LEISURE INVESTMENT PROPERTIES GROUP

GOLF ♦ MARINAS ♦ SKI ♦ RESORTS ♦ PLANNED COMMUNITIES

Semi-Annual Market Update

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GOLF & RESORT INVESTMENT REPORT

2nd Half 2017

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RECENTLY SOLD

Persimmon Golf Club— 18-Holes

Portland, OR

Marcus & Millichap

State of the Golf Investment Market

By Steven Ekovich ◊ Steven.Ekovich@MarcusMillichap.com

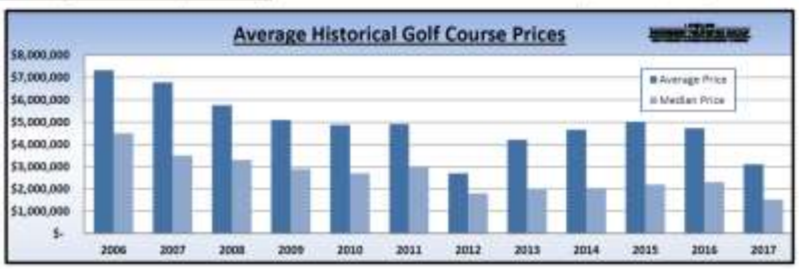
Weather & Rounds ⇔ | Income ⇔ | Median & Average Price ⇩ | Net Golf Course Closings ⇧ | Taxes ⇩ | Club Corp ⇧ | Stock Market ⇧ Interest Rates ⇧

This year was another year of contradictions for golf course owners and investors, as both external and internal factors challenged the golf industry. What does this mean to you as a course owner and how should you prepare?

LIPG - National Golf Course Sales History

	# of Sales	Average Price	% Change	Lowest Price	% Change	Highest Price	% Change	Median Price	% Change
2006	91	$ 7,326,883	N/A	$ 1,100,000	N/A	$ 39,500,000	N/A	$ 4,500,000	N/A
2007	97	$ 6,778,325	-7.49%	$ 559,000	-49.18%	$ 58,000,000	47%	$ 3,500,000	-22.22%
2008	108	$ 5,757,172	-15.06%	$ 595,000	6.44%	$ 50,575,000	-12.80%	$ 3,300,000	-5.71%
2009	97	$ 5,089,742	-11.59%	$ 500,000	-15.97%	$ 50,000,000	-1.14%	$ 2,900,000	-12.12%
2010	144	$ 4,873,308	-4.25%	$ 250,000	-50.00%	$ 40,000,000	-20.00%	$ 2,700,000	-6.90%
2011	110	$ 4,912,103	0.80%	$ 275,000	10.00%	$ 73,525,000	83.81%	$ 3,000,000	11.11%
2012	159	$ 2,700,215	-45.03%	$ 250,000	-9.09%	$ 30,000,000	-59.20%	$ 1,802,500	-39.92%
2013	145	$ 4,211,889	55.98%	$ 366,450	46.58%	$ 48,520,000	61.73%	$ 2,000,000	10.96%
2014	181	$ 4,661,645	10.68%	$ 266,800	-27.19%	$ 60,000,000	23.66%	$ 2,045,000	2.25%
2015	132	$ 5,012,316	7.52%	$ 263,250	-1.33%	$ 47,000,000	-21.67%	$ 2,195,000	7.33%
2016	123	$ 4,718,947	-5.85%	$ 500,000	89.93%	$ 50,000,000	6.38%	$ 2,300,000	4.78%
2017	114	$ 3,105,611	-34.19%	$ 520,000	4.00%	$ 30,700,000	-38.60%	$ 1,525,000	-33.70%
TOTAL	1,501	$ 4,771,301	-31.59%						

Outliers Removed (<$500k or >$75m)



***Data Courtesy of the Leisure Investment Properties Group of Marcus & Millichap Real Estate Investment Services: www.LeisurePropertiesGroup.com

Rounds, Revenue and Course Closings

Let's start with the easy one. Golf utilization and rounds are about the same, year over year, as are playable days. We have not made much headway, but we didn't lose either. With 2017 rounds up only 0.6% and another year of net loss for golf courses nationwide (which seems to be the case every year) at some point, rounds per course and price per round must improve. The net course closings of (150) per year have been a consistent average since 2006, with the majority of losses this year in private courses, which is different from the past. In the last six years, most of the closings have been in 9-hole and public golf courses that were functionally obsolete and poorly located. In 2015, The Pellucid Report predicted that golf may only need four more years to reach supply equilibrium, however, this year they increased that to seven years. No one knows for sure, because if we can sustain the current participation rate or grow-it, the time frame for equilibrium could be shorter, (cont. on pg. 5)

BUYER SENTIMENT: 2017 YEAR IN REVIEW

By Christopher Karamitsos ◊ Christopher.Karamitsos@MarcusMillichap.com

First, The Macro Economic Picture

Commercial Real Estate fundamentals remained healthy in 2017. This is the 9th consecutive year of expansion for the real estate industry whose current cycle has managed to avoid over-leveraging and over-building; two key factors that contributed to the last bubble bursting. Absent those elements; confidence remains high in the safety and future performance of the real estate market. With new tax laws being favorable to the economy, real estate and golf course investments, the uncertainty and "wait and see" approach by both sellers and buyers should yield to increased clarity and decisiveness. Investors are now free to focus on the best way to improve returns and re-deploy their investment capital. However, low unemployment coupled with the stimulative nature of the new tax laws could result in higher inflation and a rise in interest rates, which would affect golf course values. Owners should be cognizant of this as they update their hold-sell-exchange strategy. Active golf course sellers, as well as those only contemplating dispositions, currently have a window of opportunity to take chips off the table while interest rates are low, and buyers can lock-in those rates for acquisitions that lenders deem as leverage-appropriate.

Looking Back at 2017

With 2017 in the rearview mirror, we are still parsing sales data that may not be entirely available until sometime in Q-2. Preliminary indications are that the number of actual golf transactions declined as did the median transaction price (see ***Sales Activity***, pg. 10) . The industry inched its way closer toward equilibrium as the number of golfers held steady at $23.8M while inventory shrank by 150 courses (a positive trend). Much has taken place throughout 2017 that has shaped the buyer sentiment as best we understand it.

Certainly, the two biggest standouts from 2017 are a record-high stock market and major tax reform. The consensus is that that the new reforms to the tax code will, by and large, be good for the CRE market. There are some modifications within the 1031 exchange program that are less advantageous to sellers of golf assets (specifically those with significant amounts of personal property included in the sale) but in totality, the bill should foster increased investment into the golf airspace. As we predicted a year ago, the government's new tax policy is also expected to repatriate hundreds of billions of dollars of investment capital sitting off-shore, some of which will make its way into the CRE sector. The LIPG has already been involved in one golf course transaction this year that was consummated using repatriated funds. One of our investors moved cash that had been sitting in Europe, back into the US to redeploy and facilitate a golf course acquisition.

With respect to the stock market, aside from showing some extreme volatility in the early part of February, market capitalization of the DOW has exceeded the expectations of nearly all investors. Which begs the question: do investors believe the stock market is over-valued and due for a major correction? If so, and if the current economic growth spurs an increase in inflation, we should see more capital deployed into the golf airspace as a hedge maneuver, and possibly increase the number of golf transactions.

Who's Buying?

With the majority of transactions being in the $1M-$3M range, nationally, there has been an influx of first-time golf courses buyers entering the golf airspace. These buyers consist of PGA professionals or experienced golf operators who have a passion for the golf business and whose core competencies are firmly entrenched in the industry. Also, among first-time buyers are investors from the core CRE sector looking for higher yields and greater capital appreciation (the cross-over buyer). Over the course of the last 18 months, more than 60% of LIPG-facilitated transactions involved a cross-over buyer. While distressed opportunities are few, stressed deals are the most sought after among the investment community. These deals would be representative of courses whose turnaround is easily achievable through better business practices, some infusion of reinvention capital or economies of scale.
Additionally, redevelopment opportunities (repurposing of (failed or struggling golf assets) continue to garner significant

Under $1m		$1m - $3m		$3m - $10m		Over $10m	
Properties	*Buyers*	*Properties*	*Buyers*	*Properties*	*Buyers*	*Properties*	*Buyers*
- 9 Holes - Executive-Length - Public Course - Rural Location -Redevelopment	- Local Residents - Family Business - Small Partnership - Local Developer	- 18+ Holes - Regulation Length - Moderate Daily Fee - Small Private Club - Small Amount of Excess Land for Development	- 1st Time Owners - Entrpreneurial - Passion for Golf - Local/Regional Owners -Experienced Operators with Financial Partners - Crossover Buyers from Other Real Estate	- High-End Daily Fee - Moderate/High Private - Good Location/Demos - Metro/ Upscale Suburb - Within High-End Residential Community - MPC or Redevelopment in 2nd/3rd Markets	- Large, National Golf Course Owner-Operators - Regional Investors (10-15 Courses Owned) - Private Equity Firms - Paying 1x GRM - Prefer Private - Need Upside in Deal	- Extremely Exclusive Private or Resort Club - Luxury Master Planned Community (MPC) - Highly Desirable Redevelopment Site - Typically Includes Development or Resort	- Large, National Golf Course Owner-Operators - Major Developers/ Homebuilders - Major Hotel/Resort Operators - Golf is a Small Part of Overall Operation

BUYER SENTIMENT: 2017 YEAR IN REVIEW
(CONT. FROM PG 2)

interest in regions where demographics are strong, and a lack of developable acreage exists. This has been fueled by the increasing demand for new housing. Single-family, new-home starts rose 8.5% in 2017, climbing each year since hitting bottom in 2011. As a result, we have a $1.5M-golf course under contract to a home-builder for 10X that amount. (see chart pg. 2 for a detailed look at who's buying).

The Valuations

What we can infer from the declines in average price and deal volume is that investors remain very disciplined and that the bid/ask spread is an impediment. Profitable deals where sellers are seeking a 10% cap rate (10X EBITDA) still need to show incredible upside to trade at that price. A 10-multiple is widely regarded as overpriced for the golf sector. However, in the multifamily sector, stabilized, Class-A apartment product is trading at sub-5% cap rates (more than 20X EBITDA). Hence the migration of capital chasing higher returns.

Another wrinkle that is inherent to the sub-$5M tranche of golf assets is the gross revenue multiple (GRM). Even at a 12% cap rate (8X EBITDA), a property representing a GRM over 1.5X is considered aggressively priced. This would not be the case for golf assets with high 6-figure or even 7-figure EBITDA. These assets will trade on a cap rate basis (double-digit, minimum), investors would be seeking an IRR in the low to mid 20% unlevered and the GRM could near 2X.
With healthy real estate fundamentals, tax reform underway, low interest rates, shrinking golf course inventory, continued economic growth, concerns over inflation and billions of dollars in investment capital slowing being repatriated, we envision the golf transaction market to be on stable ground throughout 2018. ◊

NOT ALL COURSES FACING GLOOM & DOOM

By Robert Waldron ◊ Robert.Waldron@MarcusMillichap.com

I find it quite alarming that a number of real estate investors who have never owned a golf course asset and believe everything they read, assume that "All golf courses lose money". ***Au contraire mon ami!*** In recent years we have witnessed a dichotomy in the financial performance of golf course facilities with greater separation between the successful courses, and the struggling courses. The cream is definitely rising to the top! More and more courses with business oriented operators are attracting more customers, generating profits and creating returns for their investors.

How did we get here?

We all witnessed the overbuilding of golf courses from 1990 - 2000 which was fueled by the NGF notion that the golf industry needed to "build a course a day." Unfortunately, many of these courses opened during the development boom were built based on flawed feasibility studies using exaggerated assumptions. Many should never have been built and the result is the current excess supply. A decline in the growth of the number of golfers in concert with less rounds being played per golfer has yielded a wide gap between the supply of available tee times and the demand for those times.

Rates for daily fee tee times have become compressed reducing top line golf revenue. Private Clubs are also feeling the pain considering reductions or elimination of initiation fees, reduced memberships and flat dues lines. Operating golf courses has transitioned from an "If you build it, they will come" model to that of a competitive business. Business factors including location, marketing, product quality and customer service all contribute to differentiating profitable courses from unprofitable courses.

Positive signs for the future

As we discussed in our last issue, Wall Street has a new-found interest in golf. The investment community does not have a reputation for buying real estate based on emotion but rather on potential return on investment. Of course, these assets are being professionally managed and will always have the inherent real estate as a backup plan.

We work with numerous golf courses that consistently generate profits. Needless to say, these owners and operators do not toot their own horn in the press, preferring to invest capital back into their assets while quietly taking their profits to the bank. Every day I read about another Private Equity Club investing millions of dollars into a course renovation, clubhouse expansion or additional amenities. Multicourse owner/operators such as Concert Golf, ClubCorp and Arcis Golf continue to invest capital into their newly acquired courses as well as upgrading their existing facilities.

Traits of successful courses

During our analysis of successful courses we have noticed similar business trends that most profitable courses have in common: (cont. on pg. 5)

Capital Markets/ Course Financing

By Kody Tibbetts ◊ Kody.Tibbetts@MarcusMillichap.com

Now a year removed from President Donald Trump taking office, the golf investment market sits in a peculiar position. Over the past year, The Federal Reserve increased interest rates three times, each by a quarter of a basis point, signaling a growing economy. Labor markets continue to strengthen as the unemployment rate drops from 4.8% in the beginning of 2017 to 4.1% by year-end and 10-year Treasury yields continue to climb as longer-term rates feel upward pressure from continued economic prosperity. The question is how does all of this affect the golf investment market?

While the cost of capital continues to rise, the value of all real estate (including golf courses) decreases due to EBITDA covering less debt service and resulting in lower loan to value ratios and asset pricing. Over the past few years, golf course owners have been fortunate as interest rates have remained low, much lower than historical levels, leaving golf course values virtually unaffected. Now that rates are moving up, owners may start to see negative impacts in value, especially if a dramatic hike is issued. However, tax reform is likely to boost consumer spending and economic growth overall, hopefully translating to increased revenues, EBITDA, and golf course values. Therefore, we believe that the rate of growth within the economy could outweigh the cost of debt and negate golf course values from falling further than where they are today.

As far as lending goes for golf, investors are more likely to get financing if they have a relationship with the lender, experience as an operator, the right loan to value ratio and the required debt coverage ratio. So, who is financing? Local and regional banks, insurance companies, SBA financing and some sellers to name a few. The following table shows a list of lenders who have been willing to lend to golf investors in the past and an example of what terms would typically look like. ◊

Conventional Bank Loan:	Interest: 5.5-7.5%, points: 1%, term: 3-10 yrs., amortization: 20-25 yrs., LTV: 60-70%, DCR: 1.3-1.4, loan size: $750,000 and up/ Variable/floating rates: prime +1.5-2%=5.25% to 5.75%, term 10 yr., amortization: 20-25 yrs.
SBA Guaranteed Loan 7A Program:	Interest: 1.5-2.75% over prime, points: 0%, term: 25yrs., loan size up to $5M, amortization: 25 years
Life Company:	Interest: 5.75-7.0%, points: 1%, term: 5,10,15 yrs., amortization: 15, 20 or 25 yrs., LTV: 55-65%, loan size: $750K and up, pure land collateral value is important
Bridge Loan:	Interest 9-14% I/O term: 1-2 years, LTV: up to 65%, desire primary markets, cash flowing product
Hard Money:	Interest 10-15% 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 2/26/2018	

NOT ALL COURSES FACING GLOOM & DOOM
(CONT. FROM PG 3)

- Densely populated location
- Strong demographics
- Among leaders in market niche
- Maximize golf and clubhouse revenue
- **"Right-sized" expenses**
- Lean and efficient staffing structure
- Well-trained management and staff
- **Engage in "grow the game" initiatives**
- Market programs to entire family

There is no question that numerous courses continue to lose money every year. These include undermanaged municipal courses, poorly located daily fee courses, semi-private courses that are part of aging communities and private clubs suffering from deferred maintenance and declining memberships. These are the courses that the media has chosen to embrace and report. The specific situation surrounding each failing course must be analyzed to truly understand why they are losing money. There is no silver bullet that will successfully fix all unprofitable golf courses. Until equilibrium is reached between supply and demand, we will continue to see courses lose money and fail or be converted for alternative use such as residential development. However, the better-located courses with quality course conditioning and high levels of customer service will continue to provide owners with solid returns. Please do not share this positive news with the media, as they prefer to limit reporting exclusively to negative news.◊

STATE OF THE GOLF INVESTMENT MARKET
(CONT. FROM PG 1)

but if we lose more of our golfer base, it could be longer. What we do know, is as water always seeks its level, so too, will the golf industry's supply and demand.

Economic Uncertainty, Years of Flat Earnings, Little High-Quality Assets for Sale Affects Asset Pricing?

For the first time since 2012, both the median and average golf course values are down and <u>we mean, down significantly</u>. The average was down 31% and the most important measure, the median was down 22%. There are a number of factors likely at hand. What happened to the golf industry is not dissimilar from what just happened with the stock market in February. Both were due for a correction. The reason for golf was four consecutive years of increasing values in golf without the corresponding material increases in rounds, dues/average revenue per round or EBITDA. As we stated in our mid-year report, sales prices in all commercial real estate, are driven by EBITDA/NOI. If EBITDA/NOI is not increasing, values, typically, are flat. A significant amount of golf REO (bank foreclosures) hit the market in 2011-2014, driving values artificially low. We believe much of the bounce back from 2013-2016 was due to the fact buyers were betting they could fix poorly operated distressed properties and gain immediate value increases. Now, with very little distressed supply on the market from lenders, the golf industry will need real material gains in revenue and EBITDA/NOI to move the value needle. As higher end properties trade, the average and the median golf values will also rise. (*We do not count large portfolio sales like the Oki Golf's 10 course portfolio sale to a Chinese Conglomerate, or large golf resort sales, as they are not reflective of the average and median golf course true value. Likewise, golf courses that closed and sold for housing that artificially inflates values are not counted in the averages or medians*).

New Tax Bill Holds Favorable Prospects for Golf

New tax law retains key provisions for real estate investors. The highly anticipated tax reform recently signed into law by President Trump retained numerous key golf investor provisions. The 1031 tax-deferred exchange, the mortgage interest deduction for investment real estate and asset depreciation had few material changes. This consistency in tax law will enable golf investors to move forward with most of their existing investment strategies. That said, there are many provisions in the new tax law that will have a more nuanced effect on the golf sector, and these more subtle adjustments could create significant new opportunities for golf investors.

Finalization of tax rules to reduce uncertainty. Over the last year, elevated uncertainty generated by the range of potential government policy changes, including tax laws, caused many golf and non-golf investors to move to the sidelines. A more cautious outlook pervaded the industry as investor's awaited clarity on taxes, fiscal policy and a change in Federal Reserve leadership. This perspective could begin to ease as the implications of the new tax law firm up and investors better understand how the new rules will affect their investments. The new tax plan offers generous tax cuts to corporations and pass-through entities such as Limited Liability Companies (LLCs) and investors may see the new tax rules as an opportunity to reconfigure their portfolios. It also took out the mandate to buy insurance under the Affordable Health Care Act, known as Obama Care's penalty for not buying insurance. The new tax structure will apply to 2018 income for tax filings in 2019. (continued on page 6)

STATE OF THE GOLF INVESTMENT MARKET (CONT. FROM PG 5)

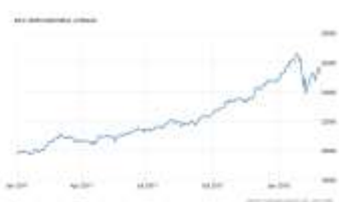
Reduced taxes on pass-through entities may boost capital flows. Perhaps more important than the modest changes to the core commercial real estate tax rules that investors have been most focused on is the reduction of taxes on pass-through entities. Owners of these types of companies will enjoy a 20 percent deduction on pass-through income, though there are several restrictions that will apply to this deduction. This favorable tax treatment will encourage investors to increasingly focus on after-tax yields when comparing their investment alternatives. On an after-tax basis, golf courses could offer a much stronger risk-adjusted return than options such as dividend stocks and bonds. This could entice additional passive capital to flow to the golf sector through syndicators, partnerships and other pass- through funds. This influx of capital, should it manifest, would create more demand for golf assets and, ultimately, could place upward pressure on EBITDA multipliers.

Expanded expensing rules benefit golf course real estate. Changes to the Section 179 depreciation rules will favor several niche real estate investments like golf courses. Under the revisions, business owners will be able to fully expense up to $1 million of depreciable, tangible, personal property used to furnish lodgings. Certainly, this would apply to any golf resort, golf "stay-and-play" property, and it may extend to clubhouses, we just aren't clear on this yet. This change will allow investors with investments such as stay-and-play golf resorts, hospitality, student housing and seniors housing to deduct the full cost of furniture placed in service at their properties rather than depreciating them over multiple years. The rules also extend to roofs, heating, ventilation and security systems in non-residential property. This provision is largely targeted toward small businesses, so the deduction phases out as business investment purchases exceed $2.5 million. (For the full impact of tax reform on real estate assets, please see page 7)

Fed Increases Interest Rates

On top of a market that was already lending restricted, we had another interest rate hike and likely one more by year-end, making the cost of money more expensive. The new Fed chairman will have to hike interest rates as the economy continues to heat up to ward off inflation. A higher cost of funds results in decreasing values.

Stock Market Volatility Is Back



After 109 months of steady Dow Jones Industrial increases, in February, the stock market went on a roller coaster ride that made even the most ardent investors queasy. The Dow could not go up indefinitely with no pull back, so after 109 months it happened. The industry pundits are telling us this is normal; we needed a break. Trillions of dollars of wealth where created since Trump was elected, from around 18,000 on the Dow, prior to his inauguration, to 26,000 as of 2/1/2018. All that new wealth will give both club members and daily fee golfers increased buying power, which is good for a sport that relies heavily on discretionary spending.

Apollo Acquisition of ClubCorp

It looks like it is business as usual at ClubCorp, with no real changes evident in their operations or acquisitions since the announced acquisition. As Club Corp has openly discussed the fact that they are not a golf company, but rather a membership company; ClubCorp has been implementing their capital reinvention plan with a focus on all the leisure activities that a family might desire as opposed to strictly golf. Now the question is, will Apollo find a symbiotic relationship with another leisure, entertainment or golf company to partner with and grow the sum of the parts into a greater whole? We will see. The long and short is, Apollo believes enough in our industry to put a $2B investment into it.

How Full Is Your Glass?

Golf's Glass is ½ Empty Crowd: For the half empty crowd, average and median course values are down 31% and 22% respectively. We have had no real growth in rounds, EBITDA and revenue in five years since the decline in golf course values ended in 2012. We had another decline in the number of golfers this year and we continued to lose millennial golfers.

Golf's Glass is ½ Full Crowd: The U.S. stock market has created trillions of dollars in net worth yet we continue to lose 150 net courses a year. The U.S. economy is steaming ahead at its fastest pace in eight years. We had major tax reform

STATE OF THE GOLF INVESTMENT MARKET

(CONT. FROM PG 6)

that will put more money into commercial real estate, (commercial real estate yields are so compressed investors looking for yield will start to look at golf opportunities) and tax reform provided some unique advantages to golf course owners. Apollo believes in golf and put $2B where their belief was, Tiger may be making a come-back, TopGolf is creating interest in golf (some will trickle to green grass courses); Get Golf Ready, Golf 2.0, USGA9, First Tee, and PGA Junior League are all trying to grow golf and the Tour's "Young Guns" (Spieth, McElroy, Day, Fowler) are driving interest from the millennial generation. ◊

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TAX REFORM: 2017 TAX LAW vs. 2018 TAX CUTS AND JOBS ACT

Provision	Old Tax Law (2017)	Tax Cuts and Jobs Act (provisions effective beginning 2018)
Like-Kind Exchanges	Available under current law for property held for investment	Retained for real property only (real estate).
Business Interest Deductibility	Fully deductible for all businesses	Fully deductible for real estate businesses with some exceptions. Limits on interest deductibility apply to firms outside of real estate with exception for businesses with average annual gross receipts of less than $25 million over past three years.
Depreciation of Buildings	Residential 27.5 years, nonresidential 39 years	If the mortgage interest deduction is used, then the depreciation timeline for commercial properties increases to 40 years and for residential properties it rises to 30 years.
Carried Interest	Taxed at capital gains rates if held at least a year	Taxed at capital gains rates if held at least three years.
Business Tax Rates	Flow-through entity: Maximum rate of 39.6% REIT dividend maximum rate of 39.6% Corporation: Maximum Rate of 35%	Flow-through entity: 20 percent deduction available for qualified pass-through income with some exceptions. REIT dividends eligible for 20 percent deduction. Corporation: Maximum rate of 21 percent. Flow-through entity deduction sunset after 2025. Corporate rate cut permanent.
Active Losses	Fully deductible against active income	Deduction of net active pass-through losses against wage or portfolio income limited to $500,000 (married filers) and $250,000 (single filers). Disallowed losses may be carried forward as part of a taxpayer's net operating loss. Provision effective through 2025.
Individual Tax Rates	Seven brackets ranging from 10 percent to 39.6 percent; highest rate effective at $418,400 (single filers)/$470,700 (married filers).	Seven tax brackets ranging from 10 percent to 37 percent. Highest rate effective at $500,000 (single filers)/$600,000 (married filers). Rate structure expires after 2025.
Standard Deduction	Single: $6,350, Married: $12,700	Single: $12,000, Married: $24,000.
State and Local Taxes (SALT)	State and Local Taxes (SALT) deductible. Available deduction declines for income above $266,700 (single), $320,000 (married).	$10,000 limit on deduction of state and local taxes including property tax and either income tax or sales tax.
Mortgage Interest Deduction (personal)	Deduct interest for primary or secondary residence up to $500,000 (single) or $1,000,000 (married). Home Equity Line of Credit deductible up to $100,000	Deduct interest for primary or secondary residence up to $750,000. Home Equity Line of Credit no longer deductible. Loans prior to Dec. 16, 2017, grandfathered.
Estate Tax	$5.49 million ($10.98 million per couple) exclusion, 40 percent rate, and stepped-up basis for inherited assets	Exclusion doubled. Stepped-up basis retained. Provision after 2025 and tax reverts to current law exemption amount indexed for inflation.

2017 Sales Activity — The $1M-$10M Investment Tranche

By Kody Tibbetts ◊ Kody.Tibbetts@MarcusMillichap.com

The below analysis focuses specifically in the $1M - $10M investment tranche – generally considered the most important subset of golf-specific transaction activity. These values are driven primarily by property fundamentals specific to the business of golf, and therefore most telling towards overall investor sentiment. All sales figures previously presented in the "State of the Golf Investment Market" are derived from analysis of a larger universe of golf transactions, those between $250K—$75M, and therefore differ.

The Leisure Investment Properties Group tracked a total of 114 golf course transactions in 2017. The volume of transactions was slightly below years past and overall, we saw fewer high-end asset sales and many more transactions in the $1M to $3M range which led to a decrease in both average and median golf course sale prices. Focusing on the "core" $1M to $10M investment tranche (65%), the average sale price was $3,164,427, which is down approximately 6% from both 2015 & 2016, when they were $3,363,985 & $3,360,881, respectively. The median price point fell from $2,800,000 in 2016 to $2,500,000 in 2017, nearly an 11% decrease. The slight dip in both metrics didn't come as a surprise to us because we noticed a spike in smaller transaction sizes at the halfway mark of 2017 and predicted that trend would continue due to sellers getting little to no walk away cash and tougher financing terms. Looking Forward to 2018, the golf industry will need real material gains in revenue and EBITDA/NOI to move the value needle. Another trend we noticed this year was the number of golf courses being redeveloped into single-family housing or different commercial purposes. In total, we tracked 23 golf course redevelopment transactions this year which was double of what it was in 2015 & 2016. Now that golf course values have come down, some owners are choosing to take on a long and strenuous redevelopment process to find a better return. *(Golf course redevelopment transactions were not included in our research above because they would inflate the values of golf.)* ◊

RECENT SALES

Course Name	Sale Price	Sale Month	Market	State	# Holes	Acres	Club Type	Gross Revenue - EBITDA
Kingsmill Resort & Spa	$30,700,000	March	Williamsburg	VA	54	2900	Resort	Confidential
Carlton Oaks Country Club	$16,000,000	May	Santee	CA	18	104	Daily Fee	Confidential
Plantation on Crystal River	$15,500,000	January	Crystal River	FL	27	232	Resort	Confidential
Hidden Creek Country Club	$14,000,000	October	Reston	VA	18	158	Daily Fee	Confidential
Elmwood Country Club	$13,000,000	August	Greenburgh	NJ	18	100	Private	Confidential
Philmont Country Club	$10,000,000	February	Huntingdon Valley	PA	36	295	Private	Confidential
Forest Creek Golf Club	$9,600,000	December	Pinehurst	NC	36	340	Private	Confidential
The Woodmere Club	$9,042,047	April	Woodmere	NY	18	110	Private	Confidential
The Muttontown Club	$9,000,000	October	East Norwich	NY	18	120	Private	Confidential
Emerson Golf Club	$8,500,000	October	Emerson	NJ	18	135	Daily Fee	Confidential
Vellano Country Club	$8,160,000	February	Chino Hills	CA	18	269	Private	Confidential
Sterling Hills Golf Club	$6,090,000	October	Camarillo	CA	18	154	Daily Fee	Confidential
The Dormie Club	$5,600,000	Novemeber	Pinehurst	NC	18	309	Daily Fee	Confidential
Sand Barrens Golf Club	$5,000,000	October	Cape May	NJ	27	238	Daily Fee	Confidential
Suneagles Golf Club	$5,000,000	August	Eatontown	NJ	18	171	Daily Fee	Confidential
Twin Rivers Golf Club	$4,926,700	April	Oviedo	FL	18	307	Daily Fee	Confidential
River Bend Country Club	$4,500,000	June	West Bridgewater	MA	18	167	Daily Fee	Confidential
Point Roberts Golf & Coutnry Club	$4,450,000	July	Point Roberts	WA	18	194	Daily Fee	Confidential
Canyon Ridge Golf Club	$4,000,000	October	Rising Fawn	GA	18	182	Daily Fee	Confidential
Colony West Golf Club	$4,000,000	May	Tamarac	FL	36	282	Daily Fee	Confidential
Bellview Biltmore Golf Club	$3,800,000	June	Bellair	FL	18	136	Daily Fee	Confidential
Castle Creek Golf Club	$3,793,500	October	Escondido	CA	18	133	Daily Fee	Confidential
Decatur Country Club	$3,700,000	May	Decatur	AL	18	90	Semi-private	Confidential
Medina Golf & Country Club	$3,668,000	Septemeber	Medina	MN	27	198	Private	Confidential
Meadowbrook Golf Club	$3,629,154	October	Tulsa	OK	18	160	Private	Confidential
Chula Vista Golf Club	$3,638,000	December	Chula Vista	CA	18	168	Daily Fee	Confidential
River Crossing Country Club	$3,500,000	September	Spring Branch	TX	18	326	Private	Confidential
Dismal River Golf Club	$3,500,000	January	Sand Hills	NE	36	245	Resort	Confidential
Arrowhead Country Club	$3,500,000	April	San Bernardino	CA	18	107	Private	Confidential
St. James Bay Golf Resort	$3,250,000	August	Carrabelle	FL	18	370	Daily Fee	Confidential
Wildhorse Golf Club	$3,250,000	April	Davis	CA	18	165	Public	Confidential
Sandpines Golf Links	$3,150,000	December	Florence	OR	18	173	Daily Fee	Confidential
The Sinatra Resort & Country Club	$3,100,000	April	Rancho Mirage	CA	18	104	Private/Resort	Confidential
Eagle Ridge Golf Club	$3,050,000	January	Lakewood	NJ	27	188	Semi-private	Confidential
The Courses at London Bridge	$3,000,000	June	Havasu	AZ	36	200	Daily Fee	Confidential
Bobcat Trail	$2,950,000	June	North Port	FL	18	113	Daily Fee	Confidential
Andover Golf & Country Club	$2,950,000	April	Lexington	KY	18	170	Daily Fee	Confidential
Bridlewood Golf Club	$2,805,074	August	Flower Mound	TX	18	204	Daily Fee	Confidential
Halifax Plantation Golf Club	$2,500,000	October	Ormond Beach	FL	18	195	Daily Fee	Confidential
Eagle's Nest Country Club	$2,500,000	February	Phoenix	MD	18	210	Private	Confidential
Wildwood Golf &Country Club	$2,450,000	December	Cape May	NJ	18	364	Private	Confidential
Westmoreland Country Club	$2,400,000	February	Export	PA	18	65	Private	Confidential
Alpharetta Athletic Club: West Course	$2,350,000	November	Alpharetta	GA	18	139	Private	Confidential
Laughlin Ranch	$2,175,000	June	Bullhead City	AZ	18	156	Daily Fee	Confidential
North Hills Country Club	$2,100,000	February	Glenside	PA	18	110	Private	Confidential
Rio Pinar Golf Club	$2,000,000	December	Orlando	FL	18	193	Daily Fee	Confidential
Springfield Coutnry Club	$1,985,000	March	West Springfield	MA	18	180	Private	Confidential
Wiltwyck Golf Club	$1,900,000	December	Kingston	NY	18	122	Private	Confidential
Warren Valley Golf Course	$1,900,000	June	Dearborn Heights	MI	18	220	Daily Fee	Confidential
Oak Harbor Golf Club	$1,800,000	March	Slidell	LA	18	200	Daily Fee	Confidential
Sun Dance Golf Course	$1,700,000	February	Nine Mile Falls	WA	18	89	Daily Fee	Confidential
Stonington Country Club	$1,525,000	March	Stonington	CT	18	154	Private	Confidential
The Legacy Golf Club	$1,500,000	July	Henderson	NV	18	177	Daily Fee	Confidential
Mission Royale Golf Course	$1,500,000	November	Casa Grande	AZ	18	120	Daily Fee	Confidential
The Falls Resort & Golf Club	$1,500,000	January	Falls of Rough	KY	18	250	Resort	Confidential
Meadia Heights Golf Club	$1,424,575	December	Lancaster	PA	18	127	Private	Confidential
Coppertop at Cherokee Hills GC	$1,400,000	May	Valley City	OH	18	70	Daily Fee	Confidential
Villa De Paz Golf Course	$1,300,000	December	Phoenix	AZ	18	118	Daily Fee	Confidential
Club West Golf Club	$1,300,000	October	Phoenix	AZ	18	158	Daily Fee	Confidential
Seven Hills Golfers Club	$1,275,000	August	Spring Hill	FL	18	130	Daily Fee	Confidential
Rio Bravo Country Club	$1,250,000	June	Bakersfield	CA	18	190	Private	Confidential
Coffee Creek Golf Course	$1,250,000	January	Edmond	OK	18	182	Daily Fee	Confidential
Sandpiper Golf Club	$1,244,300	September	Lakeland	FL	18	99	Daily Fee	Confidential
Grandview Golf Club	$1,205,000	May	York	PA	18	88	Semi-private	Confidential
Pinewood Country Club	$1,150,000	June	Slidell	LA	18	59	Semi-Private	Confidential
Laurel Valley Golf Course	$1,150,000	March	Townsend	TN	18	118	Private	Confidential

x $1M Sales Not Shown

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