

Exit Strategies & Current Market Trends Preparing to Sell

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Exit Strategies

- When should you develop an exit strategy?
- Estate Planning
- Financial Data
- Golf Course Maintenance
- Preparing a property for sale – Golf Specific Broker
- Realistic Pricing
- Determinants of Value
- Records
- Updating Strategy
- Title and property issues
- Disposition Consulting



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When to Develop an exit plan

- Before you Buy
- Now



Estate Planning

- Family Partnership
- Membership
- Management Firm
- Heirs
- Tax Strategies



Financial Data

- Good financial reporting
- Report ALL income
- Clean, easy to read records
- Debt Schedule
- Leases
- Equipment Schedule



Maintenance

- Deferred maintenance
 - Paint
 - Carpet
 - Cart Paths
 - Roof(s)
 - HVAC
 - Bunkers
- Bids
- Course Conditions
 - Make it “show” well
- Capital Items
- Written Plan(s)



Preparing Property for Sale

- Clean it up
- Assemble documentation
 - Licenses
 - Leases
 - Permits
 - Employees
- Value
- Broker/Marketing
- Operations/Performance



Realistic Pricing

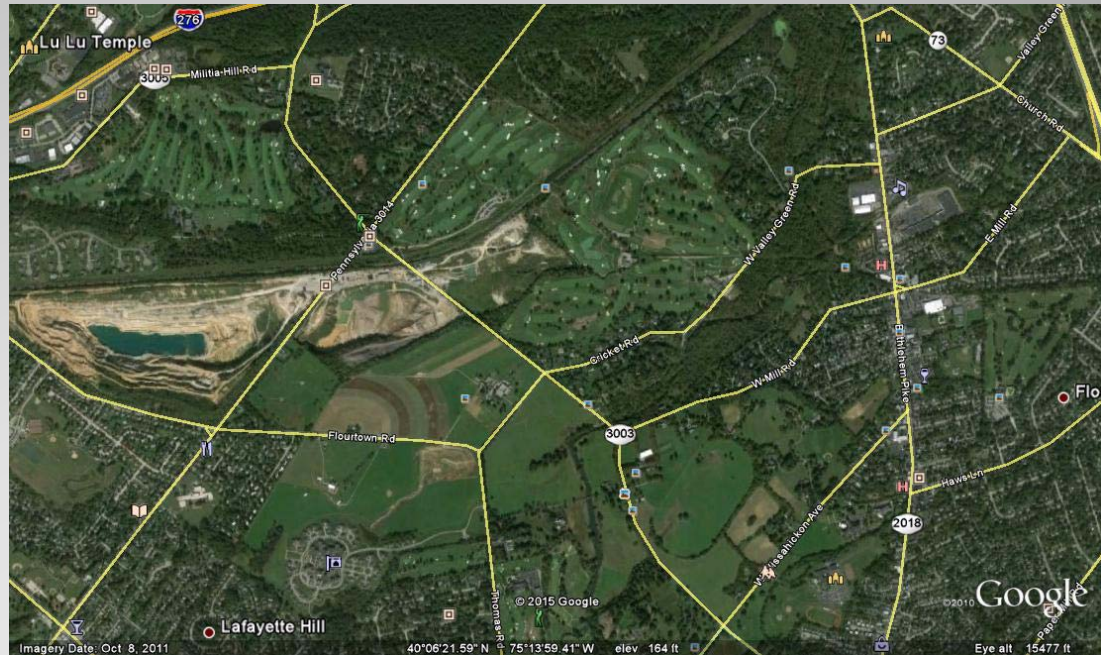
- Accurate assessment of performance
- Cash Flow
- Appraisal
- Real Estate Taxes
- Consult with independent Professional
- Seller Financing



Bogey Ridge As If Stabilized - Income/Expense Pro-Forma 4/4/2014				
Golf Rounds				24,000
Income				
Average Green Fee				\$50.00
Green Fee Revenue (incl. cart)				\$1,200,000
Pro Shop Revenue Per Round				\$3.50
Pro Shop Revenue				\$84,000
Food & Beverage Revenue Per Round				\$20.00
Food & Beverage Revenue				\$480,000
Revenue per Round				\$73.50
Total Revenue				\$1,764,000
Expenses				
DEPARTMENTAL COSTS & EXPENSES				
Golf Maintenance (incl. payroll)				\$400,000
Golf Cart Expense	80 @ \$	800		\$64,000
Pro Shop COGS & Expense		150.0%		\$126,000
F&B COGS & Expense		80.0%		\$384,000
UNDISTRIBUTED EXPENSES				
General & Administrative		9.0%		\$158,760
Repairs and Maintenance		3.0%		\$52,920
Management		3.0%		\$52,920
Marketing		3.0%		\$52,920
Professional Fees		1.0%		\$17,640
Utilities		2.6%		\$45,000
FIXED EXPENSES				
Real Estate Taxes				\$98,033
Insurance		2.8%		\$50,000
Reserves/Capital Improvements		3.0%		\$52,920
Total Operating Expenses				\$1,555,113
Expense ratio				88.2%
Net Operating Income of Annual Operations				\$208,887
Capitalization of Net Operating Income				
Overall Capitalization Rate				11.40%
Indicated Value	= \$	208,887 ÷	11.40% =	\$1,832,299
ROUNDED TO:				\$1,800,000

Value Influences

- Social
 - Population
 - age
- Economic
 - Demographics
 - Demand
 - competition
- Governmental
 - Taxes
 - Zoning
- Environmental
 - Topographical
 - Age
 - maintenance



Valuation Methodology

- Appraisers
 - 3 Approaches
- Buyers
 - Income Analysis
- Sellers
 - Basis
- Lenders
 - Debt Coverage
- Assessors
 - Cost



Records/Documents

- 3 years' financials
- Licenses
- Permits
- Rounds/Membership counts (3 years)
- Survey
- Equipment Lists
- Leases
- Environmental Study
- Membership Docs
- Maintenance Logs
- Service Contracts
- Employment Contracts
- Capital Budget
- Marketing Materials
- Appraisals
- Digital Photos

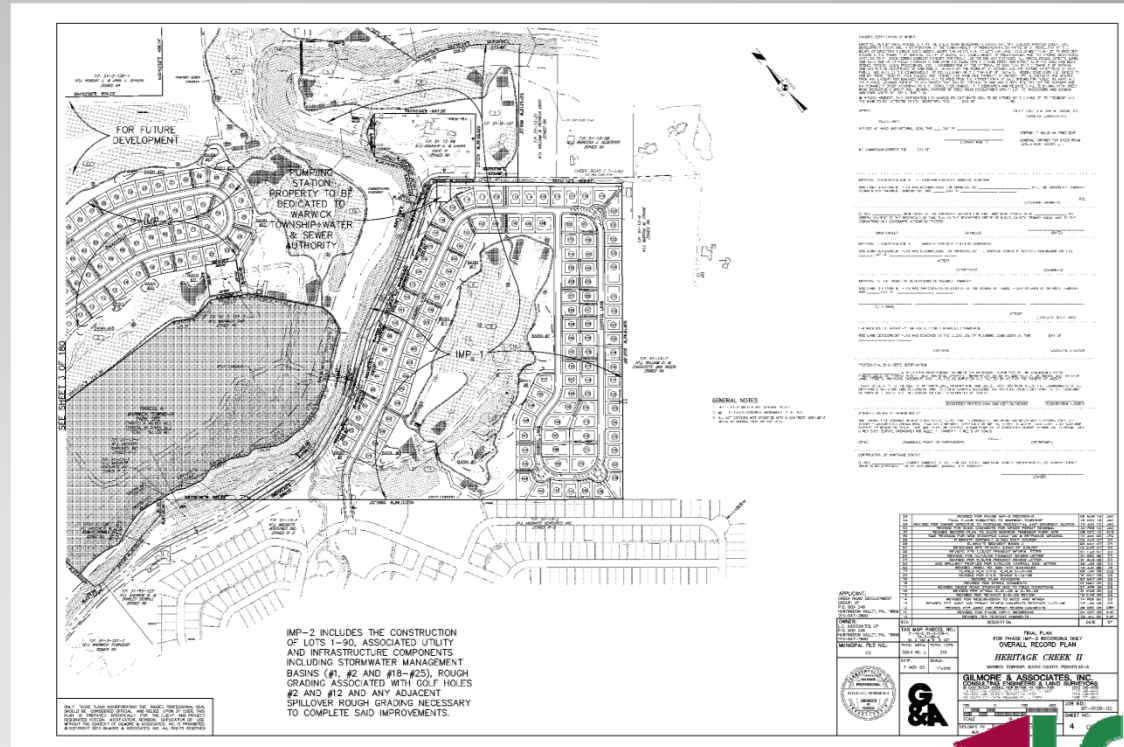
Updating Strategy

- Life Changes
- Death
- Market Fluctuations
- Estate Planning
- Financing/Refinancing



Title & Property Issues

- Boundaries/
Survey
- Clean title
- Water rights
- Zoning/Com
pliance
- C, C & R's
- Easements
- Licenses



SGA Investor & Lender Survey

SALIENT INDICATORS - 2015

Overall Capitalization Rate ¹	Range	6.00% to	15.00%
	Average		10.60%
Terminal / Residual Cap Rate ²	Range	8.00% to	15.00%
	Average		11.40%
Net Income Multiplier ³	Range	2 to	14
	Average		8.6
Gross Income Multiplier	Range	0.5 to	3.5
	Average		1.6
Discount Rate	Range	8.00% to	22.00%
	Average		14.10%

1 / Overall Capitalization reflects going-concern operations.

2 / Terminal or going-out Capitalization rates also reflect going-concern operations.

3 / Net Income Multiple (Price / Net Income) is the inverse of the Cap Rate.

Salient Indicators - 2015

LTV (Loan-to-Value)	Range	50.00% to	80.00%
	Average		64%

Interest Rate	Range	3.80% to	10.00%
	Average		7.25%

Common Indices: (January 2015)

Prime Rate WSJ	3.25
Libor 3 months	0.25
Libor 6 months	0.36
Libor 1 Year	0.63

Call Period (Years)	Range	3 to	10
	Average		6.8

Amortization Period (Years)	Range	15 to	25
	Average		21.1

DCR (Debt Coverage Ratio)	Range	1 to	2
	Average		1.38

Points	Range	0% to	2.00%
	Average		1.10%

Photo by Fred Emmert

Salient Indicators - 2015

Growth Indicators:

Income Growth Rate	Range	0.50% to	4.00%
	Average		2.30%

Expense Growth Rate	Range	2.00% to	4.00%
	Average		2.20%

Operational Indicators:

Management Fee as % of Gross Revenue	Range	1.00% to	5.00%
	Average		3.30%

Capital Reserves as % of Gross Revenue	Range	2.00% to	10.00%
	Average		3.10%

Transaction Indicators:

Marketing Period (Months):	Range	4 mos	to	18 mos
	Average			11.8

Broker Sales Commission:	Range	2.00% to	6.00%
	Average		3.20%