



# 2019 MARKET REPORT

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Dear Golf Industry Member:

Golf Property Analysts invites you to review our 2019 Market Report. This report summarizes observations we've made during our consulting, appraisal and brokerage activities.

With golf markets, like in politics, it's all "local", so beware of using broad averages and surveys when making decisions on specific properties in specific markets.

We hope you find the information useful and look forward to being of service to you during the coming year.

Thank you,

*Laurence A. Hirsh*

Laurence A. Hirsh, CRE, MAI, SGA

President

It often seems like the number of rounds played is the first question asked on how a golf course is performing. First, it's important to understand how rounds are calculated. To many, a round is defined as 18-holes. It's been my experience that most courses count rounds based on "starts". In other words, the number of rounds recorded is typically the number of players that teed off. Whether they play 9-holes, 12-holes or some number other than 18, it's still counted by most courses as a round.

Our survey of nearly 300 daily-fee and municipal facilities in 20 states since January 1, 2015 shows an average of 32,372 rounds per year per 18-holes, and a median of 31,000. We feel the four-year snapshot is more telling than one year, when the numbers may be overly affected by weather. When both the mean and median are similar, this demonstrates a level of credibility in the data from which general overall market conclusions can be formulated. This survey included facilities as small as 9-holes and as large as 54-holes and demonstrates that the extremes (as shown) can be quite broad. It is important to note that conclusions in specific markets may vary from these broader averages, which cannot be used precisely to develop conclusions for specific properties.

The chart below illustrates an analysis of rounds and revenues per round from our surveys.

	# of Rounds	Rds per 18-Holes	Gross Annual Revenue	Gross Rev/ per Round
Average	35,326	32,372	\$1,731,597	\$47.80
Median	32,933	31,000	\$1,375,221	\$42.20
Minimum	6,000	8,000	\$180,000	\$7.60
Maximum	179,560	80,408	\$11,003,528	\$322.91

We sampled approximately 200 Daily-Fee facilities in 2015, 2016, 2017 and 2018 for maintenance costs. These facilities were located in 14 states, also in different climatic regions and range from smaller revenue facilities to one with \$16 million+ in revenues. The results are summarized below:

Of particular interest, but not unexpected is that the typical daily fee facility hosts an average of 31,000 and a median of 33,000 rounds per 18-holes. Maintenance budgets typically average \$504,000 (\$13.41 per round) with a median of \$415,000 (\$11.78 per round). Their maintenance budgets typically average 33% of gross revenues with a median of 28%.

While there will always be variables to consider, such as climate, size of maintained areas, cost of water and labor and physical characteristics of the property, looking at the cost to “produce” a round of golf sheds light on the resulting cost of green fees.

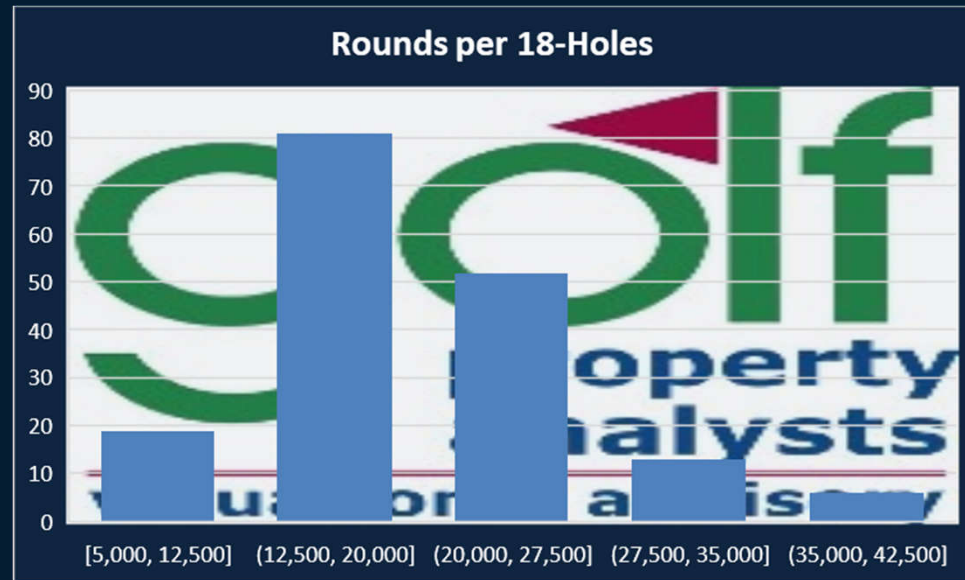
	# of Rounds	Rds per 18-Holes	Gross Annual Revenue	Gross Rev/ per Round	Maintenance Budget	Maint \$ per Round	Maint \$ per Golf Member	Maint % of Gross Revenue
Average	35,326	32,372	\$1,731,597	\$47.80	\$504,146	\$13.41	\$7,133	32.83%
Median	32,933	31,000	\$1,375,221	\$42.20	\$415,083	\$11.78	\$4,286	27.78%
Minimum	6,000	8,000	\$180,000	\$7.60	\$15,000	\$0.58	\$70	1.77%
Maximum	179,560	80,408	\$11,003,528	\$322.91	\$2,595,912	\$58.45	\$35,735	160.36%

Analyzing activity at private clubs requires a bit of a different approach. Since private clubs depend on membership dues, we've looked at how clubs are doing during the past 4 years based on the number of golf members, number of golf members per 18-holes and the number of rounds played annually per membership. One element we normally observe is capacity. The number of rounds generated per membership is typically an excellent indicator of how many memberships a club can handle. Working backward from the number of rounds a course desires, that number can be divided by the activity level at the club (# of rounds per member) to determine the appropriate number of members.

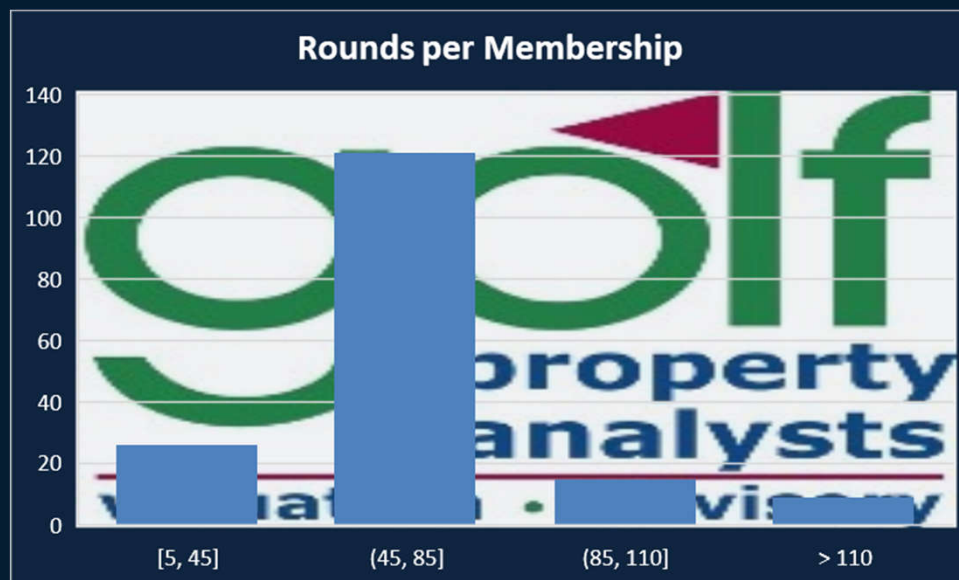
Our surveys covered approximately 250 clubs in 21 states and shows clearly, among other things the difference in cultures at various clubs as it relates to capacity. Simply put, some clubs are busier than others and each club needs to understand its culture when determining its capacity for membership. While it is apparent that many clubs range between 50 and 80 rounds per membership, the wide variance between the extremes is notable. These are summarized below:

Private Clubs - Members and Rounds per Member						
	# of Holes	Total # of Members	# of Golf Members	# of Golf Members per Hole	# of Golf Members per 18-Holes	# of Rounds per Membership
Mean (Average)	20.95	685.15	414.27	19.92	358.63	66.47
Median	18.00	500.00	340.00	16.94	305.00	60.00
Minimum	9.00	-	41.00	2.28	41.00	5.00
Maximum	72.00	7,200.00	2,226.00	111.94	2,015.00	394.00

The histogram graph below shows that most private clubs range from 12,500 rounds to 27,500 rounds per 18-holes.

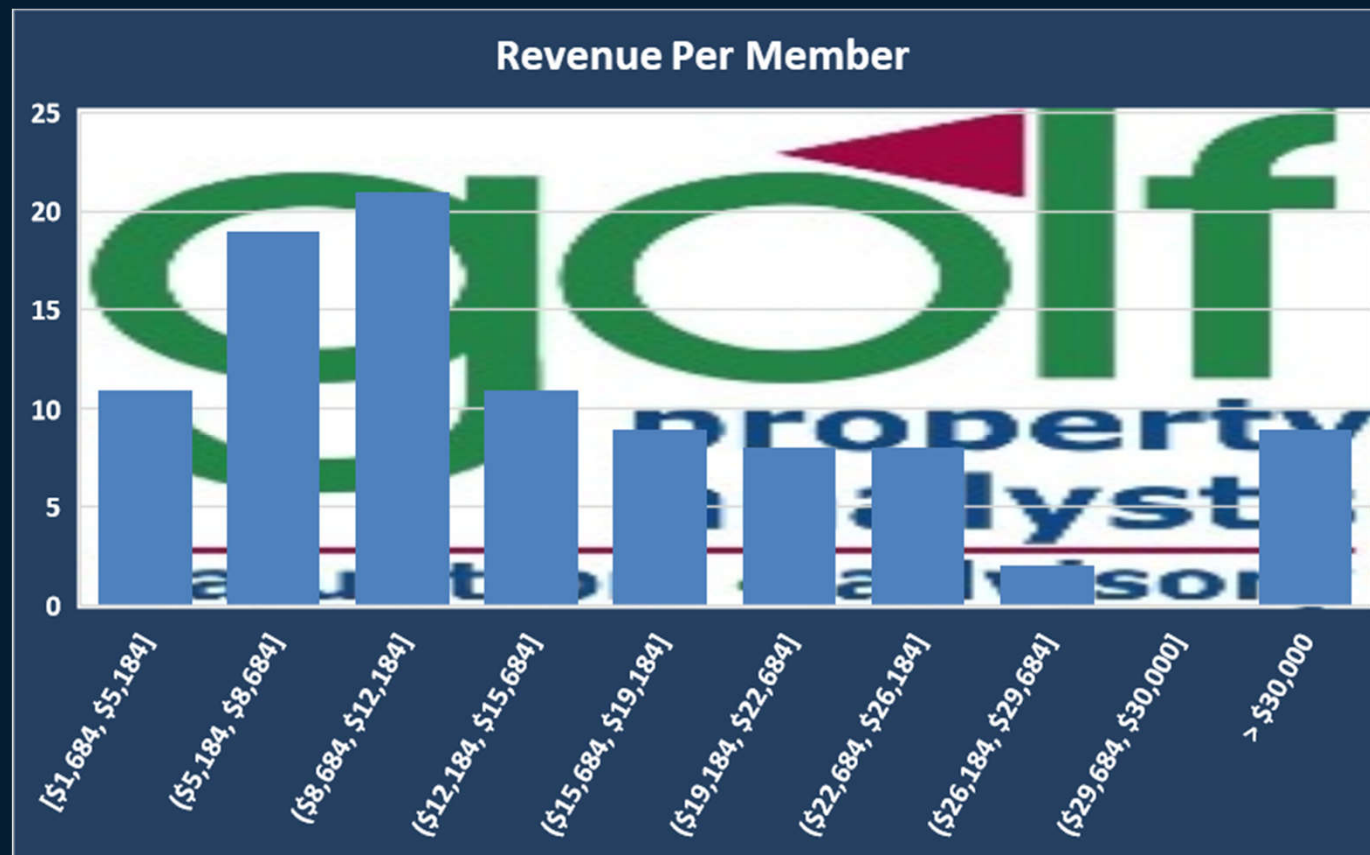


The histogram graph below shows that most private clubs range from 45 to 85 rounds per membership.

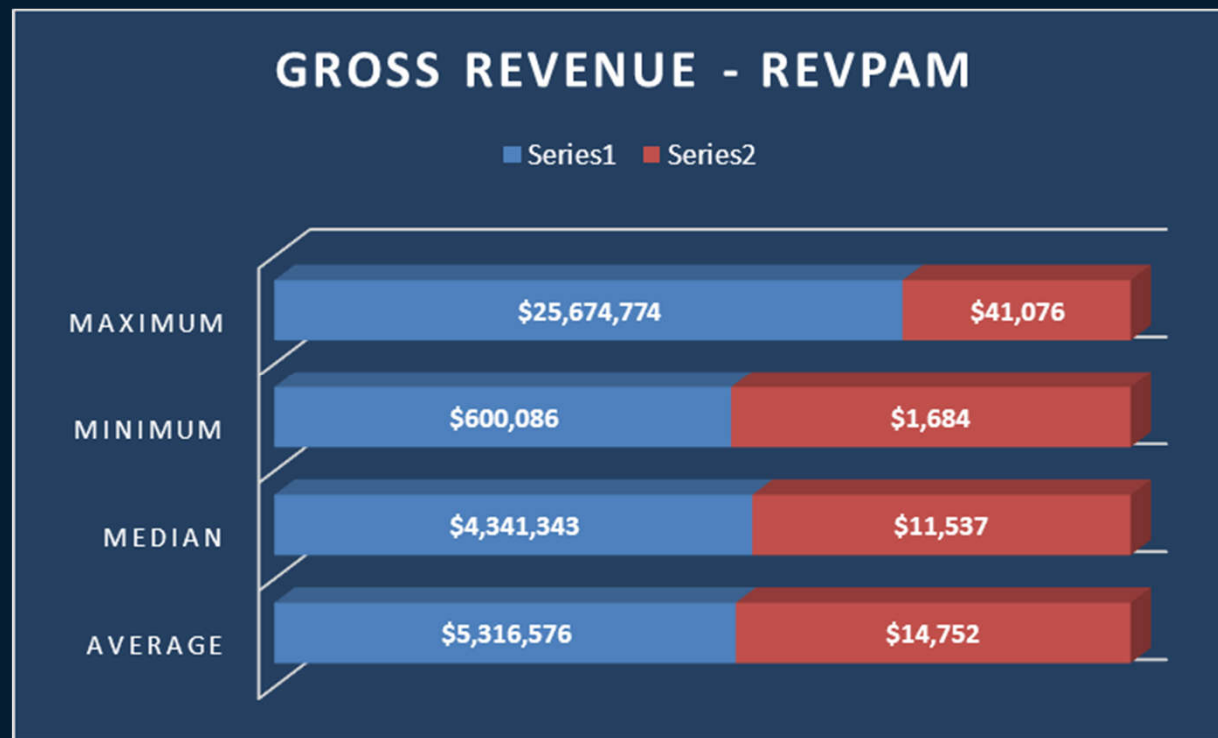




Revenues at private clubs vary significantly, depending on the size and nature of the club. Of the nearly 200 clubs we surveyed, revenues ranged from less than \$1 million to \$26 million. Revenue per Member (REVPAM) ranged from <\$1,700 to >\$41,000, averaging \$14,752. Of particular interest is how the REVPAM was distributed, which is illustrated in the histogram graph below with the most frequent range between \$5,000 to \$8,700 and \$8,700 to \$12,200:



The ranges of gross revenues for nearly 200 clubs, averages and medians are depicted in the graph below, with blue being gross revenues and red representing REVPAM.





We sampled approximately 400 private clubs during 2015, 2016, 2017 and 2018, and researched their golf course maintenance expenditures. These clubs were located in 24 states, in a variety of climatic regions and range from small revenue clubs (\$600,000) to multi-course facilities with \$25 million + in revenues.

The typical private club generates between 18,000 and 24,000 rounds of golf per year per 18-holes. The typical club generates approximately 55-70 golf rounds per membership and spends between \$1 and \$1.2 million on golf course maintenance, per 18-holes. These expenditures show a typical cost of approximately \$54 to \$58 per round played, \$3,300 to \$3,400 per member for golf course maintenance, and about 22-26% of gross revenues of the club. Obviously, there are extremes (as shown) but there can be a variety of reasons for departures from the norms, which can include limited membership/play, budget limitations, physical challenges of the property and other considerations.

	Maintenance Budget	Maint per 18-Holes	Maint \$ per Round	Maint \$ per Golf Member	Maint % of Gross Revenue
Average	\$1,197,133	\$975,391	\$58.50	\$3,394	25.97%
Median	\$994,983	\$900,000	\$53.92	\$3,214	22.17%
Minimum	\$92,787	\$185,574	\$3.33	\$421	7.52%
Maximum	\$4,200,000	\$2,559,351	\$149.52	\$7,756	84.63%

Developing operating expense guidelines is more challenging than other metrics. Since many facilities (both private and daily-fee) are not stabilized, and in some cases cash flow negative, and many courses have wide variances in their operations, such as large or small food & beverage, banquet facilities and different size pro shop operations the data doesn't allow the development of meaningful trends in operating expense ratios.

It is critical in estimating operating expenses to be site and line-item specific. That said, in some cases benchmarking operating expense ratios from those properties that are stabilized can be helpful.

Generally, we observe stabilized, private, not-for-profit clubs stabilizing at or just below 100% of gross revenues for operating expenses. For-profit clubs generally stabilize in the mid to upper 80%'s while daily-fee facilities can stabilize over a wide range of operating expense percentages.

There are several sources for operating expense studies, including the Society of Golf Appraisers, Club Benchmarking and others. We find it best to combine an analysis of a specific property's historical expenses with those clubs considered competitive and stabilized to develop an accurate pro-forma.

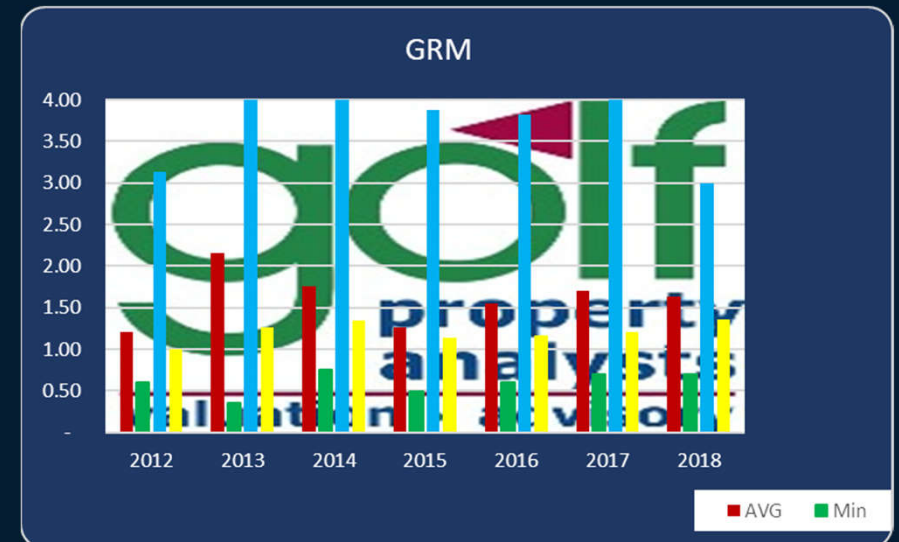
We have studied nearly 300 sales of golf course facilities in our database since 2012 and compiled statistics from these sales. Overall, these sales indicated the following:

	Sale Price	Gross Revenue	GRM
<b>Avg.</b>	<b>\$3,509,851</b>	<b>\$2,801,648</b>	<b>1.50</b>
<b>Min.</b>	<b>\$163,012</b>	<b>\$155,000</b>	<b>0.36</b>
<b>Max.</b>	<b>\$24,000,000</b>	<b>\$10,000,000</b>	<b>17.19</b>
<b>Median</b>	<b>\$2,775,000</b>	<b>\$2,270,306</b>	<b>1.16</b>

Further analysis on a year by year basis shows the following:

SALE PRICES					
Year	AVG	Min	Max	Med	Std. Dev.
<b>2012</b>	\$3,580,480	\$600,000	\$14,200,000	\$2,750,000	\$3,017,227
<b>2013</b>	\$3,655,819	\$475,000	\$10,100,000	\$3,350,000	\$2,511,522
<b>2014</b>	\$5,035,362	\$300,000	\$24,000,000	\$4,250,000	\$4,879,301
<b>2015</b>	\$2,696,614	\$200,000	\$9,260,000	\$1,865,000	\$2,030,616
<b>2016</b>	\$3,819,163	\$405,000	\$10,500,000	\$2,887,000	\$3,005,525
<b>2017</b>	\$3,609,231	\$163,012	\$9,200,000	\$2,944,500	\$2,676,188
<b>2018</b>	\$3,621,727	\$425,000	\$9,000,000	\$9,000,000	\$2,957,757

GROSS REVENUE MULTIPLIERS					
Year	AVG	Min	Max	Med	Std. Dev.
<b>2012</b>	1.20	0.60	3.13	0.99	0.60
<b>2013</b>	2.16	0.36	17.19	1.26	3.52
<b>2014</b>	1.76	0.75	6.41	1.35	1.39
<b>2015</b>	1.26	0.50	3.88	1.14	0.64
<b>2016</b>	1.55	0.60	3.82	1.16	0.93
<b>2017</b>	1.71	0.70	7.41	1.20	1.48
<b>2018</b>	1.63	0.70	3.00	1.35	0.91



We have also analyzed these sales for the purpose of segmenting Daily-Fee, Private and Semi-Private Club properties to determine if there are differences in the investment criteria between the segments:

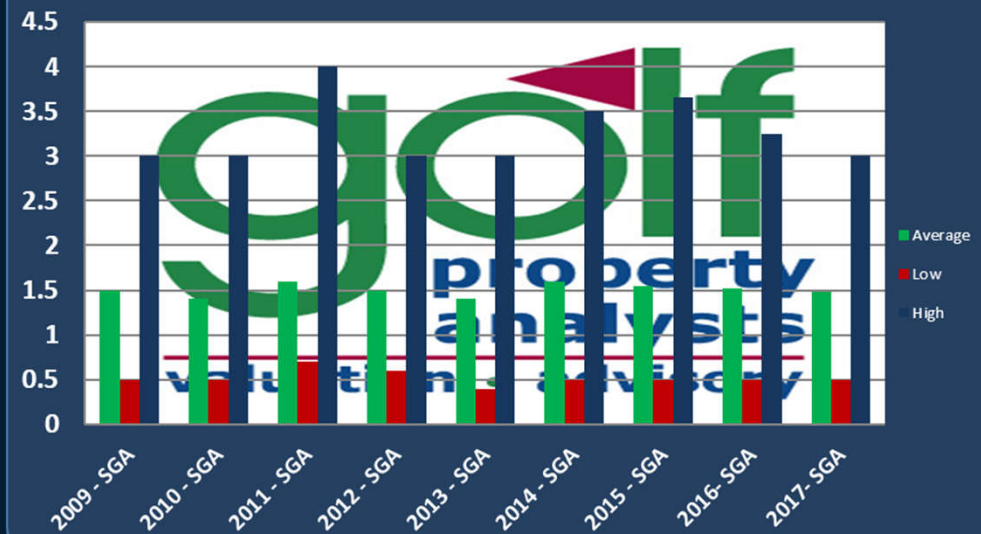
	Daily-Fee	Semi-Private	Private
Average Sale Price	\$2,188,609	\$2,838,869	\$4,995,674
Median Sale Price	\$1,500,000	\$2,650,000	\$5,000,000
Average Revenues	\$1,553,365	\$2,080,837	\$3,935,599
Median Revenues	\$1,102,818	\$1,883,334	\$3,952,381
Average GRM	1.62	1.50	1.34
Median GRM	1.28	1.25	1.06

Not unexpectedly, private clubs indicate higher sale prices, but lower Gross Revenue Multipliers, as indicated above.

Ideally, we would like to derive more overall capitalization rates from these sales, however so many of those sales are not stabilized that the ranges indicated would be inconclusive.

A histogram of groupings of Gross Revenue Multipliers is shown below to illustrate the frequency of various levels of GRM's from the sales analyzed and is compared to our annual tracking of Gross Revenue Multipliers from the Society of Golf Appraisers survey:

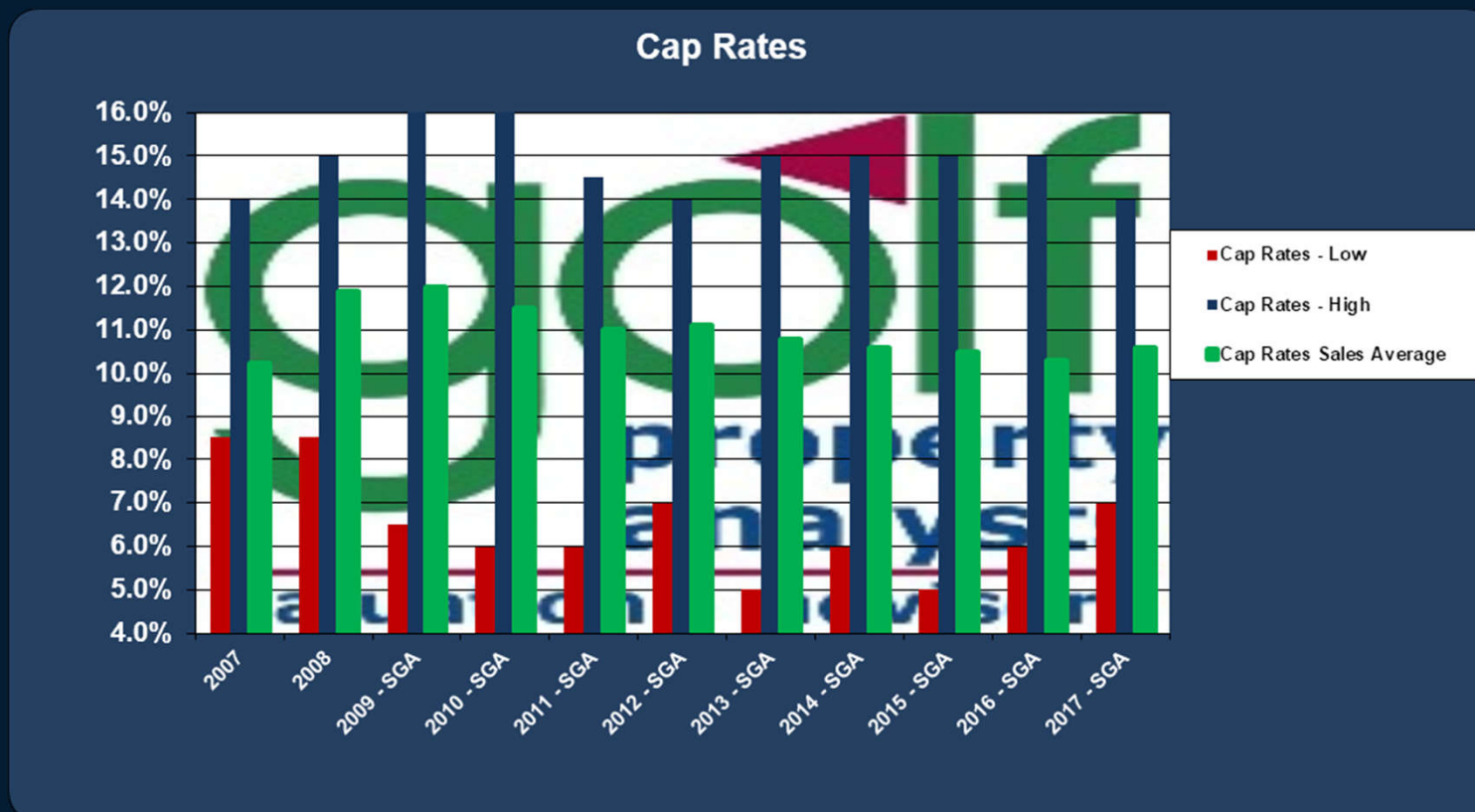
### Gross Revenue Multipliers



### Distribution of GRM



The Society of Golf Appraisers (SGA) also annually surveys capitalization rates for golf properties which is illustrated in the graph below and shows minimal change over the most recent 10-year period with respect to the averages, which have hovered in the 10% to 11% range for the past 5 years.





# ABOUT US

Golf Property Analysts brings a unique and focused perspective to the private club industry. Specializing in advisory, consulting, appraisal and brokerage for golf and club properties, we are uniquely qualified to assist clubs with:

- **Real Estate Tax Assessment Management**
- **Market Analysis and Market Positioning**
- **Operational Review**
- **Economic Analysis of Renovations**
- **Facilities Analysis**
- **Debt Financing Analysis**
- **Valuation**
- **Property Acquisition and Disposition**

From more than 3,000 assignments, we've "seen it all" and have the data, knowledge and experience to assist our clients' decision-making.

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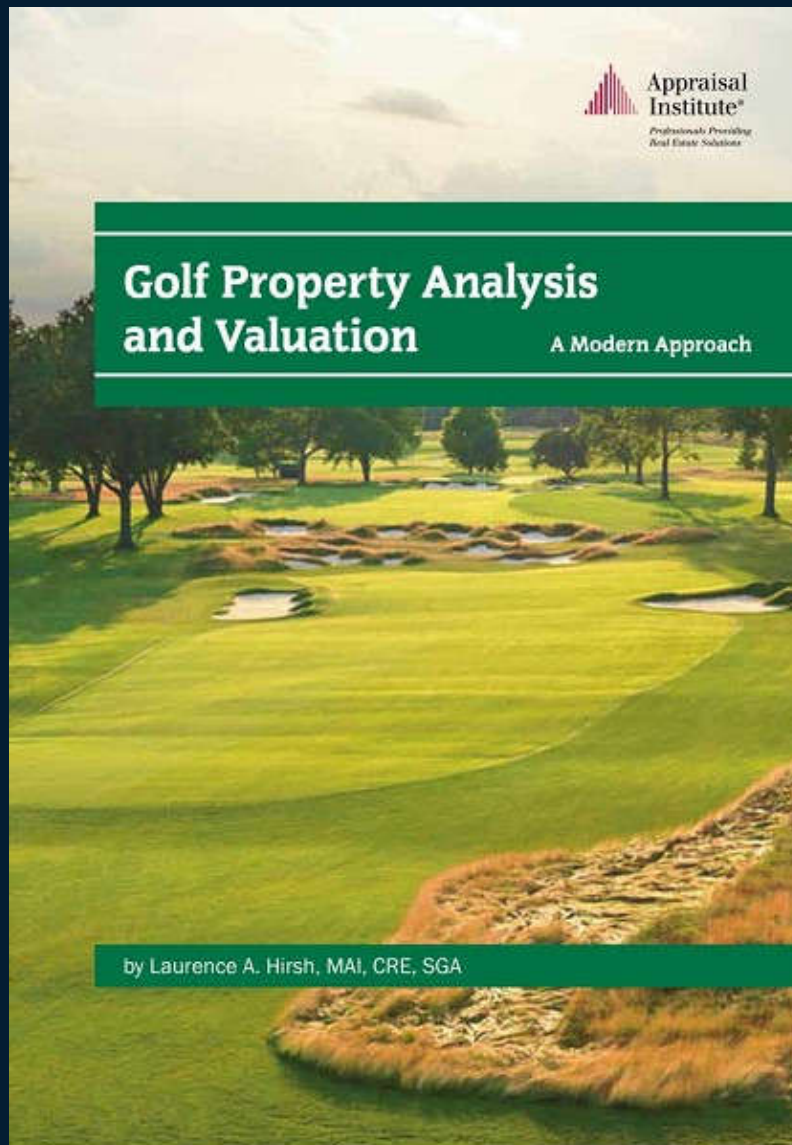
# Selected Assignments

- Army Navy Country Club (VA)
- Bandon Dunes Golf Resort (OR)
- Bedford Springs Golf Resort (PA)
- Blackwolf Run GC (WI)
- Boston GC (MA)
- Caves Valley GC (MD)
- CC of York (PA)
- Crosby Club (CA)
- Dallas National GC (TX)
- Daufuskie Island Club (SC)
- DuPont CC (DE)
- Forsgate CC (NJ)
- Germantown CC (TN)
- Golf Club of Cape Cod (MA)
- Golf Club of New England (NH)
- Hershey Country Club (PA)
- Hidden Creek GC (NJ)
- Isleworth CC (FL)
- Lake Nona CC (FL)
- Latrobe CC (PA)
- MacArthur GC (FL)
- Metedeconk National GC (NJ)
- Mid Pines/Pine Needles (NC)
- Mountain Ridge CC (NJ)
- Newcastle GC (WA)
- Oakhurst Links (WV)
- Pete Dye GC (WV)
- Palm Aire CC (FL)
- Palm Desert CC (CA)
- Philadelphia Cricket Club (PA)
- Pocono Manor GC (PA)
- Refuge G & CC (AZ)
- Reunion Resort (FL)
- The Ridge at Back Brook (NJ)
- Ritz Carlton Club Jupiter (FL)
- River Downs Golfer's Club (MD)
- Shark's Tooth GC (FL)
- Shipyard Golf Resort (SC)
- Sleepy Hollow CC (NY)
- Stonewall GC (PA)
- The Club at Cordillera (CO)
- The Governors Club (TN)
- The Legends Club (SC)
- The Silverleaf Club (AZ)
- The Virginian Club (VA)
- The Woodlands (MI)
- TPC Wakefield Plantation (NC)
- TPC Michigan (MI)
- TPC Piper Glen (NC)
- Treyburn CC (NC)
- Trump National GC Bedminster (NJ)
- Trump National GC Westchester (NY)
- Turnberry Isle Yacht Club (FL)
- Vellano CC (CA)
- Victoria National GC (IN)
- Washington National GC (WA)
- Washington G & CC (VA)
- Westchester CC (NY)
- Whistling Straits GC (WI)
- Williamsburg National GC (VA)
- Windemere CC (FL)
- Winged Foot GC (NY)
- Woodmoor Pines G & CC (CO)

An expanded assignment listing can be found at:

<http://golfprop.com/wp-content/uploads/2018/01/Highlighted-Assignment-Listing-01-05-18.pdf>

# “We Wrote The Book”



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