

Golf Business & Real Estate

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FRACTIONALS ARE BIG FACTOR IN GOLF GROWTH

The golf-fractional combination continues plugging along, becoming one of the industry's fastest-growing sectors. Destination and drive-up properties operated by the likes of **ClubCorp** and **Troon Golf** can expect to thrive in 2006 as the fractional craze maintains its momentum. Other companies like **Watt Ventures**, **ClubLink** and **Four Seasons Group** also are utilizing fractionals in their growth strategies. Golf in the sector is growing as nearly 70% of prospective fractional buyers interested in owning a fractional today prefer to do so at golf course destinations — the same percentage as those desiring fractionals at ski resort areas.

Timeshare, the traditional form of vacation ownership, is losing its steam in golf. The biggest difference between timeshare and fractional ownership is the duration of ownership. Traditionally, timeshare is about a week, while fractional can be up to eight to 12 weeks of ownership, which makes it more exclusive than timeshare, as well as more pricey. Nationwide fractional ownership sales — including golf, beach and ski destinations — have grown from \$513M in 2003 to \$1.07B in 2004, according to **Ragatz Associates**, an international consulting and market research firm to the resort/fractional industry.

Golf may be ready to overtake skiing, as far as popularity is concerned, in the decade-old fractional industry. Fractionals initially took off at ski resort areas like Utah's **Deer Valley**. The segment has exploded over the past few years, however, and now its popularity in golf is picking up serious steam. In a possible sign of things to come, fractional ownership at golf locales earned more money than those at ski properties between 2003 and 2004. In 2004, golf fractionals climbed by \$4.8M, from \$5.3M in 2003 to \$10.1M. Numbers for 2005, still being crunched, point to a continuing upward trend. Ski properties also rose during that time, but only by \$4M — from \$9.1M in 2003 to \$13.1M in 2004.

Fractional owners largely are golfers. Most buyers who purchase a fractional property have a net worth of \$1M to nearly \$2.5M, and 55% of those owners belong to a country club. Owner/operators like **Watt Ventures**, **ClubLink** and the **Four Seasons Group** are moving more toward the golf fractional route today in an effort to differentiate their product. The segment is expanding from its roots in ski destination areas to regions like California, Arizona and other golf markets.

Watt Ventures' **Duncan Watt** is investing between \$13M and \$20M to convert the **New Inn at Bermuda Dunes** in Palm Springs into 28 fractional residences that each will be sold with a three-month golf membership at the neighboring **Bermuda Dunes Golf and Country Club**. **ClubLink**, a top Canadian golf operator led by **Robert Poile**, is raising the ante by adding fractionals to its golf courses. It's developing the **Lakeside at Rocky Crest**, a fractional ownership community located at the **Delta Rocky Crest** golf club in Ontario, Canada. **Porto Cima Golf Course** owner **Four Seasons Group** also is getting into fractionals. **Four Seasons Group** CEO **Peter Brown** is partnering with **Devcon Development** to add fractionals at the **Lake Ozark, Mo.**, course, and at its **Amelia National** in Florida and **Geneva National** in Wisconsin.

Many fractional developments offer one or two golf courses, but more properties like the courses at the **Residence Club at PGA West** in La Quinta, Calif. — currently operated by **KSL Resort Management** — or a number of **Troon Golf**-managed courses in golf destinations like Scottsdale, Ariz., are offering what almost amounts to a course for every day of the week. Fractional owners at **PGA West** take advantage of six courses there, including **Pete Dye's TPC Stadium Course** and the **Jack Nicklaus Tournament Course** with guaranteed availability of three weeks during peak season.

Another example is **The Rocks Luxury Residence Club** in North Scottsdale, Ariz., which offers privileged access to several **Troon** courses. **Rocks** members can gain access to other **Troon** courses in the Phoenix area as well. The fractional craze also is taking off in western markets like Las Vegas (**La Scala** at Lake Las Vegas) and in other resort areas such as **ClubCorp's Pinehurst**.