

Planning Inquiry Summary Proof of Evidence

of

Mark Anthony Smith BA MRICS MBA

Regarding the Proposed Redevelopment of Ingol Golf Course

Ref: APP/N2345/A/11/2145837

17 May 2011

1. Introduction

1.1 Preston City Council has asked for my independent professional opinion on two questions regarding Ingol Golf Course ('Ingol'):

- i. Is there a need for it from a demand/supply perspective?
- ii. Is Ingol a viable golf business?

2. My Professional Experience in the UK Golf Sector

2.1 I am a chartered surveyor who only deals with UK golf courses. My livelihood for 20 years has depended on understanding the UK golf property market and its related business issues.

2.2 I have first-hand experience in selling, leasing and valuing UK golf courses and am involved in managing five venues.

2.3 I understand the issues of loss-making golf courses and future viability. I have helped clients turn loss-making golf courses into sustainable profitable ones.

3. General Background Factors

3.1 There are three types of UK golf venue: traditional private members clubs, municipal courses and proprietary venues.

3.2 Traditional private members clubs are non-profit distributing and are run by the members for their benefit. Municipal courses have an affordable 'open to all' policy.

3.3 Proprietary venues are profit-driven and can take many forms: from basic 'starter' courses to 'trophy' venues.

3.4 In the late 1980's/early 1990's there was a huge golf course construction boom. Over the last 20 years the UK golf course stock has increased by 30% plus.

3.5 Arguably no more rounds of golf are played annually in the UK today compared to 20 years ago. Thus, on average, annual roundage on a golf course today is typically around 30% less than the heady peak days of the late 1980's.

- 3.6 The net effect is a competitive marketplace today for those running golf courses because golfers have ample choice.
- 3.7 On a strategic national level there are enough golf courses to serve golfer demand. However, this does not mean that golf courses are unviable and should close: one simply has to work harder to make a profit compared to the heady days of the late 1980's. Despite the national supply position there are still pockets of unsatisfied golfer demand in the UK.
- 3.8 There are over 2,500 golf venues in the UK. Only a tiny number of them have closed over the years and I do not foresee mass closures in the future. Closures very occasionally occur because:
- In sparsely populated locations (i.e. in the 'middle of nowhere') some may lack sufficient golfer demand to be viable.
 - Some get zoned for commercial redevelopment by planning authorities.
 - Some owners seek 'a greater prize' for alternative use value compared to golf and it is helpful to the case if the golf course is closed on viability grounds.

4. Is There a Need for a Golf Course at Ingol?

- 4.1 The primary catchment area is a 20 minute drivetime, although 10 and 30 minute drivetimes have relevance.
- 4.2 Ingol's demographics are healthy for golf. As well as being marginally better than the Great Britain average for affluence, CACI's data shows 356,000 and over 1 million people living within 20 and 30 minute drivetimes.
- 4.3 A number of experienced golf operators and advisers use the yardstick of one course per 20,000 to 25,000 people to represent the equilibrium between the supply of golf courses and demand from local golfers in respect of need and financial viability.
- 4.4 I have plotted all the relevant competing golf courses within the 20 minute drivetime. There is the equivalent of 10½ 18-hole courses serving 356,000 people - a ratio of one

course per 33,900 people (assuming that Ingol is open) indicating an undersupply of golf courses in the area.

- 4.5 Furthermore, over the last 20 years the supply of golf courses has increased little within the 20 minute drivetime (17%) compared to the UK average (30% plus); and within a 10 minute drivetime it has not increased at all (nil%). Ingol has therefore not experienced the full force of increased local competition compared to most parts of the UK.
- 4.6 Additionally, looking at the make-up of the local supply what really sticks out is the lack of 18-hole pay and play courses serving Preston itself; and the lack of nearby serious proprietary competitors which puts Ingol in a very good competitive position.
- 4.7 Within a 20 mile radius of Ingol are 86 golf venues. At first sight this may look daunting but it is commonplace to have this level, or more supply than this, in the UK and so does not mean oversupply, lack of viability or the need for closure of Ingol.
- 4.8 I leased the nearby Duxbury Park Golf Course to Glendale Golf on behalf of Chorley Borough Council. This is a successful operation and yet has 144 golf venues within a 20 mile radius.
- 4.9 In my opinion, Ingol represents a 'hotspot' where there is actually an under-provision of 18-hole golf courses (and particularly pay and play venues).

5. **Is Ingol a Viable Golf Business?**

- 5.1 Ingol made significant financial losses according to the Pan-Leisure July 2010 report. The true extent of the losses cannot be properly quantified from the report because it does not state Ingol's annual EBITDA.
- 5.2 'EBITDA' stands for earnings before interest, tax, depreciation and amortisation and is a standard golf industry benchmark for assessing the underlying profitability, or otherwise, of a golf course.
- 5.3 Given the healthy demographics and 'hotspot' need for pay and play golf in the area, in my opinion Ingol should have been capable of producing EBITDA figures at similar levels to other golf courses across the UK which are comfortably viable.

- 5.4 Humberts Leisure marketed Ingol for sale for a very short period of time in the winter of 2009 on a basis which, in my opinion, made the business proposition unattractive to the market and would put serious bidders off.
- 5.5 Their sales particulars referred to a lack of investment in the property. The appellants also bought a golf course in Wiltshire which they then subsequently closed on viability grounds. This suggests that their management skills and commitment to successfully operating golf courses is not as good as the best golf operators whose core business is running golf courses profitably.
- 5.6 A combination of a lack of investment over time and poor golf management is a recipe for producing financial losses on a golf course which, if run effectively and kept 'fit for purpose', is capable of being viable.
- 5.7 The Humberts Leisure website lists a number of golf courses which have been performing in a similar financial manner to Ingol yet they get sold to buyers who continue to run them for golf use, thus indicating future viability.
- 5.8 In my opinion, there is no reason why Ingol could not be successfully sold or leased for continued golf use provided that an adequate time period is allowed for marketing, the process is enthusiastically handled without looking to put bidders off, and the requested disposal price and conditions are reasonable for golf use.

6. My Summary Conclusions on Need and Viability

- 6.1 It is my opinion that:
- i. There is not an oversupply of golf courses in the area. Indeed, the situation is the opposite in that there is a quantifiable and significant need for an 18-hole pay and play course from both a strategic local planning perspective and from a golf operator's commercial profit-driven perspective.
 - ii. It is normal for a local community to have a provision of affordable 18-hole pay and play golf within the primary 20 minute drivetime catchment area but, most unusually compared to the rest of the UK, for Preston there is none now that Ingol has closed.

- iii. Whilst there is a significant need for an affordable pay and play golf course at Ingol the demographics and supply/demand balance within the 20 minute drivetime is such that there would still be a reasonable need for Ingol if it was run primarily on a membership basis.
- iv. Despite the historic trading losses of Ingol in recent years fundamentally it is a viable golf business. A lack of investment and a lack of good golf management were the driving factors to Ingol's poor historic performance.
- v. The viability problem at Ingol is solvable: sell or let it to a specialist golf operator who will run the business with a commitment to make it 'fit for purpose'. For this to succeed, Ingol needs to be offered to the market on realistic financial terms and conditions which reflect the recent lack of investment and poor past trading performance.
- vi. Additional buyers could include 'lifestyle buyers', entrepreneurs, and local consortia as well as the specialist golf operators that I have referred to above. Such buyers may wish to run Ingol on a membership basis but they were precluded from bidding under the disposal terms of the Humberts Leisure marketing campaign in late 2009.

7. Statement of Truth and Declaration

- 7.1 I have signed a statement of truth and declaration confirming that my proof of evidence complies with the requirements of the Royal Institution of Chartered Surveyors as set down in the *Surveyors acting as expert witnesses*: RICS practice statement.



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