

THE HOME FRONT

Golf-Course Homes Hit the Rough

Higher Fees and Fewer Players Dent the Fairway Appeal; \$3.5 Million for Renovations

By JUNE FLETCHER

SITTING BY THE POOL behind their three-bedroom home in Glendale, Ariz., Dick and Sandra Johnson looked out on the undulating 17th green of an Arnold Palmer golf course. Though the couple, who own a chain of furniture stores, occasionally play on the Arrowhead Country Club course, they say they're selling their \$585,000 home in large part because of it.

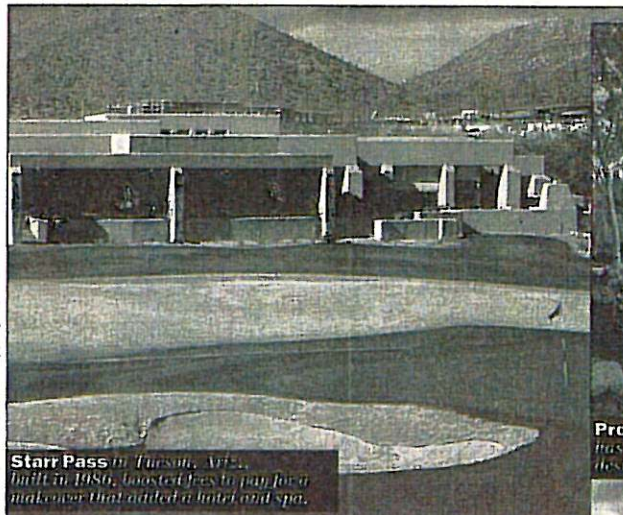
Over the last five years, the course, built in 1986, has required a series of pricey upgrades, including new fairways and roughs, to compete with several just-built courses in the area. Paying for the makeover has almost doubled the Johnsons' annual fees, to \$5,100. "I figure that every time I play," says Mrs. Johnson, "it's costing me \$1,000."

Golf courses, one of the hottest real-estate amenities of the 1980s and '90s, are losing appeal for some homeowners as membership and maintenance fees mount. Golfers are being

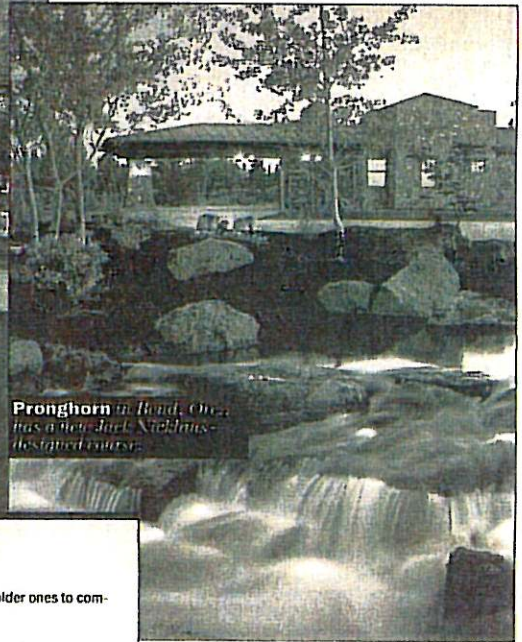
lured away by a glut of new, fancier courses, prompting established communities to launch elaborate fairway and landscape makeovers that are billed to members. Making matters worse, interest in the sport is flagging. "Everyone is fiercely competing for a dwindling number of players," says golf course designer Rees Jones. He's adding amenities like fountains, longer fairways and tees closer to the green on the new courses he's designing.

For owners of existing high-end golf communities, there's a lot of pressure to keep up with the Rees Joneses. Deering Bay in Coral Gables, Fla., for instance, a 13-year-old course, is adding new bunkers, grasses and irrigation systems at a \$3.5 million renovation cost. Its 360 members, many of them homeowners there, will pay an extra \$125 a month over the next decade for the upgrades. "Everybody's looking for the wow factor," says Erik Larsen, vice president and managing director of Mr. Palmer's design group, based in Ponte Vedra Beach, Fla. In all, according to Dallas consulting firm KPMG LLC, course upgrades and makeovers can add \$3 million or more to the financial burdens of the members supporting the club. That's on top of, typically, \$1 million to \$3 million annual maintenance costs.

John and Susan Istwan don't play much golf, but they bought a home overlooking the 13th tee at the Oak Valley Golf Club in Advance, N.C., in 1998 because they liked the open space. Still, they were often surprised to see bulldozers on what they thought was a completed course. "We never knew what they were doing," said Mrs. Istwan, national sales manager for a decorative hardware company. (Pinnacle Golf Properties, manager of Oak Valley, says it took over the course in 2003 and doesn't have information on the renovations.) The Istwans sold their home in November for



Starr Pass in Tucson, Ariz., built in 1986, boosted fees to pay for a makeover that added a hotel and spa.



Pronghorn in Bend, Ore., has a new Jack Nicklaus-designed course.

What's New

With spas, bigger clubhouses and more dramatic designs, new golf course communities are making it harder for older ones to compete. Below, some of the latest.

COURSE/LOCATION	COST	COMMENTS
Cliffs at Walnut Cove Asheville, N.C.	Membership: \$75,000 Annual dues: \$4,800 Homes: \$500,000-\$2 million	Opening in April, the 18-hole Jack Nicklaus golf course will run around old-growth forest, including a 250-year-old live oak on the ninth green. Bruce Fleisher, U.S. Senior Open champion, is building here.
Mountain View Country Club La Quinta, Calif.	Annual dues: \$7,500 Homes: \$725,000-\$1.3 million*	This Arnold Palmer course, which opened last February, has two-tiered fairways, deep bunkers, waterfalls and five tees on most holes. A spa just opened.
Pronghorn Bend, Ore.	Annual dues: \$5,280 Homes: \$950,000-\$2 million lots: \$400,000-\$1.8 million*	An 18-hole Jack Nicklaus course opened last June, built on undulating lava rock more than 3,200 feet above sea level. Owners include David Norrie, color analyst for ABC Sports and ESPN; Green Bay Packer Ryan Longwell; and Fred Breidenbach, former president of Gulfstream Aerospace.
Teton Springs Teton Valley, Idaho	Membership: \$50,000 Annual dues: \$3,400 Homes: \$750,000-\$1.3 million	Last June, developers opened an 18-hole course with mountain views plus a nine-hole, par-three course with practice facility. In the off-season, buyers can "hell-ski." Buyers: former PGA Tour commissioner Deane Beman and basketball Hall of Famer Rick Barry.
Tuscany Reserve Naples, Fla.	Annual dues: \$6,200-\$6,700 Homes: \$1.5 million-\$6 million*	Under construction, this 18-hole course, designed by Greg Norman and Pete Dye, will include a "golf studio" where residents will whack balls while being videotaped. Rocco Mediate, who ranks 39th in career money leaders on the PGA tour, just bought here.

* "Bundled" course; membership included in price of home

about \$650,000, and looked at another golf-course community in Savannah, Ga.. But a visit showed the course was all torn up, she says. "It looked like a war zone."

An Appealing Exclusivity

A decade ago, it seemed all a developer had to do to brand a community as upscale was to add a golf course. Home buyers liked the courses because they conveyed a certain convenience and leisurely lifestyle, and often afforded panoramic views. Developers did, too, since they could charge homeowners 15% to 20% above what similar homes in the region might sell, a "view premium." An additional club-membership fee—as high as \$350,000 at golf communities such as the Bears Club in Jupiter, Fla.—added an air of exclusivity. As recently as 2000, developers were putting up golf-course communities across the country at the pace of about 200 a year, according to the

National Golf Foundation, a trade group. These are high-end homes: At a luxury development like Canyon Gate in Las Vegas, built in 1985, a five-bedroom home on the course's lake is \$1.75 million. (A similar home not on the course is \$1.2 million.) Buyers at the Reserve in Indian Wells, Calif., pay \$3 million for a two-acre lot and \$250,000 for membership.

But for the past five years, the number of golfers has been flat at about 25 million to 27 million, according to the National Golf Foundation. Meanwhile, the supply of golf courses got "hugely out of whack with demand," says Tom O'Meara, chief executive of lender Cypress Investments in Carmel, Calif. So far, home prices in older golf communities have stayed at pace with the strong real-estate market—but experts believe that when it softens, older communities may be vulnerable.

Tempted by a new golf course nearby, avid golfer Robert Santoski has put his six-bed-

room home at Walden on Lake Conroe Golf and Country Club in Montgomery, Texas, on the market for \$1.3 million. He considers his 29-year-old course beautiful, but its not as exciting as Bentwater, where he is looking to buy. Bentwater has two golf courses (a third is due in October), which he says have more varied layouts, larger driving ranges and bigger putting greens. Says Mr. Santoski, an investment services provider: "Even the grass is plusher." (Danny Jones, head golf pro at Walden, says the older course has undergone renovations that sharply raised property values there.)

Indeed, developers of older courses say that's exactly why it's necessary to keep current. At Starr Pass Resort in Tucson, Ariz., built in 1986, for example, membership fees rose to \$22,000 from \$18,000, to pay for some of the costs related to an expansion and makeover. But Chris Ansley, its president, says property values went up 56% after the renovations added a resort hotel with a glass-walled, 20,000-square-foot spa. In fact, managers of established communities, like Arrowhead and Deering Bay, say that if they keep the courses competitive and attractive, golf-course homes will still sell at a premium to two fast-growing markets: older boomers and vacation-home buyers.

Looking for a Buyer

But, in some communities with a glut of golf courses, membership and maintenance costs are already rising faster than house prices. Nine years ago, Larry Halpin bought a three-bedroom condo for \$205,000, with sweeping views of the Pelican Marsh Golf Club in Naples, Fla. He paid \$41,800 to join the club. Since then, his home has more than doubled in value—but the cost for a new member to join the club has more than tripled. Now, he's selling his home and membership for a total of \$500,000. Despite the white-hot local real-estate market, he hasn't been able to find a buyer. Says Mr. Halpin, a real-estate agent, "If it weren't for this membership, I could have sold my house 10 times over."