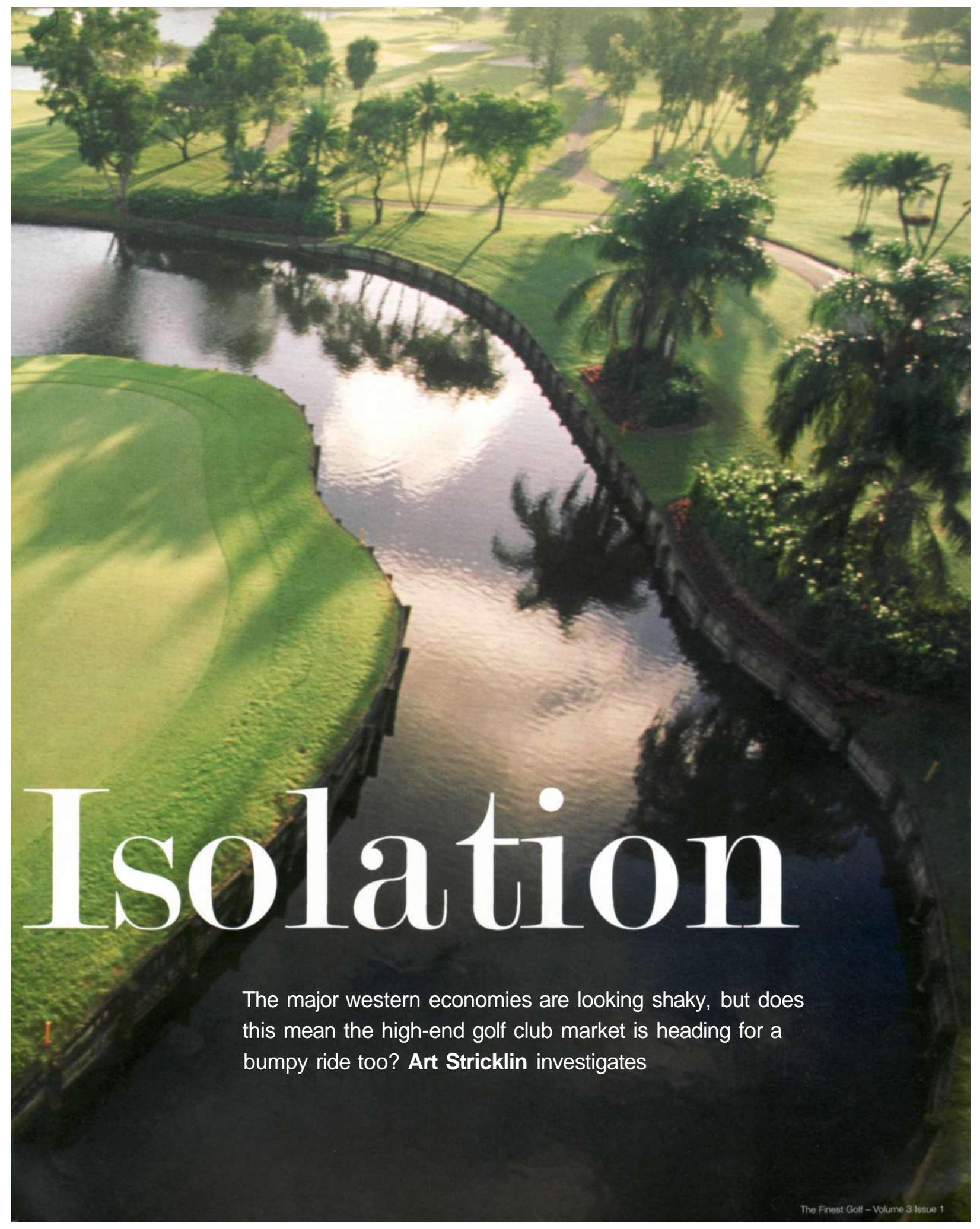


GLORIOUS



Isolation

The major western economies are looking shaky, but does this mean the high-end golf club market is heading for a bumpy ride too? **Art Stricklin** investigates

Mike Meldman and Michael Pascucci have been around the upper end private country club business long enough to see plenty of good times and bad in the often lucrative, sometimes money-losing industry.

But both said recently that top clubs are facing a mixed bag of club economic news.

While the changing economic times and the recent plunge in the stock markets have wiped out plenty of investors' paper wealth, their individual projects are going strong, with plenty of members still willing to invest triple-figure income into the private club lifestyle.

"The bottom line is always the more money you have, the less micro-changes in the economy will affect you," says Tom Stine, CEO of Florida-based Golf Data, a U.S. golf consulting firm. "The whole trend for daily fee or public courses may be bad, but there will almost always be a market for the high end private club."

Meldman, the CEO of Discovery Land Company which operates dozens of high upper end clubs in North America, and Pascucci, the developer of the new private club Sebonack on New York's Long Island, have found that theory to be true for their courses.

"We have not seen economic slowdowns for our clubs, because baby boomers are looking for security and that is what we offer," Meldman says.

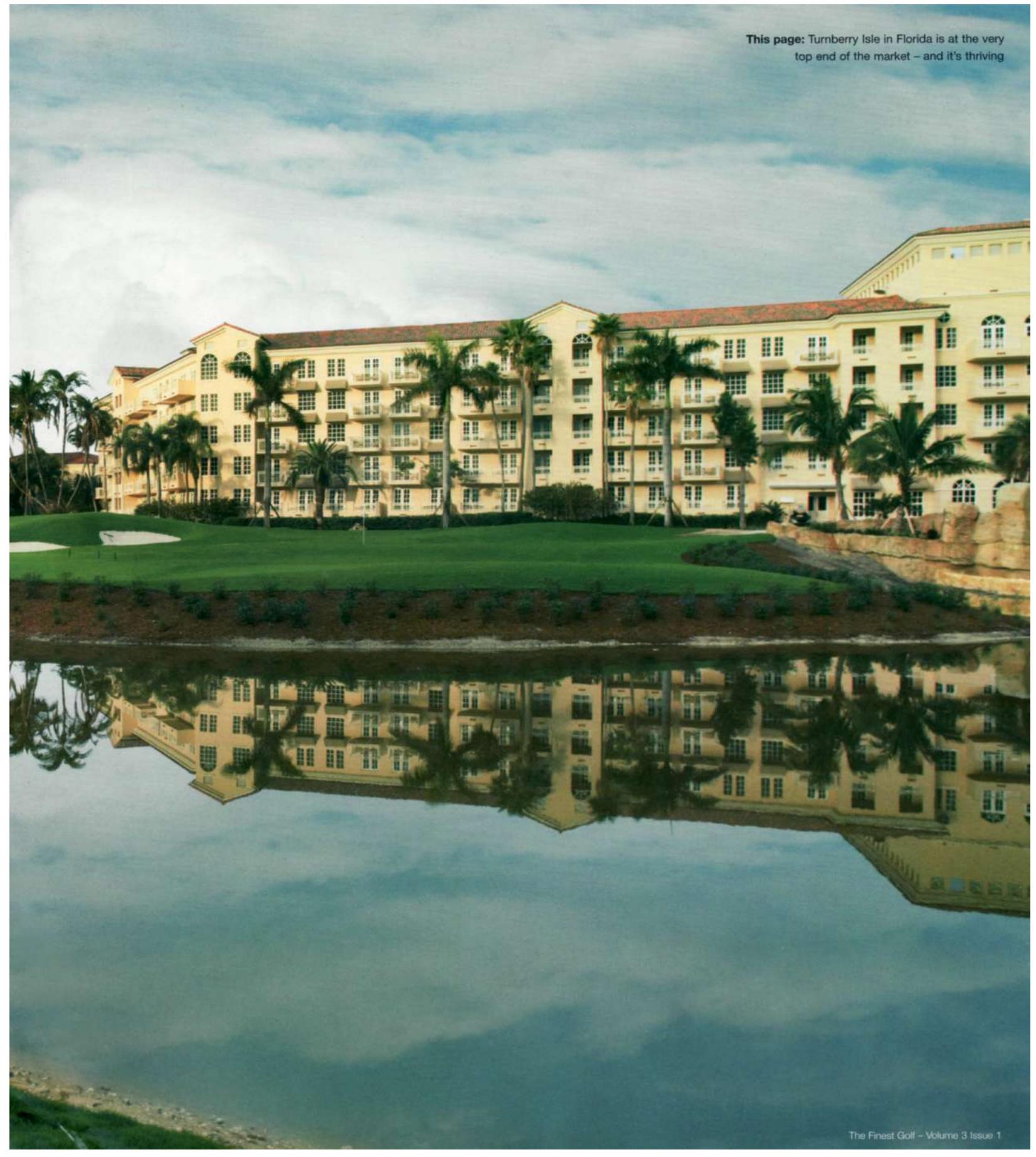
According to the latest statistics from the U.S. National Golf Foundation, golf participation in America remains flat, if slightly up. In 2006, NGF statistics rated rounds at private clubs in the U.S. were up 1.0 percent, compared to '05. Rounds overall at all U.S. facilities are up 0.8 percent.

For those who are at the upper end of the private club market, like Meldman and Pascucci, business has never been better, with fees to join their clubs well into the six-figure range.

The changing fortunes of the financial

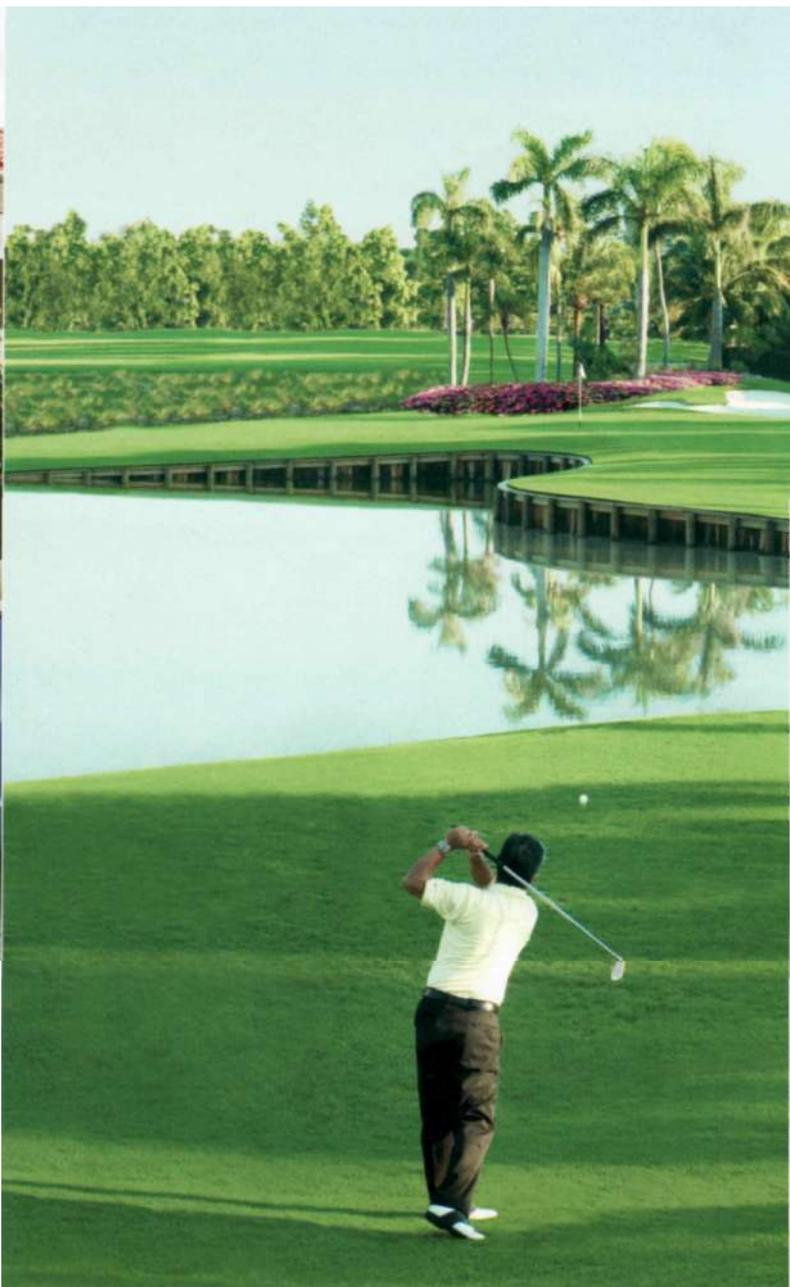


This page: Turnberry Isle in Florida is at the very top end of the market – and it's thriving





This page: Top end clubs are still in great demand if they can provide resort-like facilities and a private club atmosphere



markets appears to be doing very little to influence golf developments in Europe either. Within the past 10 years the number of players in Europe has grown by an average of 7% while the number of golf courses has risen by an average of 5% per year - and it is the bottom and top ends of the market that are leading the charge. Anyone who has seen the number of top end clubs opening and being developed in Scotland and Ireland (see page

16) will not be surprised to hear this. Comparable statistics in Germany show an average yearly increase of 11% for golfers and 8% for golf courses with the upper end of the market dominating the growth there. This comparison shows immediately that demand is growing faster than supply. According to the European Institute of Golf Course Architects, there will be a greater variety of golf courses with an increasing

number of expensive private clubs. Importantly, development in Europe will be among the most dynamic. "There has been a large creation of wealth in the nineties and this has been a very good time over the 10 years to open a club," Meldman says. Only one of Meldman's Discovery Land courses has an initiation fee of less than \$100,000, with his newly opened Madison



Club in Palm Springs, California nearly \$500,000 U.S.

Each of Meldman's Discovery Land courses requires a lot purchase with the golf membership an option. He says the recent years have shown an interesting divide in his clubs.

"In our primarily market clubs like Dallas (Vaquero) or Scottsdale (Mirabel and Estancia) we have about an 80-90 percent purchase rate

on our golf memberships, because people may be too busy during the week or just want to live inside a gated, walled community. In the resort areas like Cabo San Lucas or Hawaii, it's nearly 100 percent because that's why people come there."

The initiation fee to join Pascucci's Sebonack is reported to be \$650,000, but the owner says he has no shortage of member candidates, even though he opened at the same time as

nearby upscale private clubs Bayonne and Liberty National. "It never crossed my mind once, not for one minute, that we would have competition for members," Pascucci says. "I haven't played their courses, but I have heard they are very nice and have good access to the city (New York), but what we are offering is a unique experience on Long Island with 13 holes having water access, next to some of the most famous clubs in America."



Left: Top end clubs like Sebonack have been isolated from the economic downturns

Above: Bayonne is situated right next to New York's financial markets but has felt no tremors from the recent economic upheaval

Next page: Stock market uncertainty around the world looks set to continue but it has, so far, failed to dim the demand for memberships of the world's top clubs

“ TURNBERRY ISLE IS ABSOLUTELY TOP OF THE MARKET. WE'RE CATERING TO A CERTAIN NICHE THAT WOULD BE INTERESTED IN QUALITY, NOT QUANTITY ”

While his club has capped membership at 200 national or international members, he feels he will have no trouble filling his membership rolls with personally invited golfers, but that's not the case for every private club in America. "I think the golf market in America is seriously overbuilt in some areas," Pascucci says. "In Florida, where I spend my winters, there are too many private courses and some of them have had to cut their fees or loosen their standards. And at some clubs, you have as many people wanting to get out as wanting to get in."

The lack of direct water access and the highest prices in the area have Miami's Turnberry Isle Country Club Director of Membership Diane Levine working harder than ever.

"I've been in this market for nearly 13 years and I believe there is not as much free time for the younger generation," she says. "It takes longer for them to buy into a membership."

With two brand new Raymond Floyd-designed courses in Adventura, just north of the famed South Beach area in Miami, the price to join Turnberry Isle is between \$200,000 to \$250,000 U.S., the highest fee

among private golf clubs in the area.

"It's absolutely at the top of the market, but we have designed it that way because there are always going to be those people who can afford quality, not quantity," Levine says. "We are catering to a certain market niche and a certain age bracket who would be interested in this."

The attraction to Turnberry, Levine says, is the 36-hole championship standard facility which gives golfers a variety of options and an adjacent Fairmont Resort which allows club members the privileges of being at a resort



setting full time while maintaining a private club atmosphere.

"Maybe the wife wants to go to the spa and the kids want to go to junior programmes. We're offering something for the whole family and that's another factor in what we are charging," Levine says.

There are no specific figures for the cost of joining private clubs but six-figure initiation fees are very common in America, especially in the New York area along with California, Arizona and South Florida.

One trend Meldman has seen first hand has

been the ability of his clubs to set the market for private club joining fees in an area.

When he opened Vaquero outside Dallas in 2002, he priced the golf membership at \$175,000, by far the highest in the market, which sent shock waves through North Texas golf and left many wondering who would pay that amount. Not only did he quickly sell out at his six-figure price, but today there are six private clubs in the Dallas area alone with a joining fee of \$100,000 or more, and others who are seriously considering the jump. The price to join upper end private clubs in the

Dallas market has risen by nearly 50 percent since 2002, and all because Vaquero dared to set the initial price.

"The upper end of the market in America will almost always be isolated from economic downturns," says James J. Keegan, a Colorado-based golf club consultant, who is currently working to upgrade a Dallas private club to a higher initiation level.

"The marginal people are always getting squeezed by the (stock) market, **but** not usually the upper end."

"It always depends on the market and the course, but there is no bad time to launch an upper end club," Stine agrees.

Something Meldman, Pascucci and Levine are very much counting on as they tread the uneven economic landscape with a pricey, but popular product, for which serious golfers are still showing an ongoing interest. •

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