



Regional golf market snapshot

Central & Eastern Europe

KPMG Golf Advisory Practice in EMEA



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Nicklaus Design, Penati Golf Resort, Senica, Slovakia

Golf supply and demand trends in Central & Eastern Europe

Introduction

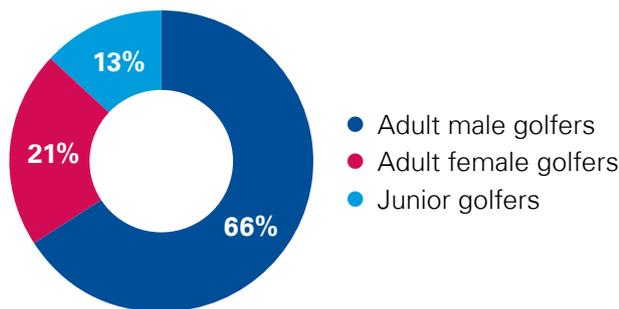
It is remarkable to think that in 1985 Central & Eastern Europe (CEE) only had 10 golf courses. Now, with recognition as a growth hotspot from golf's leading architects (see KPMG's Golf Development Cost Survey 2014), golf in CEE serves as a very attractive extra feature within a number of touristic resorts and residential communities existing or under development in the region.

The current economic climate in certain countries has allowed golf in CEE to develop and cater to both domestic and international demand. The sport's steady growth over the past 25 years has left the region's golf industry relatively unscathed by the global economic crisis. The CEE golf sector still offers vast potential for development.

This snapshot provides an overview of current demand and supply trends in the golf industry across CEE. Please refer to the Appendix for a detailed table of statistics covering all golf markets in the region.

Overview	CEE	Europe
Number of golf courses	276	7,016
Number of registered golfers	94,064	4,142,661
Average golfers per course	341	590
Average golf participation rates	0.1%	0.9%

Membership profile of golf courses CEE, 2015



State of participation of registered golfers in CEE, 2015

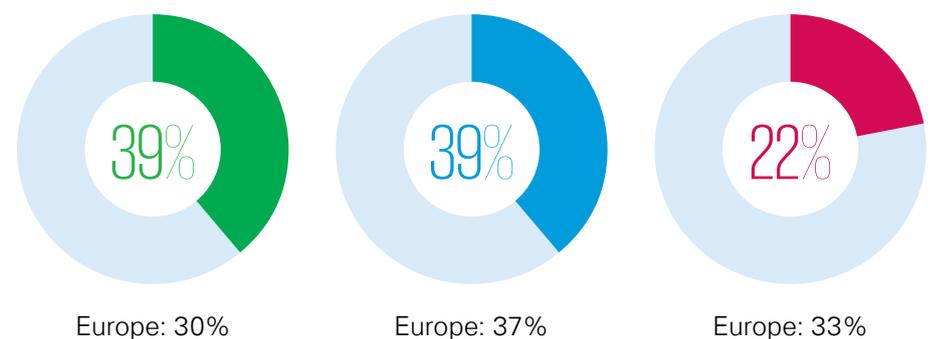
Growth rate since 2014 = 1%

Growth rate of supply and demand, 1991-2015*



Type of change in participation rates of registered golfers in CEE, 2015 (see methodology on page 10)

Countries with growth Countries with stability Countries with decline



Sources: Local golf associations with KPMG elaboration

*Compound Annual Growth Rate

Demand

The number and membership profile of golfers in CEE is consistent with the rest of Europe. However, the region does have a larger share of junior golfers (13%) when compared to the European average (9%). One of the major contributing factors for attracting junior golfers has been the motivational efforts made by national golf associations, along with the overall novelty of the sport in the region.

Concerning the proportion of female golf participation, in KPMG's Golf Participation Report for Europe 2016, Slovenia was in equal first place with Germany and Austria as the top European market (35% of the total).

The highest proportion of junior golf participation in CEE can be found in Russia, which ranked third in Europe with 20%. According to our survey, based on information gathered by local golf associations, CEE's golf

market is showing little signs of decline – approximately 78% of the region's golf associations (67% in traditional European markets) indicated that their level of participation either stabilized or increased in 2015. 22% of CEE markets have, however, experienced some form of decline. The current populace participation rate in the region is 0.1%, roughly the same level as in Italy, Portugal or Cyprus.

Supply

Prior to the collapse of the Soviet Union, golf in CEE was played primarily in Slovenia and the Czech Republic. Since 1991, with an average growth rate of 13%, the golf market in the CEE began a period of golf course development throughout the region, reaching its first 100 courses within a span of 15 years and growing by an additional 174 courses over the past 7 years. Currently, there are 276 courses in CEE and positive changes are

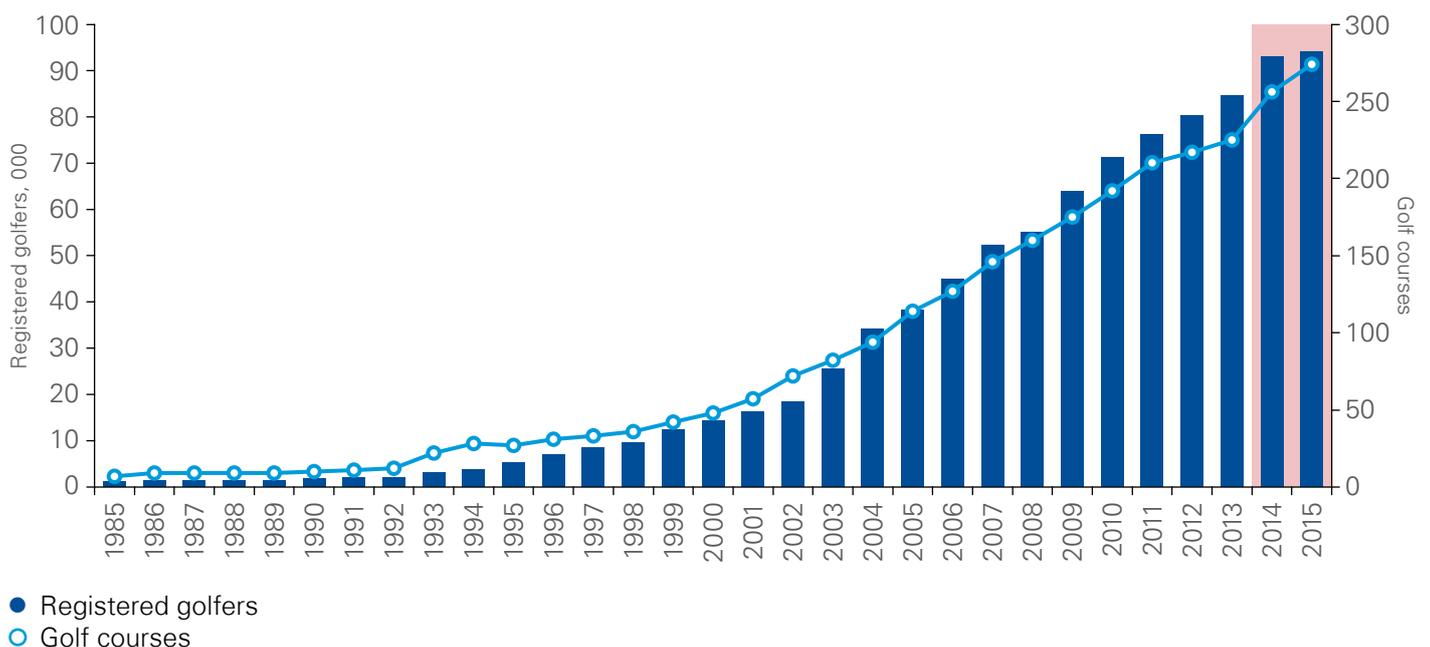
ongoing with the sport in the region. 50% of the region identifying growth trends in supply between 2014 and 2015.

In CEE, almost two-thirds of the total golf course supply is located in the Czech Republic, Poland and Slovakia. The Czech Republic itself is home to 38% of the region's golf courses, while Poland and Slovakia feature 14% and 11%, respectively. However, in terms of supply, only 4 CEE nations are deemed as growing

golf economies: Estonia, Czech Republic, Slovakia and Slovenia, each having one golf course per 100,000 to 300,000 inhabitants.

The remaining 37% of the golf supply in this region are found primarily in Russia (10%), Hungary (5%) and Slovenia (5%), with the rest of CEE's nations host less than 17% of the region's supply. The majority of CEE's nations are regarded as nascent golf markets, with an average of one golf course for over 300,000+ inhabitants each.

Development of golf in CEE, 1985 – 2015



Sources: European Golf Association and local golf associations with KPMG elaboration

Note: Please note that between 1985 – 2013, data was sourced from the European Golf Association. For the years 2014 and 2015, local golf associations reported directly to KPMG. Please see our methodology on page 10 to learn more.

Markets in focus

Czech Republic

CEE's golf stronghold



Keith Preston Design, Albatross Golf Resort, Vysoký Újezd, Czech Republic

The Czech Republic is the most mature golf market in CEE and has the region's highest participation rate of 0.6%, a rate comparable to that of Germany, Spain and France. Since 2008, the Czech Republic has experienced an average annual growth of over 9% in registered players.

The supply of golf courses is expanding, with over 30 new CEE course openings since 2008. As such, the Czech Republic can be considered the most established, but still growing market in CEE.

In addition, real estate offerings within golf complexes have become a popular primary home option within the country, especially in the Czech capital, Prague. Ten residential golf developments are currently in the planning and development phases in the Czech Republic.

State of golf supply in the Czech Republic, 2016

Number of operating golf courses **104** Annual growth rate of golf supply* **↑ 9%**

Sources: Czech Golf Federation with KPMG elaboration

* Compound Annual Growth Rate, data captured since 1985

Albania

Untapped potential



Photo by: Creative Commons, Borsch Beach, Albania

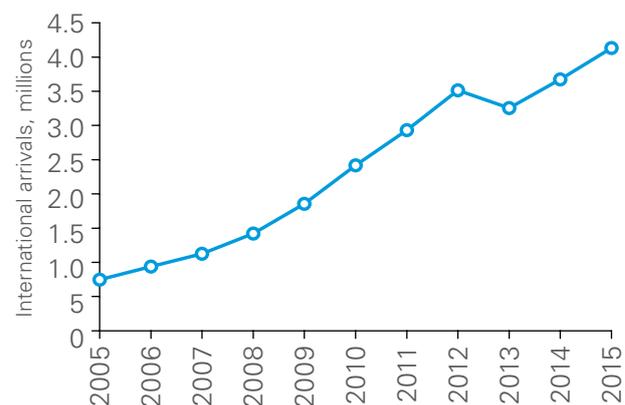
In recent years, Albania, with its Adriatic and Ionian coasts, has been developing into a tourism destination with tourist arrivals growing at an average rate of 19% per annum since 2005. Although this Balkan country currently does not have a single golf course, at the last count there were 8 integrated golf developments currently in the planning phase.

Compared to other countries in the Mediterranean region, the residential real estate market in Albania, specifically for second homes, is relatively underdeveloped. However, Albania is becoming an appealing and affordable second-home option for those seeking an alternative to more saturated markets. Additionally, Albania currently does not possess a 5-star coastal luxury resort, though several have broken ground, albeit only one with a golf component.

State of golf development in Albania, 2016

Number of operating golf courses 0 Number of integrated golf resorts in the planning phase 8

Tourist arrivals, 2005-2015



Sources: Albanian Institute of Statistics and KPMG research

Bulgaria

Emerging sea-side destination



Gary Player Design, Thracian Cliffs Golf & Beach Resort, Kavarna, Bulgaria

Since its first course was constructed in 2002, Bulgaria has developed a series of touristic assets and rapidly transforming itself into a golf destination. It is the only nation surrounding the Black Sea to develop integrated golf resorts along its coast.

In recent years, Bulgaria is enjoying modest growth in its tourism numbers and it is developing its capacity to cater to international golf demand; currently, the leading source markets to Bulgaria are Germany, Russia, Turkey, the UK, Romania and Greece. However, domestic demand of registered golfers has been growing by 25% annually. This growth in the sport, according to the Bulgarian Golf Federation, is a result of improving economic conditions and the appeal of the game and its exposure; for example, Bulgarian television channels now air many of the major professional golf tournaments.

Another attractive feature for the country's growth in golf is its price, which is considered to be 30% less expensive than Turkey.

Average pricing for golf in Bulgaria, 2016

Average price per green fee round (high season) €70

Source: KPMG research

State of golf supply in Bulgaria, 2016

Number of operating golf courses 7

Sources: Bulgarian Golf Association with KPMG elaboration

Future Outlook

Golf development in CEE



The Els Club Croatia, Matalda Resort, Lošinj, Croatia

Based on our survey results collected from local golf associations across the region, KPMG has identified growth in the supply of golf courses and the level of demand in the region.

In Poland and Estonia, for example, golfers are becoming more interested in acquiring memberships and the supply of courses is consistently on the rise. As a sign of strength, the figures demonstrate that the Czech Republic and Slovakia are now stable golf markets in CEE in terms of participation, and their number of golf courses is still growing. The Czech Republic's golf participation is the highest in the region, and the number of golfing residential and touristic developments in the pipeline is a clear indication that this country still has the confidence of developers and investors.

In the Balkans, a number of golf projects are currently taking shape (e.g. in Albania, Bulgaria, Croatia and Montenegro). Though these nations have relatively few local golfers compared to Western Europe, these resorts are proving quite attractive to second-home owners seeking alternatives to more saturated, but also less competitively priced markets.

The CEE region, with its impressive development over the years, is growing when other established European markets are either stagnant or shrinking (see our Golf Participation Report for Europe 2016). Hopefully, what we have observed in terms of the growth of pipeline developments and positive initiatives aimed at bolstering the game will result in the development of more courses. In turn, we hope this contributes to growth in the number of players in this region for years to come.

Appendix: CEE country statistics

Registered golfers and standard golf courses in CEE, 2014-2015

Country	Registered golfers 2015 ¹	Registered golfers 2014 ¹	Growth 2014 vs. 2015	Status ²	Growth in the number of golfers 2014 vs. 2015	Participation rate 2015	Golf courses 2015 ²	Golf courses 2014 ²	Growth 2014 vs. 2015	Growth in the number of golf courses 2014 vs. 2015	Golfers per golf course 2015	Population per golf course 2015
 Czech Republic	63,401	63,338	0.1%	=	63	0.6%	104	102	2.0%	2	610	101,923
 Slovakia	8,461	8,454	0.1%	=	7	0.2%	28	24	16.7%	4	302	192,857
 Slovenia	5,891	6,129	-3.9%	↓	-238	0.3%	13	12	8.3%	1	453	161,538
 Poland	4,015	3,739	7.4%	↑	276	0.0% ⁴	37	36	2.8%	1	109	1,037,838
 Estonia	2,810	2,492	12.8%	↑	318	0.2%	10	8	25.0%	2	281	130,000
 Russia	1,667	1,365	22.1%	↑	302	0.0% ⁴	29	28	3.6%	1	57	4,948,276
 Hungary	1,660	1,498	10.8%	↑	162	0.0% ⁴	14	12	16.7%	2	119	700,000
 Croatia	1,420	1,420	0.0%	=	0	0.0% ⁴	5	5	0.0%	0	284	840,000
 Latvia	965	1,004	-3.9%	↓	-39	0.0% ⁴	6	2	200.0%	4	161	333,333
 Bulgaria	847	787	7.6%	↑	60	0.0% ⁴	7	7	0.0%	0	121	1,014,286
 Lithuania	761	638	19.3%	↑	123	0.0% ⁴	5	5	0.0%	0	152	580,000
 Serbia	740	747	-0.9%	=	-7	0.0% ⁴	3	2	50.0%	1	247	2,366,667
 Ukraine	547	547	0.0%	=	0	0.0% ⁴	5	5	0.0%	0	109	9,060,000
 Romania	264	300	-12.0%	↓	-36	0.0% ⁴	6	6	0.0%	0	44	3,600,000
 Belarus	250	250	0.0%	=	0	0.0% ⁴	1	1	0.0%	0	250	9,500,000
 Moldova	182	176	3.4%	↑	6	0.0% ⁴	1	1	0.0%	0	182	3,500,000
 Macedonia	119	150	-20.7%	↓	-31	0.0% ⁴	0	0	-	-	-	-
 Albania ⁵	64	64	0.0%	=	0	0.0% ⁴	0	0	-	-	-	-
 Bosnia & Herzegovina	n/a	n/a	-	-	-	-	2	2	0.0%	0	-	1,901,067
CEE total	94,064	93,098	1.0%	=	966	0.1%	276	258	7.0%	18	341	1,170,624
European total	4,142,661	4,154,863	-0.3%	=	-12,202	0.9%	7,016	7,000	0.2%	16	590	118,017

1 We have not considered unregistered golfers in our survey.

2 Status represents the level of change in registered golfers:

↑ indicates growth
 ↓ indicates a decline
 = indicates stability.

3 We have only considered golf courses with at least 9 holes to be of standard length and have excluded academy, shortened courses, par 3 and pitch & putt courses.

4 The participation rate is below 0.01%.

5 Data provided by the European Golf Association.

Sources: Local golf associations and Economist Intelligence Unit with KPMG elaboration

Note: Statistics were unavailable for Kosovo and Montenegro. Participation statistics are unavailable for Bosnia & Herzegovina.

Methodology

The data presented in this report is based on 2014 and 2015 statistics which themselves represented the number of registered golfers and golf courses in CEE. This information was collected from the respective golf associations in CEE in early 2016. This report only provides demand information related to registered golfers, as official statistics on the number of casual golfers (i.e., golfers not affiliated with clubs or associations) are understandably not available. With regard to the supply of facilities, we have only considered golf courses with at least 9 holes to be of standard length and have excluded academy, shortened courses, par 3 and pitch & putt courses. Furthermore, when referring to golf courses, we refer to courses that are affiliated with their respective golf associations. Throughout the report, a stable market is defined as one which experienced a change in its total number of registered golfers between -1% and +1% year-on-year from 2014 to 2015.

Starting in 2016, our data predominantly comes from local golf associations, whereas data collected prior to 2014 was collected from the European Golf Association. From our independent data gathering, we noted a change of approximately +8,570 golfers (+10%) and nearly +31 golf courses (+14%) between 2013 and 2014. Comparisons made with years prior to 2013 were made on a case-by-case basis with the support of statistics from local golf associations.

KPMG Golf Advisory Practice in EMEA

Who we are?

KPMG's Golf Advisory Practice has in-depth know-how and experience of the business side of the golf industry.

Our experience across the golf resort industry is diverse and includes services to both existing and developing integrated golf resorts. We have a clear understanding of the impact that a golf course can bring to a resort or a residential community development.

Helping to maximize developers' returns through the integration of golf, real estate and hospitality functions is one of our primary areas of focus.

In addition to the wide range of professional services our practice offer, our Practice is also involved in several other golf-related initiatives. We are the founder of the annual Golf Business Forum, the foremost golf industry conference in Europe, Middle East and Africa (EMEA). Moreover, we regularly produce high profile thought leadership content for the industry, including the Golf Benchmark Survey, one of the largest golf research projects in the world. As a result, we have accrued invaluable comparable data and information from the sector. The beneficiaries of such deep industry knowledge are our clients.

What can we do for you?

KPMG Golf Advisory Practice involvement in the golf and golf tourism industry sector includes the following services:

- **Market and financial feasibility study** – assessing project sites, locations and markets in order to provide comprehensive financial analysis to assess potential investment returns.
- **Project conceptualization and investment planning** – developing realistic and implementable concepts with short, medium and long-term investment planning.
- **Business plan** – advising on the strategic direction for the realisation and delivery of project concepts from staffing to marketing and sales.
- **Project management** – managing and coordinating the project from inception through planning, up until the start of construction.
- **Valuation service** – preparing asset and business valuations.
- **Transaction service** – assisting in the sale of greenfield projects that are in the development phase as well as existing golf courses and resorts through the preparation of investment memoranda and the selection of potential buyers.
- **Operational review** – assessing existing facilities and market in order to provide strategies for profit enhancement.
- **Supplier selection** – assisting with the identification and selection of golf management companies, golf course architects and master planners.
- **Other advisory services** – economic impact assessment of large events and developments, strategic advisory to government bodies and regulators.

Key contacts



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Philipp's expertise lies in market and financial feasibility studies, business plan reviews, commercial due diligence, design briefs and conceptualisations of integrated resort developments within the EMEA region.

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