

The Evolution of the Golf Course & Club Industry – How to Compete & Win

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Schiller

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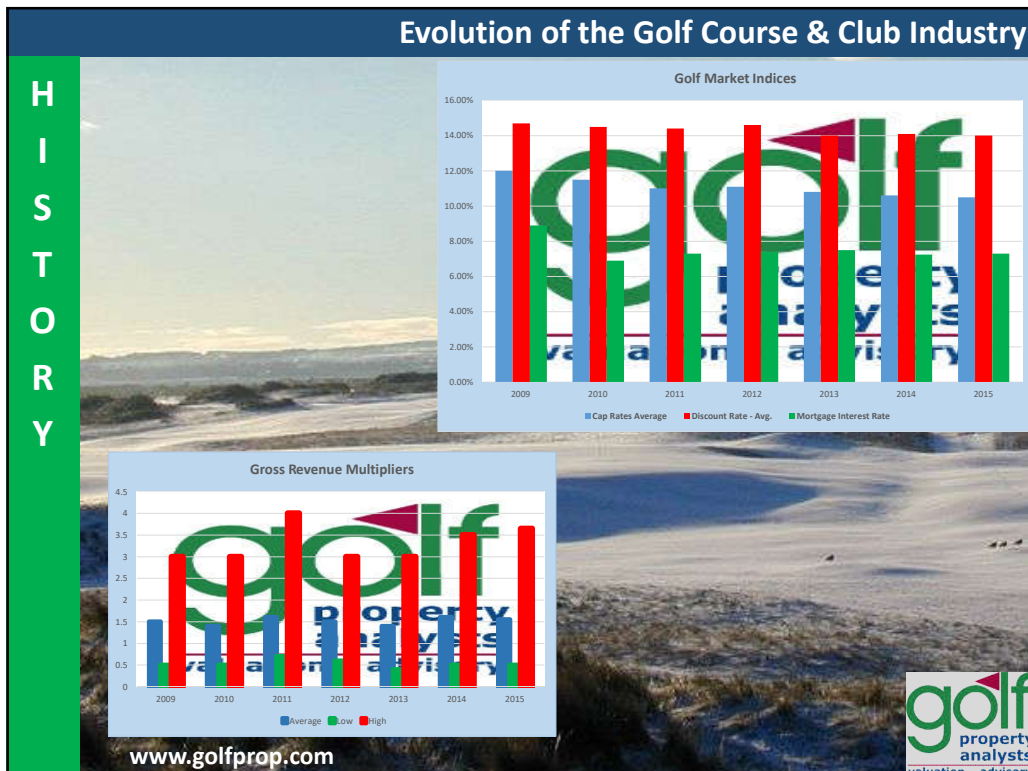
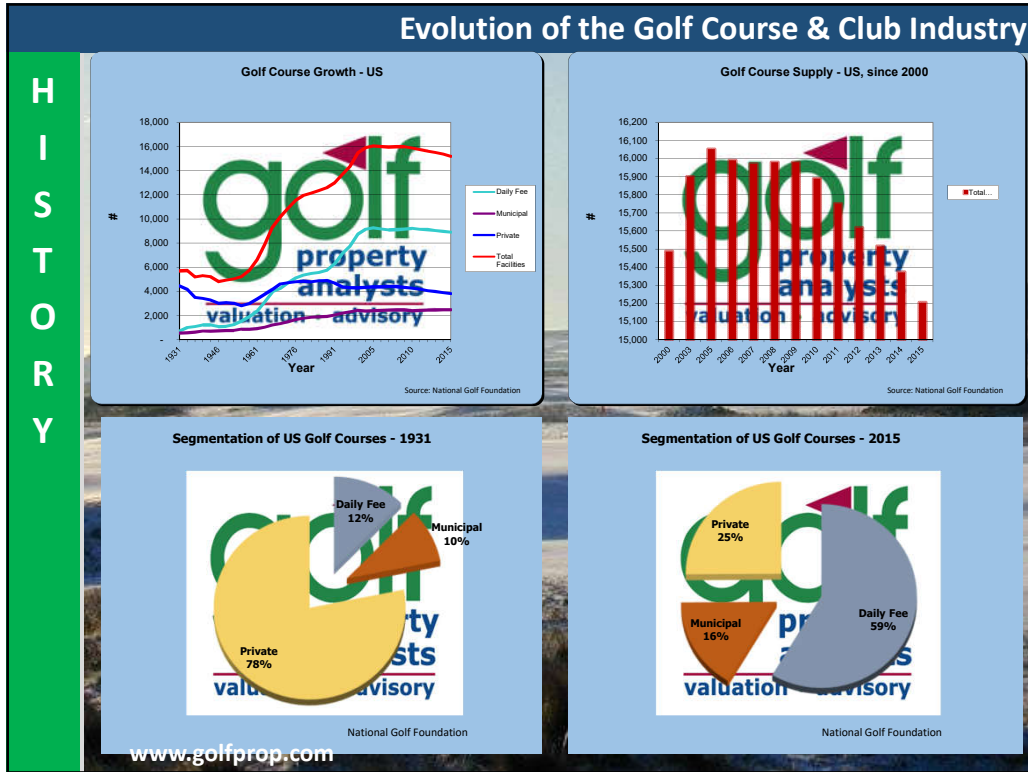


Evolution of the Golf Course & Club Industry

- History
- Analyze/Understand Competitive Market
- Understand & Analyze Property
- Correctly Position Property

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Evolution of the Golf Course & Club Industry

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Exhibit 2.12 Golf Course Market/Marketability Study Process

- What golf market segment(s) does the subject golf course property have the ability to serve? Some factors to consider include:
 - Course design and quality
 - Facilities design and quality
 - Legal
 - Social/economic characteristics of the club and community
 - Location—How the golf course fits into the community growth structure

Note: If the work done in Step 1 identifies more than one segment, then the study would become a highest and best use study. If is, among other factors, requires repeating the following steps for each segment studied.
- What are the characteristics of the golf market segment that desires this type of golf course?
 - Market area concepts
 - Time-distance concepts
 - Area over which equally desirable substitute properties tend to compete
 - Location of current members/users
 - Geographic market delineation
 - Consumer profile of most likely users
 - Type
 - Tourist
 - Second-home residence
 - White collar executives
 - Corporate outings
 - Local residence
 - Etc.
 - Characteristics
 - Income
 - Age
 - Social
 - Employment categories (i.e., high-tech, service, etc.)
- What is the golf course demand for this market segment?
 - Inferred methods
 - Current market conditions
 - General growth trends of city and subject submarket
 - Fundamental Methods
 - Ratio methods by golf course type
 - Ratio of current rounds/memberships to indicator proxies such as: population, age, income, employment, tourists, hotel rooms, etc.
 - Segmentation method (segmentation of golf course types, user types, participation rates, and average rounds played)
- What is the competition in this market for this market segment?
 - Current competitive courses
 - Planned competitive courses
- What is the market condition for this market segment? (comparing supply with demand currently and for the future)
- How much of this market segment can the subject golf property capture?
 - Current capture analysis methods
 - Competitive course rating methods
- What are the financial implications to the property?
 - Is it a good investment? (Investment value to individual or specific group)
 - Is the property's value more than its cost? (Feasibility)
 - Does this market segment produce a higher net income than another segment? (Highest and best use)
 - What is the golf course's market value? (Appraisal)
 - Can redirected management/marketing increase income? (management practices)

Source: Adapted from Stephen F. Paine, Jr. "Segmentation of Golf Course Markets," *The Appraisal Journal* (January 2003): 83.

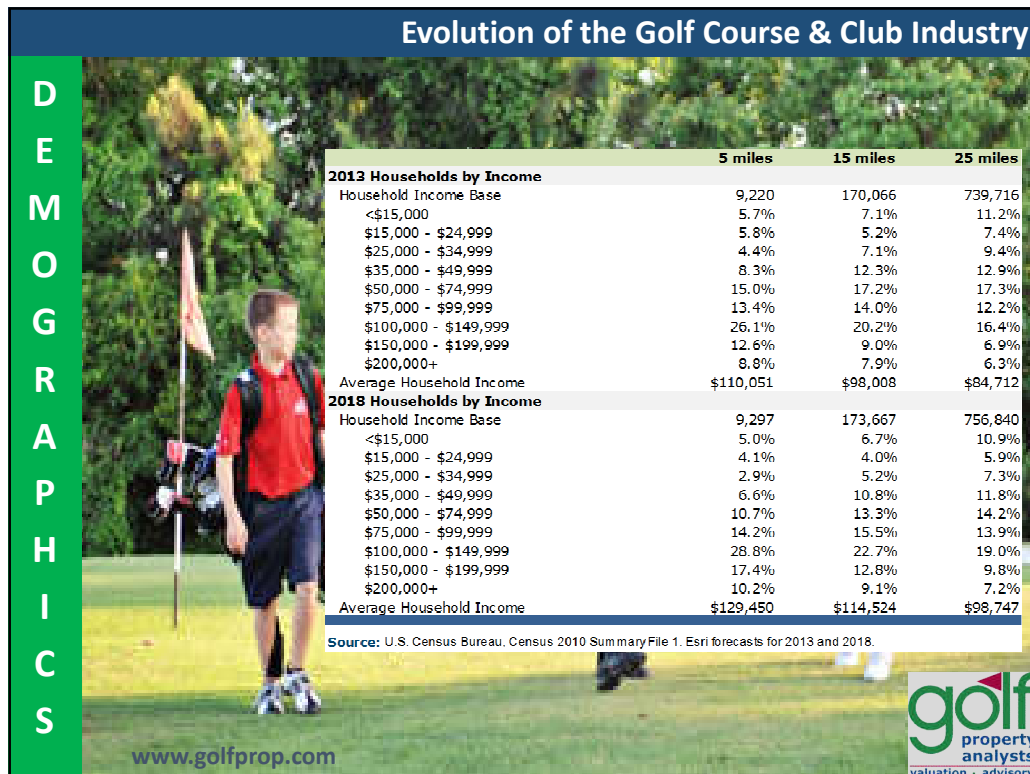
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Market Profile			
River Downs 1900 River Downs Dr, Finksburg, Maryland, 21048 Rings: 5, 15, 25 mile radii			
	5 miles	15 miles	25 miles
Population Summary			
2010 Total Population	24,959	438,911	1,887,533
2013 Total Population	24,947	443,008	1,903,477
2018 Total Population	25,067	452,000	1,946,061
2013-2018 Annual Rate	0.10%	0.40%	0.44%
Household Summary			
2010 Households	9,199	168,466	732,391
2010 Average Household Size	2.71	2.56	2.51
2013 Households	9,220	170,066	739,737
2013 Average Household Size	2.70	2.56	2.50
2018 Households	9,297	173,667	756,861
2018 Average Household Size	2.69	2.56	2.50
2013-2018 Annual Rate	0.17%	0.42%	0.46%
Median Household Income			
2013	\$94,098	\$76,449	\$60,827
2018	\$107,139	\$89,396	\$74,830
Median Home Value			
2013	\$329,933	\$296,547	\$261,242
2018	\$415,373	\$370,629	\$321,708
Median Age			
2013	45.5	41.1	38.7
2018	46.5	41.6	39.2

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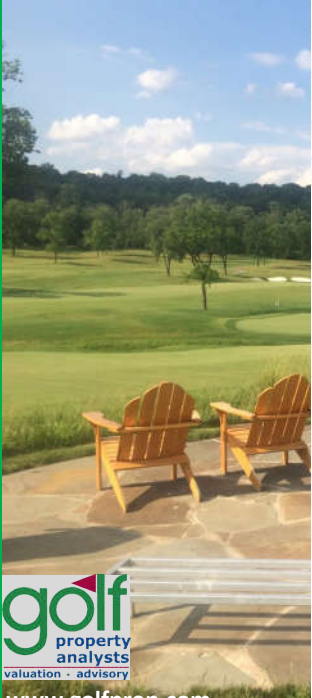


Exhibit 2.1 Golf Market Segments: Course Types and Demand Sources		
Market Segment	Demand Sources	Characteristics
Daily-Fee		
<i>Resident-Based (Including Municipal)</i>		
Affordable daily-fee	Price-conscious residents nearby	Limited maintenance and services
Value daily-fee	Value-conscious residents nearby	Moderate maintenance and services
Upscale daily-fee	Higher-income corporate clientele coming from a greater distance	Upscale maintenance, services, and design
Specialty		
Theme course	- Wider market area - Tourists - Corporate	- Replica holes - Themed atmosphere (NFL, college, Opryland)
Semiprivate		
Includes all of the daily-fee characteristics above, but typically with some form of membership/annual pass option		
Private		
<i>Resident-Based (Including Stand-Alone and Community Amenity Clubs)</i>		
Affordable country club	Local residents seeking the "best deal"	- Limited services, maintenance, and amenities - Geared toward individuals
Middle-market country club	Local residents seeking lifestyle	Family-friendly
Upscale country club	Local high-income residents seeking family, social, and business use	- Highest level of maintenance and service - More social activities
Specialty		
Destination club—residential	- Non-resident, high-income - Usually a "second" club	- Vacation/second home clientele "Big boy" clientele
Destination ("big boy") club	- Resident or nonresident - Often corporate entertainment	- Limited number of members or "national" membership - Selective membership - Excellent facilities, maintenance, and services
Resort (with Lodging)		
Urban resort	- Corporate - Upscale tourist	Usually upscale and affiliated with hotel
Leisure resort (nonurban)	- Families - Corporate retreats	Vacations and meetings

Source: Adapted from Stephen F. Fanning, "Segmentation of Golf Course Markets," *The Appraisal Journal* (January 2003): 62-67.

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Course	Rounds	Weekday GF* 18	Weekend GF 18	Weekday GF 9	Weekend GF 9	Cart Fee 18	Cart Rounds	Annual-Single	Annual-Family	No. of Members
1	40,000	\$53.00	\$60.00	\$28.50	\$31.00	Included	61%	\$2,200		75
2	30,000	\$27.50	\$38.00	\$20.00	\$20.00	Included	50%	\$650		250
3	34,000	\$22.50	\$25.50	\$14.50	\$16.00	\$23.00	35%	\$900		240
4	20,000	\$52.00	\$57.00	\$28.00	\$30.00	Included	78%	\$2,500	\$4,400	50
5	50,000	\$39.00	\$43.00	\$19.50	\$23.00	\$16.00	65%	\$1,625		40
6	30,000	\$35.00	\$40.00	\$15.00	\$15.00	\$16.00	50%	\$2,000	\$2,850	50
7	21,000	\$37.00	\$40.00	\$19.00	\$20.00	\$14.00	57%	\$1,200		25
8	43,000	\$37.00	\$41.00	\$23.00	\$25.00	\$17.00	60%	\$1,400		150
9	30,000	\$41.00	\$44.00	\$21.00	\$23.00	\$13.00	65%	\$1,800		125
10	15,000	\$35.00	\$40.00	\$19.50	\$20.00	\$15.00	50%	\$1,507		20
11	31,000	\$69.00	\$79.00	\$38.00	\$48.00	Included	85%	\$3,150	\$1,650	45

* GF = green fee

Name of Course	Rounds	Gross Revenue	Maintenance Budget	GF Revenue/Round	Pro Shop Revenue/Round	F&B* Revenue/Round	Gross Annual Revenue/Round	Expenses % of Gross Revenue
1	40,000	\$2,196,462	\$635,493	\$34.63	\$8.00	\$10.00	\$54.91	91.7%
5	50,000	\$2,300,000	\$700,000	\$32.00	\$8.00	\$3.00	\$46.00	84.5%
6	30,000	\$1,200,000	\$250,000	\$28.00	\$6.00	\$2.50	\$40.00	87.4%
7	21,000	\$1,777,260	\$114,564	\$37.05	\$12.00	\$6.15	\$56.06	105.3%
8	43,000	\$1,050,060	\$345,000	\$15.00	\$6.00	\$3.00	\$24.42	78.4%
11	31,000	\$2,000,120	\$700,000	\$38.71	\$3.87	\$12.90	\$64.52	76.4%

* F&B = food and beverage

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Market number of rounds	334,021
Market number of holes	207
Market rounds per hole	1,614
Subject rounds	24,021
Subject rounds per hole	1,335
Market penetration	83%
Subject fair share rounds	29,045

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Property Condition						
AGE	Excellent	Good	Average	Fair	Poor	
Golf Course						
Irrigation						
Pumps						
Carts						
Cart Paths						
Paving/Parking						
Clubhouse						
Other Bldgs.						
Facilities						
Pool						
Tennis						
Maintenance						
Equipment						
Comments						

OBSERVED PLAYING CONDITIONS					
	Excellent	Good	Average	Fair	Poor
Greens					
Tees					
Fairways					
Roughs					
Bunkers					
Notes:					

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SWOT Analysis - Golf Property Analysts

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Criteria Advantages of facilities? Competitive advantages? Resources, Assets, People? Membership/Customer Base? Financial reserves, likely returns? Marketing - reach, distribution, awareness? Innovative aspects? Location and geographical? Price, value, quality? Awards/Recognitions? Technology/Communications? Cultural, attitudinal, behavioral? Tools/Equipment? Reputation/Market Perception? Historical Performance? Depth of Market & Competition?	Strengths	Weaknesses	Criteria Disadvantages of facilities? Competitive disadvantages? Resources, Assets, People? Membership/Customer Base? Financial reserves, likely returns? Marketing - reach, distribution, awareness? Innovative aspects? Location and geographical? Price, value, quality? Awards/Recognitions/Criticisms? Technology/Communications? Cultural, attitudinal, behavioral? Tools/Equipment? Reputation/Market Perception? Historical Performance? Depth of Market & Competition?
Criteria Market developments? Competitors' vulnerabilities? Industry or lifestyle trends? Technology development and innovation? Global/Market influences? New markets, vertical, horizontal? Niche target markets? Additions/Upgrades to Facilities/Programs? Marketing? Information and research? Partnerships, agencies, distribution?	Opportunities	Threats	Criteria Political effects? Legislative effects? Environmental effects? IT developments? Competitor intentions - various? Market demand? New technologies, services, ideas? Vital contracts and partners? Sustaining internal capabilities? Obstacles faced? Insurmountable weaknesses? Property Constraints? Loss of key staff? Sustainable financial backing? Economy - home, abroad? Seasonality, weather effects? Capital Needs?

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- Historical Performance
- Trends
- Satisfaction
- Staff
- Marketing

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Green/Guest Fee Rates				
	Current	2015	2014	2013
Weekday 18	\$	\$	\$	\$
Weekend 18	\$	\$	\$	\$
Average fee	\$	\$	\$	\$
Cart Included?	Choose an item.	Choose an item.	Choose an item.	Choose an item.
Cart fee 18 holes	\$	\$	\$	\$
Cart fee 9 holes	\$	\$	\$	\$

Membership History (if applicable)				
Type	Current # of Members	2015 # of Members	2014 # of Members	2013 # of Members
Single				
Couple				
Family				
Corporate				
Junior				
Senior				
Sports (non golf)				
Social				
Other				

Course Activity			
	2015	2014	2013
Total # of Rounds			
Total # of Cart Rounds			
% of Member Rounds			
% of Guest Rounds			
% of Outing Rounds			

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Upscale Country Club	Local residents seeking family, social and business use – high income	Highest level of maintenance and service, more social activities
Private - Specialty		
Destination Clubs - Residential	Non-resident, high income, usually a "second" club	Vacation/second home or "big-boy" clientele
Destination (Big-Boy) Clubs	Resident or non-resident, often corporate entertainment	Limited # of members or "national" membership, excellent facilities, maintenance and services, selective membership
Public – Specialty		
Theme Course	Wider market area, tourists, corporate	Replica holes, themed atmosphere (NFL, College, Opryland)
Resort (w/ lodging)		
Urban Resort	Corporate and upscale tourist	Usually upscale and affiliated with hotel
Leisure Resort (Non-Urban)	Families and corporate retreats	Vacations and meetings

- Sell / Lease / Mgmt
- PR to SP
- SP to DF
- Renovate/Upgrade
- Pricing
- Add Facilities
- Expand Marketing



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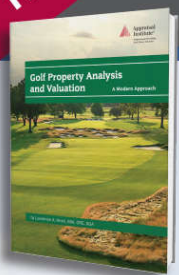
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