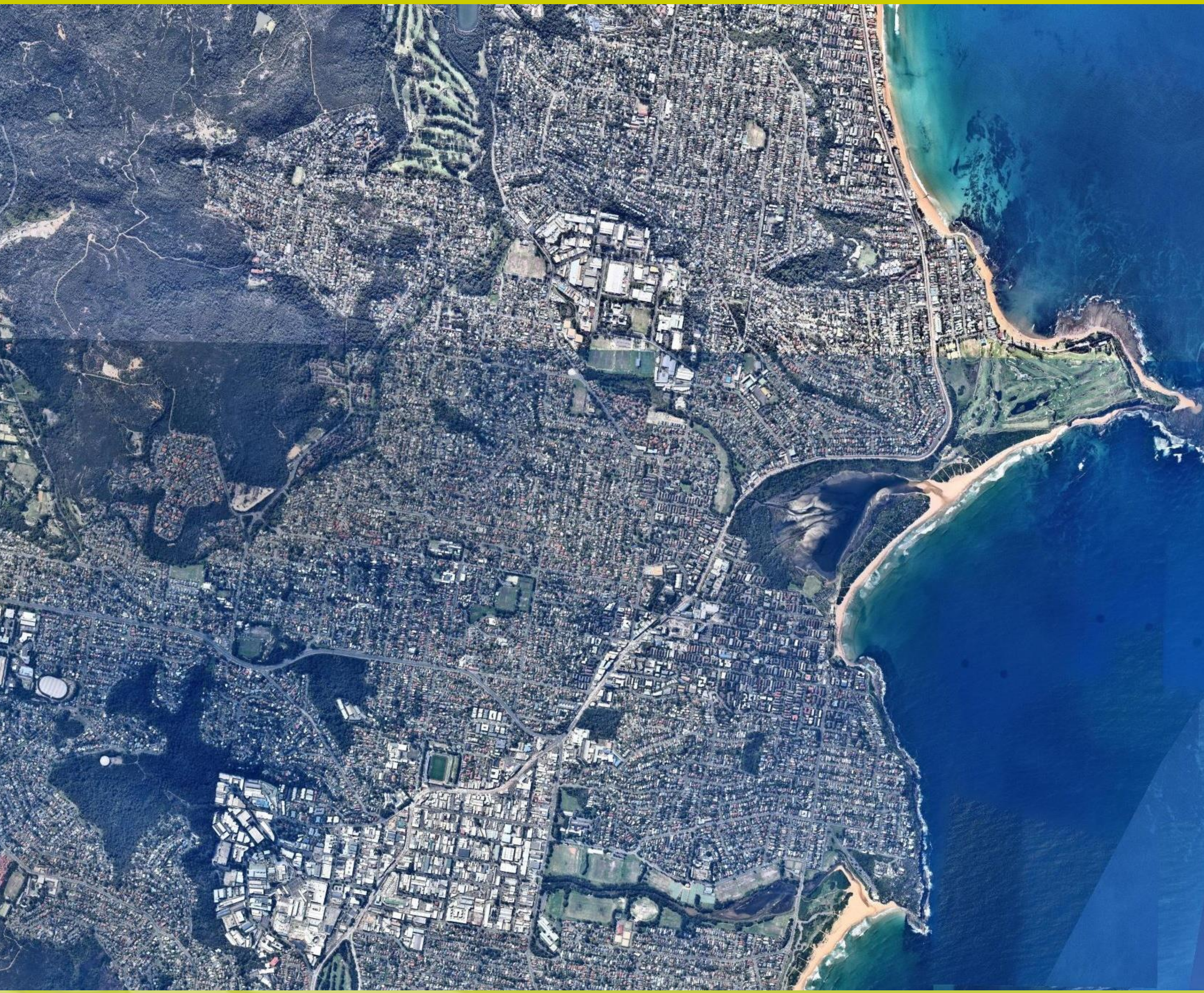


Northern Beaches Council

Golf Market Assessment

Final Report

November 2016

Contents

1. Report Background

The Brief

In early 2014, the former Warringah Council commissioned an external consultant to complete the Northern Beaches Regional Golf Study. The Study was commissioned to assist in the review of the District Park Plan of Management. District Park is a 62 hectare open space which includes the 18-hole Warringah Golf Course. It should be noted that the scope did not include all of the golf courses on the northern beaches (Palm Beach and Avalon were not included due to their distance from the former Warringah community).

A number of findings were made with regard to golf participation trends, membership demand and specifically the operating performance of the Warringah Golf Club, the current lessee of the Warringah Golf Course in District Park.

The former Pittwater Council's Public Space and Recreation Strategy (2014) indicated that there was an oversupply of golf courses in Pittwater and recommended to investigate more equitable use of golf courses and bowling clubs. This investigation has not yet been undertaken.

In a report to the Manly Planning and Strategy Committee (5 September 2011) it was reported that the Manly LGA was well serviced with golf courses, especially with the Wakehurst and Warringah Golf Clubs nearby. Further, the report indicated it was unlikely there would be a need for significant areas of additional land for golf courses in Manly or the Northern Beaches generally.

In response to representations from community groups Council now wishes to review all public and private golf courses in the Northern Beaches LGA. GBAS has been commissioned to undertake this study with the findings to provide input to the long term sporting facilities strategy draft report due for completion in March 2017.

Report Structure

This report is set out in three sections:

- Golf Course Supply Review
- Market Demand Review
- Market Sustainability Assessment

Our detailed analysis follows.

2. Golf Course Supply Overview

Introduction

In this section of our report we review:

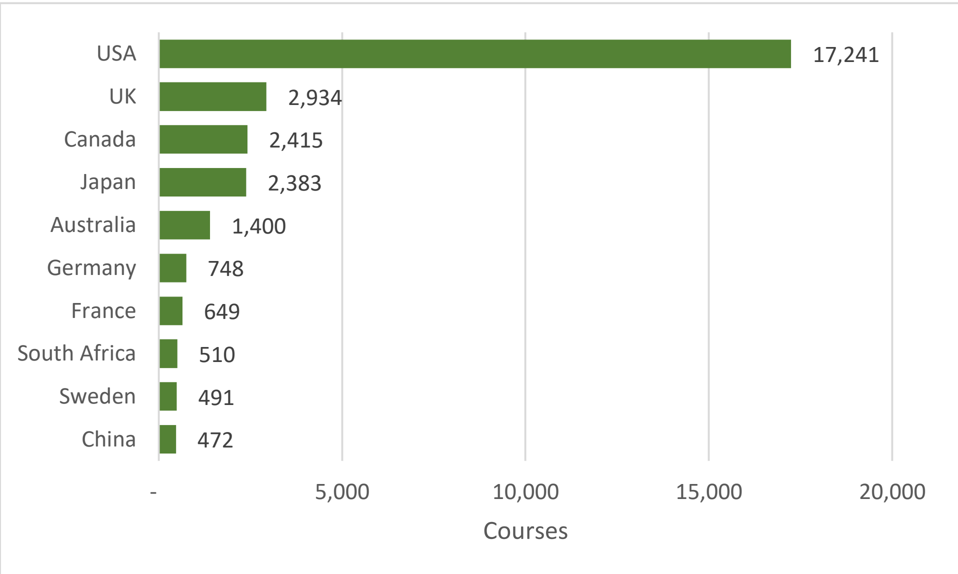
- International supply
- Australian national supply
- Australian metropolitan markets
- Sydney metropolitan market
- Sydney LGA supply
- Sydney District supply

International Golf Course Supply

Total Courses

According to the R&A 2015 Golf Around the World report, there are an estimated 35,700 golf facilities globally. Approximately half of the world's supply of golf courses exist in the United States, with the UK, Canada, Japan and Australia being the other leading countries in terms of facility supply.

These results are depicted in the chart below.



Source: R&A Golf Around the World

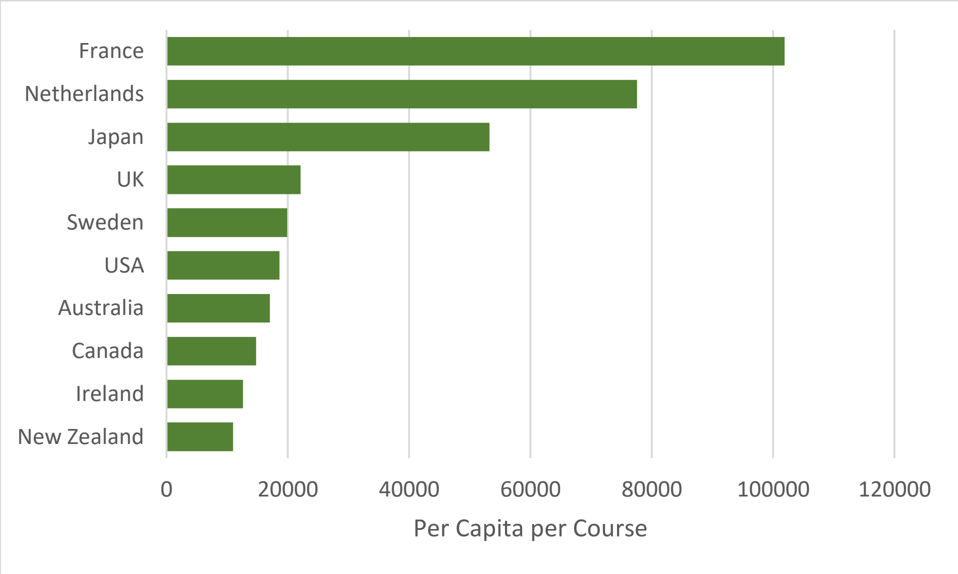
Courses per Capita

Given the significant variation in population and course numbers that are evident globally, a more relevant measure of golf course supply is the number of golf facilities per head of population.

With the Australian population currently estimated at 23.87 million people, 1,400 golf facilities equates to a supply per capita of one facility per 17,051 people.

For countries with more than 200 golf courses, Australia ranks fourth in terms of the number of facilities per head of population behind New Zealand, Ireland and Canada. Compared to similar countries with a strong golfing culture, Australia is therefore relatively well supplied with golf facilities.

Global golf course supply by country on a per capita basis is illustrated in the chart below.



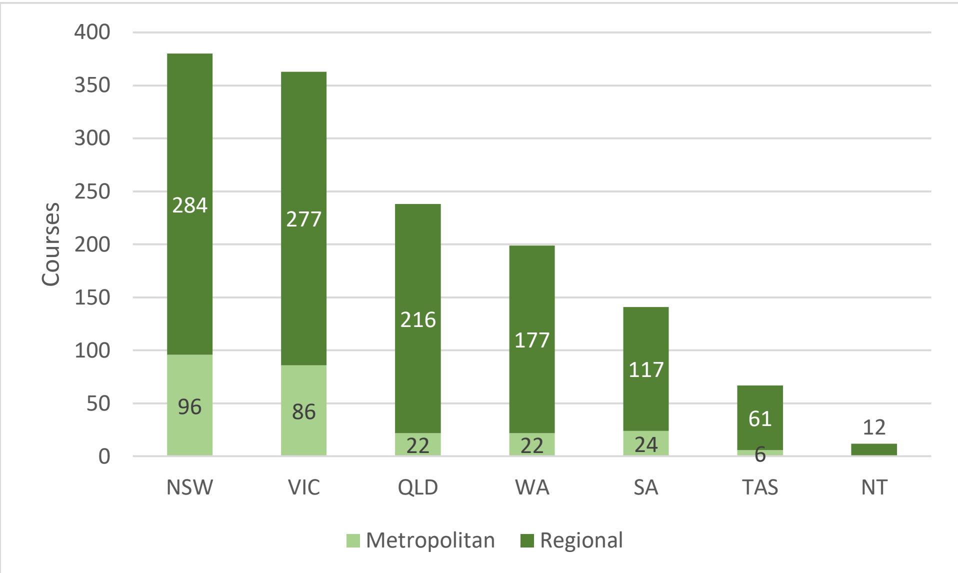
Source: R&A Golf Around the World

Australian National Golf Course Supply

Total Facilities

According to Golf Australia's 2015 National Club Participation Report there are approximately 1,400 golf courses in Australia. The report notes that 82% of these facilities are located in regional areas, with the remaining 18% facilities located in the six state capital cities.

The two largest golfing markets are New South Wales and Victoria, which collectively account for 70% of total facilities. The number of facilities across each state in both metropolitan and regional areas are depicted in the chart below.



Source: Golf Australia 2015 National Participation Report

Australian Metropolitan Golf Course Supply

Course Count

There are a total of 250 golf facilities in Australia's five principle metropolitan areas, those being Sydney, Melbourne, Brisbane, Perth and Adelaide. With 17 of these facilities being nine-hole facilities, this count converts to 243 golf facilities when measured on an 18-hole equivalent basis.

(When referring to the supply of golf facilities (excluding at the international level), the number of golf facilities is expressed in actual terms as well as in terms of 18-hole equivalent facilities. The number of 18-hole equivalent facilities is calculated by dividing the total number of holes at all facilities within a defined area and dividing that figure by 18. By converting facilities to an 18-hole equivalent basis, variation in land area that would otherwise be brought about by facilities with a number of holes other than the standard 18 is eliminated.)

Space and People

The ABS report that the total area of the five major capital cities in Australia measures approximately 2.4m hectares. The metropolitan area of Sydney accounts for approximately 44% of this space, measuring just over 1 million hectares. With a population currently estimated to be nearing 4.6 million people, when assessed on a head of population per hectare basis, the Sydney region, at 4.4 persons per hectare reflects a result slightly lower than the aggregated wider metropolitan market average of 5.3 persons per hectare.

With Sydney accounting for 44% of the total aggregated land area of the five major cities, and being approximately 65% larger than the next largest city (Melbourne), when assessing golf's geographic distribution on terms of hectares occupied, the market of Sydney has an average land area per 18 hole facility of 11,363 hectares, a slightly higher average than the collective results across all other metropolitan markets of one facility per 9,821 hectares.

When assessing golf's geographic distribution amongst these markets, across all the five main metropolitan markets, there is on average one (18 hole equivalent) golf facility per 52,211 people. For the Sydney market its average is slightly lower at one facility per 49,867 people.

Golf facilities in Sydney are therefore slightly less densely in terms of head of population and land area than the other main metropolitan markets.

Club Members

Golf Australia report that at the end of 2015 there were 148,000 registered golf club members at clubs in metropolitan areas across Australia. The Sydney market has the highest number of any metropolitan region in Australia, with 64,538 metropolitan club members, 44% of the total metropolitan based members.

With 92 18-hole equivalent facilities in Sydney, there is an average of just over 700 members per (18-hole equivalent) facility – the highest metropolitan average across the country. The resultant capture rate (the number of golf club members as a percentage of total population) is 1.4%, which is slightly higher than the average 1.1% returned from all metropolitan regions.

Summary

A summary of course counts, per capita, spatial and member measures for the five main capital cities are outlined in the table below.

	Sydney	Melbourne	Brisbane	Perth	Adelaide	Overall
Population	4,587,804	4,020,326	1,162,186	1,618,420	1,272,440	12,661,176
Total land area (hectares)	1,045,400	633,390	133,810	330,050	238,830	2,381,480
Head of population per hectare	4.4	6.3	8.7	4.9	5.3	5.3
Total golf facilities	96	86	22	22	24	250
18 hole equivalent golf facilities	92	83	23	23	22	243
Head of population per 18 holes	49,867	48,438	50,530	71,930	57,838	52,211
Land area per 18 hole facility (ha.)	11,363	7,631	5,818	14,669	10,856	9,821
Total golf club members	64,538	43,564	15,582	11,226	13,338	148,248
Golf club members per 18 hole facility	702	525	677	499	606	611
Members as % of total population	1.4%	1.1%	1.3%	0.7%	1.0%	1.2%

Source: Golf Australia 2015 National Participation Report, Planning NSW, ABS, GBAS

Key observations from the table above include:

- The Sydney market has a lower level of population per hectare (less dense).
- The Sydney market has a slightly higher total land area per 18-hole equivalent facility, (less land used for golf)
- The Sydney market has a slightly lower average head of population per 18 hole equivalents; (more golf per head of population) and
- The Sydney market has a higher average member capture rate given club demand levels.

Sydney Metropolitan Course Supply

Sydney Local Government Areas (LGAs)

The next level of spatial analysis, and one which also allows for other data to be brought into the analysis, is by Local Government Area (LGA).

The ABS report that Sydney is made up of a total of 41 LGA's covering 1,045 million hectares. There is a broad range in LGA size, with the largest measuring 277,000 hectares and the smallest being sub 1,000 hectares.

Our analysis has found that there is generally a negative correlation between population density and LGAs size, such that more densely population LGAs tend to be smaller in land area. In addition to this, more densely populated LGAs in metropolitan regions tend to contain less golf courses. In the Sydney metropolitan market the seven most densely populated LGAs (those with a population density of 50+ people per hectare) contain a combined total of only five golf facilities. Given the variances in size and density, in metropolitan regions, it is readily acceptable that there will therefore likely naturally be movement across LGA boundaries for those travelling to even the nearest golf facility from their place of residence.

Given this movement across LGA boundaries, an analysis of golf facility supply as a function of population purely at the LGA level will likely be misleading.

Sydney Aggregated LGA 'Districts'

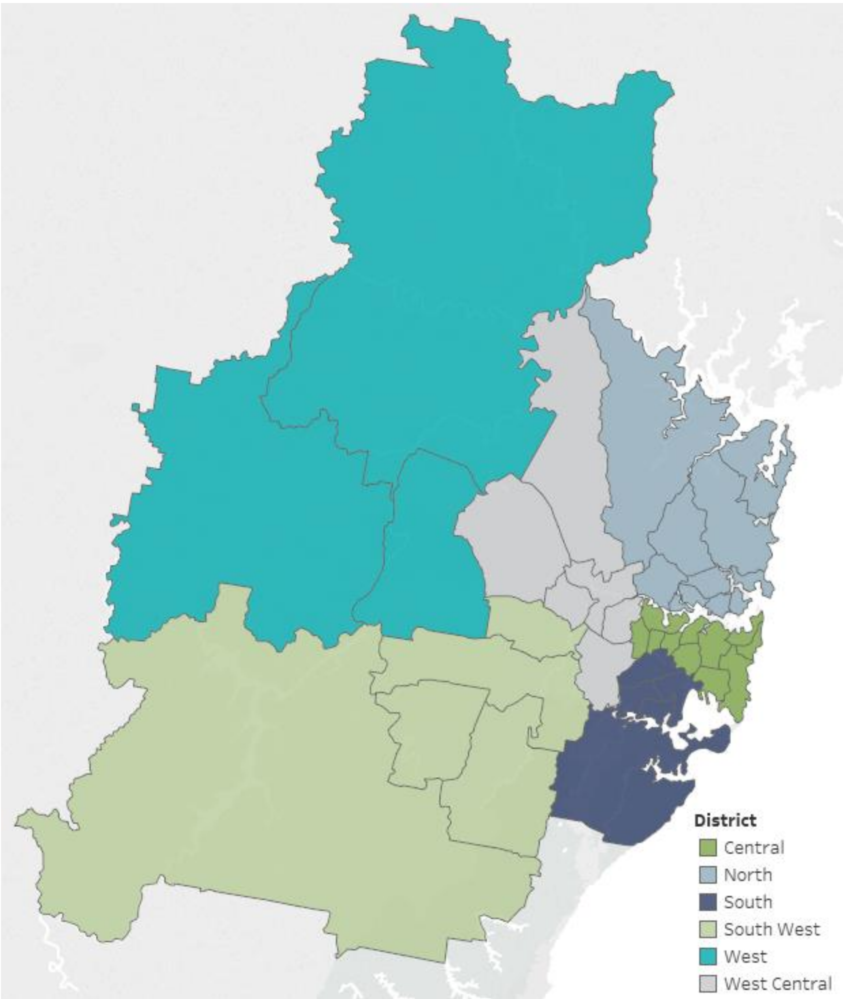
In order to therefore develop a more sound basis on which to assess supply and demand, we have conducted our localized analysis of golf facility supply based on the six Districts that were utilised by the NSW Planning & Environment in their 2014 Sydney Open Spaces Audit. Utilising these Districts also ensures consistency in the definition of open space.

The six Districts defined in those study, Central, North, South, South West, West and West Central, are each a combination of a number of LGAs from across the Sydney metropolitan region. The LGAs that are included in each of the defined Districts are included in the table below.

Central	North	South	South West	West	West Central
11 LGAs	**11 LGAs**	**5 LGAs**	**5 LGAs**	**3 LGAs**	**6 LGAs**
Ashfield	Hornsby	Canterbury	Camden	Blue Mtns	Auburn
Botany	Hunters Hill	Hurstville	Cempbelltown	Hawksbury	Bankstown
Burwood	Ku-ring-gai	Kogarah	Fairfield	Penrith	Blacktown
Canada Bay	Lane Cove	Rockdale	Liverpool		Holroyd
Leichardt	Manly	Sutherland	Wollondilly		Parramatta
Marrickville	Mosman				The Hills
Randwick	North Sydney				
Strathfield	Pittwater				
Sydney	Ryde				
Waverley	Warringah				
Woollahra	Willoughby				

Source: NSW Planning & Environment 2014 Sydney Open Spaces Audit

To better illustrate the relevant boundaries that apply to these aggregated LGA Districts, the following map highlights the aggregated boundaries. Given the greater land area applicable to these defined Districts, whilst still possible, movement across these boundaries for golf participation will in the main be much less frequent than when measured on an LGA basis.



Source: NSW Planning & Environment

Golf Facility Supply by Aggregated District

Key Definitions Adopted

In this section of the report more detailed findings regarding land use are outlined. In outlining these findings a number of terms are used. Definitions of these key terms are noted below:

Developed land – Total land area less bushland, which is defined by the NSW Planning & Environment in the 2014 Sydney Open Spaces Audit as "passive open space that includes vegetation which is either a remainder of the natural vegetation of the land or, if altered, is still representative of the structure and floristics of the natural vegetation. Bushland can include biodiversity corridors, reserves, national parks and wetlands."

Developed open space – In the 2014 Sydney Open Spaces Audit, the NSW Planning & Environment defines developed open space as including active and passive open space. Definitions of these two terms are. *Active open space* - land set aside for the primary purpose of formal outdoor sports for the community. Active open space supports team sports, training and competition and typically features sports facilities such as playing fields, change rooms, grandstand and car parks. *Passive open space* - land set aside for parks, gardens, linear corridors, conservation bushland and nature reserves. These areas are made available for passive recreation, play and unstructured physical activity.

Population, Land & Golf Facility Summary

In the following table we summarise a number of key measures regarding population size, geographic size, land use and golf course supply across the six Districts of metropolitan Sydney.

Calculation	Measure	Central	North	South	South West	West	West	Sydney total
A	Population	882,403	907,008	635,734	688,230	343,868	1,130,561	**4,587,804**
B	Population %	19%	20%	14%	15%	7%	25%	**100%**
C	Total hectares of land area	18,240	89,990	43,360	347,620	461,040	85,150	**1,045,400**
D	Total hectares of land area %	2%	9%	4%	33%	44%	8%	**100%**
E = (A/C)	Head of population per hectare	48.4	10.1	14.7	2.0	0.7	13.3	**4.4**
F	Total golf facilities	18	29	10	13	8	18	**96**
G	18 hole equivalent golf facilities	17	26	10	14	8	19	**92**
H	18 hole equivalent golf facilities %	18%	28%	10%	15%	9%	20%	**100%**
I = (A/G)	Head of population per 18 holes	51,906	35,569	66,919	50,980	42,984	61,111	**49,867**
J = (G/(C/10000)	18 hole facilities per 10,000 hectares	9.3	2.8	2.2	0.4	0.2	2.2	**0.9**
K	Total developed land (ha.)	17,975	43,422	24,891	181,861	138,181	79,536	**485,866**
L	Total developed land (ha.) %	4%	9%	5%	37%	28%	16%	**100%**
M = (A/K)	Head of population per developed ha.	49.1	20.9	25.5	3.8	2.5	14.2	**9.4**
N	Developed open space (ha.)	2,335	3,732	3,311	10,041	5,041	5,956	**30,416**
O	Developed open space (ha.) %	8%	12%	11%	33%	17%	20%	**100%**
P = (N/K)	Open space % of developed land	13%	9%	13%	6%	4%	7%	**6%**
Q = (N/A/1000)	Developed open space (ha.) per 1,000 people	2.6	4.1	5.2	14.6	14.7	5.3	**6.6**
R	Total hectares of golf land	653	855	267	550	276	730	**3,331**
S	Total hectares of golf land %	20%	26%	8%	17%	8%	22%	**100%**
T = (R/K)	Golf land as % of developed land	3.6%	2.0%	1.1%	0.3%	0.2%	0.9%	**0.7%**
U = (R/N)	Golf land as % of open space	28%	23%	8%	5%	5%	12%	**11%**
V	Total golf club members	15,361	23,212	6,183	5,560	3,633	10,589	**64,538**
W	Total golf club members %	24%	36%	10%	9%	6%	16%	**100%**
X = (V/G)	Golf club members per 18 hole facility	904	910	651	412	454	572	**702**
Y = (V/A)	Members as % of total population	1.7%	2.6%	1.0%	0.8%	1.1%	0.9%	**1.4%**

Source: Golf Australia 2015 National Participation Report, Planning NSW, ABS, GBAS

Key observations from the table above include:

- 28% of Sydney's golf facilities are located in the North District, accounting for 26% of total golf hectares
- The North District has a below average head of population per 18 holes of 35,500.
- In terms of land use, the North District has the second highest number of 18 hole facilities per 10,000 hectares
- In the North District golf land accounts for 2% of developed land and 23% of open space
- 36% of Sydney's club members are located in the North District
- The North District has the highest number of average total members per facility

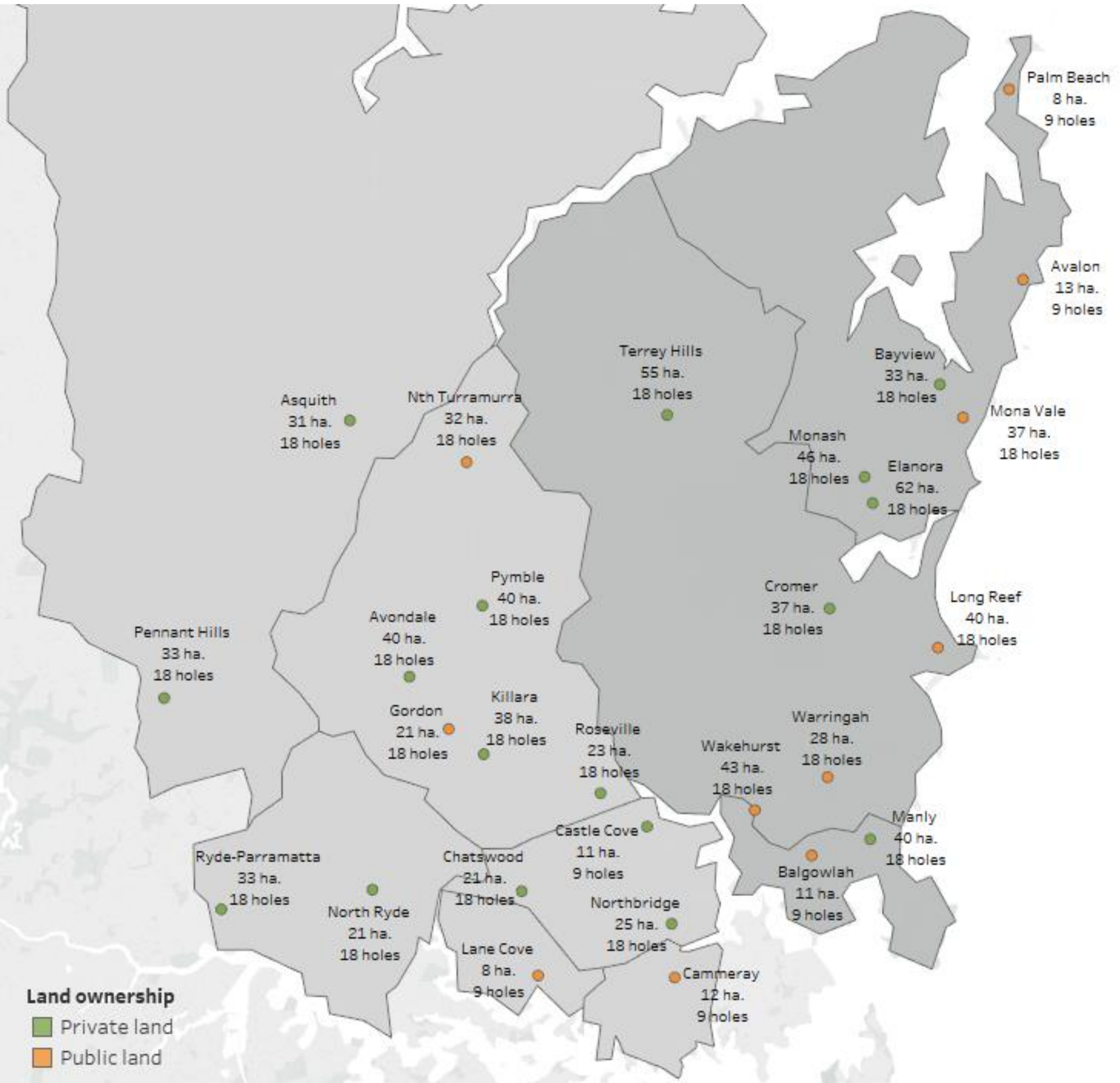
Summary Table

In order to illustrate how the North District compares to the other five Districts in Sydney, the following table provides a summary of each measures determined in this section, identifying the rank of the North District.

Calculation	Measure	North district	Sydney total	District Rank
A	Population	907,008	4,587,804	2
B	Population %	20%		2
C	Total land area (hectares)	89,990	1,045,400	3
D	Total hectares of land area %	9%		3
E = (A/C)	Head of population per hectare	10.1	4.4	4
F	Total golf facilities	29	96	1
G	18 hole equivalent golf facilities	26	92	1
H	18 hole equivalent golf facilities %	28%		1
I = (A/G)	Head of population per 18 holes	35,569	49,867	6
J = (G/(C/10000)	18 hole facilities per 10,000 hectares	2.8	0.9	2
K	Total developed land (ha.)	43,422	485,866	4
L	Total developed land (ha.) %	9%		4
M = (A/K)	Head of population per developed ha.	21	9	3
N	Developed open space (ha.)	3,732	30,416	4
O	Developed open space (ha.) %	12%		4
P = (N/K)	Open space % of developed land	9%		3
Q = (N/A/1000)	Developed open space (ha.) per 1,000 people	4.1	6.6	5
R	Total hectares of golf land	855	3,331	1
S	Total hectares of golf land %	26%		1
T = (R/K)	Golf land as % of developed land	2.0%	0.7%	2
U = (R/N)	Golf land as % of open space	22.9%	11.0%	2
V	Total golf club members	23,212	64,538	1
W	Total golf club members %	36%		1
X = (V/G)	Golf club members per 18 hole facility	910	702	1
Y = (V/A)	Members as % of total population	2.6%	1.4%	1

Source: Golf Australia 2015 National Participation Report, Planning NSW, ABS, GBAS

The distribution of courses across the entire North District (with the Northern Beaches in dark grey) is depicted in the map below.



Source: Golf Australia 2015 National Participation Report, Planning NSW, ABS, GBAS

Potential Future Land Divestment

In considering the supply of golf from the perspective of city councils, it is important to distinguish between golf facilities that occupy public land from those on private land. To be discussed further below, it is only golf facilities on public land that, from the perspective of Council, could potentially have an alternate use.

To be considered however is whether the number of private golf club facilities that currently exist will continue to exist. Whilst there is movement within the industry for clubs to seek amalgamation when under prolonged financial pressure, private club executives in the Northern Beaches region have stated that there is presently no immediate intent to pursue such opportunities.

Whilst there are challenges to be overcome regarding land disposal and how amalgamations may actually occur, it would however not be unreasonable to conclude that at some point in the future some clubs could seek an amalgamation opportunity.

In this regard it is public knowledge that the Bayview Golf Club has sold off two pieces of land in order to assist in long term financial sustainability. If such financial pressures were to continue into the future, an amalgamation would be one option that the club may seek to assess. On that basis some of the outcomes presented above would adjust accordingly.

Ownership of Land Utilised for Golf

As noted above, in considering the supply of golf from the perspective of city councils, it is important to distinguish between golf facilities that occupy public land from those on private land. It is only golf facilities on public land that, from the perspective of council, could potentially have an alternate use.

For this purpose, the relevant information from the above two tables has been replicated below with privately owned facilities excluded from the analysis.

Calculation	Measure	Central	North	South	South West	West	West	Sydney total
A	Population	882,403	907,008	635,734	688,230	343,868	1,130,561	**4,587,804**
B	Population %	19%	20%	14%	15%	7%	25%	**100%**
C	Total hectares of land area	18,240	89,990	43,360	347,620	461,040	85,150	**1,045,400**
D	Total hectares of land area %	2%	9%	4%	33%	44%	8%	**100%**
E = (A/C)	Head of population per hectare	48.4	10.1	14.7	2.0	0.7	13.3	**4.4**
F	18 hole equivalent facilities public land	12.5	8.5	4.5	2	Nil	4	**31.5**
G	18 hole equivalent facilities public land %	40%	27%	14%	6%	0%	13%	**100%**
H	Golf facilities on public land %	74%	33%	47%	15%	0%	22%	**34%**
I = (A/G)	Head of population per 18 holes	70,592	106,707	141,274	344,115	-	282,640	**145,645**
J = (G/(C/10000)	18 hole facilities per 10,000 hectares	6.9	0.9	1.0	0.1	-	0.5	**0.3**
K	Total developed land (ha.)	17,975	43,422	24,891	181,861	138,181	79,536	**485,866**
L	Total developed land (ha.) %	4%	9%	5%	37%	28%	16%	**100%**
M = (A/K)	Head of population per developed ha.	49.1	20.9	25.5	3.8	2.5	14.2	**9.4**
N	Developed open space (ha.)	2,335	3,732	3,311	10,041	5,041	5,956	**30,416**
O	Developed open space (ha.) %	8%	12%	11%	33%	17%	20%	**100%**
P = (N/K)	Open space % of developed land	13%	9%	13%	6%	4%	7%	**6%**
Q = (N/A/1000)	Developed open space (ha.) per 1,000 people	2.6	4.1	5.2	14.6	14.7	5.3	**6.6**
R	Total hectares of public golf land	463	253	144	60	Nil	92	**1,012**
S	Total hectares of public golf land %	46%	25%	14%	6%	0%	9%	**100%**
T = (R/K)	Public golf land as % of developed land	2.6%	0.6%	0.6%	0.0%	0.0%	0.1%	**0.2%**
U = (R/N)	Public golf land as % of open space	19.8%	6.8%	4.3%	0.6%	0.0%	1.5%	**3.3%**
V	Total golf club members at public facilities	9,601	5,746	2,345	616	0	763	**19,071**
W	Total golf club members %	50%	30%	12%	3%	0%	4%	**100%**
X = (V/G)	Golf club members per 18 hole facility	768	676	521	308	0	191	**605**
Y = (V/A)	Members as % of total population	1.1%	0.6%	0.4%	0.1%	0.0%	0.1%	**0.4%**

Source: Golf Australia 2015 National Participation Report, Planning NSW, ABS, GBAS

Key observations from the table above include:

- 27% of public golf facilities are located in the North District, accounting for 25% of total golf hectares
- The North District has a below average head of population per 18-hole public facility of 121,000.
- In terms of land use, the North District has the third highest number of 18 hole public facilities per 10,000 hectares
- In the North District public golf land accounts for 0.6% of developed land and 6.8% of open space

Note: of the 8.5 18-hole equivalent facilities located on public land within the North District, 5.5 of these are located within the Northern Beaches LGA boundaries.

Summary Table

In order to illustrate how the North District compares to the other five Districts in Sydney in terms of public land that is allocated to golf facilities, the following table provides a summary of each measures determined in this section, identifying the rank of the North District.

Calculation	Measure	North district	Sydney total	Public Courses
A	Population	907,008	4,587,804	2
B	Population %	20%		2
C	Total hectares of land area	89,990	1,045,400	3
D	Total hectares of land area %	9%		3
E = (A/C)	Head of population per hectare	10.1	4.4	4
F	18 hole equivalent facilities	8.5	31.5	2
G	18 hole equivalent facilities %	27%		2
H	Golf facilities on public land %	33%	34%	3
I = (A/G)	Head of population per 18 holes	106,707	145,645	4
J = (G/(C/10000)	18 hole facilities per 10,000 hectares	0.9	0.3	3
K	Total developed land (ha.)	43,422	485,866	4
L	Total developed land (ha.) %	9%		4
M = (A/K)	Head of population per developed ha.	20.9	9.4	3
N	Developed open space (ha.)	3,732	30,416	4
O	Developed open space (ha.) %	12%		4
P = (N/K)	Open space % of developed land	9%	6%	3
Q = (N/A/1000)	Developed open space (ha.) per 1,000 people	4.1	6.6	5
R	Total hectares of public golf land	253	1012	2
S	Total hectares of public golf land %	25%		2
T = (R/K)	Public golf land as % of developed land	0.6%	0.2%	2
U = (R/N)	Public golf land as % of open space	6.8%	3.3%	2
V	Total golf club members at public facilities	5,746	19,071	2
W	Total golf club members %	30%		2
X = (V/G)	Golf club members per 18 hole facility	676	605	2
Y = (V/A)	Members as % of total population	0.6%	0.4%	2

Source: Golf Australia 2015 National Participation Report, Planning NSW, ABS, GBAS

All Courses v Public Courses Comparison

In the following table we summarise the ranking achieved by the North District for six of the key measures on an "All course" basis and "Public course only" basis.

Northern District Measure	All Courses North District	All Courses Sydney	All Courses North District rank	Public Courses only North District	Public Courses only Sydney	Public Courses only North District rank
18 hole equivalent facilities	29	96	1	8.5	31.5	2
Head of population per 18 holes	35,569	49,867	6	106,707	145,645	4
18 hole facilities per 10,000 hectares	2.8	0.9	2	0.9	0.3	3
Total hectares of golf land	855	3,331	1	253	1,012	2
Golf land as % of developed land	2.0%	0.7%	2	0.6%	0.2%	2
Golf land as % of open space	22.9%	11.0%	2	6.8%	3.3%	2
Total golf club members	23,212	64,538	1	5,746	19,071	2
Total golf club members %	36%		1	30%		2
Golf club members per 18 hole facility	910	702	1	676	605	2
Members as % of total population	2.6%	1.4%	1	0.6%	0.4%	2

Source: Golf Australia 2015 National Participation Report, Planning NSW, ABS, GBAS

Key observations from the table above include:

- The North District achieves a high ranking on both a total course and public course basis across almost all measures.
- The North District has the lowest ranking when assessed on a per head of population per total 18-hole facilities, slightly higher when assessed by public courses only, a ranking that reflects higher than average supply (courses) when assessed on a per head of population basis.
- The North District has a high ranking when assessed on a share of land basis, that is, number of facilities per 10,000 hectares.
- Across the market, the North District has the highest amount of total land used for golf and second highest when assessed on a public course basis.
- In terms of golf's share of developed land, the North District ranks the second highest on an all course and public course basis.
- When assessed as a percentage of open space, the amount of golf land in the North District presents as the second highest on both an all course and public course basis.
- Whilst having a generally higher level of supply, the North District also has a high level of member demand with average sizes for both private clubs and public facilities being greater than the Sydney average, reflected as a higher capture rate.

Summary of Lease Agreements – Golf Facilities on Public Land

Whilst there are 13 courses within the Northern Beaches LGA, there are seven courses that exist by way of a land lease. These courses are:

- Avalon Golf Course
- Balgowlah Golf Club
- Long Reef Golf Club
- Mona Vale Golf Club
- Palm Beach Golf Club
- Wakehurst Golf Club
- Warringah Golf Club

A summary of the key lease terms for each is provided below:

Facility	Avalon	Balgowlah	Long Reef	Mona Vale	Palm Beach	Wakehurst	Warringah
Commence	8-Feb-14	1-Nov-95	15-Aug-08	1-Nov-15	9-Jan-97	1-May-14	1-Jul-14
Term	5 years	20 years	18 years	5 years	21 years	20 years	3.2 years
Expiration	7-Feb-19	31-Oct-15	14-Aug-26	31-Oct-20	8-Jan-18	30-Apr-34	31-Aug-17
Option	No	No	No	No	No	No	No
Status		on hold over					
Annual rent	Management Fee	$11,270	$48,282*	$38,250	$18,800	$140,000	$75,000

Source: Council Documents

Summary of Key Findings

In this section we have outlined a number of measures which can be used to assess golf course supply. These include facility counts, assessment by population, assessment by land use and assessment by share of open space. There is no right or wrong assessment method with each of the above measures providing a different level of context.

We note that given land ownership, it is only the golf facilities on public land that, from the perspective of Council, could potentially have an alternate use. When assessing golf on public land we have found that the North District has a high rank in almost all measures used. In terms of land availability, formal leases are in place at the seven facilities, with periods ranging from 0 years to 17.5 years. Leases at four facilities expire prior to 2020.

3. Market Demand Overview

Population Trends

As demand for golf and golf club membership is a direct factor of population and population growth, as a precursor to this section, it is appropriate to review the patterns that are emerging with regard to the region's population.

In March 2016 the Australian Bureau of Statistics (ABS), in its catalogue 3218.0 Regional Population Growth, estimated that the total population of Sydney in 2015approximated 4.47 million people. Since 2005 the metropolitan region's population had grown by an average of 1.6%, having approximated 3.8 million people at this time.

Within the 11 LGA areas that reflect the North District of Sydney, total population in 2015 was estimated at 907,000, reflecting an annual population growth averaged 1.4% per annum, slightly below the wider metropolitan rate.

Northern Beaches Regional Golf Club Market

Introduction

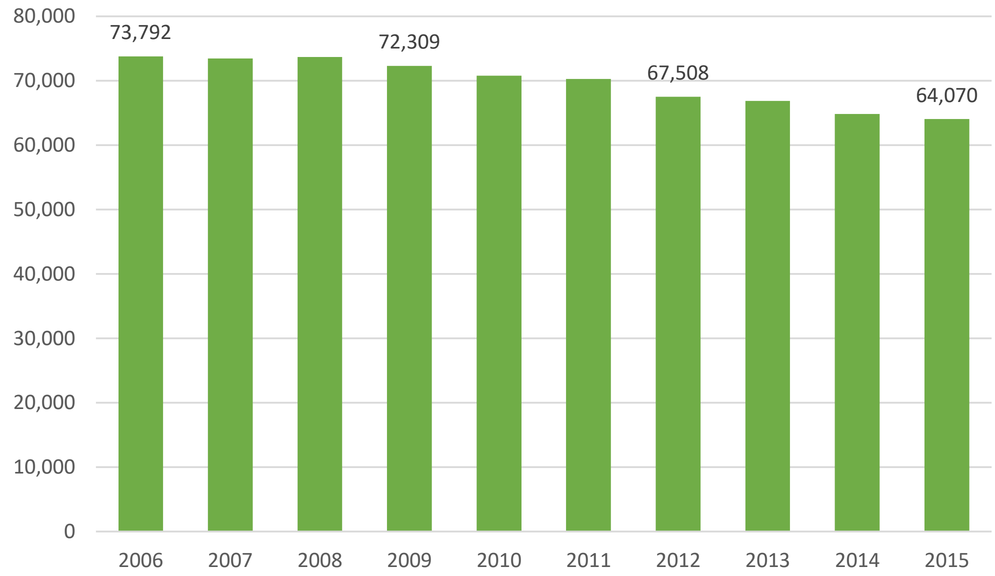
There are mounting operational and financial pressures being faced at many golf clubs across metropolitan NSW. At a high level, the general club challenges being faced include membership attrition rates, the overall value proposition of membership, facility expense growth, increased governance and compliance responsibilities and costs, and on-going funding challenges with regard to infrastructure renewal and replacement. Such challenges are thus combining to create a very competitive wider golf club environment.

With this general background, this section of the report examines the performance of the aggregated golf club peer set that is found within the Northern Beaches Council region. Trends with membership numbers, financial performance and rounds played are examined. GBAS met with club management at these facilities in order to collect data and opinions as to 'the state of the market' in the northern beaches area.

Sydney Metropolitan Market Club Participation

The membership trend evident within the wider Sydney metropolitan market is one that has exhibited a slow level of decline over the past ten-year period from 73,792 members in 2006 to 64,070 members in 2015 – a net decline of 9,722 members. The decline evident over this period equates to an annual rate of 1.6%, which equates to an overall decline of 13.2%.

The trend within club membership over the ten-year period from 2006 to 2015 across the Sydney metropolitan region is illustrated in the chart below.



Source: Golf NSW (Note: Member numbers exclude Golf Access members)

There is significant variation in the ten-year golf membership trend evident across different Districts within the Sydney region, with significantly greater declines in overall membership numbers generally evident in those Districts located in western regions compared to those applicable to the Central, North and South Districts. The North District experienced an overall decline over the ten-year period of 11.8%, which is slightly less than the overall average of 13.2%, as summarised below.

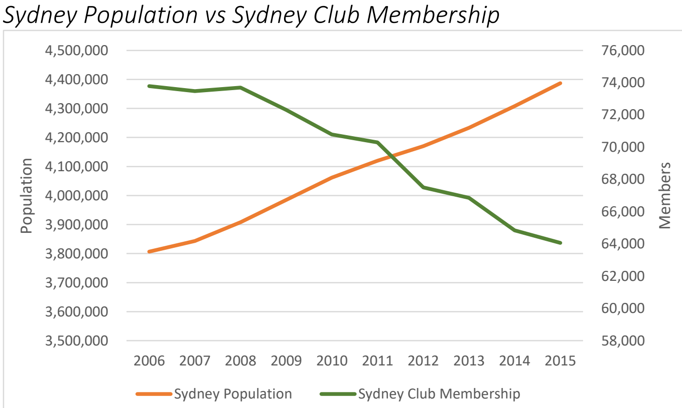
District	2006	2009	2012	2015	Overall % Δ	Annual % Δ
Central	16,016	15,830	15,915	15,361	-4.1%	-0.5%
North	25,795	25,616	23,936	22,744	-11.8%	-1.4%
South	6,740	6,841	6,439	6,183	-8.3%	-1.0%
South West	6,233	6,970	6,226	5,560	-10.8%	-1.3%
West	5,169	4,718	3,797	3,633	-29.7%	-3.8%
West Central	13,839	12,334	11,195	10,589	-23.5%	-2.9%
Overall	**73,792**	**72,309**	**67,508**	**64,070**	**-13.2%**	**-1.6%**

Source: Golf NSW

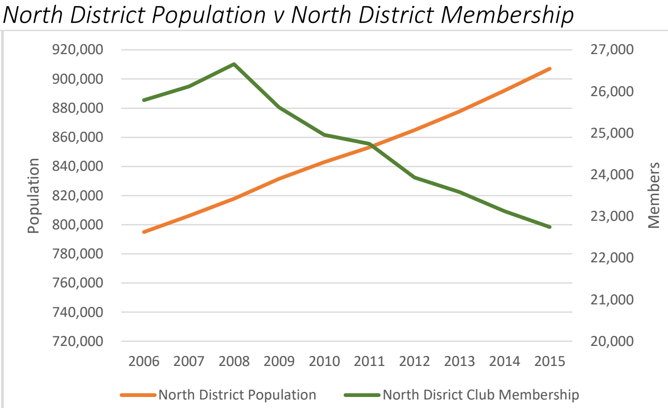
Population Trend vs Golf Membership Trend

The movement and trend within population can be assessed against golf membership trends.

Sydney Population vs Sydney Club Membership



North District Population v North District Membership



Source: ABS, Golf NSW

Evident in the graphs above is the inverse relationship that has existed between population growth and club membership growth. In both the wider Sydney market and the North District market the rate of population growth (1.7% and 1.5% annually) has been met with a near opposite rate of decline in the club membership market (-1.6% and -1.4% annually).

North District Performance

This trend of weaker performance in western regions of Sydney as outlined above is further evident when dividing the North District up further into two sections; the Northern Beaches (which includes 13 facilities) and the North West region, which contains the remaining 16 facilities spread across suburbs such as Pennant Hills, Ryde, Hornsby, Roseville etc.

The performance of these two sub-regions is depicted in the table below, which shows significantly weaker performance in the North West region than in the Northern Beaches. The performance in the Northern Beaches, whilst still declining, is similar to the performance of the Central District – the best performing of the six Districts within the Sydney metropolitan region.

North District	2006	2009	2012	2015	Overall % Δ	Annual % Δ
Sub Regions						
Northern Beaches	11,687	11,393	11,109	10,559	-9.7%	-1.1%
North West	14,108	14,223	12,827	12,185	-13.6%	-1.6%
Total	**25,795**	**25,616**	**23,936**	**22,744**	**-11.8%**	**-1.4%**

Source: Golf NSW

Northern Beaches Golf Course Facilities

Club Membership Trends

A more detailed assessment of the Northern Beaches membership market is now provided. As stated above, the Northern Beaches contains a total of 13 golf facilities. Eight of these facilities allow public access on multiple days across the week, and therefore, to varying degrees, manage demand between club members and members of the public. The remaining facilities, all of which are on privately owned land, are accessible to members and their guests only.

The ten-year membership performance of each facility contained within the Northern Beaches region in terms of total member numbers, along with their classification and land ownership status, is depicted in the table below.

Facility name	Suburb	Land	2006	2009	2012	2015	Overall % Δ	Annual % Δ
Public access								
Avalon Public GC	Avalon	Public	0	0	235	60	-	-
Balgowlah GC	Balgowlah	Public	576	509	303	311	**-46%**	**-6.6%**
Bayview GC	Bayview	Private	1,194	960	953	959	**-20%**	**-2.4%**
Long Reef GC	Collaroy	Public	849	826	817	791	**-7%**	**-0.8%**
Mona Vale GC	Mona Vale	Public	967	1,151	1,142	1,029	**6%**	**0.7%**
Palm Beach GC	Palm Beach	Public	543	398	370	350	**-36%**	**-4.8%**
Wakehurst GC	Seaforth	Public	1,275	1,251	1,068	970	**-24%**	**-3.0%**
Warringah GC	Warringah	Public	697	661	608	667	**-4%**	**-0.5%**
Total public access			**6,101**	**5,756**	**5,496**	**5,137**	**-16%**	**-1.9%**
Private access								
Cromer GC	Cromer	Private	1,163	1,227	1,228	1,172	**1%**	**0.1%**
Elanora CC	Elanora Hts	Private	1,116	1,123	1,126	1,112	**0%**	**0.0%**
Manly GC	Manly Hghts	Private	1,411	1,418	1,304	1,301	**-8%**	**-0.9%**
Monash CC	Ingleside	Private	1,145	1,112	1,185	1,009	**-12%**	**-1.4%**
Terrey Hills GC	Terry Hills	Private	751	757	770	828	**10%**	**1.1%**
Total private access			**5,586**	**5,637**	**5,613**	**5,422**	**-3%**	**-0.3%**
Total			**11,687**	**11,393**	**11,109**	**10,559**	**-10%**	**-1.1%**

Source: Golf NSW

This table demonstrates that private access facilities have stronger historical membership performance compared to public access facilities – a 3% decline over the ten-year period compared to a 16% decline over the same period.

Attrition and Attraction Rates

The data presented above reflects the net annual outcomes achieved on an annual basis. In its 2015 National Club Participation Report, Golf Australia report an average annual attrition rate of 9%. For clubs in metropolitan areas, the reported average rate is 7%. Reviewing data available for the specific northern beaches clubs, the public clubs reflect an average rate of 11% with a lower 6% average rate reflected in the private clubs.

Based on these numbers, for each of the specific markets, total lost member demand approximates 560 and 325 members respectively, a cumulative sum of 885 members per year.

On this same basis, for each of the specific markets, taking into account the net decline evident in total membership, total new member demand approximates 360 and 270 members respectively, a cumulative sum of 630 new members per year.

Market Membership Capacity

Whilst potentially seen as a quickly calculable number, the measurement of market capacity from a membership perspective isn't straightforward. The desired number of members for each club will vary depending on the membership experience each wishes to offer. This experience will reflect the annual fee being paid.

Discussions with the management of the clubs considered to be private indicated that from a membership perspective they are mostly full, with only limited space in certain categories. Based on these discussions, we estimate current market membership capacity within the private club market to be 90% to 95%.

As evidenced in the table above, membership numbers at the clubs considered to be public are materially lower than those at the private clubs, varying materially within the market. Based on our knowledge of desired levels, we estimate current average market membership capacity within the public club market to be 60% to 70%. We note that some facilities are required to offer public tee times, this requirement restricting the number of members they could otherwise accommodate.

Public Golf Rounds and Average Green Fee

As part of this assessment GBAS was provided with public rounds data for six of the eight courses that accommodate public demand. (Given the materially different public golf offer made at the Palm Beach and Avalon Clubs they were not considered for the purpose of establishing wider rounds trends).

For the last 3 year period the following collective market results are evident:

- Total public rounds played across the six key facilities totalled approximately 118,000 in the last full year.
- Of the six clubs, two reported increases and three reported decreases over the prior year.
- The most recent full year result is in advance of the prior year but below the result achieved two years prior, with overall outcomes across the three years measured reflecting a small average annual decline of 1%.
- Revenue trends present a similar picture to rounds trends, with most recent full year results in advance of the prior year by 2% but below prior year results.

- With overall green fee outcomes across the three years measured reflecting a small average annual decline of 2%, and with a similar result in rounds played, the resultant average green achieved remains unchanged across the market, presently measured at approximately $30 (ex GST.)

Market Rounds Capacity

The measurement of market capacity from a rounds perspective also isn't a straightforward exercise. Club managers' report material peaks and troughs within any given week with certain days more popular than others. Within days certain time periods are also more desirable than others.

Given these existing peaks (weekends, Saturdays, mornings) and the consistency with which they exist across facilities, should public facility supply be reduced in any way, it is unlikely that all displaced existing public rounds played could be reasonably accommodated elsewhere. Depending on the facility changes in times played and possibly days played would be required.

An upside of reduced supply is heighten competition for available tee times, which in theory could increase the opportunity for increased prices and thus improve overall facility profitability and sustainability.

Financial Performance

Whilst member demand and rounds played are key indicators to club health, the financial outcomes achieved are the ultimate measure of health and club sustainability.

Golf NSW Report

Golf NSW is the peak body for golf in the state. In 2013 it published the results of an independent report titled 'Golf NSW Governance Study.' The study contained a high-level golf club health assessment, undertaken to identify the general current financial position and performance of golf clubs across the state.

The assessment utilised a measurement table that was first proposed in a report by the NSW Independent Pricing and Regulatory Tribunal (IPART) when it assessed the financial viability of all clubs in NSW in 2008. The measure used in the table was a measurement of a club's EBITDA %, calculated as:

Earnings before interest, tax, depreciation and amortisation / total revenue

The table adopts five sustainability classifications based on operational outcomes achieved, as illustrated below.

EBITDA	Description
25%+	Business flourishing: Ability to reinvest and reinvent as required
15% - 25%	Solid position: Needs to critically evaluate capital purchases
10% - 14%	Stable position: Sufficient to maintain current operations
5% - 9%	Financial distress: Changes required to ensure viability
< 5%	Serious financial distress: Serious questions as going-concern

Source: Golf NSW Governance Report

When utilising this measure, the Golf NSW Study identified that in 2012 34% of metropolitan clubs in NSW could be classified as in at least a stable position. It found a further 32% in financial distress with a further 34% in serious financial distress.

Current Financial Performance

GBAS has sighted and analysed the annual reports of six of the eight courses that accommodate public demand. (Given the materially different size of the Palm Beach and Avalon Clubs they were not considered for the purpose of establishing overall market financial performance).

For the last 3 year period the following collective market results are evident:

- Total club incomes have grown by an annual average of 4%
- Market revenue growth was primarily driven by increases in food and beverage income, impacted by the Long Reef Golf Club taking internal control of its catering operation, formerly operated by a third party.
- Member subscription income has grown by an average of 1% per year, reflecting the result of declining member numbers and increasing prices.
- Green fee income has been flat over the three year period.
- Total club expenses have increased by an average of 5% per year.
- With expenses increasing at a greater rate than revenues, club trading profits have slightly decreased from 9% of income to 7% of income in the most recent year.

Utilising the table above, the above results would place this market in the financial distress category, requiring changes to ensure long term viability.

Summary of Key Findings

Our research indicates that despite annual population growth of 1.7% per year since 2006, there is a slow, reasonably constant annual 1.6% decline evident in golf club membership demand across Sydney. The annual decline evident in the North District is slightly stronger at negative 1.4%, with this outcome impacted by softer results in the western region of the North District.

Given the breadth of product available on the Northern Beaches there are materially different results also evident in this market. Demand trends at the five private clubs present a stable outcome with an average annual decline of only 0.3% recorded since 2006. As a result these clubs report membership capacities around 90+% with only limited room for new demand.

Conversely, greater declines are evident in the eight facilities that have a public element to them, with membership within this group of clubs declining by an average of 1.9% per year. Whilst there is annual new member demand evident, higher annual attrition rates negates the impact of this demand with club membership capacities near 60% to 70%.

Public green fee demand has also slightly declined over the past three years, though is steady over the past two years.

With financial performance the ultimate measure of sustainability, the outcomes being achieved indicate that a challenging future remains. Expense growth has been greater than revenue growth and club profit levels remain below 10% per annum, a level indicating that changes are required to ensure long term viability.

4. Market Sustainability Conclusions

Key Findings

In this report a number of measures have been identified which assess the current level of golf course supply. From a total course level, the district within which the Northern Beaches falls presents a high course count. When assessed against population, this high count continues to be reflected when assessed on a per head of population basis. With golf courses being of a reasonably consistent size, the high rank is maintained when looking at golf's share of total land and its share of open space land.

Whilst having a high level of supply, our research has found that supply does beget demand. Higher member capture rates (% of population being golf members) are evident in the North District in both private clubs and public facilities.

A higher level of member demand has not made the market immune from wider membership pressure. With an average annual 1.6% decline evident in golf club membership demand across Sydney, demand in the North District is only slightly stronger at negative 1.2%. When removing the private facilities from this calculation the decline increases to an average of 1.9% per year. Whilst new annual demand is present, higher annual attrition rates within this market impact the ability to achieve net growth, with member capacities averaging 60% to 70%.

In lieu of insufficient member demand, this 'space' is being filled by public green fee demand. In recent times demand in this area has generally been flat, with no growth evident in rounds played or average green fee achieved. Our financial assessment has shown that for the clubs that accommodate green fee demand, respective profit levels generally remain below 10% per annum, a level indicating that changes in operations are required to ensure long term viability.

Conclusions

Whilst trends in supply and demand are important, it is facility financial performance that becomes the ultimate focus when considering sustainability. Whilst profits are currently being achieved at the clubs within the area of focus, they are not at a level that allows for sustained re-investment in facility infrastructure. For this to be achieved, most facilities firstly require more demand, then price growth, to materially grow profitability. Neither is occurring, with net market demand levels slowly declining and demand being fragmented across a number of facilities.

Given current market trends, in this environment no new supply is required. On the assumption that there is a sufficient mix of product to satisfy the level of golf demand that exists, and that this demand would and could be accommodated within a reduced supply pool, a reduction in supply may further assist the market to achieve greater sustainability.