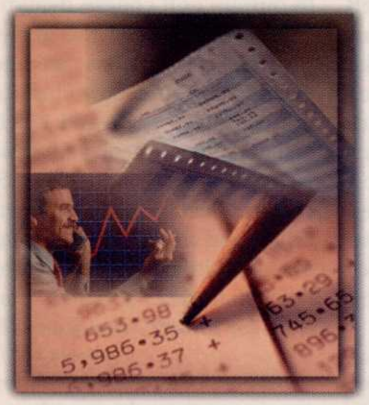

BRIEFS

ZABRISKI NAMED DIRECTOR OF GOLF AT OLD PALM

BONITA SPRINGS, Fla. — Bruce Zabriski has been named director of golf for Old Palm Golf Club in Palm Beach Gardens. Old Palm is a new private golf club and community designed by Ray Floyd and under development by WCI Communities Inc. Most recently, Zabriski served as head professional at Trump International Golf Club in West Palm Beach.

I.R.I. NAMES PALMER TO LEAD ARIZONA OPERATIONS

RANCHO SANTA FE, Calif. — I.R.I. Golf Group has named Dennis Palmer vice president of Arizona operations. Palmer will oversee the three I.R.I. owned and operated Arizona properties – Forty Niner Country Club, San Ignacio Golf Club and Arizona National Club – based in Arizona. Most recently, Palmer served as general manager and director of golf at the Links Continental Ranch.

Dennis Palmer

INTRAWEST MOVES BAKEMAN TO SOUTH MOUNTAIN

SCOTTSDALE, Ariz. — Intrawest Golf has named Mark Bakeman director of golf at The Raven Golf Club at South Mountain. The 20-year PGA veteran has worked for Intrawest for three years, most recently as director of golf at Tuscon-based The Raven Club at Sabino Springs. Bakeman's move to South Mountain comes in the wake of a number of recent transactions for Intrawest in the Arizona market. Since November 2001, the company has added two courses to its portfolio, as well as a golf course development project in the West Valley.

GOLFSWITCH NAMES NEW CEO

SCOTTSDALE, Ariz. — GolfSwitch, a division of Spectrum Golf Inc. has appointed Damian J. Greco CEO. Greco comes to GolfSwitch from e2e Golf Solutions, where he was the company's senior vice president of corporate development. GolfSwitch provides products and services to golf course owners.

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 possess 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 depending on their size. 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-every-course radius of their headquarters. That's a tongue twister, but it means a firm with 26 courses will typically consider acquisitions within a 226-mile radius from their headquarters.

Larry Hirsh

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 exists, 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.

Continued on next page

Port Orange hires KemperSports

PORT ORANGE, Fla. — The City of Port Orange, Fla., has signed an agreement for Northbrook, Ill.-based KemperSports to manage the golf course and facility operations at the city's The Golf Club at Cypress Head. Designed by Arthur Hills and Mike Dasher, the 6,832-yard course opened in 1992.

Ken Parker, city manager of Port Orange, said the city chose KemperSports because of the contenders, Kemper's philosophies were most in line with the city's.

The course features a lighted driving range and a 6,000-square-foot clubhouse with a pro shop, dining and banquet facilities. The property also boasts preserved wetlands.

Steve Skinner, president of KemperGolf, a division of KemperSports, said Cypress Head is a good example of the type of facility that often needs a management company.

"Like many municipal facilities, Cypress Head is a wonderful golf course in need of professional management," he said. Skinner added that KemperSports would look to improve every aspect of the golf experience at the club.

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.

Moving up...
Biggest 2001 increases
Mountain: 7.2%
Mid-Atlantic: 3.7%
Central/South Florida: 2.9%
Northeast: 2.4%
Southeast: 1.5%
South Central: 0.9%
... and going down
Biggest 2001 decreases
Upper Midwest: -5.7%
Northwest: -3.9%
Lower Midwest: -1.9%
Gulf Coast: -0.8%
Southwest: -0.8%

The consumer based model has been criticized recently, most notably by James Koppenhaver of Pellucid Corp., who has estimated that those numbers are 15 percent to 20 percent too high (*GCN* June 2002). Pellucid had estimated the actual number of rounds played in 2001 to be around 508 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 precipitaion, 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.

I.R.I. acquires Intrawest club

By DEREK RICE

RANCHO SANTA FE, Calif. — I.R.I. Golf Group LLC has acquired The Raven Golf Club at Sabino Springs from Scottsdale, Ariz.-based Intrawest Golf. I.R.I. has named the Tucson, Ariz., club Arizona National Country Club at Sabino Springs. Terms of the deal were not disclosed.

The Raven at Sabino Springs was one of two Raven facilities (the other being Phoenix's Raven at South Mountain) built in the 1990s and later acquired by Intrawest. Intrawest said it will continue to expand the Raven brand, which includes four courses, with a fifth scheduled to open later this year.

So why would a company with so much invested in a recognized brand like Raven sell off one of the properties? Jeff Stipec, senior vice president of Intrawest, said the move was purely a business play.

"Southern Arizona is not a growth market for us," Stipec said. "When I.R.I. approached our team about purchasing the Sabino Springs property, we evaluated the opportunity closely and then decided to move forward."

Larry Benson, chief operating officer for I.R.I., said the location of the club will play a major role in its marketing.

"Because of its strategic location within the Tucson area, Arizona National affords us some great cross-marketing opportunities with the golfing public," Benson said.

Smith to acquire Treetops Resort

GAYLORD, Mich. — Treetops Resort golf professional Rick Smith has agreed to purchase the four-season resort from Melling Corp., which has owned the property since 1983.

The resort features four golf courses, a par-3 course, an array of winter sports activities and 4,000 acres of terrain Smith said he plans to develop.

Smith joined the resort as director of golf in 1987. In 1992, Treetops owner and developer Harry Melling gave him the opportunity to design the par-3 course called Threetops. Melling then allowed Smith to design the resort's Signature course in 1993 and the Tradition course in 1997.

Management cos. hanging on

Continued from page 1

on its credit line since earlier this year, primarily because AGC has not made lease payments.

Meanwhile, GTA is liquidating its assets. Its creditor, Bank of America, extended GTA's repayment date of the company's $84 million loan, which had been June 30, to Dec. 31, 2002. Since January 2001, the company has sold 28 courses for $215.5 million. The company plans to pay shareholders between $6.01 and $9.43 a share when it has completed liquidation of its remaining courses.

NGP representatives have said they see no reason the company's planned merger would not go through, despite formidable shareholder opposition, most notably from Farallon Cap Investments and Cliffwood Partners. Both say the merger benefits only David Price, who founded both NGP and AGC. NGP has also continued to downplay bankruptcy talk.

If the merger goes through, NGP would be reorganized as a public company and would no longer be required to pay most of its earnings as dividends.■

Survey results

Continued from previous page

While most investors sought properties in larger markets (population of 250,000 or more), many were willing to consider smaller markets, especially if they were geographically accessible to their other facilities. Generally the larger markets were still popular, with an average desired market size of 750,000.

With respect to golf property financing, the responses were about equally split between commercial banks and golf finance companies, with many projects using both. The typical loan size was in the $3 million to $5 million range with an overwhelming percentage (90-plus) of the respondents reporting loan-to-value ratios between 60 and 75 percent. Interest rates for loans were predominantly less than 10 percent, and as low as 7 percent with loan amortization terms typically 15 to 25 years.

Comments indicated that while money was cheaper than last year, it was harder to find and the requirements for approval were stiffer than before. Operating experience is now critical to most lenders; property history is equally important. Bottom line: Few loans are available for new construction or properties with limited operating history.

About half the respondents listed leasing as an option, with percent of gross or net income the typical criteria for establishing a lease price (few other definitive parameters were mentioned). Management companies have renewed their rush for contracts – these are the same firms that, as recently as two years ago, would not consider taking management contracts.

While it's hard to tell for sure, the renewed interest in management and acquisition could mean the market is at or near bottom. Only time will tell.

Despite lower interest rates, a supply/demand imbalance in several markets, and the still-to-be-determined long-term effects of 9/11, many buyers continue to sit on the sidelines and seek the bottom of the market. As more courses become available, and the expectations of buyers and sellers grow closer, sales activity should pick up during the next 12 months after an extraordinarily slow 2001 and first half of 2002.■