

# Real estate status crucial to clubs' survival

## In the shrinking landscape of private clubs, owning the premises and great locations can separate success from extinction

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Developer Harry Stinson is trying to turn back time at his new One King West project in Toronto.

The centrepiece of the towering condominium hotel will be the Dominion Club, the city's newest private dining and social club that hopes to attract 3,000 members. If successful, it will fly in the face of 30 years of bitter experience.

Toronto, once a city where members-only establishments flourished, has seen its profusion of private clubs whittled down to a handful.

As the city, and the economy, changed radically, private clubs had to reinvent themselves, say those in the industry, and the ones that have been able to prosper have the status of their real estate to thank. Those that own their premises, and those that have chosen locations that suit their services, are in the best position, club managers say.

Thirty years ago, the city's waiters had their own club. There was a Radio Artists Club and both men's and women's press clubs. Toronto's Jewish Community had the Primrose Club on St. Clair Avenue West.

All have long since disappeared. Those that survived, such as the National, York, Toronto, University and Granite clubs, did so because they owned their own premises, were relatively debt free, and dramatically expanded the services and amenities they offered members, according to club managers and officials.

"In essence, the clubs that have not just survived but prospered have reinvented themselves. They changed their business models," says Elizabeth Di Chiara, executive director of the Canadian Society of Club Managers. "Clubs that were basically downtown dining and social clubs had a tough time because of changing demographics and changing economics. A good many of them folded."

Clubs that must pay rent to a landlord are always at risk, says Peter Fyvie, chief operating officer and general manager of the Granite Club, a Toronto icon since its founding in 1875.

"There are always ups and downs in the life of a club. Those that pay rent are always at the mercy of the market. That is especially true if they have debt," he says.

"There is also the matter of changing demographics. Downtown dining and social clubs had a role to play when liquor laws were more stringent and when downtown did not offer much choice in the way of restaurants."

Two decades ago, bar sales accounted for 25 per cent of Granite Club operating revenue; today that share is only about 5 per cent.

"The issues have been the same for the past 20 years," says Brian Stanford, a director of PKF Consulting, which specializes in the leisure industries. "All clubs have to balance the desires of members against operating costs to keep a club alive. It is getting harder and harder to do that, especially for downtown clubs.

"If they can continue to contain costs because they own the property, then they are well ahead of the game. Frankly, few private clubs are being built because the economics work against them and there is little perceived need."

The need for private clubs has shifted from downtown drinking and dining to family activities, Mr. Fyvie says.

"The four most successful private clubs in Canada are the Granite, the Glencoe Club in Calgary, and the Holyburn and Arbutus clubs in Vancouver," he says.

Demand for membership at Glencoe has been so strong, the club has closed its waiting list, he adds.

What ties them all together is the fact that they own their own land, are relatively debt free and focus on providing family recreational activities, Mr. Fyvie says.

The Granite Club, for example, has both a 22-acre site on Bayview Avenue and a golf club near Stouffville, northeast of Toronto. The three-storey Bayview clubhouse has 11 tennis courts, a trio of pools, an indoor curling and a skating rink, a gymnasium and health club and three restaurants.

"Part of the reason we have prospered is because we changed to meet demographics," Mr. Fyvie says. "The focus today is on the family. People are also more health conscious."

That focus on family does not come cheap. The Granite Club has a waiting list of people ready to

pay the \$25,000 initiation fee per member. Annual dues are \$2,325. The club currently has 4,500 members.

The Granite Golf Club, founded in 2000, is operated separately. Its 550 members pay \$45,550 to join.

While downtown clubs are not in a position to offer such a wide range of services, successful ones have also changed with the times. The University Club on University Avenue, for example, has installed a French chef in its dining room and torn out the basement squash courts to install a fitness centre with a full-time instructor.

"The aim was to attract younger members," says lawyer George Strathy, club president. "What we have going for us is our own property, built in 1926, in a prime downtown location, and a range of new services that make us more than just a dining club. We had to change to continue to prosper." The club's 600 members pay a \$4,500 initiation fee, spread over three years.

One of the city's largest clubs, The Toronto Board of Trade, with 10,000 members, has taken a hybrid approach. While it rents three of its locations, the main premises at First Canadian Place, one at the Airport Centre on Dixon Road and the former North York Chamber of Commerce premises on Dufferin Street, it owns its own golf club in Woodbridge, which is managed by ClubLink Corp. That club boasts three 18-hole courses.

The lowest level of individual membership costs \$325 a year but all services are on a pay-as-you-go basis, says Glen Stone, the club's public affairs manager.

"The size of our membership and the range of services we offer have been the keys to our continuing success," he says. "There is really no longer any need for old-style private clubs. To survive and prosper, you have to be more than just a social and dining club."

Mr. Stinson's new 16,000-square-foot Dominion Club charges \$7,500 as an initiation fee, plus \$50 a month. For that, members have access to the restaurant, the lounge, a smoking lounge, seven boardrooms and a pair of banquet halls.

"Location is the key," says Tanis Simpkins, sales and event manager. "We are already halfway to meeting our goal" for membership.

The new Dominion Club does seem to have a real estate advantage. The premises are leased from Stinson Development Assets, which gives Mr. Stinson a continuing interest in maintaining the health of the club.

"I can't comment on the Dominion Club. But I can say that the ability to control real estate costs is vital to the ongoing success of a club," says the Granite Club's Mr. Fyvie.

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