

Living

on the
FAIRWAY



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Looking back, moving forward

Ten years have passed since AUSTRALIAN GOLF DIGEST published its first analysis of the residential golf phenomenon. Observing the developments of the past decade can help predict what could happen in the next 10 years.

BY ROHAN CLARKE.

Ross Watson was riding the wave of an Australian golf boom five years ago. The Gold Coast-based architect was juggling three new courses at once – Pacific Harbour on Bribie Island, north of Brisbane, as well as Magenta Shores and Kooindah Waters on the New South Wales Central Coast. Having just finished redesigning the championship layout at Royal Sydney, he was wondering how he could manage the workload.

“Personally, I’ve had a ball,” says Watson, reflecting upon a golden age of golf-course construction in Australia over the past decade. “At one point in time I had three of them under construction at various points of progression. But they all overlapped each other.”

“But of course, having been in the industry for so bloody long, I knew it wouldn’t last. It never does. We had the same thing over in Malaysia. It was going crazy over there and suddenly in 1997 it stopped in its tracks when there was that huge financial crisis in South-East Asia.”

The residential golf phenomenon in Australia, says Watson, was driven by the Baby Boomers and their desire for ‘lifestyle’. The Global Financial Crisis played a part in slowing the dream run, although Watson still has a couple of big projects underway at home. Many of his contemporaries are looking to Asia, particularly China, for new jobs.

Currently involved in the redesign of the Palms layout at Sanctuary Cove, Watson soon embarks on another Gold Coast project, reworking Gainsborough Greens to accommodate about 2,300 homesites for developer Mirvac. Interestingly, when American Fred Bolton designed the original Gainsborough Greens course, which opened in 1990, there was no residential component. How times change.

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Kooindah Waters on the NSW Central Coast was one of three concurrent Ross Watson projects in the past decade.

How has the landscape changed?

In September 2001, AUSTRALIAN GOLF DIGEST published a 16-page editorial supplement, Living On The Fairway. Surrounding the feature were glossy advertisements for Medallist, Sanctuary Lakes, Sandhurst Club, Tallwoods Village, Macquarie Links, Hope Island, Moonah Links, Twin Waters, The Heritage, Torquay Sands as well as some individual property offers.

Over the past decade we've seen the development of these bustling golf communities, centring on courses, many of which have the signature of our leading professionals. By our record, 49 courses have been developed and opened with approximately 75 per cent being part of a residential and/or resort development. Only 11 of these courses were "golf only". That's an extraordinary fact – a sign of the times – that real estate has driven golf in Australia.

But it's unlikely we'll see a continuation of this golden age of golf-course construction. At the turn of the century there was a genuine opportunity because land was still available of the size required to accommodate real estate development with a golf course. Today, there are fewer and fewer pieces of appropriately positioned land, accessible to significant population bases that work from a developer's perspective. (For instance, Macquarie Links in south-western Sydney or Sandhurst Club south-east of Melbourne.)

"Given the current climate and some of the struggles reported in the past 10 years, other than club relocations, it is likely that only residential-based golf will be built, not for golf but for the real estate dollars attached," says golf industry

analyst Jeff Blunden. For this residential-based golf to succeed in future, the developers need to overcome some huge challenges.

Blunden cites three major hurdles on the real-estate side:

- Suitable location and market depth – Project scale and lot pricing dictate that new projects need to be accessible to Australia's employment centres, such as the urban fringes of large cities.
- Large capital investment – The amount of land required to undertake a feasible project requires enormous capital from the start. The increasing value and scarcity of land demands a unique formula to make the project feasible.
- Tighter planning laws – Tighter laws around planning legislation have resulted in longer and more demanding timeframes for rezoning land. This adds to the cost of a project at the front end. These timeframes impact a project's feasibility, particularly if it becomes politically unpopular.

Very few residential golf developments could tick all of those boxes, which is a reason for the current slowdown. Of 33 new golf courses that have been proposed, just seven are 'Under Construction'. Nine are 'In Planning' while 17 others have been 'Mooted'.

The experienced firm of Thomson Perrett has two of the seven under construction, both of which are based in Victoria. Black Bull – Silverwoods is part of a residential project by Jayral Golf at Lake Mulwala on the Murray River, while Beveridge is a Metricon development, situated 45 kilometres north of Melbourne.

Greg Norman has designed Stonecutters Ridge near

Blacktown in western Sydney for Urban Pacific Limited, which is the development arm of Macquarie Bank. Norman also has The Dunes Resort at Port Hughes on the Yorke Peninsula in South Australia, which is heavily reliant on real estate sales.

In Queensland, Wayne Grady has been commissioned by Chris Dadson to design Reef Palms Links near Rockhampton, while Graham Papworth has Whitsunday Springs at Riordanvale on behalf of Links Living (the developer behind Sanctuary Lakes and Sandhurst Club in Melbourne).

Graham Marsh's course at Bingara Gorge near Sydney shows just how long it takes for many projects to come to fruition. In 2003 we referred to Wilton Park as a \$1 billion development of 1,000 residential units on 420 hectares with a golf course due to open in mid-2005. But it wasn't until June this year that construction began on a Marsh layout, situated 60km south-west of Sydney.

The project was re-branded Bingara Gorge after several setbacks (Greg Norman and Ernie Els were announced previously as architects). It will have about 1,165 homes with a population of 3,500 residents by 2020. The developer, Delfin, has plans for a primary school, village centre as well as a country club and leisure centre with dining, bar, gymnasium, pool and tennis courts.

The residential golf model has evolved

Hence the residential golf phenomenon is slowing because the formula required to make a feasible development has changed. Key variables of the residential golf equation are the size of land, percentage of usable land, lots per hectare, golf course size and exit strategy. All these components need to be in alignment for the development to work, says Blunden.

It can become problematic if the real estate can't sustain the necessary sales pace at the right price. There needs to be evidence of such pace in the wider real estate market before residential golf developments get the green light. Otherwise, the developer can be stuck with a product that nobody wants.

On a positive note, the slowdown of housing supply (by state governments reluctant to release land) should help with the existing supply getting absorbed quicker, such as at The Vintage in the NSW Hunter Valley and Eynesbury, the 8,000-strong township west of Melbourne.

On paper, The Vintage was a premium product built around a championship golf course designed by Greg Norman, situated less than two hours from Sydney. Land sales were slower than expected. That's not a criticism of The Vintage, rather a statement that such a project requires a developer with deep pockets to stay in for the long haul.

Developers are more aware of lessons learned from the past 10 years. In particular, there are big challenges related to the golf side of the equation. The sheer cost of golf-course construction is very prohibitive in the early phases with little income from a new course until full completion.

"Data available from one-third of the courses opened over the past 10 years reveals that the average cost of construction

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– JEFF BLUNDEN

for these projects was around \$15 million over an average two-year construction period," Blunden says.

In many instances, a full golf-course opening is required before sales of residential lots can commence. In combination with the planning approvals, it can be a substantial hindrance to a developer's bottom line.

Clubhouse construction is another exorbitant cost. Traditionally, these buildings average more than \$7 million to construct with some exceeding \$12 million. That's despite, in Blunden's opinion, one very good clubhouse being delivered for less than \$1 million.

Mistakes from clubhouse construction lead to: insufficient revenue flows (fixed operating overheads and staffing requirements); one-dimensional facilities (with limited non-golf purpose); lack of atmosphere; over-generous retail space; and expensive food and beverage pricing (which discourages regular visitation).

Perhaps it's little wonder developers are questioning if golf is the solution. Inevitably, developers encounter land on a site that is unsuitable for housing, such as flood plain. But rather than adding a golf course, developers are asking themselves if there is a better way to utilise land with 'green wedge space'. Given the cost of maintaining a championship-length golf course, it may be preferable to incorporate lakes, trails, parks and walking tracks. It doesn't necessarily have to be golf.

"Golf is used as an amenity to improve the real-estate proposition. But if the real estate proposition doesn't even work, then golf's not going to get a look in," Blunden says. "And there's plenty of evidence out there of golf developments that haven't met original expectations."

Brookwater has been a raging success in terms of real estate sales. Hundreds of millions of dollars have been generated from developing 850 homesites at Springfield in south-western Brisbane. A new \$1.1 billion shopping and residential precinct known as Brookwater Urban Village will now go ahead, with a proposal for 514 new dwellings. But it's no secret Brookwater struggled with its golf operations and is believed to have lost \$1 million a year on managing the Greg Norman-designed course, even though it was rated the best layout in Queensland.

Some developers can rationalise such a scenario if golf was never to make money. However Blunden defines success as having profitable golf operations. Over the past 10 years he



The 16 three-bedroom villas at Seagrass Villas overlook Ocean Shores, the sea and the NSW Far North Coast hinterland.

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has seen profit-and-loss statements from almost half the new courses built in Australia. Some courses are still suffering significant losses (\$500,000 per annum).

Operational losses incurred in the first five years have ranged from break-even to losses of more than \$1.6 million per year. Reasons include: insufficient membership demand (due to a satisfactory supply elsewhere); an overly difficult golf course (that discourages repeat business); poor membership structures (which rejected revenue from public-access golfers); overly ambitious membership pricing; diminishing playing demand (from public players who don’t return frequently enough); inefficient food and beverage departments; inflated course maintenance budgets

(that don’t reflect green-fee income).

In order to be successful, new courses can never be fully private, according to Blunden. They need an immediate membership base of 600 members, growing to 1,000 as soon as possible. The course needs to be fun for all levels of golfers. It needs to have sustainable demand from the public, generating more than 40,000 rounds per year from member and public play. Green fees, on average, need to be at least \$70. Plus there needs to be sufficient levels of cart hire and support for food and beverage. The club also needs external demand for its ‘restaurant’. The pro shop, administration and course maintenance must meet budget. And the club needs a great marketing pitch and a multi-skilled management team.

Dictating the future

Many admirable golf communities have emerged over the past 10 years. Noosa Springs would be regarded as a success in terms of the quality of facilities and infrastructure around the Mediterranean-themed community on Queensland’s Sunshine Coast. It’s semi-private, restricting membership to residents while allowing public access to a pleasant golf course designed by Graham Papworth. Apparently, members are happy – the real estate is now quite valuable and the golf operations are breaking even.

North Lakes in northern Brisbane has seen a real estate boom at a community that will eventually contain more than 6,500 homes and 20,000 residents. It features a public-access course designed

by Graham Marsh. However, the golf component is relatively small. In reality it's a residential development that has a golf course and so it's inappropriate for North Lakes to be hailed as a successful residential golf development.

Developers need to be prepared to spend a lot of money to get a return over a very long period of time. Ideally, developers wish to depart the scene once they've sold all the available real estate. But that's impractical when they still own a golf course, which may be leaking up to a million dollars a year. So if the golf-course ownership structure is flawed or the transferable share market is sluggish, it makes an exit strategy all the more difficult.

One solution is the exit strategy being considered at the new Stonecutters Ridge community in western Sydney. Urban Pacific Limited has offered to transfer the new golf course to Ashlar Golf Club. Ashlar would give up its own site at Blacktown in exchange for ownership of a modern facility valued at \$25 million. Hence Macquarie Bank would have no

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exposure to losses from the golf club operations at Stonecutters Ridge. (And it may be able to extract some sort of outcome from the Ashlar site by having it rezoned.)

"I see that's the only possible way any new development will work – that won't cause significant blood to be spilled," says Blunden, who brokered the initial introduction with Ashlar Golf Club. "There's no way that area of Sydney could sustain a new golf course. So this way they get to keep the supply at the same number, it's just a different facility. Because the golf-demand pie is certainly not growing."

Old clubs, new courses

So what are we likely to see over the next 10 years? Some golf clubs will take the opportunity to reinvent themselves by developing a modern golf facility on a new site. The Melbourne market has been the trailblazer with physical relocations of Croydon, Sunshine and Waverley golf clubs.

The 85-year-old Eastern Golf Club at Doncaster is planning to relocate to a new site in the Yarra Valley where it has purchased 242 hectares for a replacement course. It hopes to sell its present property for \$100 million to fund the move.



Noosa Springs ranks as one of the most successful golf course developments of the past decade.

COURTESY OF NOOSA SPRINGS

“The Doncaster site will then change from 48 hectares of green open land to one of pavements and tile roofs covering 1,000 house lots,” observes five-times British Open champion Peter Thomson. “Environmentally it is a drastic change. The clearing of trees anywhere in a crowded inner suburb is a savage loss. We are told Melbourne must densify or die. Green open space has lost its support. However, it hasn’t lost its importance.”

Smaller golf estates, including retirement villages, will probably be the next wave of residential golf developments. Many will occur on existing golf courses. And sales from the residential component would be used to fund a course improvement and/or clubhouse upgrade, etc.

Several golf clubs have already shown interest in securing their long-term financial future in this way. Penrith Golf Club in Sydney’s west is reported to have been rescued from its financial woes with the approval of a retirement development. The club has a \$3.5 million debt incurred after a blowout in the cost of building its clubhouse in 1997. A seniors’ housing complex is planned for a 52-hectare land holding adjacent

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to the course. Shortland Waters Golf Club in Newcastle has also embarked upon a retirement development beside its course.

Meanwhile, the preference for 18-hole championship golf courses may no longer be a prerequisite. A nine-hole, dual-tee golf course is planned for Calypso Bay at Jacobs Well on Queensland’s Gold Coast where \$20 million worth of housing is being developed by the Roche Group. It’s anticipated Calypso Bay will eventually become a \$1 billion waterfront community with 1,400 homes and a population of about 3,500.

Over the next 20 years technological advances will mean people are less tied to the big capital cities. In theory, population growth will encourage many

to look beyond Sydney, Melbourne and Brisbane to live in regional centres. Hence, golf course estates in country areas may become attractive, given the desirability that’s been shown by people to live on the fairway.

So developers will see opportunities to transform existing country courses into residential golf estates. As previously mentioned there are major reasons for this – the difficulty of gaining development approvals, the prohibitive cost of land on the urban fringes and the lack of demand to sustain new golf courses in urban areas.

A case in point is The Vantage Point at Sale in Victoria’s Gippsland region, about 200km east of Melbourne. An enthusiastic group of local business people purchased the land adjacent to



Luxury living on Bribie Island with views over Pacific Harbour Golf and Country Club has been well received in Queensland.

the existing Sale Golf Club. Its company, Gippsland Links Pty Ltd, then engaged Thomson Perrett to design a masterplan for the new course and residential lots. Permits and DAs have been approved for 300 dwellings and land is currently selling from \$105,000, increasing to \$154,500 for an allotment with fairway frontage. Blocks range in size from 562m² to 998m².

And the benefits will flow through for golfers. Thomson believes The Vantage Point course will become the top-ranking course in rural Australia, describing the undulating sand-based northern section as “perfect for golf”. Only two holes of the existing Sale Golf Club will remain and those were built within the past seven years. The total playing area will increase from 44 to 65 hectares. Construction is scheduled to commence in June 2011 with grow-in complete by December 2011.

Opportunities still exist for the canny developer. Seagrass Villas at Ocean Shores is a boutique residential estate (from James N. Kirby Holdings) in

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Byron Shire on the NSW Far North Coast. Sixteen eco-friendly, three-bedroom villas have been designed to maximise unimpeded views over the sea, hinterland and Ocean Shores Golf and Country Club. Adjacent (but not associated) with the layout designed by Australian professional Bruce Devlin in 1972, it’s further vindication of the appeal of golf-course living.

Just 15 minutes away from Byron Bay, Seagrass Villas will appeal to residents relocating from highly populated areas in search of a less hectic lifestyle yet with accessibility to airports, vibrancy and

growth. Seagrass is a 30-minute drive from Coolangatta Airport and less than two hours from the Brisbane CBD and international airport.

The emergence of a property such as Seagrass Villas is pertinent when you consider Ocean Shores was conceived as the first residential golf community in Australia. American crooner Pat Boone was one of the original investors in the 1960s. Four decades later and it’s apparent that real estate will be driving golf-course construction here for many years to come. □

Projects such as Eynesbury on Melbourne’s western outskirts highlight the land needed for a golf residential development.