Boom times for golf course brokers

Buyers capitalizing on falling values, new debt sources emerging

By Jim Dunlap

The rising tide of golf course foreclosures and distressed properties is certainly not floating all boats in the golf industry, but it's enabling a number of golf course brokers to start looking at buying a sizable boat of their own. With golf course values continuing to decline - and many sellers beginning to acknowledge that reality - new course buyers, and even some new capital sources, are emerging and helping a number of brokers to record numbers of transactions.

While the average sale prices (and broker commissions) have declined over the past five or six years, brokers are, as the saying goes, making it up in volume. The Tampa-based National Golf & Resort Properties Group headed by Steven Ekovich reports 16 course sales in 2012, and claims a whopping 39 in the past 27 months. Jeff Woolson of Carlsbad, CA-based CBRE Golf & Resort Properties enjoyed his busiest year in his 20-year career with 15 course transactions. Industry veteran Hilda Allen sold nine courses through a combination of auctions and direct sales from her Adel, GA base. Chris Charnas enjoyed his best year since going solo and forming Links Capital Advisors, with five sales. Another industry veteran, Ken Arimitsu, joined PM Realty Group and teamed with Collier's broker Keith Cubba to close a number of transactions for eager buyer Pacific Links, primarily in Hawaii and Las Vegas, and has a large number of listings due to hit the market, including one major portfolio.

In some cases, 2012 transactions were a function of owners or lenders either accepting the new reality of course values or just tiring of keeping the courses on their books. Woolson, who calls such transactions "legacy deals" because the listing is inherited from year to year, said that his group's 2012 total included three such deals.

"Sellers are becoming more reasonable," Woolson said. "I think in 2013, we'll still see some of those legacy deals finally transacting."

Sale prices falling

While there are occasional trophy property deals for big prices, there is no question that the average transaction carried a smaller price tag in 2012. Ekovich said that his firm's research indicates that 38 per cent of the transactions during the year were for less than $1 million, compared to their estimate of 17 percent at that price range the previous year. The good news, he said, was that the average time on the market for courses seems to have come down, while the number of transactions has risen.

Woolson sees two reasons for the increased sales activity - the buyer pool has increased, and prices have declined. He pointed to the gross revenue multiplier benchmarks that many buyers and brokers have begun using to determine a reasonable selling price.

"What we're seeing is that there are 'haves' and 'have-nots' in terms of courses and their valuations," Woolson said. "Quality properties are selling for 1.25 to 1.5 times gross annual revenues, while lower end properties are going for as low as between .75 and .5 times revenue. He pointed out that in 2008, when he first started tracking the gross revenue multipliers, he sold five properties, all of which were cash-flowing, and nearly all garnered a sale price of greater than 2 times gross revenues.

Charnas agreed, saying that he's seeing courses close at 1 times gross annual revenues or slightly higher, with a ceiling around 2 times for trophy properties. With prices tumbling, Charnas wondered if perhaps some courses, tired of fighting a nearby competitor for business, might just buy the rival out and either sell it off for other uses or just shut it down and hope to inherit its customers.

New buyers, debt sources surfacing

Analogous to nature's law that where there is prey, there will be predators, it was an economic certainty that once course values declined sufficiently due to competition from overbuilding, declining demand, debt service pressures, etc., buyers would start to make their moves. A number of them are golf industry veterans of other campaigns, such as Fore Golf Partners, Peter Nanula's Concert Golf Partners, ClubCorp, Donald Trump and the Pacific Links group headed by former ClubLink CEO Bruce Simmonds, which Arimitsu said was probably the big-

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JEFF WOOLSON, CBRE GOLF & RESORT PROPERTIES, CARLSBAD, CA gest buyer of courses in 2012, especially if one counts the Ka'anapali properties which are on the verge of closing. Accord Golf Capital, another recent entry comprised of golf industry veterans John Seeburger, Rick Nekoroski, Chris Crovatto and Traditional Golf Properties owner Paul Mauk, with institutional capital backing from a partner which other sources identified as the Och-Ziff private equity firm, recently purchased Ford's Colony in Virginia and has other deals in the works. Others come from overseas, where a Korean group has reportedly put together a $500 million war chest, primarily to purchase U.S. golf course assets. While Chinese golf investment in the U.S. has slowed, Cbon, a Chinese investment group, recently purchased two Phoenix area courses.

In recent years, the oft-heard cry was that "equity is the new debt," bemoaning the fact that virtually all the traditional golf course lenders had washed their hands of the industry, and that golf was viewed as a toxic asset category among lenders across the board. While lenders are hardly handing out bundles of cash on a signature as they seemingly did a decade or so ago, there is, apparently, money to be had under the right circumstances, i.e. the right price for the course, borrower solvency and operational expertise.

"There is financing available," Ekovich said. "We've even had a couple of situations where it was across state lines - you used to see that from time to time, but it's starting to come back. Golf is different - lenders look at the borrower first, then at cash flow, but it's the opposite for shopping centers or other asset groups."

Some of that financing is coming from within the industry. Nanula and Tom Moran at Concert Golf Partners are not only course buyers, but are actively seeking to purchase existing course notes and extend owners' terms, or to provide equity or co-invest on acquisitions. Accord Golf Capital has the same business model, not only buying and operating courses, but also acquiring other courses' debt or providing equity or debt capital to courses.

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With the economic factors that created the buying frenzy not likely to go away any time soon, brokers are predicting an even busier year in 2013.

"I think 2013 will be even more robust than 2012," Woolson said. Ekovich was just an bullish on the sales pace for this year, saying "If you're a golf buyer, this is the best time in history to be a buyer." ■