on – the *raison d’être* for the whole process is the money to be made from property sales. Dr Andrea Sartori, a KPMG Golf Advisory Services Practice partner, says: ‘There is no right or wrong answer [to the signature course dilemma] and the decision should be taken with the specifics of the individual project in mind.’

The target market, the market positioning of the development and the size of the real estate component all need to be considered. ‘With regard to the quality of the design,’ he adds, ‘signature architects such as Norman, Player and Nicklaus have produced some outstanding golf courses. That said, many of the world’s greatest golf courses were designed by lesser-known architects. It is a question of marketing. Engaging a signature architect comes at a premium, because many of the top-name designers can charge in excess of \$2 million dollars in design fees. The question the developer must ask is whether such an investment will provide a positive return in terms of the selling price and sales of connected real estate.’

Trump development

In the UK, the most high-profile development of recent years is the on-again, off-again plan by Donald Trump to build on the Menie Estate in Aberdeenshire. The plan includes the construction of two 18-hole courses, a

NAME GAME

Golf course developers are often tempted to bring in a big-name course designer such as Jack Nicklaus to help ensure the success of their projects. However, as Martin Vousden discovers, this strategy is not for everyone.

450-bed hotel, 36 golf villas, 950 holiday homes and 500 residential homes. The accountancy and advisory firm Deloitte undertook a financial appraisal of the plan and concluded that the total development and construction costs would be £953 million, while sales revenue would amount to £969 million. On top of that cash flow would be generated by the hotel and courses.

Rather than appoint a big-name to design the courses, Trump has opted for the services of Martin Hawtree – hugely respected among golf cognoscenti, but almost unknown to a wider golfing audience. George Sorial, managing director, international development and assistant general counsel, at the Trump organisation, says: ‘We looked at all the big names, but we picked Martin because from the outset we wanted to build a course that was capable of hosting an Open Championship. We sat down with Peter Dawson [chief executive of the Royal & Ancient Golf Club, which stages the Open Championship] and asked who he would recommend. He immediately suggested Martin. When you set out to design and build a course capable of staging an Open Championship, you want the best, and when it comes to links land and links courses, that means Martin Hawtree.’

Profit motive

So how do you decide how many houses and apartments you might build to maximise your profits on a golf course development? ‘There really isn’t a formula for calculating the number of properties you might build on a golf course,’ says Sorial. ‘It depends on so many variables. If you want to build a really good course, you will probably need about 200 acres, but the number of properties you might build depends on the course and real estate planner, the types of property and so on.’

If a developer is looking primarily at property sales, then it is probably a good idea to go for a big name, although they must be careful which one, as certain names are losing their appeal. ‘There is a law of diminishing returns

operating’ says Colin Hegarty. ‘Tom Fazio in Florida was involved in so many courses that playing a Fazio course no longer held any great appeal. And while it used to be the case that, in terms of generating real estate value, the Nicklaus name was out in front, that gap has narrowed and other names now probably offer better value. He has good people working with him, and the company will give a very good course, but there are now a lot of courses bearing his name. There are 1.2 million homes on golf courses in the US, and those on signature courses have proved to be much better investments for owners. Houses on golf courses tend to do better than other properties, but those on signature golf courses out-perform the market and have been good investments.’

It’s clear that it is an advantage to have a big-name link if you want to sell property or build a hotel. Otherwise, it is probably better to engage a less well-known architect, who will be considerably cheaper. On no account do it yourself, or ask the opinion of a few golfers you know. ■



Jack Nicklaus is one of the top names in golf course design.

El Valle course at Polaris World in Spain was one of Jack Nicklaus’s biggest design projects.

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