

Golf Inc.TM

WINTER 2014

Quarterly

2013

DEVELOPMENT of the YEAR

A course in China takes the top honor,
but U.S. courses make strong showings

25

Chic Shangri Bay Golf Club,
Hainan Island, China



FEATURES

25 DEVELOPMENT OF THE YEAR

A course in China takes the top honor, but U.S. courses make strong showings



32 THE BEST IN MARKETING 2013

Golf courses go Madison Avenue in our first competition for best in advertising



NEWS & TRENDS

- 4 **Top News:** Billy Casper Golf adds 13 properties, and other news from the Americas
- 6 **First Tee:** Program to introduce minorities to golf evolves
- 8 **Turnaround:** Better days for private clubs
- 12 **Top Sales:** The biggest deals from 2013
- 16 **Asia Trend:** South Korea's golf crash
- 18 **Most Powerful Europe:** Top 10 movers and shakers across the pond
- 22 **Operations:** Golf cars go high-tech



THE LAST WORD

- 38 **Ledger:** The problems with assumptions

STAFF

Editorial Team

Jack Crittenden
Editor-in-Chief
858-810-7092
Jack@CypressMagazines.com

Robert Vasilak, Senior Editor
Trevor Ledger, Editor-at-Large, Europe
James Prusa, Editor-at-Large, Asia
Mike Stetz, Managing Editor
Michelle Weyenberg, Contributing Editor
Michael Liechty, Proofreader

Shannon Harrington, Art Director
Richard Steadham, Designer
Phillip Haut, Ad Production

Publishing Team

Katina Cavagnaro, Publisher
Mindy Palmer, Marketing & Sales Consultant
Elizabeth Callahan, Director of Audience Development
Wendy Ullman, Director of Marketing & Promotion
Trish Newberry, Office Manager

New Subscriptions:

Contact subscriber services by emailing
Info@CypressMagazines.com.

Complimentary Subscriptions:

Golf Inc. provides a complimentary digital subscription to the top decision-maker at golf courses, golf course management companies, development firms, and to advisers, consultants, architects, engineers, planners, investors and financiers.

If you match any of these criteria, please email
Info@CypressMagazines.com.

Change of Address:

Please send your inquiry to
Info@CypressMagazines.com.

Reprints:

Please call Foster Printing Service at 1-866-879-9144

Golf Inc. magazine (USPS 009-747, ISSN 1074-9276) is published quarterly by Cypress Magazines Inc., 7670 Opportunity Road, Suite 105, San Diego, CA 92111. Periodical postage paid at San Diego, CA, and at additional mailing offices. Entire contents copyright 2013 Cypress Magazines Inc. All rights reserved. Material in this publication may not be reproduced without written permission from the publisher. Golf Inc. grants permission only for educational purposes. Golf Inc. is a trademark of Cypress Magazines, Inc.

POSTMASTER: Send address changes to
Golf Inc. at 7670 Opportunity Road, Suite 105
San Diego, CA 92111



South Korea's golf crash

Membership fees and course profits are plummeting due to too many courses. The problems in South Korea's golf industry look very familiar to what happened in the U.S.

BY JAMES GRAHAM PRUSA

While most of Asia is concerned with a possible slowdown in China's economy, economists are confident South Korea will continue to grow no matter what happens in China. But that is little solace for a beleaguered golf industry that is mirroring the struggles U.S. courses faced a few years ago.

South Korea's private clubs had seen some heady times, with private memberships selling at dizzying rates. The country was giddy regarding its success on the PGA and LPGA tours. In 2007, The Korea Times wrote the country's golf-boom progeny was bringing money into the country "the amount equal to that of selling 140,000 small cars in overseas markets."

But things changed quickly. The Korea Times wrote in July an article entitled "Golf courses face life-or-death crisis" as South Korean course revenues were dropping.

The problem is not with the number of golfers, which by most accounts, continues to grow. But rather the supply of new courses has outpaced the number of golfers, resulting in fewer players per available golf hole.

So memberships, once sold at high rates, are plummeting. According to ACE Golf, one of the nation's largest brokers for private memberships, prices fell by as much as 50 percent on resale. And South Korea's largest membership broker, Donga Golf Membership Trading, reported that the average lifetime membership price had fallen nearly 63 percent from 2008 to June 2013, the Korea Times noted.

Lee Jong-gwan of the Korea Golf Course Business Association told the newspaper the government was largely responsible for the trends. Heavy taxes and unfavorable policies toward private golf clubs, even to the degree of prohibiting public officials from playing

golf out of fears of corruptive influences of power, are culprits, he said.

To make matters worse, 344 of the 426 golf clubs in the country obtained or renewed loans with face values at the South Korean Won (KRW) of 5.7 trillion (more than \$5 billion) in 2011 or 2012. That debt service is forcing clubs to cut expenses.

The Korea Leisure Industry Institute reported significant reductions are occurring in average profit ratios of golf clubs. With profits in decline, cutbacks have widely begun in golf course operations to reduce operating expenses — a sharp difference from just a few years ago.

To assist ailing clubs, Troon Golf joined with Robert Trent Jones II, the South Korean law firm of Bae Kim & Lee LLC and accounting and financial advisory services firm PricewaterhouseCoopers to form The Golf Group.

Another entity may be looking to buy troubled assets. The Korea Economic Daily reported in June of a 1.0 trillion KRW (\$890 million) equity fund supposedly being put together based upon successful models used in Japan by Goldman Sachs and the Lone Star Funds to purchase and operate upside-down golf properties going into receivership. The article said about 20 golf clubs had been taken over, held or managed by savings banks. A large portion of South Korea's golf course inventory was also reported to be for sale.

The financial pressure in the private golf club sector also led many private clubs to offer tee times to the public. This, in turn, has placed more competitive price pressures on greens fees of the country's public daily-fee facilities.

There is also strong lobbying by the membership clubs for the government to eliminate the excise tax for club members' rounds of golf. This luxury golf tax was imposed on private clubs during boom times. Golf rounds at public facilities are exempt from the excise tax.

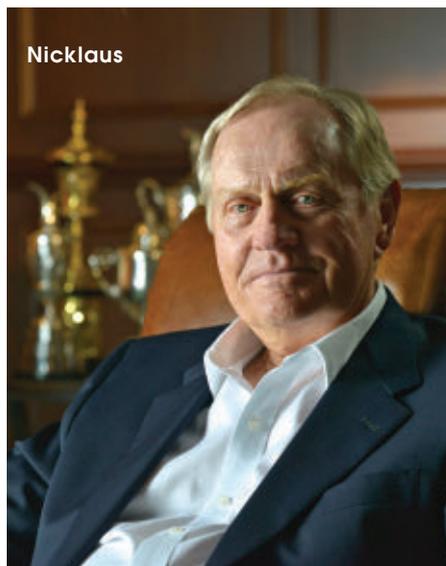
To further exacerbate matters, membership clubs face what could turn out to be a run on their bank accounts because clubs opened since 2005 are legally required to refund membership fees upon demand after five years from a club's opening.

Top news from the 4th quarter 2013

#1 Nicklaus cozies up to highflyer in China

Nicklaus China, an entity created in 2012, will lend its development expertise and design talents to the golf operations of Hainan Airlines, which hopes to elevate the quality of its 13 golf properties in China and the U.S. According to a press release, the partnership is expected to "lead to the re-design and re-branding of many of the HNA facilities."

This summer, Nicklaus and his son



Jack II, sized up some of the properties due for improvements, including Beijing Golf Club, in metropolitan Beijing, and Dongguan Hillview Golf Club, in Dongguan, Guangdong. HNA also expects Nicklaus China to overhaul its course in Chengde, which will soon be known as Nicklaus Town Chengde.

Nicklaus' architectural team is also expected to evaluate the two properties HNA owns in the U.S., starting with the former Pasadera Country Club, in Monterey, Calif., which is now called Nicklaus Club Monterey. If the name changes are a harbinger of things to come, we may also see the Nicklaus name on Somers Pointe Golf Club, in Somers, N.Y.

Meanwhile, Nicklaus' design firm will put a fresh new face on one of the oldest golf clubs in the Philippines. The two-year makeover will reportedly be the first major renovation in the history of Cebu Country Club, which opened in the late 1920s.

#2 India's financial struggles lead to cancelling of events

India's weakening economy has claimed its first golf victims: the Avantha Masters, the nation's richest golf event, and the Gujarat Kensville Challenge, a stop on the Challenge Tour, operated by the PGA

European Tour.

Neither tournament will be played in 2014. The cancellations could cost the Professional Golf Tour of India more than 40 percent of its prize money, says The Times of India.

#3 New Zealand invests in golf marketing

Tourism New Zealand plans to spend \$2 million in marketing programs over the next three years designed to attract golf travelers, it announced last year. It hopes to boost the amount of money currently spent by golf tourists, \$145 million, to \$223 million, an increase of more than 53 percent.

"New Zealand is a distinctive but largely undiscovered destination for golf enthusiasts," said a spokesman for the agency.

#4 Chinese buy New Zealand resort

For months, Chinese investors have been buying golf properties on coastal Queensland, Australia. Now they've made what The Malaysian Insider calls "the first significant Chinese investment in New Zealand's tourism sector."

A Shanghai-based group, Shanghai CRED Real Estate, purchased the 2,790-acre Peppers Carrington Resort on the North Island's Karikari Peninsula. The resort's amenities include villas, a lodge, vineyards and an 18-hole golf course that was, in 2003, redesigned by the late Matt Dye.

#5 How many golfers in China?

When it comes to China and golf, it's often difficult to distinguish between truth and fiction. Asia Golf Monthly, for instance, reports that China currently has "over 5 million" golfers. Really now.

Most sources suggest that the actual number is closer to 1 million, and the director of Troon Golf's operations in Asia believes it might be in the neighborhood of 700,000.