



Golf Course Valuation

Dominion Realty Advisors



History

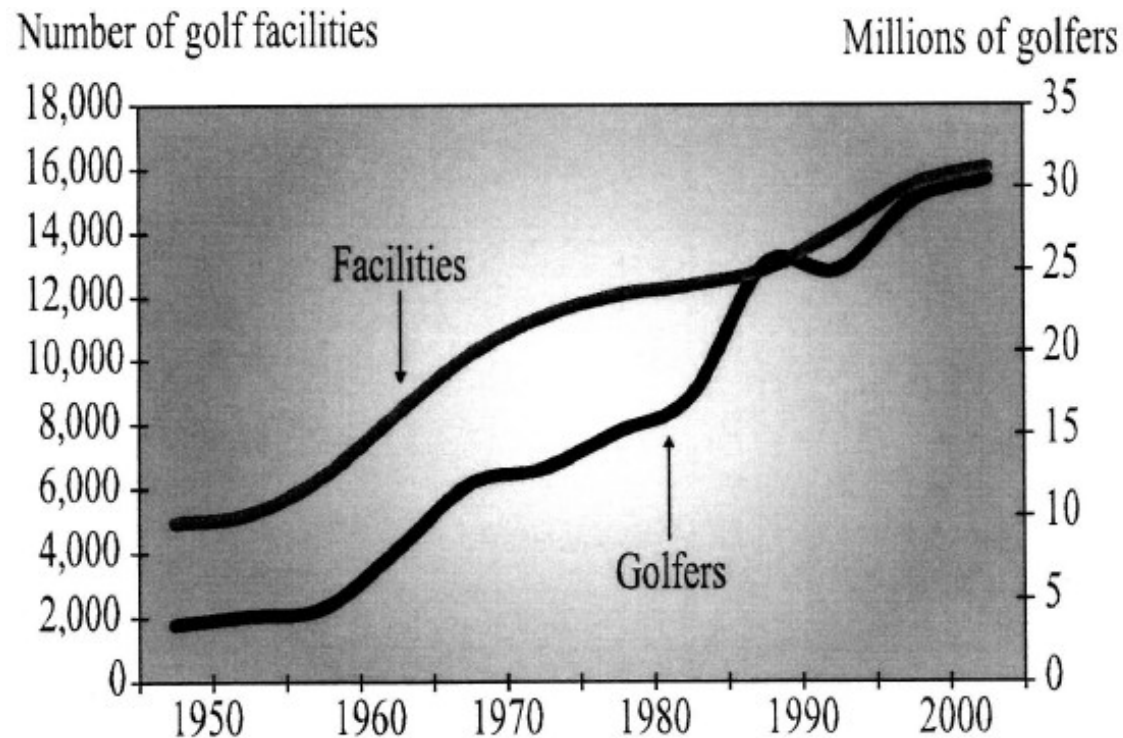
- Developed in the 1400s in Scotland
- In America in the late 1700s
- 1,000 Courses by 1900
- 6,000 Courses by 1931
- Declines after World War I
- By World War II = 5,000 Courses



History of Golf - continued

- Explosion from the 1950s to 2000
 - 200+ per year in the '50s
 - 350+ per year in the '60s
 - 150+ per year in the '70s & '80s
 - 14,000 Courses by 1990
 - 16,000 Courses by 2000
 - 16,000 Courses Today – Net Zero Growth

Growth in Golfers & Facilities

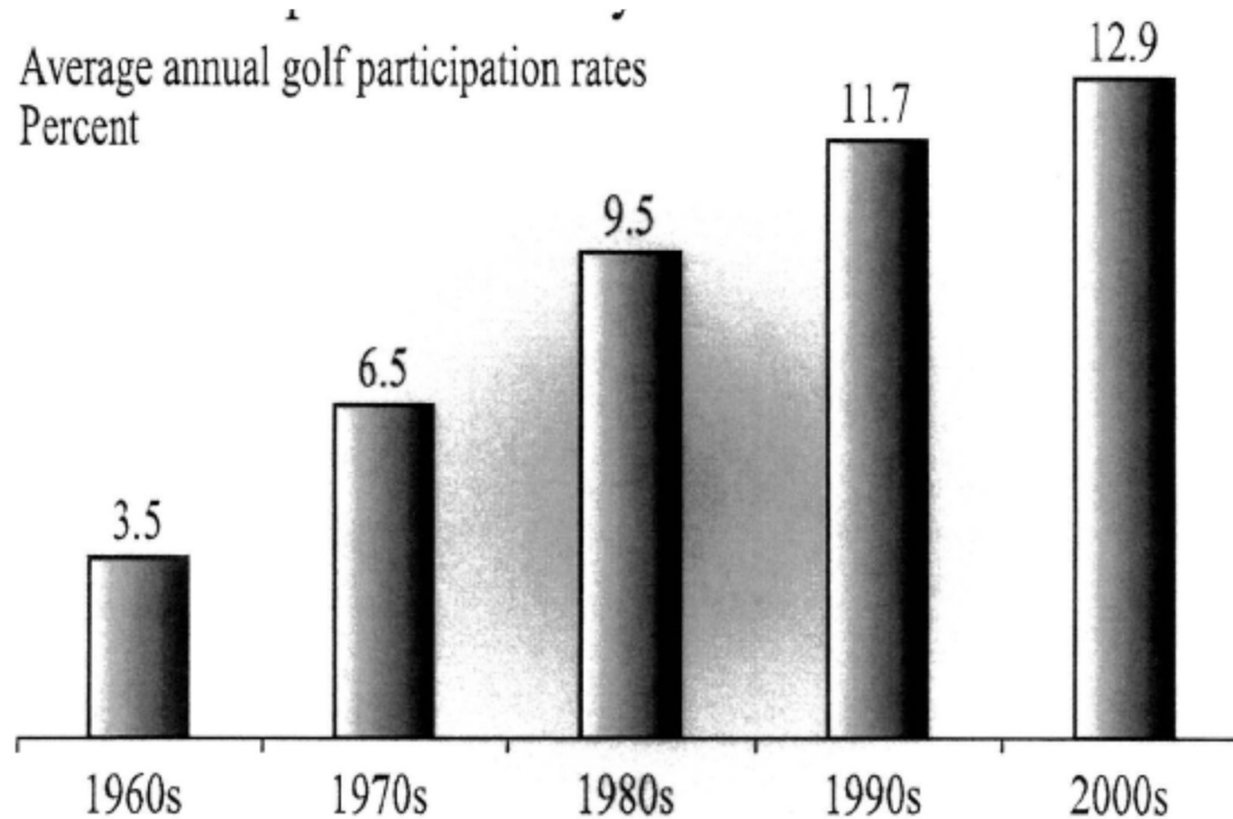


Golfer = age 12+, play one or more rounds a year.

Facility = A complex containing at least one golf course.

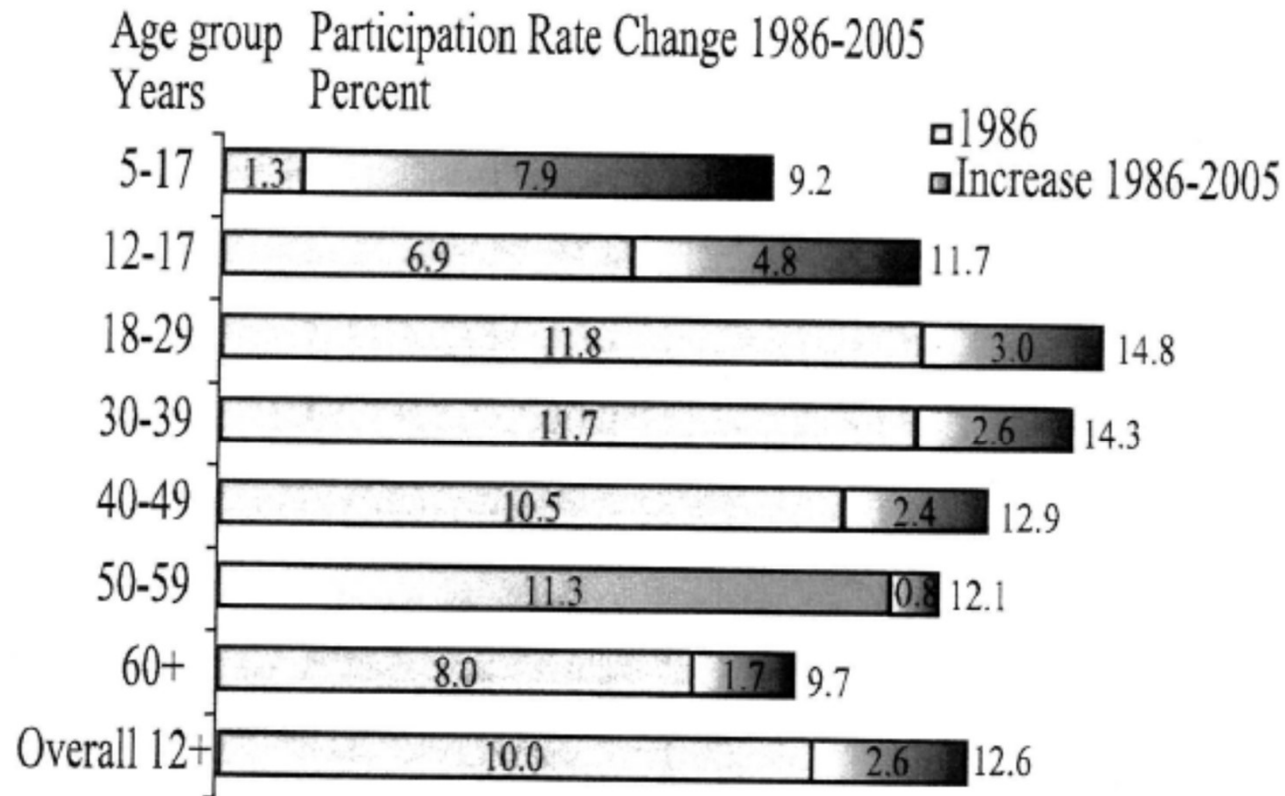
Source: National Golf Foundation

Golf Participation Rates by Decade



Source: National Golf Foundation

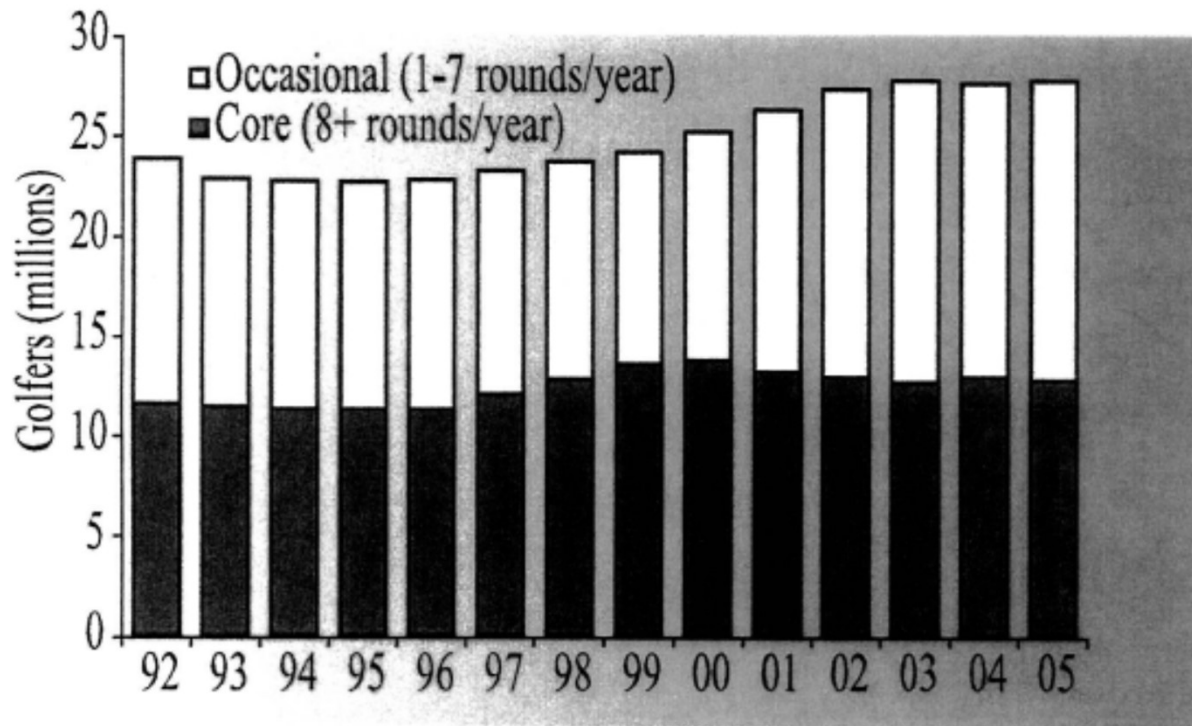
Increases in Golf Participation



Source: National Golf Foundation

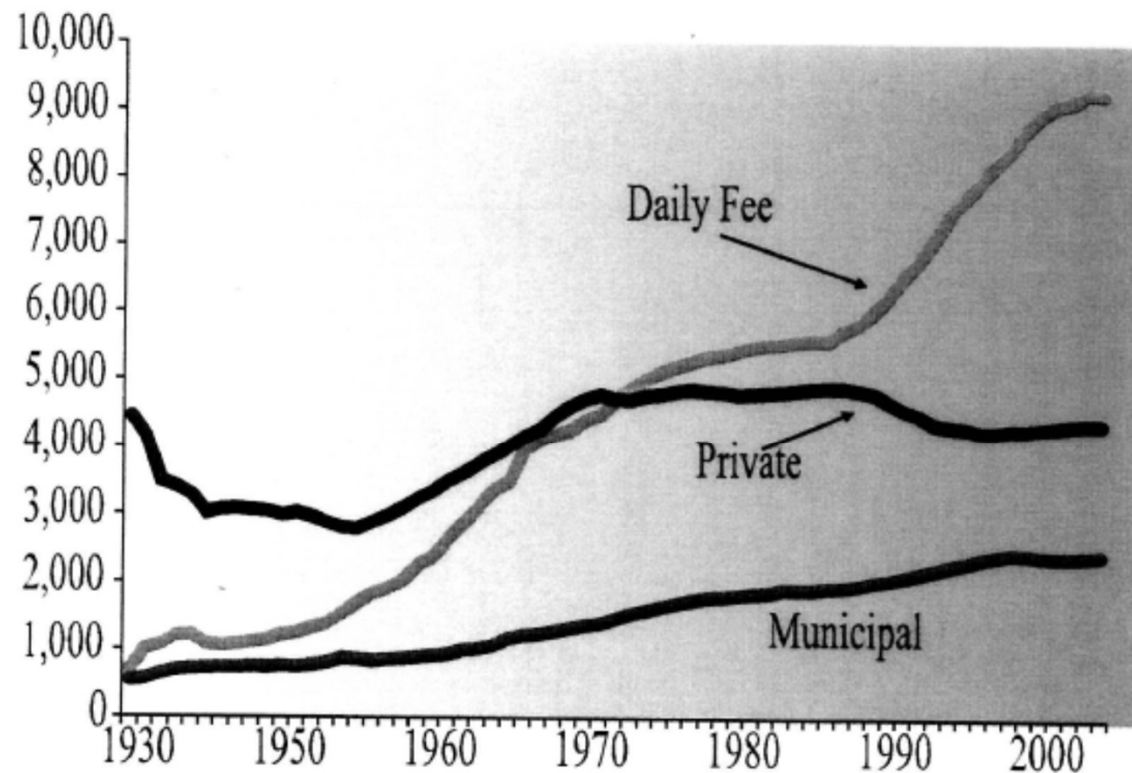
Recent Growth of Golfers

Adult Golfers, 36-month rolling average



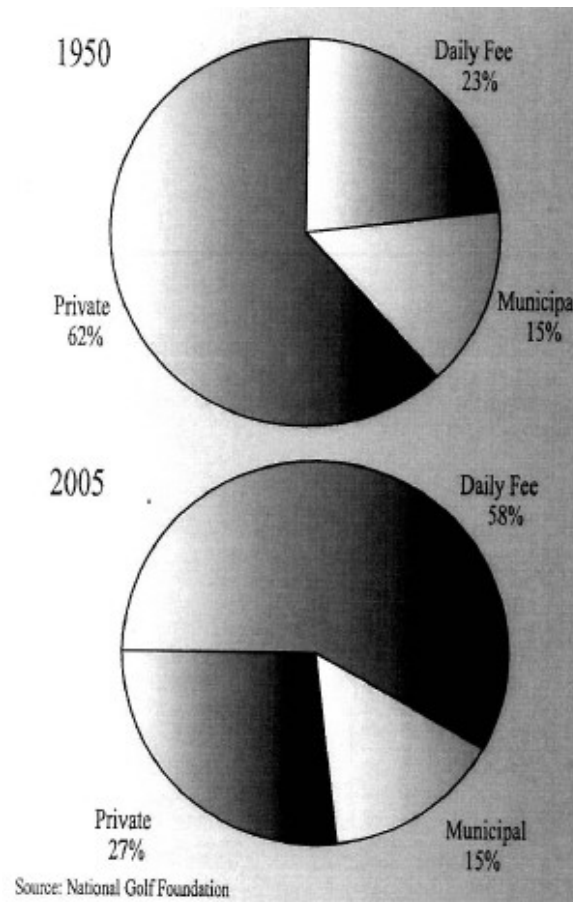
Source: National Golf Foundation

Growth of Golf Facilities by Type

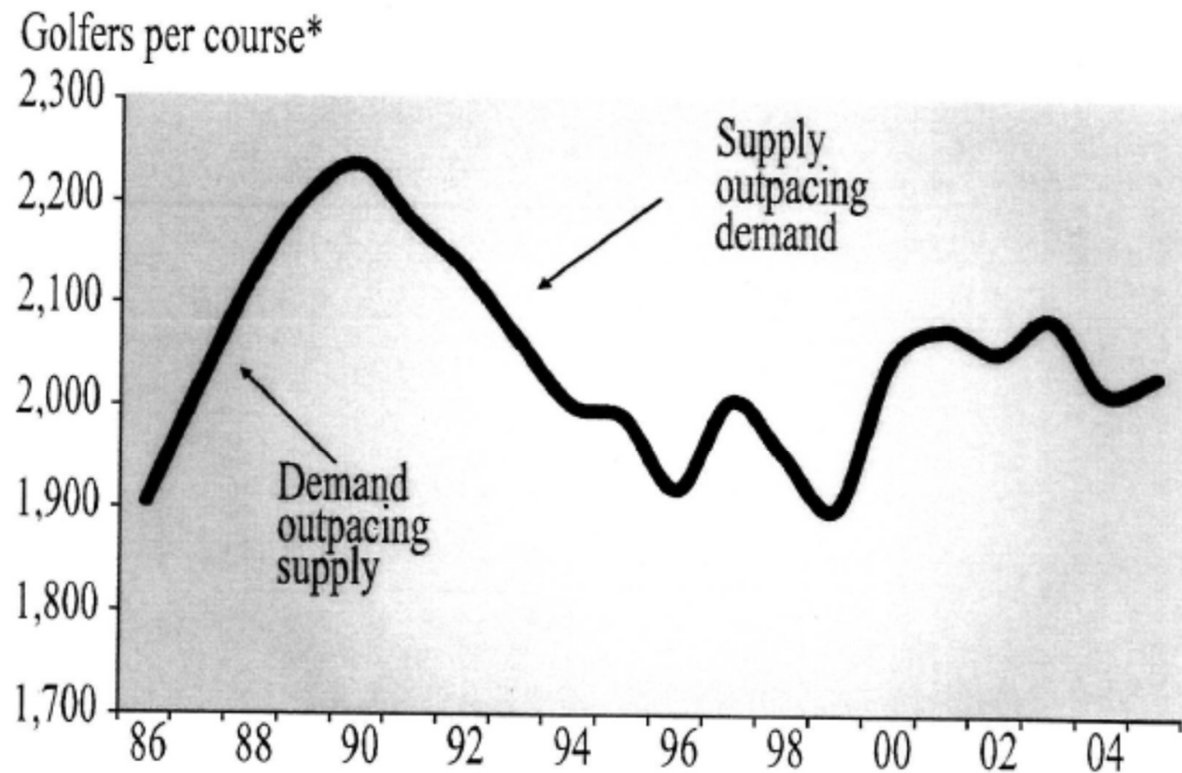


Daily fee includes semi-private
Source: National Golf Foundation

Changing Nature of Supply



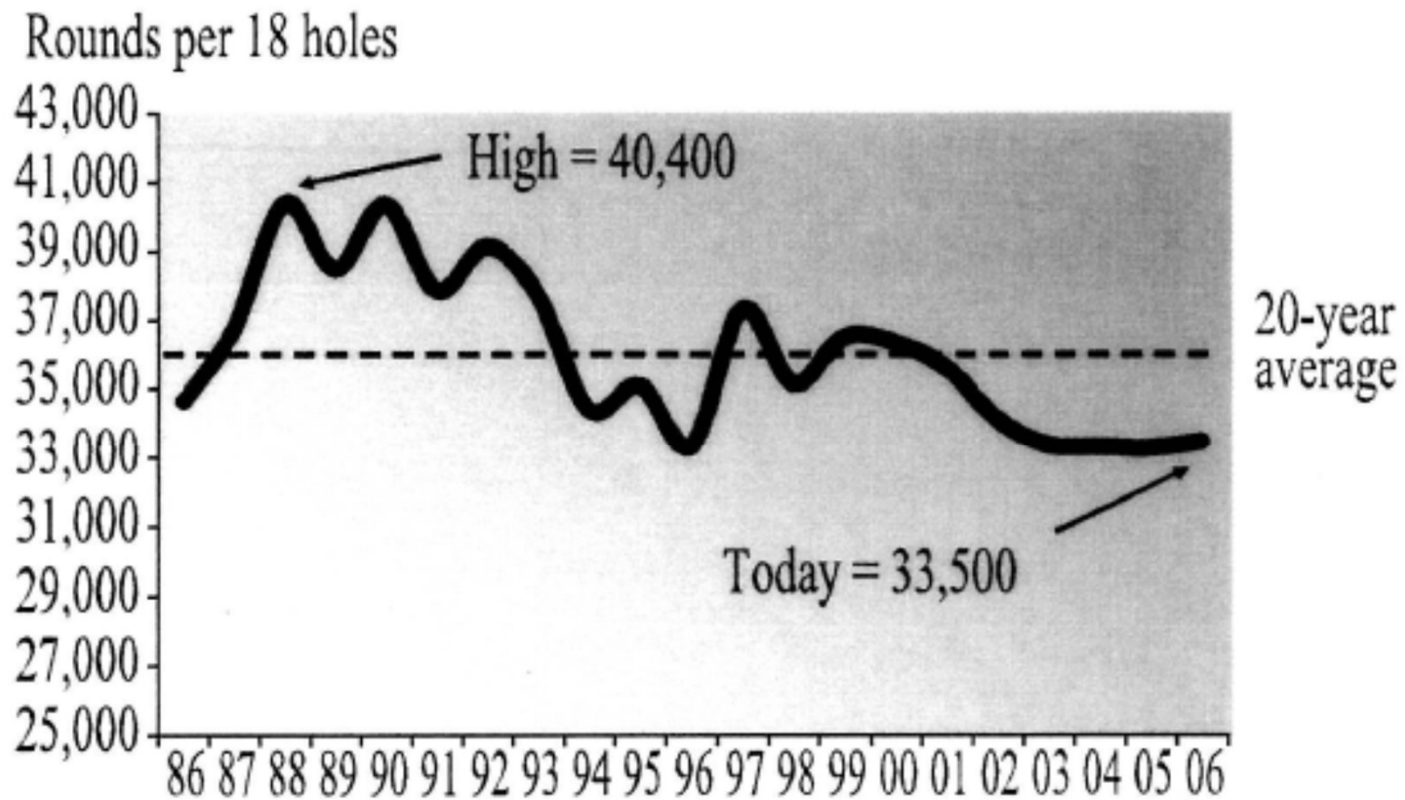
Golfers Per Course*



* 18-hole equivalents

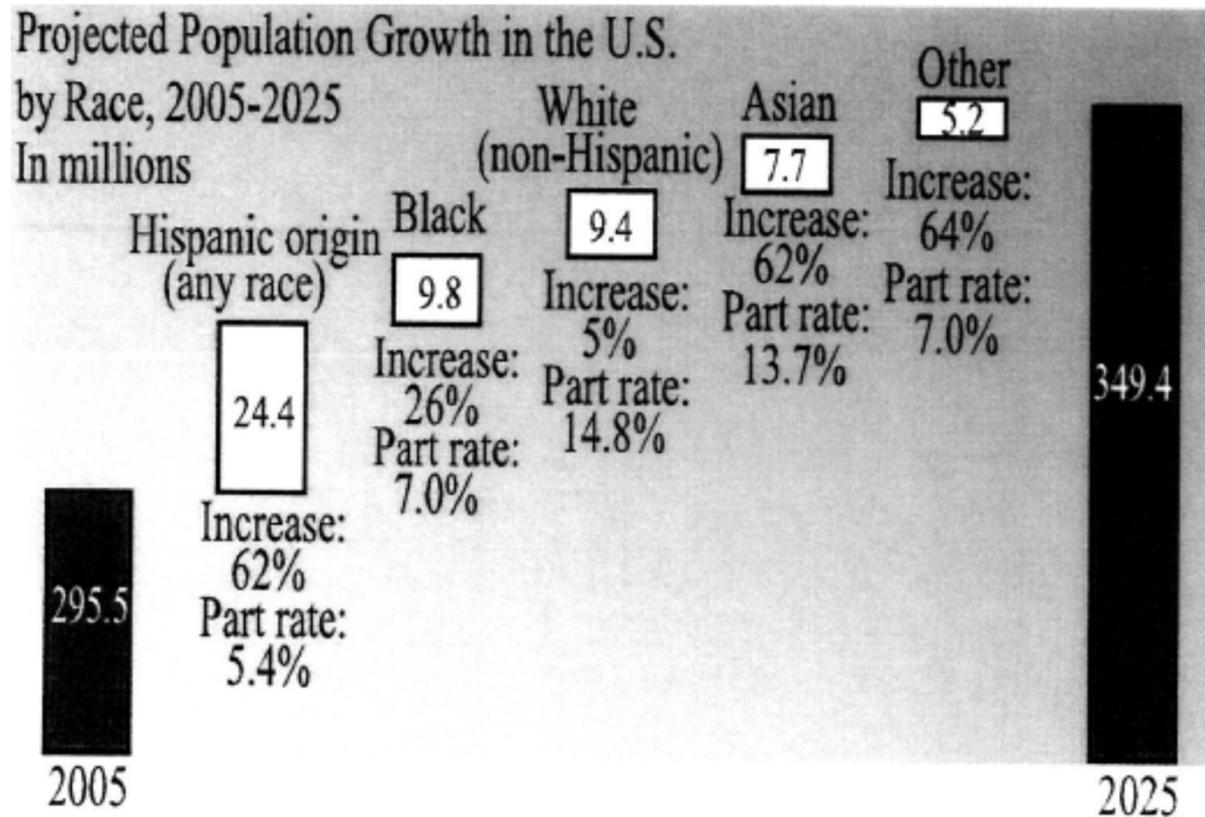
Source: National Golf Foundation

Rounds Per Course



Source: National Golf Foundation

Population Changes



Source: U.S. Census Bureau; National Golf Foundation

Golf Course Sizes – 18 Holes

- Regulation - Par 70-72 6300-6700 yards 140-200 acres
- Executive - Par 58-68 3000-4500 yards 40-75 acres
- Par 3 – Par 54 2000-2500 yards 35-45 acres



Operational Types

- Private Membership (30%)
 - Initiation Fees
 - Monthly Dues
 - Food/Beverage Minimum
 - Other Amenities (pool, tennis, fitness, dining, etc.)
 - Profit or Non-Profit
 - Easy to Difficult



Operational Types - continued

- Daily Fee (50%)
 - Fully Public to Semi-Private
 - For Profit
 - Fastest Growing
 - Easy to Difficult (Resort)



Operational Types - continued

- Municipal
 - City
 - County
 - Military
 - Playability Important (Easy to Moderate Difficulty)



Course Design

- Core
- Links
- Returning Nines



Course Design - continued

- 4 Sets of Tees
- Fairways 40-70 yards wide
- Par 3 Holes – up to 250 yards in length
- Par 4 Holes – 250-470 yards in length
- Par 5 Holes – 470 yards +



Course Design - continued

- Greens 3,000 SF – 5,000 SF
 - Flat to Tiered
 - Slow to Fast
- Hazards
 - Sand Bunkers
 - Grass Bunkers
 - Water
 - Trees
 - Other (stone, marsh, etc.)



Hole Design

- 80% Strategic – Wide Fairways, Alternatives
- 20%-40% Heroic – Hazard = Reward
- 10% Penal – Directly over Hazard



Irrigation

- Manual or Automatic
- Single to Multiple Row
- Water Source & Capacity



Clubhouse Design

- 1,000 to 20,000 SF
- Modular to Mansion
- Pro Shop, Snack Bar, Dining, Lockers, etc.
- Pool, Tennis, Fitness, Game Room
- Cart Barn
- Maintenance Buildings
- Location



FF&E

- Maintenance Equipment
- Golf Carts
- Clubhouse



Valuation Process

- Real Property
 - Land
 - Site Improvements
 - Building Improvements
- Personal Property
- Intangibles/Business Value



Land Value

- Few Sales for Golf Only
- Usually Ag Land or Part of PUD
 - Zoned Open Space
 - Value transferred to surrounding Lots
 - Sometimes Release Fees
 - \$0 to \$10,000/Acre
 - \$500,000 (\$2K to \$5K/Acre)

Land Value – cont.

- Size is important
 - 140-200 Acres is good
 - 100-130 Acres is Small
 - Over 200 Acres may be Excess Land
- Environmental Concerns
- Water Source & Capacity
- Topography
 - Wooded, Elevation Changes, Natural Hazards, etc.
 - Sand from lakes for berms and surround PUD



Cost Approach

- Construction Costs Vary
- \$2 million to \$13 million +
- Cost Comparables
- Marshall & Swift
- Probably Overstates Value Today
 - Economic Obsolescence
 - Rounds & Green Fees in Decline



Income Approach

- Private Country Clubs – Revenues
 - Number of Members & Categories
 - Initiation Fees (turnover, refundable, etc.)
 - Monthly Dues
 - Capital Assessments
 - Cart Fees
 - Guest Green Fees

Income Approach – cont.

■ Private Country Clubs - Revenues

- Rounds Played
- Pro Shop Retail
- Other Golf
- Pool & Tennis
- Food & Beverage
 - Minimum per Month



Income Approach – cont.

- Daily Fee Course – Revenues
 - Rounds Played
 - Green Fees
 - Cart Fees
 - Pro Shop Retail
 - Other Golf
 - Food & Beverage
 - Semi-Private Memberships



Income Approach – cont.

- Cost of Goods Sold

- Pro Shop 50% - 60% of Pro Shop Revenue
- Food & Beverage 30% - 60% of F&B Revenue
- = Gross Profit

Income Approach – cont.

■ Pro Shop Operation

- Varies Widely 20% - 80% of Pro Shop Revenue
- Including COGS, = 70% - 120% of Pro Shop Revenue and higher

■ Food & Beverage Operation

- Varies Widely, 20% - 80% of F&B Revenue
- Including COGS, = 65% - 120% of F&B Revenue



Income Approach – cont.

- Golf Carts Lease Expense

- \$ per cart per month
- 60 – 80+ Carts
- \$/year

- Maintenance Equipment Lease Expense

- Varies Widely



Income Approach – cont.

- Golf Course Maintenance Expense
 - \$400,000 - \$1,000,000/year
- Management Expense
 - 3% - 8% of Revenue
 - Private Clubs at upper end
 - Daily Fee Clubs at lower end



Income Approach – cont.

- General Administrative/Clubhouse
 - Varies Widely 10% - 30% of Total Revenue
 - Insurance Expense
 - Real Estate & Personal Property Taxes
 - Land Use Assessments
 - Clubhouse Operation
 - Administrative Payroll



Income Approach – cont.

- **Total Operating Expenses**

- 60% - 90% Expense Ratio Daily Fee/Semi-Private
- 75% - 100%+ for Private Country Clubs

- **Reserves for Replacements**

- 2.0% to 9.0% of Total Revenue, avg 3.0%
- \$50,000 to \$500,000+/year

Income Approach – cont.

■ Capitalization Rates

□ Overall Going-In Cap Rates

- 8.0% to 14.0%
- Most 10.0% to 13.0%, Average 11.0%

□ Discount (IRR) Rates

- 10% to 25%
- Most 13% to 16%, Average 14%

Sales Comparison Approach

- Gross Income Multiplier (GIM)
 - Daily Fee – Expense Ratio
- Greens Fee Revenue Multiplier
 - Daily Fee - Expense Ratio
- \$ per Hole
- \$ per Round
- \$ per Yard
- \$ per Acre
- \$1.5M - \$10+M, most \$2.5M - \$5M



Reconciliation

- Cost Approach

- Not Particularly Relevant for Most Courses

- Best for New Courses in Balanced Markets

- Income Approach

- Most Appropriate and Reliable – Mirrors Buyers

- Sales Comparison Approach

- Used as Check on other approaches