Survey shows renewed interest in acquisitions

By LARRY HIRSH

This year’s results are in from the survey my course appraisal/brokerage firm, Golf Property Analysts, has done each spring since 1998. The responses received from nearly 100 multi-course management firms, along with smaller investors who own a regional or local focus, were uniformly interesting, but taken together, some points really jumped out.

Approximately 60 percent of respondents indicated a preference for private facilities as opposed to daily-fee. This confirms a trend — the shifting preference from daily-fee to private facilities — we’ve noticed and have been tracking for more than two years. It is obvious now that many investors feel that some daily-fee markets are saturated, especially the upscale daily-fee market, and that private projects are more attractive in comparison.

While most responding firms indicated a national market-area interest, there is now a more equal focus on both the southwestern and southeastern sunbelt regions, in addition to the Midwest and Northeast (last year more than 65 percent indicated a preference for the two sunbelt regions).

This year’s responding firms expressed their desire to “cluster” courses in particular areas within a five-mile radius. Clustering and population centers appear to be more important than regional focus. For instance, one firm we regularly do business with has a guideline of working within a 200-mile, plus-1-mile-for-each-course radius of their headquarters. That’s a tongue twister, but it means a firm with 20 courses will typically consider acquisitions within a 206-mile radius from their headquarters.

Responses on desired beginning cap rates again confirmed what we’ve been seeing: cap rates have risen dramatically in recent years, to between 11 and 16 percent (cash flow multiples of 6.5 to 9).

With many sellers seeking multiples of 10 (cap rates of 10 percent) for their courses, this gap resulted in few transactions taking place in 2001 and early 2002. There is a definite “wait and see” feeling in the market, as investors stay on the sidelines until they are confident prices are at their lowest and sellers become more motivated to act. Desired internal rates of return (IRR) also rose dramatically, according to our survey, as many investors are seeking rates in the 18-percent-and-up range. Traditionally, other forms of real estate have commanded IRRs in the low- to mid-20s, and while golf’s “sex appeal” and ability to attract investors at lower rates still exist, investors are inching closer to the rates required by investors in other types of real estate.

This means the weather-sensitive, management-intensive qualities of golf are making investors more cautious, even without considering oversupply in some markets. As was the case last year, approximately 90 percent of respondents perceived values of golf properties as declining. This means there are more sellers than buyers — and those buyers should be in an advantageous negotiating position.

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NGF, NGCOA release rounds results

Weather cited for both increases and decreases in 2001 numbers

By DEREK RICE

CHARLESTON, S.C. — According to results of a joint survey by the National Golf Course Owners Association (NGCOA) and the National Golf Foundation (NGF), 518 million rounds of golf were played in the United States in 2001.

The results of this survey come from polling of all 15,720 regulation facilities in the country. Data was received from 2,426 of those facilities, which amounts to a 15 percent response rate. Previous rounds numbers have been consumer-based and have indicated that 580 million rounds were played in 2001.

The consumer-based model has been criticized recently, most notably by James Koppenhaver of Pelliucord Corp., who has estimated that those numbers are 15 percent to 20 percent too high (GCN June 2002). Pelliucord had estimated the actual number of rounds played in 2001 to be around 580 million. According to NGF/NGCOA survey, rounds played were down slightly in 2001

compared to 2000 (518.1 million vs. 518.4 million). Six of the 11 regions experienced an upturn, with five seeing a decrease.

The regions were created based on temperature and precipitation, proximity and length of the golf season.

Among the facilities reporting an increase in 2001, 42 percent cited improved weather as the main reason. Weather was also the most-cited reason for decreases, with 52 percent of facilities that experienced a decline citing it as the main cause.

Other reasons for increases included renovations, changes to the membership, course conditions or advertising and promotion. The economy and Sept. 11 also had an impact on those facilities that experienced a decrease in the number of rounds played, as 27 percent cited either as a reason.

Going forward, the NGCOA and NGF will continue to track the volume of rounds played in the United States and will report results through Golf 20/20 on a quarterly basis, beginning in 2003.