Marcus & Millichap

NATIONAL GOLF & RESORT PROPERTIES GROUP

GOLF & RESORT INVESTMENT REPORT

Semi-Annual Market Update

2nd Half 2012

INSIDE THIS ISSUE:

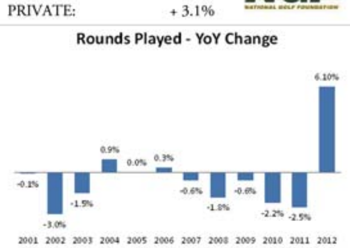
RECENTLY SOLD

The Ritz-Carlton Golf Club & Spa Jupiter, Florida

ROUNDS YTD

November 2012

U.S. TOTAL YTD: + 6.1%
PUBLIC ACCESS: + 6.9%
PRIVATE: + 3.1%



THE ECONOMY & GOLF — 2012 IN REVIEW

By Steve Ekovich ◊ Steven.Ekovich@marcusmillichap.com

As a golf investor, you need both reliable golf indicators and research to make good business decisions in 2013. As an owner, you can consciously make a business decision with regard to your course or portfolio, or you can do nothing. Make no mistake, doing nothing is a decision, but what is the right decision? A golf asset owner has only five options and no others. They can hold, sell, refinance, exchange (1031 tax deferred exchange which is really a form of selling), or buy.

Is this the right time to buy, sell, hold, refinance or exchange? That depends on your goals as an investor, including your time horizon, risk tolerance, ability to access debt and equity capital, and of course the current golf market. Most investors do not want to buy on the downward slope of the market or sell on the upward slope. As we look forward to 2013 and try to predict where we are in the market cycle, including factors such as market values, opportunities and investor buying patterns, it is enlightening to look at the economy in conjunction with what happened in the golf airspace during 2012.

The National Economy and its Effects on Golf

The health of the national economy directly affects the health of the US golf market. Correlations between the two have been detailed in numerous NGF research reports. The U.S. economy continues to exhibit resilience despite numerous headwinds that have threatened to derail the economic recovery. At the time this article was published, we had avoided the "fiscal cliff Part A," the largest threat to the economy. We still have automatic spending cuts in the first quarter along with the debt ceiling crisis to deal with. There is still a potential that political gridlock could result in a significant hit to GDP if Parts B and C of the fiscal cliff are not resolved.

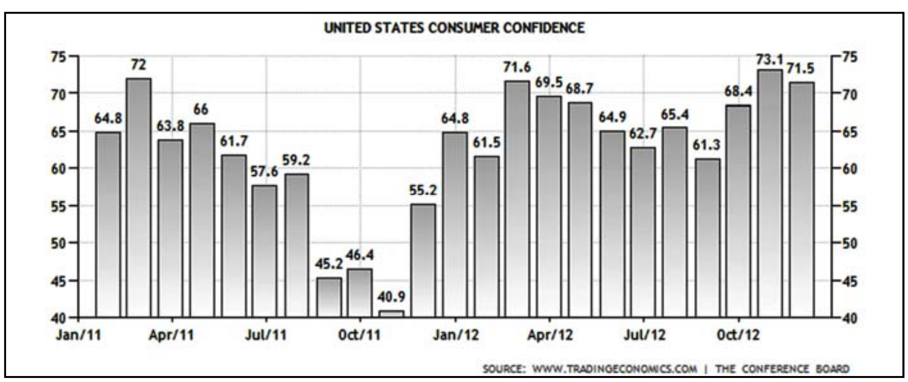


Chart 1

These compromises already include the tax hikes for $450,000+ income households. Other likely changes include spending cuts, an increased debt ceiling, and the closing of some tax loopholes, but these will weigh on the economy less than the uncertainty

Continued on page 4

The Patient Protection and Affordable Care Act (Obama Care): How might it affect your golf course?

By Chris Karamitsos ◊ Christopher.Karamitsos@marcusmillichap.com

The new health care laws will, no doubt, affect proprietors of golf courses. While golf operations vary in size, there are aspects that will be applicable to all golf course owners.

The key provisions will be implemented on January 1, 2014. Currently, (since 2010) courses with fewer than 25 full-time equivalent employees are eligible for a tax break if they cover at least half the cost of health insurance. (The full-time equivalent is the number of employees on full-time schedules plus the number of employees on part-time schedules, converted to a full-time basis.) With the new health care phase-in, if a course employs fewer than 10 full-time equivalent employees with average salaries of $25,000 or less, then that course is eligible for the full credit. The full credit is 35% of the course's contribution toward an employee's insurance premium. As the number of employees and average wage amounts increases, the tax credit decreases. Once the course reaches 25 full-time equivalent employees or $50,000 in average salaries, the credit is completely phased out. The tax credit program is due to expire two years from the establishment of the state-based Small Business Health Options Program Exchanges. Small businesses which purchase insurance through these exchanges will be eligible for up to a 50% tax credit until those credits are phased out.

Penalties and Exemptions

When a golf course reaches 50 full-time equivalent employees, a penalty will be applied to those who fail to provide coverage for employees who average 30 or more hours a week in a given month. The penalty is $2,000 for each full-time employee in excess of 30 full-time employees. Businesses are exempt from covering part-time employees.

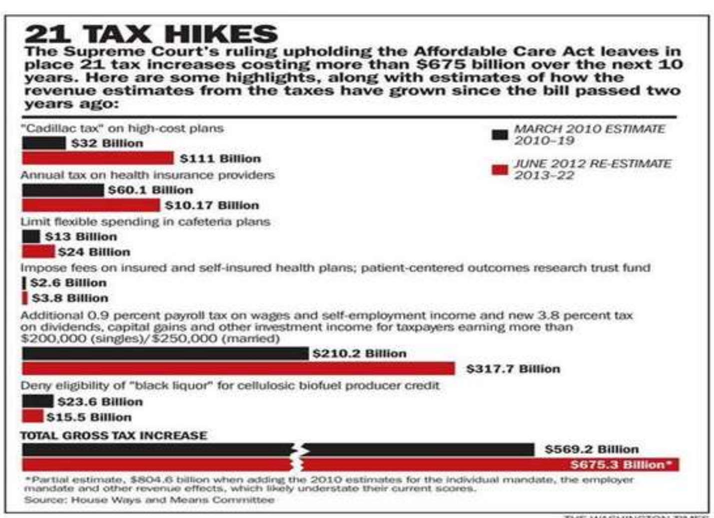
Potential Loophole

The penalty is ***NOT*** calculated based on full-time equivalents. Instead it's based on actual full-time employees. Some businesses that are subject to the penalty may owe nothing as a result.

Example: A course has 25 full-time employees and 50 part-time employees. Combined, those 50 part-timers equal 25 full-time equivalents. The business, in effect, has 50 full-time equivalents and would be subject to the penalty if it doesn't provide health-care coverage. However, the penalty cost likely would be zero because the $2,000 tally starts at the 31st full-time employee but in actuality there are only 25 full-time employees. (I know it sounds crazy but that is how it is written.)

Insurance Policy Requirements

Businesses, including golf courses, are required to provide "minimum essential" and "affordable" coverage. Minimum essential coverage is defined as "covering 60% of the actuarial value of the cost of the benefits". Affordable is defined as meaning "the premium for the coverage of the individual employee cannot exceed 9.5% of the employee's household income".



If the coverage offered is unaffordable, qualifying employees can get subsidized coverage through the tax credit on the state exchanges. In such a case, the business will have to pay the lesser of $3,000 per subsidized full-time employee, or the $2,000-per-employee penalty after the first 30 full-time employees.

Even if a course has few enough employees to be exempt from having to provide coverage, the taxes and penalties associated with the program's funding will impact everyone (see adjacent chart).

The agency which is tasked to oversee compliance with the new health care laws is the Internal Revenue Service. Visit irs.gov for more detailed information.

WSJ Research (among other resources) was used in the writing of this article.

Buyer Sentiment—2nd Half 2012

By Chris Karamitsos ◊ Christopher.Karamitsos@marcusmillichap.com

In our last issue I posed the question, ***Is this a good market or a bad one?*** We pointed out that there are signs of slow yet somewhat steady improvement in the overall economy from unemployment trending downward and private sector wages rising, to household debt service payments as a percentage of disposable income in steep decline since the start of the Great Recession. We have noted in this issue of our Market Update that rounds are up, golf-consumer confidence is up and we may even be past the bottom of the transaction market resulting in "equilibrium". So, I'll pose ***THIS*** question: ***Is this a bad economy or a better one?*** Truth is, no one is really sure yet. However, buyer sentiment remains to be one of cautious optimism. The current economic environment might have investors asking "How significant an impact will health care and a new tax structure have on my business? How will all of it affect my exit strategy? Will the current debt-GDP ratio of 73% contribute to a second recession?" All good questions, yet non-deterrent vis-a-vis proactive investment.

Savvy investors know that economic turmoil creates opportunity. Nearly half a trillion dollars in commercial debt matured in 2012. Because of this, more owners with debt events are selling short and REO opportunities still exist. Loan sales are also sought after commodities opening the door to non-traditional golf course investors while providing traditional operators the opportunity for acquisitions on unprecedented metrics. Regional investors have been filling voids in their portfolios and transaction velocity continues to grow. From an international perspective, more and more Chinese investors view the U.S. as a safe place to invest and arbitrage their Yuan against the Dollar while many Canadian groups are following suit and capturing properties at the bottom of the market. Buyer sentiment can be summed up as follows: recession or not, equilibrium in the market or not, draconian tax policies or not, fiscally sound investment opportunities in the golf industry are ever-present and worthy of pursuit.

Capital Markets / Course Financing

By Steve Ekovich ◊ Steven.Ekovich@marcusmillichap.com

I was a speaker at the Crittenden Golf Conference and on a panel with a number of other brokers. My fellow panelists said that there is no financing for golf assets. I strongly disagreed. There is financing: SBA, seller, banks, insurance companies, owner equity, etc. One broker said he closed 90% of his deals with seller financing since there is no institutional financing. The other said he only does all cash deals. I said to him, "80% of the golf courses we closed (39 in 27 months) were financed, maybe 20% was portfolio equity (all cash). Of the 80% financed, approximately 10% was seller carry, 20% was a traditional lender and every other deal was private equity". He said "you don't know the difference between equity and financing." I suggested that "when you have portfolio equity, that is your own money with no real cost of capital, (although from a purest standpoint there is always a cost of capital even if it is yours), but when you borrow equity and you pay a return to the equity provider on that equity, **it is financed**. It is like mezzanine or secondary financing in the capital stack, but you pay someone a return for the use of the private equity. How is that different than financing?" To that end, there are more and more private equity firms entering the golf airspace. In addition, traditional lenders are now beginning again to consider golf as long as the borrower has **a strong financial statement**. While a lot of the institutional lending is credit-based, not purely asset-based like apartments or retail, there is some asset-based lending for golf properties that wasn't around 9-12 months ago.

Economic Commentary

12-20-12 The U.S. economy grew faster than previously estimated in the third quarter, as exports and government spending provided a lift, but that boost is likely to be lost among slowing global demand and a move towards tighter fiscal policy. GDP expanded at a 3.1% annual rate. Imports fell for the first time since Q2 2009, narrowing the trade deficit and signaling weak domestic demand.

Who is lending in golf? The answer: banks with and without SBA guarantees, Bridge Loan lenders, Private Equity, Insurance Companies and Hard Money Lenders. Who is **not** lending in golf?: National Lenders (lenders that have a golf

Continued on page 5

The Economy & Golf (cont. from pg 1)

currently being faced by businesses if we have no deal. If a bargain on the cliffs Part B & C is reached, the U.S. is positioned to add 2.5 million jobs in 2013.

In November, employers added 146,000 jobs, eclipsing expectations that "fiscal cliff" uncertainty and Hurricane Sandy would significantly weaken employment growth. The private sector added 147,000 jobs last month, while the government eliminated 1,000 positions. The Dow hit a five year high. The unemployment rate dropped 20 basis points to 7.7 percent, the lowest level in almost four years. Lynn Franco, Director of Economic Indicators at The Conference Board reported: "The Consumer Confidence Index increased in November to 73.3 and is now at its highest level in more than four and a half years (76.4 in Feb. 2008). (See Chart 1 on page 1.)

It is logical that consumer golf confidence closely tracks the economy. As consumers feel more secure in their jobs and have extra disposable income, they will spend it on themselves among many things, including golf.

In summation, the economy is moving once again in the right direction, the uncertainty of the election is over, the unemployment rate is down, consumer confidence is at a four-year high and we have dodged the first deadline of the fiscal cliff. All of these positive economic indicators bode well for golf. The caveat here is if we don't raise the debt ceiling and automatic spending cuts kick-in, if we are re-engaged in another war, or if we have a catastrophic weather event, rounds could be reduced to historical levels.

2012 Investment Indicators: Tipping the Scales

In 2010, it took an average of 328 days on market to sell a golf asset, and in 2011 it was 348 days. So far this year, the average time on market is 309 days. You could argue that the market is starting to normalize and the large drop from 348 to 309 is the removal of overpriced inventory from both unrealistic sellers and brokers who don't understand pricing that had been skewing the numbers. Comparable sales as reported by counties nationwide can be three to six months behind, so in December we are really looking at data for the first three quarters of this year. Bulleted below are a number of statistical trends that allow us to forecast the future with some degree of certainty.

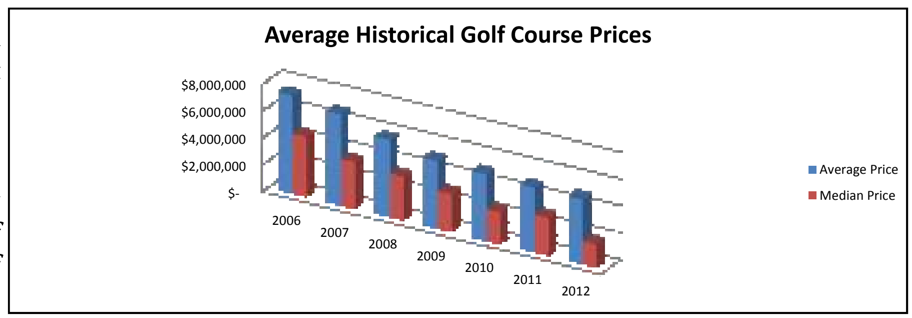


Chart 2

- After five straight years of revenue and rounds decline, 2012 reversed the trend. The NGF (National Golf Foundation) has reported that rounds played in the U.S. have increased 6.1% through November. Similarly, according to an NGCOA report, revenue is up 8.8% through September. According to their golf course operations tracking program, PerformanceTrak, they report similarly sized gains in F&B and merchandise revenues. (One could argue we had a mild winter so rounds are up as a result, but ask the operators in the mid-west and Texas about the hot weather and the drought, or ask the east coast about July rain that wiped out almost every weekend.)
- 2011: 107 sales (13 without prices) vs. 2012: 151 sales (15 without prices) (County sales records are 2-3 months behind in reporting; as a result, 2012 sales volume should be even higher.)
- Number of transactions > $3M are down: 47.8% of the total sales in 2011 were over $3M, while only 27.2% of the total sales in 2012 were over $3M.
- Number of sales under $1M are up: 31.6% in 2012 vs. 2011 when number of sales under $1M accounted for only 13.8%.
- Median sales price went down: $2,875,000 in 2011 to $1,801,250 in 2012.
- The average price went down: Excluding outliers over $30 million (including the Ritz-Carlton Lodge in Greensboro and Doral in South Florida) again average price went down from $3,958,293 in 2011 to $2,156,118 in 2012.

From these bullet points, there are a number of conclusions we can draw. The number of sales are up but the size of sales are down. That would account for both the median and the average of 2012 sales prices being lower than in 2011. There are a lot of smaller deals, auction deals, and repurposed deals trading in 2012 (see Chart 2 above). Many buyers have been on the merry-go-round looking for deals and jumping off when they see the right deal; either a steal or a value-add opportunity. The data suggests that in 2013, these buyers may not be able to get off the merry-go-round as the type

Continued on page 5

and size of deals they are looking for become harder to find. Major golf course lenders, such as Capmark and Textron, are nearly complete with their exit strategies after the REO Property and Note Sales of the past several years. As a result, large golf portfolios, such as this year's sales by Capmark and Textron, are unlikely to be repeated in the near future. The deals that everyone wants, the high end foreclosure deals in gateway cities, are drying up. With fewer deals over $3M and increasing numbers under a million, the data suggests that the banks may have sold most of their good product and much of what is left is their lower priced, functionally obsolete and/or poorly located assets. That does not mean there won't be high-end properties trading in the future, just not as many as in the past. Less product and more demand should signal a strengthening of property values.

From a buyer-demand perspective, every day we talk to more foreign investors from China, Korea, Japan, Great Britain and Canada who want in on U.S. golf ownership. At the same time, more Private Equity funds are linking up with firms that have core competencies in golf ownership and management. This would also suggest increasing demand could push prices up and may positively motivate non-distressed owners to finally sell.

To substantiate that there is more buyer demand for golf assets, consider the following example: In December, the National Golf & Resort Properties Group sold Ford's Colony Country Club in Williamsburg, VA, a three-course property with a 200-room Marriott timeshare component. The buyer used a PE (private equity) firm new to the golf airspace. It was the first funding of golf for this PE firm. The operator who was a long time veteran of the golf market now owns a great, high-end asset with upside. We know of two other operators that recently secured PE partners and are looking for those types of deals. Finally, as revenue increases, metrics such as GRM, Cap Rate and IRR do not need to change in order for property values to push higher.

Last January our Investment Report stated rounds and revenue would increase, reversing a trend of five years of decline. Today, it looks like that prediction is coming true. We believe that we are past the bottom of the golf market cycle, if not by six months, then by as much as a year. We will only know with hindsight when the exact bottom occurred. In conclusion, as the economy continues to improve, it will drive rounds and revenue. Both the number of higher end golf courses and larger transactions are slowing down, and at the same time more buyers are entering the market. With revenue trending up, buyers who had 100% of the power over the last five years may see the scales tipping back into an equilibrium. I am not ready to say 2013 will be a seller's market, as we still have a number of years to wait. However, as the number of high-end courses hitting the market decreases and buyer demand increases, with club revenues rising and more courses closing than opening, the pieces are in place for the national golf market to stabilize moving forward.

CAPITAL MARKETS / COURSE FINANCING (CONT. FROM PG 3)

division willing to lend on golf in any geography) and Conduits. There are very smart people who are working on the golf financing piece, and I expect for national golf lenders to emerge in the next few years, but selectively. They won't be able to finance everyone, but if you have the right loan-to-value, the experience as an operator and the required debt coverage ratio, it will get done.

Banks are usually not interested in crossing state lines, but in the last year we are seeing more willingness from buyers' bankers to do just that. The one common thread with all lenders willing to lend was a good borrower. With commercial banks we have seen a willingness to lend without substantial cash flow, as long as there is a good sponsor. With insurance company loans, the asset has to be one they want in the portfolio and must have cash flow. Bridge loans need to have a yield the lender wants. Hard money loans for non-stabilized deals have quick turnaround times, but have the highest interest rates. Private equity is concerned with the relationship between the investor and lender and works well when an IRR hurdle rate can be reached. However these arrangements are usually not about one transaction. They typically start before the asset is located and are for multiple purchases over time.

Conventional Bank Loan:	Interest: 5-6.5%, points: 1%, term: 3-7 yrs., amortization: 20-25 yrs., LTV: 60-70%, DCR: 1.3-1.4, loan size: $750,000 plus
SBA Guaranteed Loan 7A Program:	Interest: 1.5-2.75% over prime, points: 0%, term: 25 yrs., loan size up to $5M, amortization: 25 years (possible to $8M with USDA program). Contacts for SBA loans: Chris Balantre, Park Place Financing 212-729-5802, Robert D. Kelley, Jr. Kelley Consulting Inc. 561-704-8479
Life Company:	Interest: 6-7%, points: 1%, term: 3,5,10 yrs., amortization: 15, 20 or 25 yrs., loan size: $1.5M plus, escrow for cap-ex
Bridge Loan:	Interest: 9-14%, term: 1-2 years, LTV: up to 65%, desire primary markets, cash flowing product
Hard Money:	Interest: 12-15% including points, term: 1-3 yrs., LTV: 50-60%, usually interest only
Private Equity:	Interest: 0%, unleveraged IRR: 20%, preferred returns 8.8-12%, LTV: 60-70%, waterfall structure: deal by deal on profit splits

Updated 12/15/12

The National Golf & Resort Properties Group — Year in Review

By Matt Putnam ◊ Matthew.Putnam@marcusmillichap.com

As the 2nd half of 2012 saw much of the market's distressed inventory change hands with the sale of a large portion of Textron's remaining golf portfolio and Capmark consummating the sale of its remaining golf assets, The National Golf & Resort Properties Group (NG&RPG) improved its pace of sales to 1.5 courses per month and continued to bring quality saleable courses to the market. With the sale of 10 golf courses since July 1st, the 2nd half of 2012 marks the NG&RPG's most active 6 month stretch in four years.

Ford's Colony Country Club Williamsburg, Virginia

Highlighted by the sale of the Ritz Carlton Golf Club & Spa in Jupiter, FL to the Trump Organization, Ford's Colony Golf Club in Williamsburg, VA and the sale of Country Club of Woodmore's Note, the NG&RPG's sales from this six-month period averaged only 116 days on the market as compared to the industry average of 309. These sales came in at an average of 91% of list price and totaled nearly $30M in sales volume.

Terence Vanek, the group's newest broker, secured his first listing, Fore Lakes Golf Club in Dearborn, MI and subsequently put it in contract over list price less than 60 days from the listing date. The NG&RPG recently listed three of the TPC golf courses for GE and is looking forward to bringing those to the market in the new year. The NG&RPG is also pleased to report that three golf course sales in 2012 were financed by the SBA, two additional deals that will close in 2013 have SBA funding committed. Also, another course was financed by an insurance company and one by an institutional lender. This increased lending is certainly a good sign for the market moving forward.

Looking forward to 2013, the NG&RPG is excited to have six courses in contract and scheduled to close in the 1st quarter. Along with a plethora of new listings, a strong increase in buyer activity and a loosening debt market, the NG&RPG is looking forward to a busy 2013. Many of the members of the NG&RPG will be attending the PGA Merchandise Show in Orlando, FL in January and the annual NGCOA Conference in San Diego, CA in February. If you are planning to attend either of these, we would love the opportunity to meet you there and share our market experience.

Golf Asset Valuation: Appraised Price vs. Broker's Opinion of Value

By Raymond Demby ◊ Raymond.Demby@marcusmillichap.com

Determining the value of golf assets in today's market is a complex process. Each property is unique and as a result, accurate golf course valuations must take into account multiple factors, each of varying significance. However, regardless of historical prices, development costs, course quality or future potential, *a golf course is only worth what someone is willing to pay for it TODAY.*

There are typically two options for owners looking to obtain professional insight into the value of their golf course: an Appraisal or a Broker's Opinion of Value. The National Golf & Resort Properties Group at Marcus & Millichap has performed approximately $500 MILLION of golf asset valuations during 2011 and 2012, emphasizing the importance of looking at value through the "windshield," as opposed to the "rear-view mirror." This means focusing on the current state of the property (and surrounding golf market) with less value being attributed to the projected future performance of the property. A common mistake in golf valuations is attributing too much value to the property's historical pricing or performance (such as rounds played or annual gross revenue), a process we refer to as "looking through the rear-view mirror." Our 'Pricing Proposals' average between 90 – 100 pages in length and feature a detailed analysis of the club's recent (trailing 12 month) financial performance, area demographics, competitive courses, projected upside and much more. As a result, we've been able to achieve remarkable accuracy, with courses continuing to trade (on average) between 94% - 96% of our Proposed Price.

During this time we have seen many valuations conducted by both appraisers and brokers at up to 200% above OR below the eventual sale price of the property. For example, Hammock Bay Golf & Country Club in Naples, Florida was appraised at $14,500,000 when we obtained the listing commitment to market and sell the property. That valuation made no sense in today's market when studies showed numerous flaws that caused the high appraisal. After thoroughly underwriting the asset to the standards expected by today's buyers and studying the competitive properties, we listed the property at $5,000,000. The course sold very close to list price. This works both ways, with many valuations coming in significantly BELOW the eventual sale price instead. While examples such as this have become a common occurrence, you can increase the accuracy of the valuation by using a broker or appraiser who specializes in golf assets, an example being those certified by the SGA (Society of Golf Appraisers).

Continued on page 7

Below are some of the common mistakes we regularly come across in golf course appraisals. That being said, many brokers' valuations exhibit these same issues.

Price per Hole / Price per Acre – A favorite saying amongst our group is that "using price per hole to value a course is about as useful as price per blade of grass." While this approach may work for apartments (price per unit) or retail properties (price per square foot), a golf course is valued based on the financial performance of the business, with pricing metrics (such as CAP Rate or Gross Revenue Multiple) being adjusted based on a variety of factors. As an example, a 36-hole course covering 300 acres is worth approximately the same amount as an 18-hole course set on 200 acres, given that they both produce the same gross revenue and EBITDA.

Using Replacement / Reproduction Cost – While this may have been an acceptable approach for valuing golf properties in the past, that is certainly not the case today. Simply put, replacement cost has little relevance when very few new courses are being built. With a high availability of distressed courses well below replacement cost, investors would rather improve an existing property than build one from scratch, rendering the replacement cost obsolete.

Valuing the Business in Parts – Many valuations look at each business segment and determine how much that department adds to the overall value of the property. For example, they will analyze a golf resort as a hotel (stay & play), retail space (pro shop), restaurant, driving range, etc. In reality, buyers will look at the property as a single business entity, focusing only on each component when looking to establish a symbiotic relationship between departments, i.e. increased golf play resulting in increased food & beverage sales. Valuing a golf course in parts is only useful when those segments can be sold individually to separate investors, such as a resort property which can be split and sold as a hotel and golf course, or a property with excess land and residential lots.

They Missed Something Important – While this sounds like a broad topic, many individual factors may significantly impact the market's demand for a particular golf property. Common examples include ignoring necessary capital expenditures, failing to account for significant, one-time financial gains or losses (such as insurance settlements, extraordinary legal fees, etc.), failing to adjust financial statements for a new owner (removing income from member assessments, adding a professional management fee for an owner-operator, etc.) and over/underestimating the impact of the club's retained liabilities from refundable member deposits.

Applying Metrics Too Broadly – Many appraisers and brokers will simply apply a blanket GRM (Gross Revenue Multiple) of 1.0x and call it a day. In reality, this number can range from 0.5x to 2.0x based on a number of macro and micro economic factors. Macro factors include demographics (area population and income), market demand for golf and the level of local competition. Micro factors include course quality and architect, amenities offered, the amount of positive/negative cashflow, required capital expenditures, projected upside through expense reduction or revenue growth, etc.

Overestimating the Value of Land – With the financial meltdown from 2006 - 2010, the national construction/development market has suffered and as a result, land values have plummeted across the country. Without significant residential home construction and sales, owners of master planned communities and residential developments have experienced extreme difficulty selling lots for development. As a result, the inherent value of the land under a golf course (assuming it would be closed and repurposed) tends to be overstated in many appraisals. Similarly, courses valued with shovel-ready residential lots or excess developable land are regularly overstated. Investors know that they can't expect significant sales revenue for at least 3 – 5 years as the national housing market continues to recover and as a result, land values should be adjusted accordingly to take into account an investor's time, carry costs and risk.

Ultimately, no two golf courses are the same. Golf asset valuations are a complex process, as each property and location is unique. As an owner, it is important to remember that *something is only worth what an investor is willing to pay for it TODAY.* With 39 courses sold over the past 27 months, as well as over $500 MILLION in golf asset valuations since 2011, the National Golf & Resort Properties Group has the experience and insight necessary to navigate the valuation process, allowing golf owners and/or operators to make informed decisions regarding their business moving forward.

2012 Calendar Year Sales Activity— Historical Perspective

By Terence Vanek ◊ Terence.Vanek@marcusmillichap.com and Raymond Demby ◊ Raymond.Demby@marcusmillichap.com

The NG&RPG is excited to report that sales activity continued its upward trend during the second half of 2012. Approximately 60 golf course transactions were recorded, compared with 55 similar transactions during the 2nd half of 2011. This represents a year over year (YoY) semi-annual increase of 9.1%, but that number is low since sales that closed in the last two months of 2012 may not be reported until 2013. When combined with data from the first six months of the year, 2012 as a whole saw 151 total transactions.

Essentially, 41.12% more courses changed ownership this year versus last (2011: 107 sales / 2012: 151 sales). While a significant percentage of that activity was the continued trend of golf course sales under $1 million (31.6%), this is actually a positive sign and a healthy marker for the transaction market moving forward. The majority of these deals represented an inventory clear-out of rural and agricultural golf assets that were either repositioned into better land use, or auctioned off at below market levels from sellers eager to part with non-core investment pieces. As a corollary, 2012 was highlighted by a number of golf listings that sold well below their original list price, mainly a sign that sellers have finally been able to meet current market conditions. The average sale price as a percentage of list was 56.94% for the entire market. The NG&RPG proudly outperformed that benchmark, selling courses at an average of 91% of its original listing price.

If, as we did in our Semi-Annual Market Update for the 1st half of 2012, we carve out the smallest and largest transaction outliers, and instead focus exclusively on courses selling in the $1 - $10 million range, average sale price increased from $3,145,963 in 2011 to $3,252,359 during the 2nd half of 2012, perhaps a harbinger for a market upswing heading into 2013. In fact, after double digit price declines in each of 2008 (15.1%) & 2009 (11.6%), and less than 3% price declines in each of 2010 & 2011, 2012 marked the first year in five that the average price of all golf course sales improved, which needless to say is an exciting development for us all.

RECENT SALES

Course Name	Sale Price	Sale Date	Market	State	# Holes	Acres	Club Type	Gross Revenue - EBITDA
Cordillera Golf Club	$ 14,200,000	12/28/2012	Cordillera	CO	63	780	Resort	Confidential
The Seagate Country Club	$ 11,289,220	10/18/2012	Delray Beach	FL	18	116	Private	Confidential
Ford's Colony Country Club	$ 7,650,000	11/30/2012	Williamsburg	VA	54	510	Semi-Private	Confidential
Beachview Golf & Tennis Club	$ 6,657,000	11/16/2012	Fort Myers	FL	18	152	Daily Fee	Confidential
Lakota Canyon Golf Club	$ 6,000,000	7/15/2012	New Castle	CO	18	342	Daily Fee	Confidential
Venetian Bay Golf Club	$ 5,500,000	9/28/2012	New Smyrna Beach	FL	18	1,425	Private	Confidential
Golf Club of Amelia Island	$ 4,900,000	7/13/2012	Amelia Island	FL	18	161	Resort	Confidential
Meadow Creek Golf Course	$ 4,700,000	12/10/2012	Boston	MA	18	62	Daily Fee	Confidential
Mountain Branch Golf Club	$ 3,600,000	8/31/2012	Joppa	MD	18	280	Semi-Private	Confidential
Eagle Ridge	$ 3,500,000	12/5/2012	Ocala	FL	36	285	Semi-Private	Confidential
*Foxfire Resort & CC / *CC at Whispering Pines	$ 3,400,000	11/6/2012	Foxfire Village	NC	36	684	Resort / Private	Confidential
Martin Downs Country Club	$ 3,161,800	10/25/2012	Palm City	FL	36	362	Private	Confidential
Falcon Ridge Golf Club	$ 2,800,000	8/31/2012	Mesquite	NV	18	122	Daily Fee	Confidential
Tiger Point Golf Club	$ 2,700,000	12/17/2012	Gulf Breeze	FL	27	350	Semi-Private	Confidential
The Palencia Club	$ 2,600,000	11/13/2012	St. Augustine	FL	18	193	Private	Confidential
Scenic Hills Country Club	$ 2,200,000	7/1/2012	Pensacola	FL	18	150	Private	Confidential
Hunters Point Golf Club	$ 2,050,000	8/7/2012	Lebanon	TN	18	129	Daily Fee	Confidential
Serenoa Golf Club	$ 2,000,000	12/7/2012	Sarasota	FL	18	233	Daily Fee	Confidential
Hidden Creek Golf Club	$ 2,000,000	11/21/2012	Navarre	FL	18	185	Semi-Private	Confidential
Magnolia Point Golf and Country Club	$ 1,830,000	7/31/2012	Jacksonville	FL	27	225	Semi-Private	Confidential
Cahoon Plantation	$ 1,626,680	7/31/2012	Chesapeake	VA	18	71	Semi-Private	Confidential
Radisson Greens Golf Course	$ 1,600,000	10/25/2012	Syracuse	NY	18	150	Daily Fee	Confidential
Scottish Meadow Golf Club	$ 1,600,000	8/2/2012	Warren	MA	9	48	CLOSED (Repurposed)	Confidential
Echelon Golf & Country Club	$ 1,550,000	8/31/2012	Alpharetta	GA	18	332	Private	Confidential
Locust Hills Golf Course	$ 1,400,000	7/16/2012	Lebanon	IL	18	109	Daily Fee	Confidential
Bath Country Club	$ 1,395,000	7/5/2012	Portland	ME	18	180	Private	Confidential
Wildwood Country Club & Inn	$ 1,050,000	9/1/2012	Tallahassee	FL	18	164	Resort	Confidential
Shalimar Pointe Golf & Country Club	$ 1,000,000	11/28/2012	Shalimar	FL	18	133	Semi-Private	Confidential
Virginia National Golf Club	$ 1,000,000	9/17/2012	Bluemont	VA	18	195	Daily Fee	Confidential
Stonecrest Golf Club	$ 950,000	9/14/2012	Summerfield	FL	18	169	Daily Fee	Confidential
Tanglewood Country Club	$ 850,000	10/23/2012	Chagrin Falls	OH	18	132	Private	Confidential
Great Bear Golf Club	$ 850,000	9/19/2012	Allentown	PA	18	225	Semi-Private	Confidential
Links at Greenfield Plantation	$ 850,000	8/17/2012	Bradenton	FL	18	172	Daily Fee	Confidential
Javier's Fresno West Golf Course	$ 800,000	10/7/2012	Kerman	CA	18	161	Daily Fee	Confidential
Bougainvillia	$ 800,000	10/4/2012	Laveen	AZ	18	104	Daily Fee	Confidential
Temple Hills Country Club	Confidential	12/27/2012	Franklin	TN	27	280	Private	Confidential
Bermuda Run Country Club	Confidential	12/27/2012	Advance	NC	36	400	Private	Confidential
Firethorne Country Club	Confidential	12/27/2012	Marvin	NC	18	123	Private	Confidential
Legacy Golf Club	Confidential	12/27/2012	Bradenton	FL	18	217	Daily Fee	Confidential
Steel Canyon Golf Club	Confidential	12/27/2012	Sandy Springs	GA	18	271	EXECUTIVE - Par 3	Confidential
LOAN SALE | CC @ Woodmore	Confidential	12/24/2012	Mitchellville	MD	18	225	Private	Confidential
The Ritz Carlton Golf Club & Spa	Confidential	12/4/2012	West Palm Beach	FL	18	137	Private	Confidential
Olde Stonewall GC	Confidential	8/31/2012	Ellwood City	PA	18	183	Daily Fee	Confidential

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