LEISURE INVESTMENT PROPERTIES GROUP

GOLF ♦ MARINAS ♦ SKI ♦ RESORTS ♦ PLANNED COMMUNITIES

GOLF & RESORTS INVESTMENT REPORT

2021

(2020/1H 2021 Review)

LEISURE INVESTMENT PROPERTIES GROUP

TO OUR
VALUED CLIENTS

Special News on the Leisure Investment Properties Group

In 2009, while a global economic crisis was devastating the real estate market, Steve Ekovich and Chris Karamitsos identified a void in the commercial real estate brokerage industry. With turmoil not seen since the S&L crisis of the 1980s, the golf industry would require specialists proficient in helping investors navigate through incredibly recalcitrant markets. Enter, the Leisure Investment Properties Group (LIPG).

Leveraging Chris' background as both a real estate broker and PGA golf professional, along with Steve's decades-long track record of facilitating billions of dollars' worth of commercial transactions, the two formed the golf-centric brokerage division for the publicly traded, commercial real estate investment firm, Marcus & Millichap. The idea was to bring investment-grade underwriting of assets, institutional-quality advisory services, and brokerage "best-practices" to the golf investment community. In the years that followed, the group listed, sold, advised, and underwrote hundreds of properties totaling over $2.5 billion.

In 2010 Terry Vanek, MBA from Florida, joined the group followed by long time industry veteran Rob Waldron, who worked for Legg Mason RE Services, Fore Golf and Billy Casper Golf. The new LIPG, LLC's four core partners today are Steve Ekovich, Chris Karamitsos, Terry Vanek and Rob Waldron.

In 2014 the LIPG expanded its services by successfully launching the marina division. With the addition of Brett Murphy and long time real estate veteran Jeff Spilman, they launched the Marina division where today it is considered one of the top marina brokerage division's in the marina airspace. Brett and Jeff are also founding members of the LIPG.

In launching our national brokerage and advisory company, the LIPG is even better positioned to continue to execute on its vision of being the preeminent leader in business-driven, leisure investment real estate and advisory services. As an independent, national brokerage and advisory firm, the LIPG's core niches remain golf courses, golf master planned communities, golf resorts and golf course conversions to other forms of real estate. The marina division will continue to advise and broker marinas, marina master planned communities and marina resorts.

Given its complete autonomy, the company can now adapt more quickly to market changes and bring far greater resources to the firm's clientele. The firm will also be able to provide several additional marketing options and platforms for clients, allowing for their assets to be more competitive as highly sought-after investment vehicles. Without the restrictions and limitations of a large publicly traded company, we can focus our time and energy on helping our clients create and preserve wealth in the leisure industry, determine the best options for them and provide the most prescient and forward thinking advisory services.

Considering the events of the past 18 months, a global pandemic, currency volatility & manipulation, national elections, trillions in stimulus, shifts in monetary policy and the threat of inflation, the LIPG is better positioned now than ever to use its advisory services to help clients in analyzing market trends and navigating tenuous economic environments. The team looks forward to this new chapter in the evolution of the company and to continue to provide it's clients with the finest advisory services in the industry.

LEISURE
INVESTMENT PROPERTIES GROUP
GOLF ♦ MARINAS ♦ SKI ♦ RESORTS ♦ PLANNED COMMUNITIES

A TRUSTED VISION
FOR THE FUTURE OF GOLF

State of the Golf Market Executive Summary

This report which is used by many golf industry owners, lenders, appraisers, management companies, consultants and media outlets is usually released in March, but we delayed the release to announce our new national leisure advisory and brokerage company, the Leisure Investment Properties Group, LLC. We will cover 2020 and the first half of 2021 in this report.

Weather ↑
Membership ↑
Median Price ↑
Number of Transactions ↓
Off Course Golf Interest ↑
Real Estate Tax Law Changes ↓
Interest Rates →

Rounds ↑
Income ↑
Average Price ↑
Net Golf Course Closings ↓
Stock Market ↑

The global health crisis of 2020 which has continued into 2021 has left an indelible mark on society, structurally changing how people live, work, play, vacation, dine and shop. Many question when things will return to normal, or if the definition of normal has been changed forever. We believe that the systemic changes in our society may have been a decade away; the COVID-19 Pandemic just sped them up. The dramatic lifestyle changes of the last year will directly affect the demand characteristics of golf courses — both over the short and long-term. Below is a summary of the State of the Golf Market, for 2020 and the first half of 2021.

Our 2020 report features The State of the Golf Industry from an asset value view by Steve Ekovich, an article on buyer sentiments by Terry Vanek, (what and who is buying and why), both our finance section and the $1-10M analysis article by Kody Tibbets. Our annual article on operations and making the most of the pandemic by Rob Waldron, and Chris Karamitsos introducing our new company, LIPG, LLC.

Sincerely,

Steven Ekovich
Executive Managing Director—Partner
Leisure Investment Properties Group
Golf | Marinas | Resorts | Master Planned Communities

Terence Vanek
Senior Managing Director—Partner
Leisure Investment Properties Group
Golf | Marinas | Resorts | Master Planned Communities

Christopher Karamitsos
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Golf | Marinas | Resorts | Master Planned Communities

Table of Contents

State of the Golf Investment Market

By: Steven Ekovich

COVID– SERINDIPITY FOR GOLF

2020 & the first half of 2021 was affected by COVID-19 in ways no one in the industry could have predicted. The serendipitous effects the COVID-19 Pandemic had on golf, while paralyzing other industries, changed golf's narrative. (Six years earlier golf was an anathema in national press's eyes.) Just look at how today's headlines have changed:

WSJ - "For Golf, Covid Is Even Better Than Tiger"
Washington Post - "Golf's coronavirus comeback: How the sport survived"

During the pandemic, golf was the "last bastion of happiness" that wasn't taken away: it provided social distancing, vitamin D from the sun, exercise, (when gyms were closed) and an activity that could be done with the family unit. Golf today is on people's radar, not just current committed players, but past players, new players, Top Golf players, TV golf watchers and people who never considered golfing have developed an interest in the game. So many people recommitted and picked up the sport in 2020 that some of our clients said their rounds have increased by as much as 45%. Most private clubs experienced gains in all membership classes. One of our clients even stated, "you will not believe this, our beverage cart earned $100K in three months".

THE DEMAND SIDE

The NGF touted a net gain of 500K on-course golfers, the largest lift in 17 years, up to 24%. "That increase in US rounds over 2019 was almost 14%. This was despite the loss of 20 million spring rounds due to coronavirus-related course shutdowns in March and April 2020 when more than half of the 16,000+ courses in the country were temporarily closed due to the pandemic. While participation and rounds soared due to Covid-19 Pandemic, the weather was also on our side. Pellucid Report stated weather contributed to playable hours year over year of about 2%. According to Datatech, rounds through June of this year are up 23%.

Golf revenue alone was up for all types of golf facilities in 2020 because play was up and that certainly makes sense. In addition, memberships were also up. Most private courses gained between 40 and 60 members. Add to that dues increases and increases in initiation fees in some markets. A good example of that is in South Jersey, where we have a Private Golf Club under contract. The four competitors in the market of Ocean City, NJ, stopped taking on new members because for the first time in many years they are full. All

	# 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%
2018	107	$ 3,741,962	20.49%	$ 500,000	-3.85%	$ 41,948,500	36.64%	$ 2,046,418	34.19%
2019	107	$ 3,050,907	-18.47%	$ 500,000	0.00%	$ 16,750,000	-60.07%	$ 1,464,291	-28.45%
2020	79	$ 3,149,046	3.22%	$ 500,000	0.00%	$ 34,500,000	105.97%	$ 1,700,000	16.10%
TOTAL	1,794	$ 4,535,861	-57.02%						

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

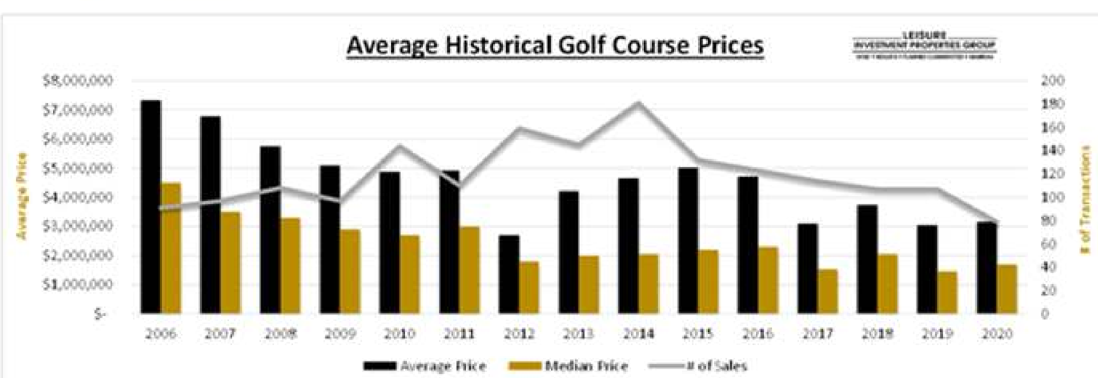


Fig. 1 (*We have not included large multi-course portfolio sales, or large golf resort sales, as they are not reflective of the average and median golf course true value. Likewise, golf courses that closed and sold for housing that artificially inflates values are not included in the averages or medians*).

but one club has substantially raised initiation fees, while all have raised dues. It is also a suburban market where over the last year, there has been a flight of people migrating from big cities to less densely populated areas, less susceptible to civil unrest. Nothing really has changed in the first half of 2021 so far.

When we look at F&B revenue, from 2020 and the first half of this year, all clubs were impacted but those impacted the most were private clubs. Many clubs were down 75% in the ala-carte dining, and the banquet/outing business was down 100%, as there were no outings or banquets allowed. We reviewed F&B revenue and discovered, there were three distinct outcomes for clubs from the effect of the Pandemic vis-a-vis Gross Revenue and EBITDA. There were major winners, winners and losers.

Public Golf Clubs with snack shacks/bars -"Major Winners": Their rounds were up on average 40-50% and because they had no real drag on revenue from lack of banquets and outings. Most of their food and drink business was takeout. Consequently, their total gross revenue and EBITDA went through the roof.

Private Clubs who had significant staff layoffs and outside dining- "Winners": Many of these clubs that were losing money in F&B laid off staff, until they received PPP money. Since the F&B department was no longer losing money, while the club's gross revenue was down, their total EBITDA was actually up (departmental losses from F&B no longer dragged down club level profitability). These clubs had a considerable amount of outside dinning and tended to be in states with far less COVID-19 related restrictions.

Private Clubs who kept staff and had no outside dining: "Losers" These clubs were more likely frost belt clubs. They kept paying staff, but even with PPP money couldn't make up the lost revenue from banquets, outings and ala carte dining. Typically they couldn't have outside dining. Thus, their club's gross revenue and EBITDA was down substantially. In addition, many had State mandated restrictions limiting activities income.

Immunizations Ramping Up Across the Nation*

The good news is: as of June, more than one third of the US population has been vaccinated, (see figure-2) States continue to are ease restrictions and business is moving again. Charities and Corporations are scheduling outings, couples are scheduling weddings groups are booking events. Most clubs are fully booked through 2021 and well into 2022 due to pent up demand for banquets functions, weddings and outings.

THE SUPPLY SIDE

According to the NGF, the number of golf course closures dropped significantly (-31%) compared to prior year. NGF recorded a total of 193 18-hole equivalent closures in 2020, about 1.3% of total supply. Over the last eight years, we have been consistently averaging about 200 net closings a year. As supply continues to drop, now at just over 14,000+ facilities (down from a high of approximately 16,000 18-hole equivalents), Covid could have dramatically shortened our time to equilibrium.

" A few years ago, we thought we would reach equilibrium with supply and demand in 4– 6 years, but with the Covid spike, we are there today"

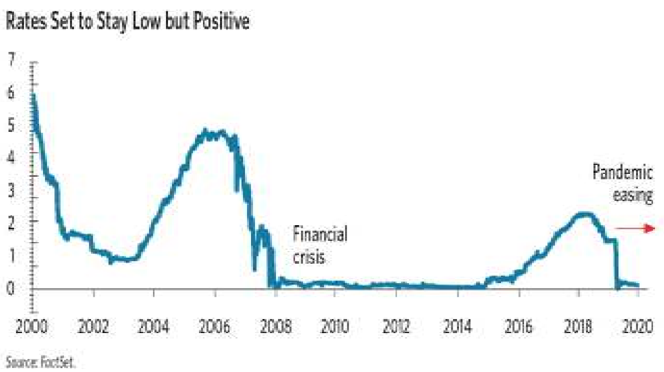
In fact, one could argue **we are back to equilibrium in 2020,** if rounds stay the same this year. The question is, after we are back to full employment, how much of the Covid inspired rounds and new memberships will remain? I was the moderator for Golf Inc Virtual Summit in April of this year. We had **panelists Steve Skinner, CEO of Kemper, Tom Bennison, SVP business development, ClubCorp, JJ Keegan, Envisioning Strategist & Reality Mentor and Jerry Hinckley, COO of Leisure Financial Group.**

All seemed to agree that we may be able to retain 50-75% of the upside in rounds/golfers experienced during the Pandemic. In addition, when asked how many members they would retain post Pandemic, they generally agreed, hopefully **all**. That was certainly a different response from a year earlier when I hosted another Golf Inc. panel and asked the same questions to a four-member industry panel. That group really didn't feel comfortable with any "guestimate", but it was intimated maybe 15%. (That was only four months after the lockdown started. So, with a year of data, this panel felt strongly that we are going to continue to reap the benefits of increased play and memberships, while getting back our F&B.

GOLF COURSE VALUES

Supply, demand and interest rates all affect golf course's/club's value. For 2020, we had the lowest number of reported transactions since before 2006. That is understandable as we had four of our properties under contract terminated by the buyers, during the lockdown because they were unable to perform necessary due diligence. For months, few if any golf properties traded. Inspectors could not access assets to perform due diligence and buyers could to visit properties. However, the first half of 2021 we are averaging more than one closing a month.

Despite the lull from lockdowns, the average price was up 3.22% from 2019 after they were down 18.47% from 2018-2019. The median price was also up significantly to 16% after being down 28.45% from 2018 to 2019. In both commercial and residential real estate, the median is considered the better indicator of value, vs. the average which can be affected by lots of small sales or a few large



ones. We would expect to see this price increase continue through 2021. (see figure 1 front page)

Lending was available but not widely as PPP processing swamped the SBA where many golf course loans are approved. The Fed kept rates near zero as of July 2021, to help the economy improve.

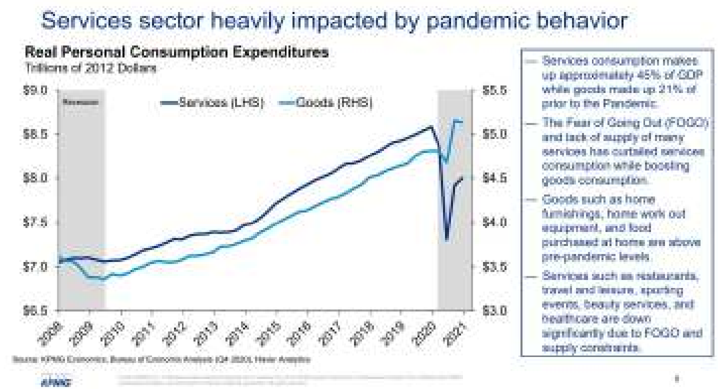
Even with the increasing likelihood of COVID-19 vaccines boosting activity in 2021, there will still be significant slack in the economy and labor market by the end of the year. Because of this, the Fed will avoid tightening policy prematurely and risk a repeat of the 2013 "taper tantrum," which, according to Edward Jones, saw a surge in Treasury yields after the Fed communicated it would reduce the pace of its asset purchase program. Under its recently updated policy framework, the Fed will tolerate above-target inflation to make up for earlier shortfalls.

Tax Policy Changes: "When we knew the outcome of the election, we all knew this would come, but how bad is it for golf?"

Joe Biden's new economic plan calls for abolishing the right to defer certain tax payments on property-investment gains of over $500,000, part of a broader effort to raise taxes on corporations and wealthy-Americans. Known as a **like-kind or "1031" exchanges**, it allows property investors to roll the proceeds of real estate sales into future purchases without paying capital gains taxes on the gain, until that newer piece of real estate is sold. This part of the tax code has created liquidity in golf and the broader commercial real estate markets for 40 years. Many investors would not sell if they had to pay the tax today. This could effectively reduce golf sales, reduce properties for sale and could reduce value of all non- residential real estate in the long run.

THE ECONOMY AND GOLF

According to Morningstar Direct, the distribution of an effective COVID-19 vaccine will ease a durable rebound in economic activity; along with an accommodative Federal Reserve and the prospects for additional fiscal aid and Trillions on top of Trillions already pumped into the economy. As the economy improves, pent-up demand for services is unleashed and corporate earnings will continue to recover and likely reach their 2019 pre-pandemic peak by the end of 2021. What this means for golf is more disposable income, more equity to purchase club memberships and to pay dues or weekly green fees. (see figure below) A growing economy will put more money in golfer's pockets which in turn will allow them to play more golf, purchase golf equipment as well as keep golf courses that may have been struggling pre-covid more financially sound.



CONCLUSIONS AND PREDICTIONS (SECOND HALF - 2021)

Golf rounds and membership will continue to be up over the 2019 pre-Pandemic levels and ala carte F&B will be more normalized in the second half of 2021 as 70% of adults are currently vacinated. However, in July of this year, again Covid is surging and certain states are going back to masks every where and even some closures. The banquet and outing business will be extraordinary as pent-up demand for weddings, banquets and functions postponed last year, will be booked in the second half of 2021 and well into 2022. Since the COVID-19 Pandemic has added some much needed revenue and EBITDA to courses struggling, those struggling courses that would have sold in early 2020 will continue to have a lifeline and will be less encouraged to sell. The Pandemic forced employees to work from home, demonstrating to employers, that employees can be very productive without having to commute to an office. Consequently many corporations are implementing policies permitting employees to work from home. Many predicted by June of this year employers would be requiring employees to go back ot their place of work, but with the Delta variant, this has not happened yet.

There will continue to be a flight to the suburbs as they are seen to be safer than big cities. The acceptance of video conferencing services, such as Zoom, Teams, Cisco have demonstrated employees can practically live anywhere and still be productive. That has driven white hot home prices as demand for single family homes (particularly in the south and suburbs) has sky-rocketed. This in turn will keep interest in golf-course-conversions in major metros in high demand. With better economic golf facility fundamentals, more buyer-interest will follow. With less golf assets coming to market, the demand from new buyers/investors to the golf airspace and existing golf investors, should continue to push golf course values higher.

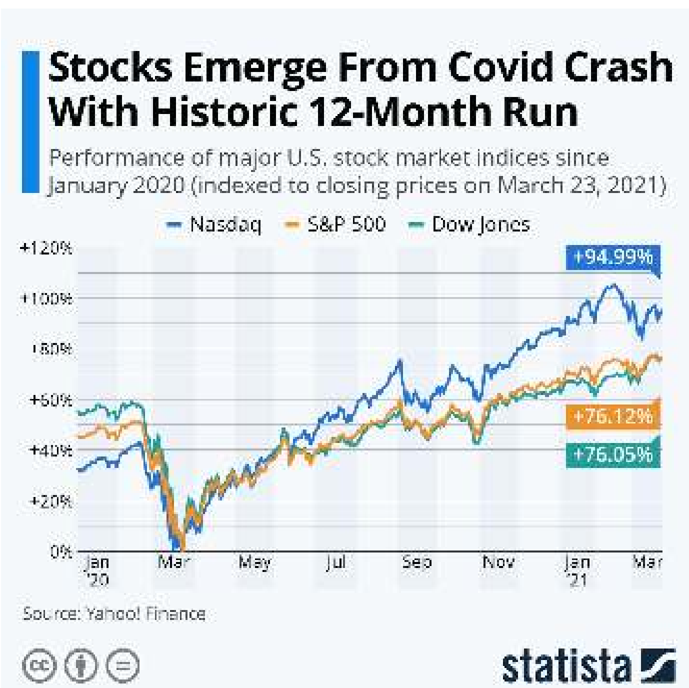
Investor Sentiment: Golf's Covid Boom 2020, 2021 and Beyond

By: Terence Vanek

The eruption and rapid spread of COVID-19 in early 2020 is one of the most drastic shocks that the vast majority of the globe will ever live through. More so than any other catastrophe or world war, the novel coronavirus affected and continues to affect virtually every person in every country in the world. With a globally infected population over 165 million and a death count exceeding 3 million as of early June of this year, the magnitude of suffering is immense.

But, and even amidst the immeasurable suffering, 2021 offers hope. Nearly half of the US population has received at least one dose of the vaccine. The CDC lifted its mask mandate, portending a future possibility and return to pre-pandemic norms. Instead of plunging into depression territory, stocks gained 79% from its pandemic lows and continues to rally. Zoom is no longer just a company, it's a verb. Parts of Florida may rename themselves "New" New York.

In essence, as the world changed, so did the market. And with it, the way in which investors perceive and interact within it. No doubt the pandemic took its toll on commercial real estate investors in 2020. But it also fundamentally shifted investor preferences. As 2021 comes more into focus, it is clear that – at least in the short term - the investment landscape has materially changed in unexpected ways.



GOLF BECOMES A FAVORED ASSET CLASS

The travel restrictions and stay-at-home orders enacted in the first quarter of 2020 to slow the spread of COVID-19 had an immediate and severe impact on the golf sector. Forced to stay at home and with most business temporarily shut down, one of the only available outlets to exercise and socially engage was on the golf course. 2020 and the fist half of 2021 saw material increases in all things golf related – rounds played, membership, equipment sales, even TV viewership – not seen since 1997 when Tiger Woods captured the country's interest and attention on golf. NGF claims an additional 50 million incremental rounds were played YoY, despite losing 20 million rounds in the beginning months of the pandemic driven nationwide shutdowns.

To date, real estate has been broadly affected by COVID-19, mostly—but not universally—in a negative way. Whereby most properties with a public use component (e.g., offices, retail, apartments, hotels, sports and entertainment venues) were singled out as potential spreading locations for the novel coronavirus and therefore either shut down and/or had use restrictions imposed, golf operations flourished – taking golf investors and owners along for the ride.

As a result, for the first time in a decade sellers where on the upswing of a golf market experiencing material growth in not just earnings, but also and more importantly the interest and intrigue of non-traditional or "cross-over" investors. Investors that typically engage in the core markets of office and hospitality seemingly flooding away from pandemic burdens into golf's pandemic relief. But the core golf investor raised a serious question: "How sustainable is pandemic

driven success?"

2021: "WHO'S RIGHT" - THE BID/ASK SPREAD BETWEEN BUYERS AND SELLERS

Most industry experts believe our "new normal" moving forward for the second half of 2021 will include a continued interest, though reduced from 2020's resurgence and tempered against the return of competing activities and interests as the population is vaccinated and reincorporates travel, dining, entertainment, and other alternative social activities.

Moving into 2022 and 2023, there is a common belief that 2021 will be our peak surge and demand will subside, though not return to pre-pandemic levels and maintain a discounted percentage of operational improvement. Our world seems to have fast-forwarded ten years in terms of technology in the face of this pandemic; changes that are

Investor Sentiment: Golf's Covid Boom

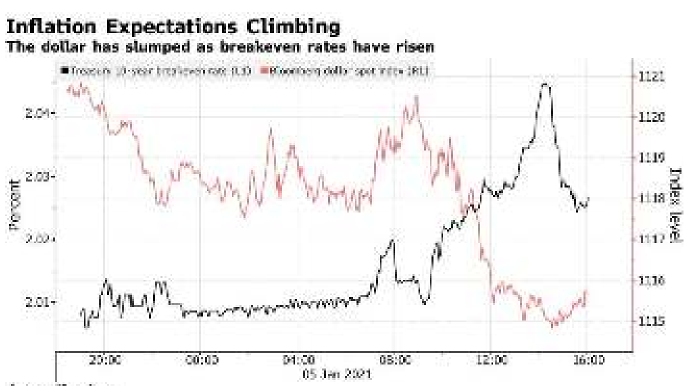
By: Terence Vanek

here to stay. People will return to the office, albeit on a more flexible schedule. Many predicted by summer that would happen but with the Delta Variant spreading like wildfire into July of this year in the un-vaccinated, the back to office mandates have not proved out yet. But there is a firm belief that once able to travel freely, dine out, and fully return to other non-golf activities that have been restricted, the general population will flock to those activities in a broad and powerful way – certainly at golf's expense. This has driven a divide between the revenue golf investors are willing to recognize as sustainable, vs. the revenue golf sellers want traditional multiples to be applied. Conservative buyers rightly take caution when underwriting 2020 and 2021's first half financial performance, grounding improvements in growth to pre-pandemic historical performance. Aggressive sellers also rightly point to the technological advancements and fundamental shift in the world's work from home new normal, whereby flexible working schedules and geographic relocation will allow golf to flourish for years to come.

Over time and through continued trial and error, buyers and sellers will reset the traditional multiples to which the golf airspace has become accustomed. Some discount will be applied to 2021 gains, along with some reward given to sellers for the perceived future benefit of owning golf. Until then, transaction velocity has stalled slightly, and for the first-time golf owners have the benefit and leverage of finally living in a seller's market.

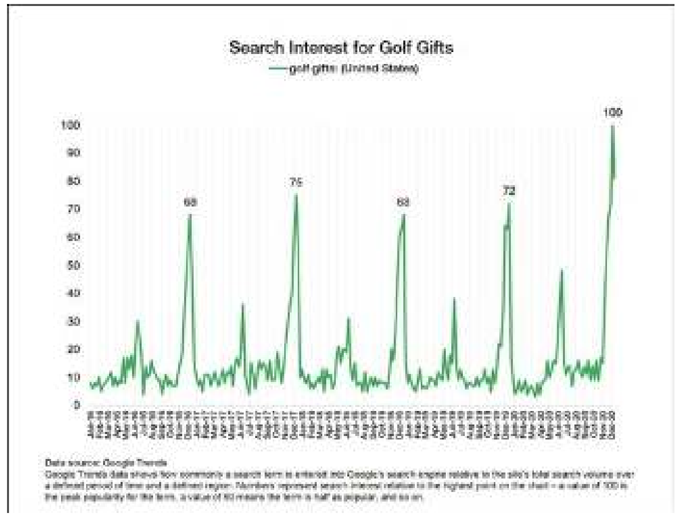
WEIGHING THE CORONAVIRUS IMPACT ON CRE & GOLF/LEISURE ASSETS

Frankly, it is too soon to tell how invasive the impact from the coronavirus will be on the U.S. economy and the commercial real estate market, but the first half of 2021 has given us clues that we couldn't begin to ascertain at this time in 2020. Two big variables have yet to be determined: inflation and office/home life balance. The government injected trillions of dollars into the US economy, and as a result consumer price increases as of June have become



worrisome to say the least. As household incomes become stressed against rising real estate, gas, and food-price inflation, will they continue to exuberantly spend on leisure activity? And as the nation normalizes, the spread of the Delta Variant wanes and we become fully vaccinated, will employers require employees to come back to the office?

Each story will have a material effect on golf's ongoing success. In this writer's opinion, golf has always been labeled as inequitable – a game primarily meant for people of means. If true, inflation is a minor breeze – not a headwind – to golf's future success. On average, higher-income households spend a fraction of their budgets on necessities and have ample reserves for continued discretionary spending on luxuries like golf. However, it is a fact the average round of golf is close to $28 a round and affordable to all but the lowest incomes. Regardless of employer position's on in-person



office requirements, our ability and efficiency to work freely and unleashed from traditional office norms is too powerful and valuable to ignore. Flexibility in how people approach their relationship with the physical space of an office are here to stay.

Regardless of your own position as of the first half of 2021, investor-sentiment within the golf landscape is strong, and the overall mood elated. It is somewhat business as usual for a segment of the golf investor base, but most golf investors are either aggressively looking for acquisition opportunities, or alternatively taking their chips off the table to cash in on a once-in-a-lifetime event. Either way, the demand/supply market has expanded, interest is at near-term highs, opportunities are flush, and capital readily available. Golf is riding its current pandemic high.

The Pandemic's Positive Impact on Golf Operations

By: Rob Waldron

Quite often an extraordinary event or situation is necessary to stimulate changes in operations. Unlike many businesses which were negatively impacted by the Covid-19 Pandemic, golf was and is a fortunate beneficiary.

As Plato famously wrote "Necessity it the mother of invention". In the Spring of 2020, golf course operators reacted quickly to government-imposed constraints as the Covid-19 Pandemic wreaked havoc with course operations. Initial golf course usage restrictions rapidly gave way to greater access while clubhouse occupancy limitations remained in place.

The necessity for single rider carts, increased requirements for sanitation and social distancing, limited F&B access and increased tee time spacing provided new challenges for management and staff. When golf was reluctantly accepted by local governments as a CDC-compliant activity, imaginative golf course operators immediately adopted new policies and procedures to make the best of a difficult situation.

GROWING THE TOP LINE

Shrewd management recognized the opportunity to improve their top line golf revenue. Enhanced golf revenue is simply a product of increased rounds and higher average rates. Resourceful operators recognized the former, growing demand, and reacted quickly to improve the latter, by raising rates through the implementation of dynamic pricing. Historical discounts were eliminated in favor of

more profitable rack rates. Many courses successfully elevated their rack rates, increased dues and initiation fees as demand for both memberships and tee times continued to soar throughout the day.

IMPACT ON FOOD & BEVERAGE

F&B operations which were crippled by occupancy restrictions turned to expanded takeout and delivery services to supplement sales. Additional outdoor dining areas were created on patios, parking lots and lawns, utilizing tents and umbrellas. Limited menus and reduced operations provided basic food service for golfers eager for some sense of normalcy. Many operators discovered these efficient scaled back work-arounds resulted in superior operating margins when compared to full-service operations.

Fortunately, most golf courses reported successful 2020 operating results. With the changes discussed heretofore, the first half of 2021 P&Ls are benefiting from the many changes instituted in 2020. Through the first half of this year, many courses hosted a record number of rounds as tee sheets remained full well into the evening. Courses reported significant increases in golf revenue and EBITDA. Downward trends in membership and profitability were reversed bringing smiles to the face of Owners and Investors.

Many of the operations modifications implemented out of necessity in 2020 and the first half of 2021, yielded such successful results, numerous operators have decided to adopt many of the practices on a permanent basis going forward.

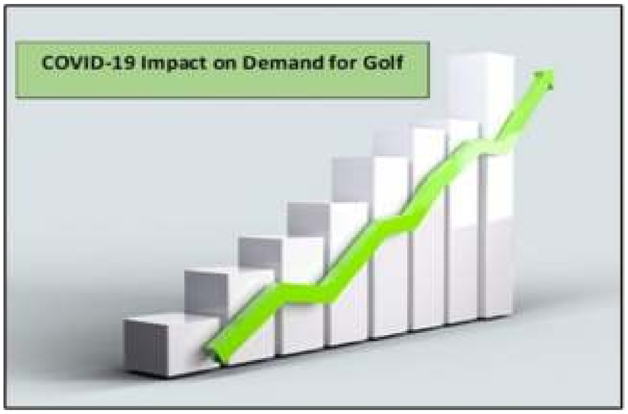
MAKING THE MOST OF THE PANDEMIC

By: Rob Waldron

In retrospect, the Covid-19 Pandemic served as a gift to the Golf Industry. The Pandemic brought together allied golf associations including Owners, Operators, Superintendents, PGA Members, Club Managers, State, Local, Regional & National Golf Associations uniting them to promote golf.

INCREASED DEMAND FOR TEE TIMES

With Golf providing one of the few forms of CDC-compliant outdoor recreation activity, demand for tee times amplified across the US. According to Golf DataTech, 502 million rounds of golf were played in 2020, an increase of 60 million (13.9%) over 2019. This increase was despite a loss of 20 million rounds from March – May due to government required course closures and restrictions.



Datatech's research showed through June of this year rounds are up 23%. The National Golf Foundation (NGF) estimated 3 million new players took up the game in 2020. Without competing activity options such as concerts, college and professional sporting events, youth athletic programs, dining out and festivals, golf thrived. The work from home mandates instituted by most companies eliminated commuting and has continued to do that through the first half of 2021 thereby providing workers with additional free time. Increased play was especially noticeable during previously underutilized weekday afternoons and early evenings.

PRIVATE CLUBS

According to the National Golf Foundation, private club rounds were up 19% year over year in 2020 versus 2019. Through June of this year private club rounds are up 13%. Most private Clubs welcomed the reversal of recent downward membership trends reporting significant increases in all membership classifications. Member retention set all-time records. Many Clubs welcomed the return of waiting lists.

Private Clubs provided members with a perceived "Safe Haven" where they could recreate, exercise, and socialize in a controlled environment. Prospective New Members, frustrated with the challenge of obtaining prime tee time at daily fee course, were attracted to tee time availability provided by private clubs. Clubs took advantage of a unique situation of high membership demand by increasing dues and fees and eliminating discounts which were no longer necessary. To accommodate the increased member play, many Clubs limited the amount of guest and outside play. Restricted F&B operation at private clubs presented a quandary in 2020 since programmed social activities centered around F&B are considered an amenity. Much of the programming has successfully returned in 2021.

DAILY FEE COURSES

Many daily fee course operators reported record rounds being played in 2020 and into 2021. Through the first half of 2021, Datatech report rounds at public courses up 26%. After a short period of temporary course closures and restrictions related to the initial outbreak, the popularity of golf exploded. Golf provided one of the few forms of CDC compliant outdoor activity providing an escape from being homebound.

Demand for tee times amplified across the US. The work from home mandates instituted by most companies eliminated commuting thereby providing workers with additional free time. Daily fee operators reaped the benefits from the Pandemic:

- ◊ Tee sheets remained full throughout the day
- ◊ Millions of new golfers were introduced to the game
- ◊ Lapsed golfers were drawn back to the game
- ◊ Demand for tee times resulted in higher average rates
- ◊ Discounted rates were replaced with rack rates
- ◊ Amplified family play filled afternoon and early evening tee times.
- ◊ Historically, the average rate was approximately 60% - 65% of peak rack. Now it is pushing 70%

Most daily fee courses accepted the F&B restrictions in stride by offering limited menus and expanding beverage cart and halfway house services. This strategy proved very profitable for many courses.

DESTINATION / RESORT AREA COURSES

Not all courses benefitted from the Pandemic. Courses relying on golf package and tourist business struggled mightily 2020. Resorts and golf destinations in several markets including Myrtle Beach, Ocean City, MD, Hawaii, and Orlando experienced significant cancelations of pre booked golf packages resulting in numerous unfilled tee times. However as of June of 2021, golf resorts are packed, you can't get hotel rooms or even rental cars as golfers have tired of being home bound, go back to a more normal golfing life.

Fiscal Year 2020 Sales Activity

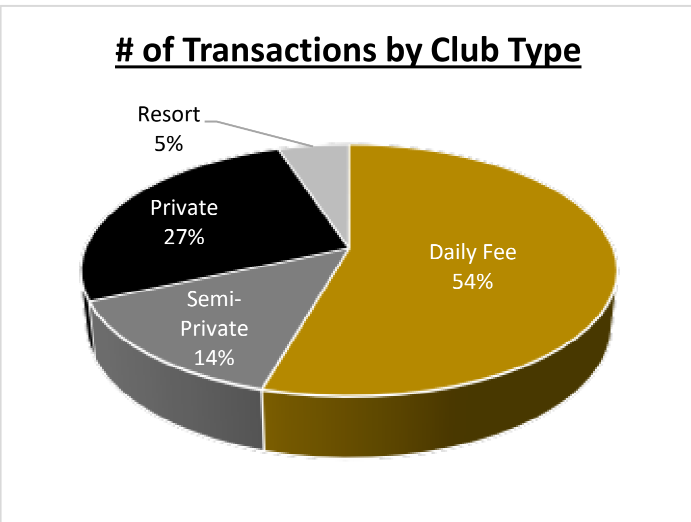
By: Kody Tibbetts

The analysis below focuses on the golf transaction market between >$500k - $75M, removing outliers, deals sold for redevelopment, open space, and portfolio sales. Portfolio sales are removed from the data set because prices on an individual course level are often an allocation of the total portfolio price and therefore would throw off the metrics. However, we have included 2020 total sales volume (including portfolio sales) to the 2020 transaction summary for informational purposes only.

2020 Transaction Summary	
Total # of Transactions	**79**
Average Price	**$3,149,046**
Median Price	**$1,700,000**
Total Sales Volume	**$248,774,648**
Total Sales Volume (Including Portfolio Sales)	*$412,959,808*

# of Transactions by Club Type

Daily Fee	Semi-Private	Private	Resort
43	11	21	4



One key insight upon which this investment report focuses year after year is the tracking and analyzing of golf course transactions. This includes the volume at which golf courses transact annually as well as average and median prices. It is no secret that some effects of the pandemic, such as Work-From-Home (WFH), have greatly benefited the golf industry, but the question for owner/operators and prospective investors is how does this relate to values?

QUARTLERY ANALYSIS

In the first quarter of 2020, we recorded 23 total golf course transactions, which unsurprisingly, was the most of any quarter. During this time frame, there was still much uncertainty surrounding the coronavirus outbreak and travel was mostly unrestricted until mid to late March, when the US officially declared the COVID-19 Pandemic a national emergency. The average sales price in quarter-one was $3,071,337, nearly identical to $3,050,907 in 2019, and the median sales price jumped up considerably from $1,464,291 in 2019 to $1,900,000 in quarter one.

Quarterly Analysis

Quarter	# of Transactions	Average Price	Median Price
Jan - Mar	23	$3,071,337	$1,900,000
Apr - Jun	16	$2,815,869	$1,640,000
Jul - Sep	21	$2,924,434	$1,850,000
Oct - Dec	19	$3,771,942	$1,525,000

The second quarter told a different story. With COVID-19 cases reaching new highs, the shutdown of the economy and travel restrictions, transaction volume dropped along with both average and median prices. By quarter-three, most golf courses throughout the US were open once again and business was booming, largely due to the schedule flexibility that working from home provides. As travel restrictions loosened and the economy began to open back up, transaction volume caught up and average and median prices followed.

In the final quarter, we recorded three sizable transactions, two in California and one in New Jersey, that propped up the average sales price to $3,771,942 (approx. $600k above 2020 average), but the median price fell to the annual low of $1,525,000. The drop in median price could have been caused by sellers motivated to get deals done by year-end for tax purposes or simply more smaller deals transacting.

Overall, transaction volume dropped by 18% in 2020. However, average and median prices both increased from $3,050,907 to $3,149,046 and $1,464,291 to $1,700,000, respectively. By all accounts, rounds and revenue are up significantly which should translate to both average and median prices rising in 2021. The only questions that remain are how do investors see those trends progressing in the future and what type of discounts will be applied for such an unusual year?

The "Core" $1-10M Investment Tranche

(Cont. from 2020 transaction activity pg. 14)

Focusing on the "core" data, the $1M to $10M Investment Tranche, we tracked a total of 56 transactions or 71% of all golf course transactions in 2020. The average sales price fell from $2,936,346 in 2019 to $2,312,460 in 2020 and the median sales price increased from $1,878,750 in 2019 to $1,925,000 in 2020. Again, with a surge in both rounds and revenue and continued enthusiasm throughout the rest of 2021, we expect both the average and median prices to trend higher.

Investment Tranches

Sales Price	# of Transactions	% Share	Average Price	Median Price
$500K - $999K	18	23%	$736,939	$750,000
$1M - $2.99M	45	57%	$1,829,950	$1,750,000
$3M -$4.99M	8	10%	$3,612,500	$3,600,000
$5M - $9.99M	3	4%	$6,083,333	$5,750,000
$10M+	5	6%	$21,202,400	$15,165,000
Core ($1M - $10M)	**56**	**71%**	**$2,312,460**	**$1,925,000**

2020 Golf Course Transactions by Region

	West	Southwest	Midwest	Southeast	Mid-Atlantic	Northeast
# of Transactions	**12**	**3**	**21**	**37**	**4**	**2**
% Share	*15.2%*	*3.8%*	*26.6%*	*46.8%*	*5.1%*	*2.5%*
Average Price	**$9,187,833**	**$2,766,667**	**$1,392,733**	**$2,274,524**	**$3,791,469**	**$825,000**
% +/- US Average	*192%*	*-12%*	*-56%*	*-28%*	*20%*	*-74%*
Median Price	**$3,300,000**	**$2,700,000**	**$1,030,000**	**$1,600,000**	**$1,965,438**	**$825,000**
% +/- US Median	*94%*	*59%*	*-39%*	*-6%*	*16%*	*-51%*
High Price	**$34,500,000**	**$4,000,000**	**$2,750,000**	**$14,900,000**	**$10,185,000**	**$850,000**
Low Price	**$1,165,000**	**$1,600,000**	**$558,400**	**$500,000**	**$1,050,000**	**$800,000**

Partial List of FY 2020 Golf Course Sales

(Some sales are not included due to confidentiality)

Golf Course Name	Sale Price	Property Type	# Holes	Market	State
Rancho San Joaquin Golf Course	$34,500,000	Daily Fee	18	Irvine	CA
PGA West & The Citrus Club	$31,262,000	Resort	163	La Quinta	CA
Woodland Hills Country Club	$15,165,000	Private	18	Woodland Hills	CA
Parkland Golf & Country Club	$14,900,000	Private	18	Parkland	FL
Shackamaxon Golf & Country Club	$10,185,000	Private	18	Scotch Plains	NJ
The Ranch Country Club	$7,000,000	Private	18	Westminster	CO
Lago Mar Country Club	$5,750,000	Private	18	Plantation	FL
Las Posas Country Club	$5,500,000	Private	18	Camarillo	CA
Encanterra Country Club	$4,000,000	Private	18	Queen Creek	AZ
Southern Trace Country Club	$4,000,000	Private	18	Shreveport	LA
Porters Neck Country Club	$4,000,000	Private	18	Wilmington	NC
Oakmont Golf Club	$3,600,000	Semi-Private	36	Santa Rosa	CA
Country Club of Roswell	$3,600,000	Private	18	Alpharetta	GA
Hamilton Mill	$3,400,000	Private	18	Dacula	GA
Hammock Creek Golf Club	$3,300,000	Daily Fee	18	Palm City	FL
Palm Desert Resort Country Club	$3,000,000	Resort	18	Palm Desert	CA
Cypress Ridge Golf Course	$2,800,000	Daily Fee	18	Arroyo Grande	CA
Broadmoor Golf Links	$2,750,000	Daily Fee	18	Fletcher	NC
Green Acres Golf Course	$2,750,000	Semi-Private	18	Kokomo	IN
Raven Nest Golf Course	$2,700,000	Daily Fee	18	Huntsville	TX
Mequon Country Club	$2,640,000	Private	27	Mequon	WI
Mission Hills North Gary Player Golf Course	$2,625,000	Resort	18	Rancho Mirage	CA
Largo Mar Country Club	$2,600,000	Private	18	Plantation	FL
Northdale Golf & Tennis Club	$2,520,000	Daily Fee	18	Tampa	FL
Riverside Golf Center	$2,500,000	Daily Fee	27	Old Hickory	TN
The Bull at Pinehurst Farms	$2,410,000	Daily Fee	18	Sheboygan Falls	WI
Oak Shadows Golf Club	$2,267,490	Daily Fee	18	New Philadelphia	OH
The Links Waterford Golf Club	$2,250,000	Semi-Private	18	Rock Hill	SC
Hemet Golf Club	$2,137,000	Daily Fee	18	Hemet	CA
The Majors Golf Club	$2,100,000	Daily Fee	18	Palm Bay	FL
Jennings Mill Country Club	$2,042,880	Semi-Private	18	Bogart	GA
Out Door Country Club	$2,030,875	Private	18	York	PA

Partial List of FY 2020 Golf Course Sales

(Some sales are not included due to confidentiality)

Golf Course Name	Sale Price	Property Type	# Holes	Market	State
Beckett Ridge Golf Club	$1,950,000	Daily Fee	18	West Chester	OH
Deer Park Country Club	$1,900,000	Daily Fee	18	Oglesby	IL
Hopewell Valley Golf Course	$1,900,000	Private	18	Hopewell	NJ
Highlands Ridge Golf Club	$1,850,000	Daily Fee	18	De Pere	WI
Rock Creek Golf Club	$1,800,000	Semi-Private	18	Fairhope	AL
Killearn Country Club	$1,800,000	Private	18	Tallahassee	FL
Pike Lake Golf & Country Club	$1,750,000	Daily Fee	9	Duluth	MN
Westchester Golf Club	$1,700,000	Daily Fee	18	Canal Winchester	OH
The Preserve Golf Club	$1,680,000	Daily Fee	18	Bradenton	FL
Victoria Hills Golf Club	$1,610,000	Semi-Private	18	Deland	FL
Wentworth Golf Club	$1,600,000	Semi-Private	18	Tarpon Springs	FL
Oakridge Country Club	$1,600,000	Private	18	Garland	TX
Carolina Country Club	$1,595,000	Private	18	Spartanburg	SC
Wanaki Golf Course	$1,525,000	Daily Fee	18	Menomonee Falls	WI
Colonial Charters Golf Club	$1,506,996	Daily Fee	18	Longs	SC
The Fox Club	$1,500,000	Semi-Private	18	Palm City	FL
Lane Creek Golf Club	$1,500,000	Daily Fee	18	Bishop	GA
Lakota Canyon Golf Club	$1,500,000	Daily Fee	18	New Castle	CO
Traditions of Braselton	$1,489,400	Private	18	Jefferson	GA
King's Creek Golf Club	$1,475,000	Daily Fee	18	Spring Hill	TN
Island West Golf Club	$1,375,000	Daily Fee	18	Okatie	SC
Brick Landing Plantation Golf Club	$1,200,000	Semi-Private	18	Ocean Isle Beach	NC
Dayton Valley Golf Course	$1,165,000	Daily Fee	18	Dayton	NV
Taberna Country Club	$1,100,000	Private	18	New Bern	NC
Greer Country Club	$1,050,000	Daily Fee	18	Greer	SC
Chestnut Ridge Golf Resort	$1,050,000	Resort	36	Blairsville	PA
Crab Orchard Golf Course	$1,030,000	Semi-Private	18	Carterville	IL
Henderson Country Club	$1,023,107	Daily Fee	18	Henderson	KY
Spring Creek Ranch Club	$1,000,000	Private	18	Collierville	TN
Lake Spivey Golf Club	$950,000	Daily Fee	18	Jonesboro	GA
Alwyn Downs Golf Club	$875,000	Daily Fee	18	Marshall	MI
Neuse Golf Club	$875,000	Semi-Private	18	Clayton	NC

2020/2021 Lending Outlook

By: Austin Berns

LENDING OUTLOOK

2020 was undoubtedly a tough year Globally. It was a year that brought many fears, challenges, and unknowns. While the Pandemic is not over, we continue to see progress being made to end the COVID-19 era. The effects of COVID-19 throughout the CRE industry will likely result in significant changes to lending practices within the industry. Internal processes and procedures may be revised by lending institutions, and new regulations may be put into place by the new presidential administration.

For the past, twenty years banks and other lenders have looked to the past to assess the creditability of their commercial customers. Many of these lending decisions have come down to risk models and credit rating on historic financials and past performance based on prior year P&L's. With effects of the pandemic and its aftershocks, commercial lenders can no longer just look to past financials. Predictive analytics and a dynamic view will be the new basis of commercial lending.

2021 & BEYOND

The 10-year Treasury yield is above 1% for 6/2021 for the first time since March 2020, and professional surveys suggest that it will end the year around 1.15%. It is expected that the 10-year will trade in a tight range throughout the year and will end around 1.30%. These expectations tell us that by the end of 2021, we can expect COVID-19 to finally be contained and credit spreads to drops. This would be great for all-in loan rates.

With interest rate spreads remaining elevated and select lenders offering conservative LTV's, loan opportunities continue to grow for golf properties that are in stable condition.

Though the optimism, commercial lenders will continue to be cautious and many will look for practices that could have protected themselves better prior to the pandemic. Some of these new practices may be the implementation of more forward-looking models to steer the institution or individual lender toward greater risk-return portfolios. Today, Lenders who will consider lending on golf, lend on a case-by-case basis and frequently perform risk assessments on their clients. The post-COVID-19 lender may also require borrowers to obtain business interruption insurance, unconditional guarantees, rent provision assignments, or adequate collateral in order to secure a loan, but we have not seen that yet on the golf side or with SBA lenders.

Although much of the lending landscaped changed and diminished during the Pandemic, Leisure activities such as golf thrived and have continued this trend into the first half of 2021. With increased rounds throughout the country in 2020 and a continued trend into the first half of 2021, Lenders are encouraged and are giving golf a second look. Golf was not just a hobby for the United States last year, it was a necessary escape, a way to provide some sanity. In 2020, golf courses around the country generated an estimated $24 billion in revenue and employed over 300,000 people and that is with layoffs in F&B. In the first half of 2021 those trends continue.

Recent studies have also revealed that golf courses are in better financial shape today than they have been in years, which is good news for lenders of golf assets. Profitable golf courses are not just good for the game and business of golf, they're essential. Profits allow owners to invest in the future and provide greater experiences for golfers. A year and a half of incredible trials and tribulations has left us with more questions than answers on the pandemic's long-term impact on the golf lending space and commercial lending markets as whole. One theme has remained the same though throughout the pandemic, adaptability. Lenders and investors will continue to create and update processes and procedures that will better protect themselves and lead to better lending decisions. Understanding and responding to these changes will take time, capital and innovation. Hopefully, in the not-too-distant future, the disruption will pass and all those cows in the real estate pasture will thrive again.

Available Golf Course Financing in Today's Market	
Convential Bank Loan	Fixed Rate: 4.5 - 6%, Point: 1%, Term: 3-10 yrs., Amort: 20-25 yrs., LTV: 50-60%, DCR: 1.3-1.4, Loan Size: $750k & Up
	Floating Rate: 4.25-6%, Term: 10 yrs, Amort 20-25 yrs
SBA Guaranteed Loan 7A Program	Interest: 4%- 6%, Over Prime but No Origination Fee, Points: 0%, Term: 25 yrs, Loan Size: Up to $5M, Amort: 25 Yrs
Life Company	Interest: 4.5%-6%, Points: 1%, Term: 5,10,15 yrs, Amort: 15,20,25 yrs, LTV: 55-65%, Loan Size: Min Loan Size $15M, Pure Land
Bridge Loan	Interest: 7%-10%, 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: 12-15%+, Unleveraged IRR: 20%, Preferred Returns 8.8-12%, LTV: 60-70%, Waterfall Structure: Deal by Deal on Profit

Investment Opportunities

Confidential Midwest Portfolio | $18,000,000

Lead Advisor: Chris Karamitsos & Terence Vanek

Greate Bay Country Club | Under Contract

Lead Advisor: Steve Ekovich

Highlands Ridge Golf Club| Under Contract

Lead Advisor: Steve Ekovich

Pinewild Country Club of Pinehurst | $22,000,000

Lead Advisor: Chris Karamitsos & Steve Ekovich

Fuzzy Zoeller's Covered Bridge Golf Club
$2,550,000

Lead Advisor: Rob Waldron

The Hawk Country Club | $2,300,000

Lead Advisor: Steve Ekovich

Moselem Springs Golf Club | $2,350,000

Lead Advisor: Steve Ekovich

Red Tail Golf Club | Under Contract

Lead Advisor: Chris Karamitsos

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