

NORTH AMERICAN EDITION 2010

CLUBS

IN TOWN & COUNTRY



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This 55th edition of **CLUBS IN TOWN & COUNTRY** incorporates operating results from private clubs from across the United States and Canada.

We hope that club managers and officers find **CLUBS IN TOWN & COUNTRY** to be the useful analytical tool it was designed to be.

GEOGRAPHIC DIVISIONS USED IN THE PKF SAMPLING:





For almost 60 years we have published Clubs in Town & Country. The private club industry has changed during that time and no more than in the last five years. From the excesses of the early part of the decade to the pull back during the recession, clubs have experienced a wide range of issues. While the amount of funds available for entertainment continues to shrink, the competition for this smaller pot continues to increase. The demographic mix within the United States continues to change and unless the private club changes some of its membership policies, the pool of eligible applicants will continue to contract. For many, the club is a luxury they can no longer afford. This can be seen in the news reports on the problems that clubs face.

Exclusivity is not quite as important and may even work against private clubs when going after the younger generation. The private club is opening its doors to the general public in order to generate additional revenue. Members wonder just how exclusive it really is. Private clubs still seem to be more appealing to men than women, but women control more of the discretionary funds in a household. With the economy in a recession, corporations changing the way they do business, the increased time people spend commuting, and the desire to spend more time with family, it becomes more difficult for many to justify the cost of membership.

Neither 2007 nor 2008 were great years for many clubs. In many ways, 2009 was worse. The economy is in recession and more clubs of every class and style were impacted. While the economy may be showing signs of recovery, consumer confidence is still at an all time low. No area of the country is exempt, but the areas of greatest growth over the last ten years seem to be hit the hardest. The bright spot seems to be the fact that fewer clubs are being opened and with the consolidation in the industry, competition may be decreasing.

As mentioned above, even more important than the specific issues effecting clubs, is the impact on consumer confidence. Joining a country or city club is still a discretionary expense. Middle management positions have been eliminated in many industries. When an individual reached this position, he or she may have thought of joining a club. As a result, the universe of individuals from which to draw club members is much smaller. If, due to time constraints, golfers are playing less, it may not make as much sense to join a private club. It makes it much more difficult to justify the initiation fees and yearly dues.

TRENDS IN CLUB MEMBERSHIP

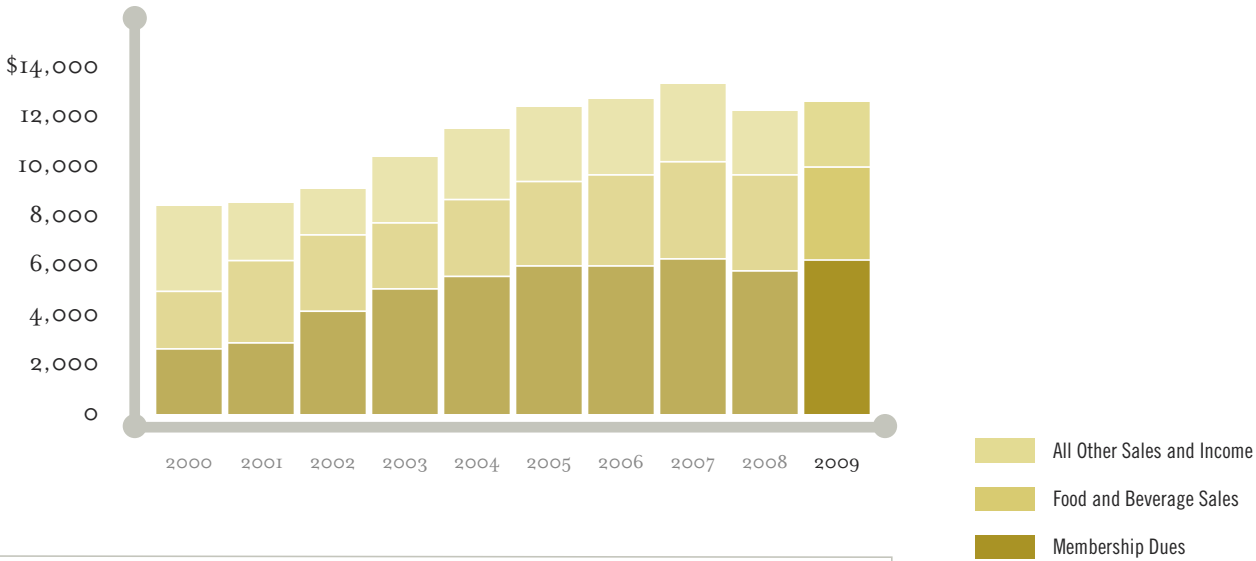
Competition in the club industry continues. Many areas are overbuilt and we are seeing some clubs close. The dramatic rise in the number of high-end daily fee courses and those associated with real estate development has further impacted the private club. There has been a more than 50 percent increase in daily fee courses since 1990 with almost the same number of golfers. Many of these types of clubs are having financial difficulty and some may be cutting costs which will further challenge the amount a private club can charge.

Our survey of overall club membership for country clubs with years ended October 31, 2008 through September 30, 2009 continues to show a problem with keeping members. The membership in country clubs dropped three percent this year and almost 10 percent over the last five years. Country club membership declined the most in the East with the West a close second. The Central Region took its hit several years ago. City clubs showed a 1.9 percent gain but a seven percent decline over the last five years. What is interesting with city clubs, however, is that the healthiest clubs are in the 500 members and larger clubs. This should not be a surprise as the smaller dining-only clubs are finding it harder to continue. Members need a full service club to justify belonging.

About 20 percent of the clubs had a waiting list in 2009. However, more than 40 percent of these clubs said the size of the list has decreased over the last three years. If a club has a waiting list, it generally does not require as long to get off it. Alternatively, if a club has a sellers' list, it tends to take much longer to get off it. The East has the greatest number with a waiting list with the Central having the lowest.

Because of the difficulty in obtaining members, the cost for joining a club has dropped but not substantially. The average cost was approximately \$40,000, a \$6,000 drop from last year. The cost of joining a club is almost totally dependent on location. The average cost in the East is \$36,000, the West is \$55,000 and the Central is \$35,000. However, a number of clubs far exceed the average. The average for the top 50 clubs (by initiation fee) in the survey is \$80,000.

City clubs continue to be impacted by the economy to a greater degree than the country clubs. The average cost to join a city club has dropped a little to approximately \$6,500 with the East at \$6,400, the Central at \$6,000 and the West being the most expensive at \$7,800. Waiting lists have dropped in city clubs, with eight percent of the responding clubs having one. This is a four percent reduction from last year and a 27 percent reduction from five years ago. However, particularly with city clubs, there seems to be a lot of "promotions" which can reduce this number to \$0.



INCOME PER MEMBER : 2009

OPERATING COSTS PER MEMBER : 2009

