

## Courses on the selling block are finding buyers scarce, prices sliding

By JAY FINEGAN and  
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SAN DIEGO — Golf management companies looking to acquire more courses are now seeing the best market in 10 years, according to Don Rhodes, chief financial officer of the growth-minded Heritage Golf Group. But unfortunately, he said, the finan-

cial backing to fund new deals is disappearing quickly.

The softening valuations for existing courses, due to saturation levels in some areas and an economic downturn in general, are forcing equity venture firms to pull back, further depressing the market.

Bob Barrett, CEO of Birming-

ham, Ala.-based Honours Golf, also is noticing the effects that overbuilding has had on new course funding. "The lack of funding is eliminating a lot of people from the market right now," he said. "There has been so much built in the last several years, and there are a lot of people out there suffering right now."

For companies with the financial firepower to add to their portfolios, however, the timing is good.

"This is the most favorable acquisition market I've seen in 10 years," Rhodes said. "Prices are coming down from the high end to the low end. There's always a certain number of people, a certain number of courses, that

have to sell. Somebody dies, something happens. And for the people who have to sell, prices are falling all over the place."

Barrett reads the situation the same way. "It's still a little early to tell," he said, "but it is going to become a buyer's market for sure."

### \$100-MILLION COMMITMENT

The Heritage firm, headquartered here, launched in late 1999 and now appears well-positioned to capitalize on the southbound drift. It has secured a commitment of \$100 million from GTCR, a private, Chicago-based equity venture firm that manages more than \$4 billion in capital.

The reason for the big commitment, Rhodes explained, is the strong track record compiled by Bob Husband, the Heritage CEO, whose last company, Cobblestone Golf Group, rewarded its financial backers when its 50 golf courses were sold off in 1998.

"Bob is the only one [of the chain builders] who has gone full cycle," Rhodes said. "He started out in 1992, built Cobblestone, sold out his entire portfolio and delivered good returns to investors. Most of the others started after he did and have not done as well, and the venture capital groups that funded those companies are not happy. Their returns have not been disastrous, but they haven't been stellar, either."

### THE RETRENCHMENT SETS IN

Before joining Heritage, Rhodes ran a course-financing operation for Bank of America (BOA). That unit, Nation's Credit, was shut down recently. But from his perch there, and now at Heritage, Rhodes has watched the go-go years of recent times and now the retrenchment.

"My old group at BOA financed many of the growing golf companies," he said. "Textron Financial Corp. had a wide-ranging business, and other firms were providing capital — Apollo, Westbrook, Olympus. We financed Arnold Palmer Golf Management, Kemper Sports, Eagle Golf Services, Heritage, Meadowbrook Golf Group, Gotham Golf Partners. We financed almost everyone who was trying to build up a chain. But the old financial providers just aren't doing it anymore, and the buying groups have sort of stopped buying."

Indeed they have. Gotham put its 19 courses up for sale not long ago, he said, and then retracted the sale when serious interest failed to materialize. LinksCorp, out of Chicago, faced the same situation when its 24

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## Myrtle Beach named top golf destination worldwide

MYRTLE BEACH, S.C. — The International Association of Golf Tour Operators (IAGTO) has named Myrtle Beach as the “established” golf destination of the year. Other nominees included the Algarve, Hilton Head, S.C., Ireland, Normandy (France), northeast Florida, Palm Springs, Calif., and Scotland.

IAGTO’s 95 tour operators from

21 countries were asked to give a satisfaction rating of between one and 100 to each of the golf destinations. Criteria included customer satisfaction, support from suppliers, support from tourist boards, support from airlines, quality of golf courses and accommodations and accessibility to tee times.

“Myrtle Beach has stepped up

to the plate by offering great customer service and southern hospitality,” said Shane Sharp, editor of MyrtlebeachTravel.com and MyrtlebeachGolf.com. “We’re happy to see the Grand Strand get this kind of recognition. We publish tourism sites and publications in 18 destinations and have always known that Myrtle

Beach is a special place.”

The award was accepted by Debra Hesla of Myrtle Beach Golf Holiday at the IAGTO annual conference on December 11 at the Times-Union Theater, in Jacksonville, Fla.

“We’ve been working really hard internationally to get new golfers,” Hesla said. “Everyone

needs new golfers with the golf industry being kind of flat. Globally, more money is spent on golf than any other sport. We have been working the market for the last 10 years, having booths at the British Open and also going to the trade shows for the tour operators. It was a big

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## Acquisition market

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courses went on the block; it also pulled back. And Arnold Palmer Golf Management, with about 35 courses, also was put up for sale.

“The two Oklahoma guys who won the bid for Palmer couldn’t close it,” Rhodes said. “They couldn’t get the money together on the debt or equity side. It took them nine months and the deal finally fell apart.

Now Golf Trust of America (GTA), with 47 courses, is liquidating, and Rhodes said “I’m not sure they’ll find buyers for everything. We’ve looked at some of the GTA properties, and so have other companies that still have some equity backing them for acquisitions. I know Eagle could buy if they wanted to, and so could Kemper. But everybody is waiting because prices are going down, so why not wait?”

The waiting game is on for Honours Golf, too. “We are well capitalized and are under no pressure to go out and invest the money in a certain time period,” Barrett said. “We can sit back and wait for the best opportunities to come along. They will continue to come and may be even better over the next 18 months.”

### GOLF COURSE AS TROPHY WIFE

Below the large golf course management companies come the individual operators, where the action is unpredictable. “There are people who sell one course and buy another one,” Rhodes said. “A lot of families have been in the business for years, buying and selling. When they go to build, they sign personally, and they are often conservative. They range from outstanding operators to your little pro in rural Georgia who’s got a course.

“Your individual buyer is still out there,” Rhodes added. “It might be the rich guy who has always loved the game and wants his own course. It’s like the next Ferrari or trophy wife for him. But now, that guy is probably not as much there, either, because he’s lost a lot of money over the last year in his stock portfolio. But to the extent he is there, he can buy.” ■

GOLF COURSE NEWS

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