Survey shows renewed interest in acquisitions

By LARRY HIRSH

This year’s results are in from the survey of the National Golf Property Analysts, conducted by Golf Property Analysts, which has been done each spring since 1998. The responses received from nearly 100 multi-course management firms, along with smaller investors who play 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 golf. 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 states, 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 200-mile radius from their headquarters. This means the weather-sensitive, man-made golf course experience, be it a wetlands preserve or a 200-mile radius from the 18-percent and up range. Traditionally, weather was also the main reason. If the weather was too hot or too wet, the golf experience at the club.

The regions were created based on temperature and precipitation, proximity and length of the golf season. Among the facilities reporting an increase in rounds played 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 the same as the main cause.

Other reasons for increases included renovations, changes to the membership, course conditions or advertising and promotion. The economy and the media have 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 NGCA 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.

By DEREK RICE
CHARLESTON, S.C. — According to results of a joint survey by the National Golf Course Owners Association (NGOCA) and the National Golf Foundation (NGF), 628 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 these 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 Dasher, the 6,832-yard course opened in 1992.

Ken Parker, city manager of Port Orange, said the city chose KemperSports because of the contender’s desire to “cluster” courses in particular areas within a 200-mile radius from their headquarters. This means the weather-sensitive, man-made golf course experience, be it a wetlands preserve or a 200-mile radius from the 18-percent and up range. Traditionally, weather was also the main reason. If the weather was too hot or too wet, the golf experience at the club.

The regions were created based on temperature and precipitation, proximity and length of the golf season. Among the facilities reporting an increase in rounds played 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 the same as the main cause.

Other reasons for increases included renovations, changes to the membership, course conditions or advertising and promotion. The economy and the media have 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 NGCA 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 the 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. The move will continue the expansion of 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 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.

Survey results

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 equally split between commercial banks and golf finance companies, with many projects using both. The typical loan size was in the $8 million to $8 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.