Published on *The Fiscal Times* (http://www.thefiscaltimes.com)

Fore! Golf Course Homes Are on the Downswing

TRULIA

By David Koeppel,
The Fiscal Times
August 27, 2013

Last November, Al Sewasciuk purchased a $550,000 home on the tony White Eagle Golf Club in Naperville, Illinois, a Chicago suburb. The 32-year-old salesman and his family live 100 yards from the gorgeous greens, but they have no interest in purchasing a club membership. The family was drawn to White Eagle for its tight-knit community and good schools – not its links.

“Golf was not a main selling point,” Sewasciuk says. “We like the peace and quiet and the views are awesome. We just need to be cautious about flying golf balls.”

RELATED: 9 INCREDIBLE GOLF COURSE HOMES FOR SALE RIGHT NOW

Like many others, Sewasciuk has discovered there’s probably never been a better time to purchase a discounted home in a golf community. In 2006, at the height of the housing boom, Sewasciuk’s home was valued at $800,000 – 31 percent more than he paid for it last year.

From Palm Springs to Palm Beach, homes in golf communities are still selling far below the peak prices of the 2000s and haven’t experienced the same rebound as other segments of the market. Experts believe that golf as a primary home amenity is in a decline that may be permanent. Green space, hiking trails, lakes, and swimming pools are just as attractive to today’s homebuyers and much less expensive to build and maintain.

Developers overbuilt golf course communities, mistakenly assuming that baby boomers reaching retirement age would flock to golf the way their fathers once did. Instead, today’s boomers are doing yoga and going kayaking. Busy families with two working parents don’t have time to play a game that takes four hours to finish. As a result, low demand that has put downward pressure on prices.

RELATED: 10 GOLF ITEMS TO MAKE YOU GREEN WITH ENVY

“Growth has been stagnant, so there are properties out there going for peanuts,” says Simon Hudson, director of the Center of Economic Excellence in Tourism at the University of South Carolina.

BEYOND THE GAME OF GOLF

Just 25 percent of those who buy homes in golf communities become members of their home clubs. The percentage of people in the U.S. who play the sport has dropped fell 17 percent from 2000 to 2010, according to the National Golf Foundation.

In response, many of the country’s master-planned communities have evolved to include amenities beyond golf, says Ken Perlman, a vice president at John Burns Real Estate Consulting, a firm based in Irvine, California. As prices for land have become more expensive, developers are finding they can successfully sell property without golf courses. They’re moving away from “golf as a hook,” according to Hudson, and offering buyers health and wellness centers that feature spa treatments and yoga.

The math is irrefutable: It takes $1.2 million annually to operate a golf course, versus just $300,000 to maintain a lake, according to research by David Hueber, former president and CEO of the National Golf Foundation.

RELATED: FORGET GOLF: SENIORS OPT FOR WORKING RETIREMENT

“Golf can still be an important amenity to enhance a master-plan environment, but it is by no means a requirement,” Perlman says. “In many cases, green space allows you to achieve what you need without building a golf course.”

ANGLE OF APPROACH

For golf lovers looking for a bargain, options abound. In addition to low prices, some communities are offering additional incentives like 50 percent or more off the price of golf membership.

But in recent years, hundreds of communities – including some designed by golf greats Jack Nicklaus and Greg Norman – have filed for bankruptcy, and thousands more are in financial distress. Even if you get a great price on a home, you have to do due diligence on the community to make sure it’s on firm financial footing.

Look for a community with a vacancy rate of no more than 20 percent to ensure there are enough homeowners paying dues to keep the club afloat.

Buyers should also factor in all the additional costs associated with golf course living, including home owner association (HOA) dues, membership fees and even clubhouse dining minimums in some cases. Play the course a few times before buying to make sure it’s not too hard or too easy for your skill level.

Owning a golf property can still be prestigious, depending on the quality and location of the property, according to Paul Bishop, vice president of research for the National Association of Realtors. While NAR doesn’t track sales on stand-alone golf properties, demand for vacation homes has rebounded in the last several years and 20 percent of those homes are purchased in resort communities, some of which have golf courses. Vacation home sales were up 10 percent in 2012, according to the NAR’s 2013 investment and vacation home buyers survey.

“There is absolutely not a better time to get a deal,” says William Harrison, a lecturer at the Moore School of Business at the University of South Carolina. “But caveat emptor.”

David Koeppel
David Koeppel is a New York-based journalist who has covered business and economics for a number of publications, including The New York Times, Fortune.com, Newsweek.com, MSN Money and Crain’s New York Business.
