

Special Report New Golf Course Development in Australia

Introduction

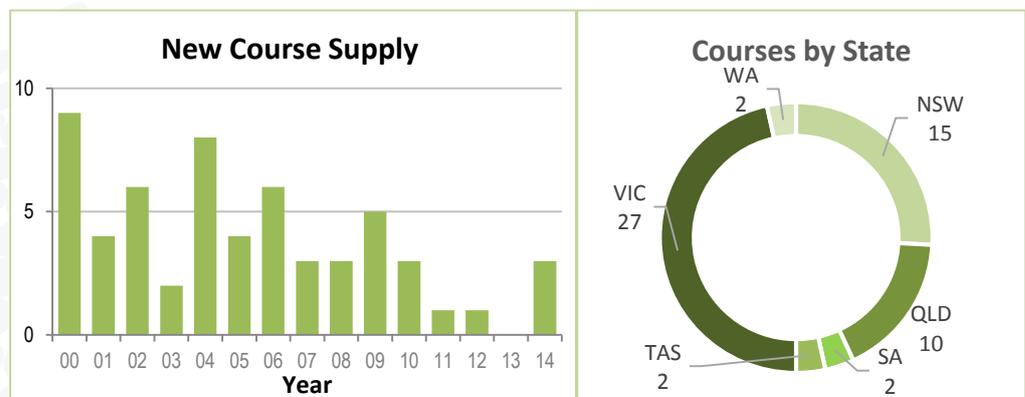
There has been what seems to be a flurry of course development news/activity in the press over the past few months. A number of new golf projects have been getting some press, ranging from remote golf accessible by ferry only on Kangaroo Island to new resort/residential development in the eastern seaboard states.

This special report outlines the current course development pipeline in Australia as tracked by GBAS.

New Development: 2000 – 2014

Over the past 14 years 58 golf courses have been added to the Australian landscape. Since 2000 the new supply mix has been dominated by real estate orientated developments with 75% of new facilities either driven by or having a real estate component. Within this mix 20% of facilities were classified as a resort, being a public facility that also had an accommodation offer.

“...the planning process certainly tests project enthusiasm and is almost certainly a reason why many projects don’t proceed...”



Source: GBAS Database

In early 2010 I wrote about [the challenges of new development](#), in short summarised as the cumulative challenge of land cost, course development cost, clubhouse development cost and operational cost. The takeaway from the article was that a new operation needs a lot of things in its favour to reach sustainability.

Not addressed in the article but an equally big hurdle is the planning challenge.

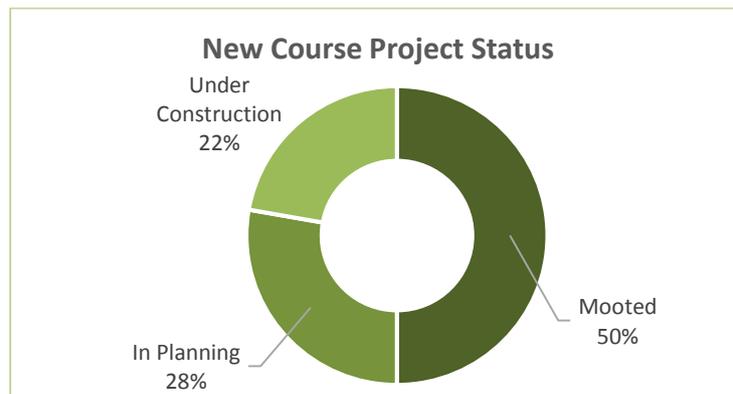
Just the other day GBAS looked at what was a rezoning proposal for a piece of land upon which a golf course is proposed, along with a residential, and accommodation component. In order for the rezoning request to be granted, consistency against some 45 environmental policies and 28 ministerial directions needed to be checked, five state authorities needed to be consulted with and 15 separate consultant reports were required. Community consultation was then to follow. Illustrating the type of timeline one may need to allow, I recently received a call from a developer who, after a 10 year process, had finally been given all the approvals they needed to now proceed with their development. Whilst these may be extreme examples, the takeaway is that the planning process certainly tests project enthusiasm and is almost certainly a reason why many projects don’t proceed.

New Development: 2015 – 2020

GBAS is presently tracking some 36 different developments that are in various stages of “consideration” through to 2020 delivery. Half of these developments are classified as “mooted” meaning they are really an idea only at this stage with no planning approvals yet sought or achieved.

Moving with slightly more certainty, 10 developments are in planning with a level of approval already received/granted. Finally there are eight courses currently under construction, including two club relocations, all scheduled to have opened by the end of 2016.

“...despite 58 new courses having opened since 2000, there were an equally sizeable number that were proposed that didn't materialise...”



Source: GBAS Database

As this new supply is considered, it is worth noting that despite 58 new courses having opened since 2000, there was an equally sizeable number that were proposed over that time that didn't materialise. The GBAS database has this number at 61, and thus suggests for every course that opens, another course proposal never gets off the drawing board.

Development Type

With the operating and planning reality in mind, it is interesting to look at the type of developments being proposed. The forecast through to 2020 projects a combined 63% of facilities will include real estate and/or a resort development, a slightly lower number than evident since 2000. With two facilities being club relocations, making up the bulk of the balance are facilities that, at this stage, are proposed not to have a real estate component and are relying on an accommodation component to assist demand.



Source: GBAS Database

Architect Choice

The 58 courses delivered from 2000 to 2014 were completed by a total of 26 different architects, with volumes ranging from 1 course through to 9 new build courses by the most active firm. The 36 courses in planning through to 2020 can currently be attributed to 12 different architects, with architects for 6 projects yet to be identified or appointed. Three firms are responsible for nearly 50% of the proposed courses.

Location

Outlined below is the supply forecast by state and the level of comparable new supply in these states for the period 2000 to 2014.

State	2015-2020	%	2000-2014	%
NSW	8	22%	15	26%
NT	1	3%	0	0%
QLD	13	36%	10	17%
SA	3	8%	2	3%
TAS	9	25%	2	3%
VIC	2	6%	27	47%
WA	0	0%	2	3%
Total	36	100%	58	100%

Source: GBAS Database

Forecasts for two states stand out. Firstly, having delivered almost half of all new supply across Australian since 2000, the level of new supply forecast for Victoria has significantly slowed with currently only two new developments being proposed in the state that might see completion prior to 2020.

The other noticeable state is the level of new supply forecast for Tasmania. Nine of the total 36 new potential developments are in this state, with most of it being a public golf model with an accommodation component.

Whilst it is very unlikely that all of these developments will ultimately progress, it is worth noting that most of the proposed sites in Tasmania are far superior compared to those on the mainland, and in some cases, are certainly world class.

The just released [Australian Golf Tourism Report](#), authored by GBAS, outlines the value of golf tourism to the wider economy. New developments are a key driver of that value in that they enhance destination strength, create variety or even put a new destination on the national and international map.

If the opportunity presented by the quality of these sites in Tasmania could be captured, appropriate cost bases brought to the table and efficient operating models established, it could soon become our number one domestic golf destination, with golf delivering much needed flow on benefits to the state via increased visitor demand, length of stay, spending and participation in other travel activities.

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Course Difficulty

There was a great recent article by [Marty Kaufman on the Golfweek website](#) about the revelation that one of the global “go to” course designers in recent years, David McLay Kidd (DMK) has recently had about course difficulty. The article almost reads as a public ‘mea culpa’ as DMK expresses his regret for not realising sooner that it is actually his job to help golf assets make money and his role is to design a course that gets repeat play, not build tracks full of “red lights.” His realisation now is “...I’m in the entertainment business. If the vast majority don’t enjoy what I produce, then I’m failing...”

The reason for mentioning this is that there have been a few designers in this country who have also been guilty of building courses that are simply too hard for the masses and don’t encourage repeat play, with the latter an absolute requirement if financial success is to be realised. Whilst we haven’t read any public mea culpa’s from them about their current views towards course difficulty, let’s hope that they too have had a quiet realisation and have recognised that they too are in the entertainment business. In the current times anything but will guarantee financial pain.

Conclusions

This report indicates that the new course supply pipeline is slowing in Australia and is well off the heady new development times of the early years 2000 – 2006. Whilst there are many mooted projects, if history is any guide, a number of them won’t make any further progress. This reality is due to fewer sites being available, fewer again which make some economic sense with the planning process also likely to exhaust the patience of some promoters.

New development is not without challenges and we have seen some of these newer facilities either already sold or spending some time in administration. We are therefore watching with professional interest as this supply pipeline plays out and look forward to playing a role in the creation of sustainable new developments. For this to happen, from a product / design perspective, outcomes that the golf consumer is seeking – fun, entertainment, satisfaction, repeat play must be delivered, with these outcomes then delivering what owners desire – economic success.

About Golf Business Advisory Services (GBAS)



Jeff Blunden
Managing Director of GBAS

GBAS is an independent advisory company offering dedicated, professional advice to the golf industry. Offering unrivalled experience and industry insight, our approach is grounded in research with a belief that data analysis always reveals the insights required to drive your business.

Specialist services offered by GBAS include:

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- Operational reviews
- Financial health check
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- Board presentations
- Technology reviews
- Insource / outsource strategy
- Executive recruitment
- Consumer research
- Market research
- Asset oversight
- Due diligence
- Asset valuation
- Expert witness services

If you have a need in the golf industry GBAS is able to provide you with all of the necessary knowledge and experience required to help ensure you achieve your goals.

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