

LEISURE INVESTMENT PROPERTIES GROUP

GOLF ♦ MARINAS ♦ SKI ♦ RESORTS ♦ PLANNED COMMUNITIES

Semi-Annual Market Update

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GOLF & RESORT INVESTMENT REPORT

Year of 2018

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STATE OF THE GOLF INVESTMENT MARKET

By Steven Ekovich ♦ Steven.Ekovich@MarcusMillichap.com

WEATHER & ROUNDS ↓ | INCOME ↓ | MEDIAN & AVERAGE PRICE ↑ | NUMBER OF TRANSACTIONS ↓ | NET GOLF COURSE CLOSINGS ↓ | OFF COURSE GOLF INTEREST ↑ | STOCK MARKET ↓ | INTEREST RATES ↑

This year was an interesting year for golf course owners and investors, as “weather” was the proverbial “four-letter word”. Bad weather drove both playable hours and rounds down. As a consequence, there was no growth in revenue on average. However, golf course values were up this year in the face of these headwinds. What does this mean to you as a course owner and how should you prepare?

RECENTLY SOLD



Winchester Country Club
18 Holes—Meadow Vista, CA

ROUNDS YTD
DECEMBER 2018

U.S. TOTAL YTD: -4.8%
PUBLIC ACCESS: -4.7%
PRIVATE: -5.4%



Rounds Played - YoY Change

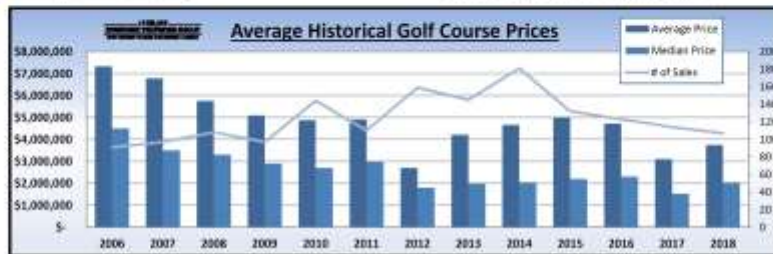


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LIPG - National Golf Course Sales History

Year	# 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	\$ 5,089,762	-11.55%	\$ 500,000	-15.97%	\$ 50,000,000	-1.34%	\$ 2,900,000	-12.12%
2010	164	\$ 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	\$ 2,706,115	-45.03%	\$ 250,000	-9.09%	\$ 30,000,000	59.20%	\$ 1,802,500	-39.92%
2013	143	\$ 4,211,889	55.98%	\$ 166,450	46.58%	\$ 48,520,000	61.73%	\$ 2,000,000	10.96%
2014	181	\$ 4,663,845	10.84%	\$ 266,800	-27.18%	\$ 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	\$ 4,758,947	-5.85%	\$ 500,000	89.93%	\$ 50,000,000	6.38%	\$ 2,300,000	4.78%
2017	114	\$ 3,105,611	-34.19%	\$ 500,000	4.00%	\$ 30,700,000	-38.60%	\$ 1,525,000	-33.70%
2018	107	\$ 3,742,962	20.49%	\$ 500,000	-3.85%	\$ 41,948,500	36.64%	\$ 2,046,418	34.19%
TOTAL (2006-2018)	1,608	\$ 4,837,701							

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



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

Fig. 1 (We do not count large portfolio sales, 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).

Rounds, Revenue and Course Closings

Golf utilization was up by 1% according to Pellucid Corp Report, playable hours were down and so were rounds, year over year. In 2018 available playable hours were down 6.2% vs. 2017. The 1% decline in the supply of courses mitigated the decline in rounds. Pellucid calculated the annual rounds for a EHE (18 hole equivalent) was down from 33K to 31.7K. According to the NGF, 205 courses closed, 15 courses opened, giving us a net of 190 closures. However, an unprecedented number reopened (96) after renovations. We would be saying, excitedly, “another year of net loss of almost 200 golf courses nationwide” (which seems to be the case every year) but with 96 reopening, (continued on page 5)...

BUYER SENTIMENT: 2018 YEAR IN REVIEW

By Terence Vanek ◊ Terence.Vanek@MarcusMillichap.com

First, The Macro Economic Picture

Unlike most commercial real estate, Multifamily, Apartments, Retail etc., Golf Industry performance has yet to follow that of our US macroeconomic performance. The current economic expansion cycle buoyed by strong fundamentals has fueled healthy revenue growth and greater profit margins across core commercial real estate, but in our airspace golf has been an outlier.

Golf has yet to see any real growth in rounds, EBITDA or revenue in six years since the decline in golf course values ended in 2012. Furthermore, stock market volatility towards the end of 2018 and fears of an inflated yield curve have many on alert for a possible advancing recession. The stock market has since corrected, but caution remains. How are buyers reacting?

Stock Market Volatility

Despite those fears, Commercial Real Estate fundamentals remained healthy in 2018, and investors are still pursuing, albeit cautiously, good opportunities. With healthy real estate fundamentals, tax reform underway, low interest rates, a fragmented airspace, continued economic growth, and billions of dollars in investment capital slowly being repatriated, the golf investment market will present opportunities for the savvy investor moving forward.

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?

In fact, 2018 showed evidence to that exact possibility, as new players and cross-over buyers chasing yield continue to inquire about golf opportunities, looking to move out of an overbought stock market. As always, first-time golf course buyers entering the golf airspace - PGA professionals or

experienced golf operators, groups of private individuals who have a passion for the game of golf (doctors, lawyers, high net worth individuals) - still actively pursue \$1M—\$3M opportunities.

Perhaps the most active group though, are those looking for redevelopment opportunities, specifically in regions with strong demographics and a lack of developable acreage, whereby the value of the course's underlying land far exceeds the golf asset itself.

The Valuations

Valuations, apart from cash flow, prioritize memberships and golf related revenue above all else, prefer strong Tier 1 markets with strong demographics, and little deferred capital expenditures. Based on these parameters, deal-flow has provided a range of between 10% - 16% cap rates through 2018. Institutional class investors generally acquire in the 10% - 12% range, focusing more on private clubs with dependable membership revenue and easily identifiable upside.

On the rare occasion, a non-golf entity may pursue an 10% cap for strong, dependable cash flow, strictly a result of the improved yield over alternative investment opportunities. Profitable deals where sellers are seeking a 10% cap rate (10X EBITDA) still need to show substantial upside to trade at that price. Regardless, sophisticated investors widely challenge an 10% cap as overpriced.

Smaller transactions often classify at the higher 12% - 14% range, with lower golf related revenue and a more diverse business mix the cause. For the sub-\$3M tranche of golf assets, gross revenue multiple (GRM) is still the most widely used pricing metric. 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 trade on a cap rate basis (double-digit, minimum), and investors seek an IRR in the low to mid 20% unlevered and the GRM could near 2X. ◊

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

ALTERNATIVE GOLF - HELPING OR HURTING COURSES?

By Chris Karamitsos Christopher.Karamitsos@MarcusMillichap.com & Robert Waldron Robert.Waldron@MarcusMillichap.com ♦

The buzz at the PGA Show this year seemed to center around technology. Nearly everyone we spoke to wanted to tell us about the latest technology innovations for their product. Drivers are now being built using artificial intelligence. Range finders and GPS continue to improve their features, however we were most impressed by the advancement golf simulators which are now incorporating Trackman type features such as statistics and ball flight.

Increased innovation of golf simulators continues to spur the growth of indoor driving ranges providing an opportunity for golfers to enjoy the game when they otherwise could not get out on a green grass course such as at night and during extreme weather conditions. An added benefit of installing simulators, is that they provide an incentive for increased visits to the property and subsequently added revenue sources.

Most of us have followed the growth of the golf themed family entertainment centers led by Top Golf which is now approaching 60 locations throughout the US. A rival concept, Drive Shack, has opened their first location in Orlando and has three more locations under construction. 4FORE! Golf opened its first location in Lubbock, Texas. Each of these concepts are played outdoors where the focus of activity is hitting shots at targets while playing a variety of games. Along with a variety of entertainment and food and beverage amenities. Pop Stroke, is being introduced in Port St. Lucie. Unlike Top Golf and Drive Shack, the focus at Pop Stroke is on playing a putting course. Pop Stroke also features indoor simulators where golfers can play as many as 200 different courses.

One golf course operator, ClubCorp has invested into Big Shots, an indoor simulator concept providing a variety of options including entertainment games, driving range and numerous golf course options. The concept can easily be installed into their owned and operated courses as well as other free-standing locations.

The Debate

The recent influx of off-course entertainment centers has served as the catalyst for an interesting debate. Are these entertainment centers good for golf? In other words, do they help create more traditional, green-grass facility patrons, or do they provide competition for those facilities siphoning away patrons? Two industry research organizations, the National Golf Foundation and the Pellucid Group have completely differing opinions. The NGF conducted an extensive survey

of Top Golf and its customers in 2017. They found that 23% of the over 1,500 people surveyed who have been playing golf for less than 3 years, started playing after their first Top Golf experience. They emphasize that more than half of the non-golfers who have visited Top Golf say that their experience has influenced their interest in playing traditional golf. A ringing endorsement? Not so fast, says Pellucid. In their “State of the Industry Report” presented at this year’s PGA Merchandise Show, they point out that 29% of visitors that already play golf report playing more golf. Pellucid interprets this to mean that 71% are playing the same amount or less; ergo, competition. They also point out that given the total player capacity of the average golf course vs. the average Top Golf, and factoring Top Golf’s recent expansion, Top Golf has added 12% of competitive inventory to the market. Pellucid raises one more very interesting and valid question. Its pretty much “settled science” that millennials have chosen recreational activities other than golf in which to invest their time and money. Given that 70% of Top Golf’s 34M visitors are millennials (under 35 years old), where is the evidence of green grass participation among that age group? Good Question.

Our supposition at the LIPG is that the “settled science” may not be quite so settled after all. Given how recent the phenomena of these off-course entertainment centers is, we may not know the conversion rate from the non-golfing Drive Shack or Top Golf patron, to green-grass golfer for several years. One would have to conclude that the lessons are not meant to teach patrons how to hit the “Drive Shack” sign at the end of the range and score 100 points. It is more likely to improve at golf played on grass. A representative from Drive Shack – Orlando, told us that he expects his facility to give nearly 2,000 lessons. Logic dictates that alternative golf in any form will likely prove to be a gateway to golf for thousands of people who may have been too intimidated to go directly to a green grass course.

As avid golfers, we have found that we enjoy visiting these facilities, particularly with non-golfers. However, they will never replace our weekly rounds on a green grass course. Alternative golf is just that, an alternative way to enjoy the game we love. These venues provide a wonderful non-threatening environment to introduce non-golfers to the game. During our visits to Top Golf and Drive Shack, it became readily apparent that the number of novice and inexperienced golfers far out-numbered the avid golfers. We believe that any way you can get a golf club in someone’s hands, particularly in an entertainment-driven environment, is positive for golf. ♦

PRIVATE CLUB RECAPITALIZATION - AN ATTRACTIVE INVESTMENT

By Robert Waldron ◊ Robert.Waldron@MarcusMillichap.com

Recently, we have received growing interest from the investment community in private member owned golf and country clubs. In fact, during the past year, LIPG has successfully represented several member groups in the sale of their clubs. These transactions typically involve equity recapitalization which has proven to be a win for all parties involved. Club members benefit by having a buyer assume the accumulated debt and liabilities of the club. The buyer also makes commitments to fund investment capital into upgrades and improvements to the course, facilities and amenities without assessing members. Meanwhile, a buyer benefits from being able to acquire club assets at a significant discount below replacement cost. The buyer is typically provided with a commitment from the existing members to continue to support the club moving forward.



In recent years, we have witnessed a growing dichotomy between upper tier private clubs and most other private clubs. The upper tier clubs are typically exclusive, high profile, full-service country clubs, rich in history and tradition offering superior golf courses and amenities will continue to be successful well into the future. The membership of these clubs is populated by wealthy successful members of American society and normally have waiting lists to gain entry despite required initiation fees. Subsequently these clubs are well-capitalized and routinely invest capital back into club facilities in the form of improvements and upgrades.

Dodging The Private Club Death Spiral

Meanwhile, numerous member owned private clubs have been feeling a financial pinch for quite some time, with aging and declining memberships and limited available capital to fund rapidly growing deferred maintenance on the golf course, the facilities and amenities. Many of these clubs have found themselves in what industry experts refer to as “the private club death spiral”. The death spiral often occurs when management mistakenly focuses its attention on cost controls and expense reductions instead of revenue generation and value growth.



Creating a Value Proposition

Many of these facilities have been slow to change with the times and insist on operating using an antiquated business model favoring exclusivity over inclusivity. It is these clubs that provide investors an excellent acquisition opportunity. A new buyer can be successful by investing in both the asset and the staff and following in the footsteps of the business model proven successful for upper tier clubs.

- ◊ **High level value proposition**
- ◊ **Focus attention to highly profitable revenue engine - membership growth and retention**
- ◊ **Premium levels of customer service**
- ◊ **Excellent course conditioning**
- ◊ **Well maintained and attractive facilities**
- ◊ **Variety of amenities targeting entire family**
- ◊ **Invest capital into asset repairs and replacement**
- ◊ **Ongoing upgrades and improvements of the asset**

Changing Lifestyles Impact on Clubs

Lifestyles and the use of disposable income continue to change. The club business has transitioned into the family entertainment business whereby clubs target ALL FAMILY MEMBERS as opposed to just Dear Old Dad. Management companies and ownership groups which focus strictly on private clubs have been very successful incorporating the family recreation and amusement concept into their business models. This has necessitated the implementation of family friendly activities such as cookouts, casual dining, fire pits, day care for children, teen oriented rooms and game nights as well as additional amenities such as racquet sports, resort style swimming pools, cigar lounges, fitness centers, business centers, game rooms, bocce courts, expanded driving range facilities and golf simulators.



In many cases, member owned clubs are simply not capable of changing their operating model which truly requires a “Control, Alt, Delete” such as a recapitalization. A new owner with a vision and sufficient capital can often be the difference between a club succeeding and failing. ◊

For more information about private clubs and alternative operating structures, please contact Rob Waldron at: (813) 387-4784

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STATE OF THE GOLF INVESTMENT MARKET

(CONT. FROM PG 1)

it becomes a murkier picture for 2018. At some point, rounds per course and price per round must improve. Since 2006 the net course closings have averaged between 150 & 200 per year with the majority of losses in the public, nine-hole and functionally obsolete private courses. We still have too much supply or not enough demand and equilibrium is still a few years out. No one knows for sure but if we can sustain the current participation rate or grow-it, the time frame for equilibrium could be shorter, maybe three to five years?

The great news is we now have three years of 23.8 million golfers, stemming the systemic losses YoY since 2011. It's interesting that committed golfers held steady for about four years at 20 million.

Interest Rates, Years of Flat Earnings -Effect on Golf Asset Pricing?

This year the number of golf course/ club sales was down to 107. The last time we had this few sales, was in 2009. The average was up 20.5% and the most important measure, the median, was up 34%. (see fig.1, Pg.1) In fact, median golf values are back to where they were in 2014 and the average is back to 2013 levels. So, while the news is good, the median golf values have not recovered to their 2016 highs after steady year over year growth that started in 2012. This year's increase in values indicates that 2017 was somewhat of an aberration. It also means that as we surmised in our last report, two years of interest rate increases combined with not having meaningful increases in rounds, revenue and EBITDA since 2012, may be the cause for the overall decline in golf values from the highs of 2016. We contend to have meaningful increase in values year over year, EBITDA must grow. While some clubs/courses have had increases in EBITDA, it can usually be attributed to either reinvention capital invested into assets driving new memberships or it's a result of expense reduction. What we have not seen yet in golf, is organic growth from excess golfer demand over the supply of existing golf assets driving both dues and greens fees.

Fed Increases Interest Rates Four Times

Policymakers ended a two-day meeting in December by voting to raise the central bank's benchmark interest rate to a range of 2.25 to 2.5 percent. This is the fourth rate-hike of 2018 and the ninth increase since the Fed began raising rates from near-zero three years ago. (See fig. 2 below) The Federal Reserve prefers to keep the fed funds rate between 2 and 5 percent. It's the sweet spot that maintains a healthy economy. That's where the nation's gross domestic product grows

between 2 percent and 3 percent annually. The current fed funds rate is 2.5 percent. The new Fed chairman will increase interest rates as the economy continues to heat up, in order to combat inflation. A higher cost of debt will result in decreased values for sellers, in turn pushing buyer going in yields higher. The danger on the horizon from these interest rates increases is an inversion of short-term bond rate yields above long-term yields. In the past when this happens it almost always predicted a recession. We are very close to an inversion right now. We will have another recession, but when. The caution in the 2019 prediction is, if the Fed continues to pursue this aggressive increase in interest rates, they could put us into a recession. The good news is as of this writing, the Fed seems to realize they were too aggressive with the rate hikes and has only penciled in two rate hikes for 2019, instead of four.

Federal Funds Rate Since 2001

Federal Reserve upper interest rate benchmarks (in %) and respective Fed chairs

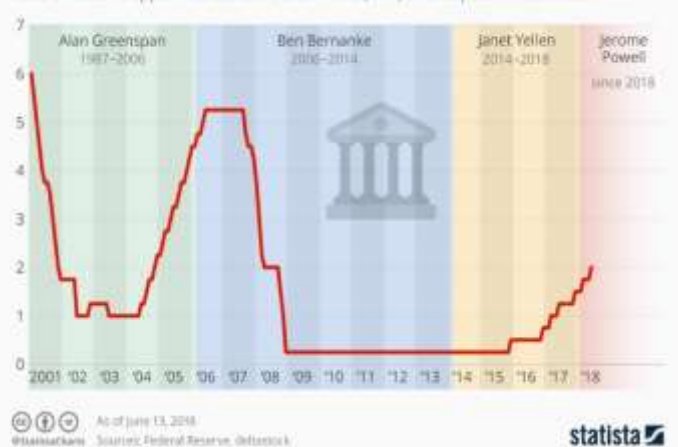


Fig. 2

Stock Mark Volatility is Back with Vengeance:

The Dow Jones Industrial average in March of 2018 was at 26,616 and as of this writing, (12/ 29/ 2018) is 22,875 a decrease of 3,741 or a 14% decline since March 2018. (See fig. 3) The industry pundits are telling us this is normal, we needed a break, trillions of dollars of wealth were created since Trump was elected. The DOW rose from around 18,000 prior to his inauguration in 2/ 1/ 2017 to 22,875 today. All that new wealth gave both existing golf owners and new golf owners increased buying power, which is good for an industry that relies heavily on discretionary spending. When the stock market is growing, investors feel more bullish about buying courses and consumers feel more confident in playing golf, taking golf vacations, buying golf equipment, and spending those discretionary dollars. However, in 2018 when the stock market was down, they were more cautious about spending. Similarly, a golf course buyer who may have \$2M to invest,



Fig. 3
(which is sitting in his stock account) now has 14% less to deploy. This might result in him having to buy a less expensive golf asset or he may even have to drop out of a deal because his capital has eroded.

Off-Course Golf Growth

With the incredible success of Top Golf, American Golf/ Drive Shack (fig. 4), have launched their off- course golf entertainment center similar to TopGolf in Orlando to great fanfare and great success. In addition, ClubCorp just invested in BigShots Golf technology. BigShots boasts golfers can play full rounds on virtual golf courses or practice their swing complete with statistics that include ball speed, club speed, ball spin rate and on a driving range.



Fig. 4

With the interest in off-course golf business concepts, it is no wonder that the NGF is adding off-course golfers to their participation rate. With participation on course staying at the 23.8 M golfers again, if you add \$8.3M off-course golfers, the total participation is \$32.1M. Can we call TopGolf, Drive Shack and BigShots golf? Yes and no. These concepts are really bars/ entertainment venues that just have to do with golf. Would the same concept work with outdoor bowling, tennis? The answer is maybe, because the entertainment concept is more about great food and beverages, great customer service and something to do while drinking and

eating instead of just standing around. The majority of people go there to party, but there are some that take golf seriously and go to these off-course locations for serious golf lessons. A year ago, the NGF did a survey of TopGolf participants and found clear evidence these off-course entertainment complexes are sending golfers to green grass courses. On the other hand, The Pellucid Report disagrees. Only time will tell, but from a logic stand point, after getting good at hitting golf balls into big cement holes over and over and maybe taking some lessons off-course, if you are competitive by nature, I don't know anyone who wouldn't like to test their skill on a green grass course (For a more in-depth analysis see the article on page 3).

Conclusion and Predictions

Our team looks at the data points discussed heretofore, along with empirical analysis from our analyst's research to derive both the conclusions and predictions for the current and subsequent year. We don't always agree, but in the end, what follows is an alignment we can all get behind for our predictions. Weather, interest rates and even the stock market conspired to bring down golf course values for a second year in a row, but they were not enough to dampen the renewed increase in course values. Again, we have yet to see any real growth in rounds, EBITDA or revenue in six years since the decline in golf course values ended in 2012. So, the question as a group that we don't have the answer for is, was 2017's precipitous drop in median and average a blip and anomaly, or was 2018's mild recovery the blip?

If 2018 was the blip or anomaly, the bad weather of 2018 will affect pricing of assets and their ultimate sale price in 2019. Higher interest rates and lack of EBITDA growth similarly will affect pricing downward. On the other hand, if 2017 was the blip and 2018 is the start of a new trend, with the number of golfers remain at 23.8M, (according to the NGF for the third year in a row), and losing almost 200 net courses again for the last four years, we continue down the inevitable path of equilibrium with golfer demand and course supply coming more into balance. We believe the stock market will rebound this year, interest rate increases will not be as rapid as in the past two years and golf course stock will continue to be removed. This trend will help golf values. The hottest golf course properties will continue to be golf course conversions to residential in major metropolitan areas, but the risks, public outcry and costs can be defeating, even if you are zoned correctly for development. The off-course golf facilities will continue to gain interest and we believe in the end, they will be good for creating green golf interest and finally green course "committed" golfers. ♦

CAPITAL MARKETS/ COURSE FINANCING

By Kody Tibbetts ◊ Kody.Tibbetts@MarcusMillichap.com

In 2018, the US economy experienced a year full of strong growth, four interest rate hikes, and unemployment lower than it's been in decades. With December's fourth rate hike, the central bank took the target range for its benchmark funds rate to 2.25 percent to 2.5 percent which is the ninth since 2015. Going forward, economists are echoing patience on future rate hikes with inflation nearing our 2% objective and the thought that we've reached a point to where we can afford to wait and assess how to adjust policy instead of taking preemptive action. Projections for 2019 are calling for one or two more hikes but they will likely not be until at least June if we do more.

While it was certainly one of the best years we have had in a while, the year's lackluster finish has many economists predicting growth slowing in 2019 caused by uncertainty over concerns of higher interest rates, political turmoil in Washington, U.S/ China trade disputes and slowing global growth. As a result, 10-year Treasury yields are now in the mid 2.60 levels, similar to where we were during the first few months of 2018. What does this mean for golf course owners and investors? In short, a higher interest rate environment negatively affects the value of all commercial real estate, including golf courses, as EBITDA does not cover as much debt service and loan to values decrease.

So, who is currently lending on golf? Local and regional banks, insurance companies, SBA, bridge loan lenders, private equity, hard money lenders and some sellers. When working to secure financing, investors are more likely to be successful if they have a relationship with the lender, experience as an operator, the right loan to value ratio and the required debt coverage ratio. The following table shows a list of lenders who have been willing to lend on golf in the past and an example of what the terms would typically look like. ◊



Cap rates

Cap rates for most major property types are the lowest since at least 2001



Conventional Bank Loan:	Fixed Rate: 5.5-8%, Point: 1%, Term: 3-10 yrs., Amort: 20-25 yrs., LTV: 50-60%, DCR 1.3-1.4, Loan Size: \$750K & Up Floating Rate: Interest: Prime + 1.5-2% = 5.25% to 5.75%, Term: 10 yrs., Amort: 20-25 yrs.
SBA Guaranteed Loan 7A Program:	Interest: 3.75% Over Prime But No Origination Fee., Points: 0% Term: 25 yrs., Loan Size up to \$5M, Amort: 25 yrs.
Life Company:	Interest: 5.75-7.0%, Points 1%, Term 5,10,15 yrs., Amort: 15, 20, or 25 yrs., LTV: 55-65%, Loan Size: Min Loan Size \$15 Million, Pure Land Collateral Value is Important
Bridge Loan:	Interest: 9-14%, I/O Term: 1-2 yrs., LTV: up to 65%, Desire Primary Markets, Cash Flowing Product, Fees: 1-2% of Loan
Hard Money:	Interest: 10-15% Including Points, Term: 1-3 yrs., LTV: 50-60%, Usually Interest Only, Fees: 2-3% of Loan
Private Equity:	Interest: 0%, Unleveraged IRR: 20%, Preferred Returns 8.8-12%, LTV: 60-70%, Waterfall Structure: Deal by Deal on Profit Splits, Fees 2-3% of Loan

2018 SALES ACTIVITY — THE \$1M-\$10M INVESTMENT TRANCHE

By Kody Tibbetts ◊ Kody.Tibbetts@MarcusMillichap.com

This analysis focuses 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 a larger universe of golf transactions, those between \$500K – \$75M, and therefore differ.

The Leisure Investment Properties Group tracked a total of 122 golf course transactions in 2018. Of the 122 total golf course transactions, 107 of them had available sales information therefore only those were used for our analysis throughout the Investment Report. Transaction volume was at its peak between 2012 and 2014 when the market began to rebound from the recession and investors saw opportunity to buy REO properties with substantial upside. Since the peak in 2014, a year in which an unusually large number of portfolios traded, transaction volume has slowly tapered off as deals with immediate upside are harder to find and more and more golf courses are either being sold for redevelopment or green space. (Golf course redevelopment or green space transactions were not included in our analysis)

Focusing on the “core” data, the \$1M to \$10M Investment Tranche, we saw a total of 76 transactions take place. This Tranche represents 71% of all transactions that we tracked in 2018 and is up 7% from 2017 when we saw many more bite-sized transactions (under \$1M) occur. The average sales price within this range was \$3,315,750, up 4.74% from 2017’s average price of \$3,165,799. The median price point fell 8% from \$2,500,000 in 2017 to \$2,300,000 in 2018.

In conclusion, an increase in the average value tells us that we’re seeing a healthy number of golf courses trading on the upper-end of the Tranche compared to last year, but the decrease in the median value reveals that more golf course assets are trading on the lower-end of the Tranche. Looking forward to next year it will be interesting to see how much the weather impacts values considering that this past year was one of the worst years of weather in recent memory. ◊

2018 GOLF COURSE SALES							
Course Name	Sale Price	Sale Month	Market	State	# Holes	Acres	Club Type
The Clubs at St. James Plantation	\$41,948,500	February	Southport	NC	81	641	Resort
Ocean Breeze Golf Club	\$24,000,000	March	Boca Raton	FL	27	215	Private
The Las Vegas Country Club	\$20,000,000	January	Las Vegas	NV	18	150	Private
Snowmass Club	\$18,500,000	December	Aspen	CO	16	212	Daily Fee
Northampton Valley Country Club	\$12,500,000	June	Richboro	PA	18	125	Private
The Club at Rolling Hills	\$12,000,000	October	Golden	CO	18	180	Private
DuPont Country Club	\$10,000,000	April	Wilmington	DE	54	525	Private
The Ritz-Carlton Members Club	\$9,710,744	April	Sarasota	FL	18	315	Private
Winchester Country Club	\$8,930,000	July	Meadow Vista	CA	18	218	Private
The Carnegie Abbey Club	\$8,800,000	December	Portsmouth	RI	18	260	Private
Gateway Golf & Country Club	\$8,000,000	March	Fort Myers	FL	18	223	Private
Seascape Golf Club	\$7,550,000	December	Aptos	CA	18	139	Daily Fee
TPC Valencia	\$7,500,000	January	Valencia	CA	18	185	Daily Fee
The Club at Flying Horse	\$7,022,099	January	Colorado Springs	CO	18	140	Private
Sunset Hills Country Club	\$7,000,000	December	Thousand Oaks	CA	18	167	Private
Victoria National Golf Club	\$7,000,000	July	Newburgh	IN	18	418	Daily Fee
Boca Lago Country Club	\$6,000,000	December	Boca Raton	FL	27	214	Private
Meadows Country Club	\$6,000,000	June	Sarasota	FL	54	310	Private
Seaview Golf Club	\$5,878,094	July	Galloway	NJ	18	106	Resort
Bayview Golf Club	\$5,800,000	February	Kaneohe	HI	18	96	Semi-Private
Wood Ranch Golf Club	\$5,000,000	December	Simi Valley	CA	18	167	Daily Fee
The Club at 12 Oaks	\$5,000,000	August	Holly Spring	NC	18	215	Private
The Club at ArrowCreek	\$4,973,000	July	Reno	NV	36	524	Private
Plymouth Country Club	\$4,500,000	March	Plymouth Meeting	PA	18	115	Public
The Crossing Golf Club	\$3,935,900	December	Franklin	TN	18	186	Public
Montzalm Golf Club	\$3,900,000	August	Enfield	NH	18	405	Private
The Ridge Club	\$3,825,000	November	Sandwich	MA	18	113	Daily Fee
Nicklaus Club Monterey	\$3,200,000	December	Monterey	CA	18	185	Private
Kingsway Country Club	\$3,148,500	August	Port Charlotte	FL	18	161	Daily Fee
Ridgemark Golf & Country Club	\$3,000,000	July	Hollister	CA	18	287	Daily Fee
Stoneybrook at Heritage	\$2,845,400	February	Bradenton	FL	18	100	Daily Fee
The River Club	\$2,300,000	September	Bradenton	FL	18	178	Private
Old Hickory Country Club	\$2,300,000	June	Old Hickory	TN	18	130	Private
Auburn Valley Golf Club	\$2,200,000	September	Auburn	CA	18	175	Private
The Polo Fields Golf & Country Club	\$2,150,000	June	Ann Arbor	MI	36	133	Private
Trophy Club of Apalachee	\$2,100,000	December	Dacula	GA	18	193	Daily Fee
Gainesville Golf and Country Club	\$2,000,000	December	Gainesville	FL	18	294	Daily Fee

*The list above does not include every sale we recorded in 2018. We recorded a total of 122 golf course sales, and 107 had sales information available.

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