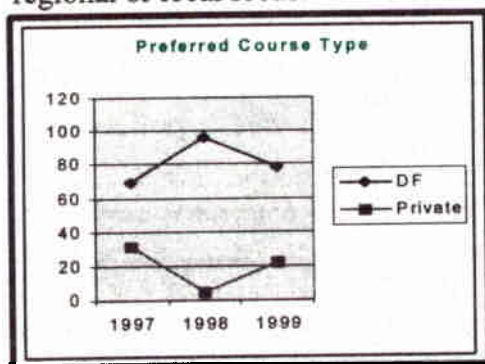


1999 Golf Course Investor Survey

In April 1999, Golf Property Analysts (GPA) sent out a survey to frequent investors in the golf course industry. Of the 120 surveys, which were selectively distributed, approximately 25% were returned. Most of the respondents (80%) were multi-course management firms, while the remainder, (20%), were smaller firms with a regional or local focus.

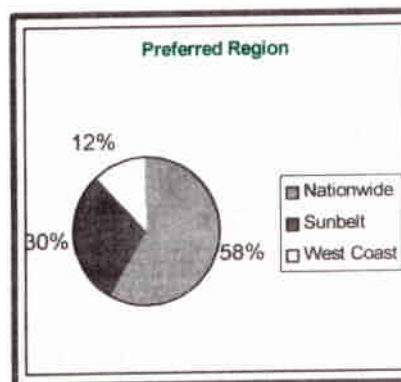


This year 78% of the responding investors indicated a preference of daily fee courses, a drop from the 1998 survey, where 96% of the respondents preferred daily fee facilities. The remainder of this year's respondents (22%) preferred private course investing.

Although most respondents (58%) had no preference of regions, those who did (42%), indicated the Sunbelt and the West Coast as their desired regions for golf property acquisitions.

We asked for desired beginning and terminal cap rates. The respondents replied with ranges from 10% to 13% for beginning rates and approximately 88% of those responding indicated cap rates between 10% and 12%. These results were slightly higher than last year's 9% to 11% range. As for terminal (or "exit") rates, 43% of the investors responded with desired terminal (or "exit") cap rates in the 9% to 10% ranges, while the other 57% responded with a range of 11% to

12%. Almost 60% of the desired internal rates of return (IRR) were between 20% and 30%; which represents a drastic increase from last year's IRR's which were typically between 12% and 16%.



Continued on Page 2

Municipal Golf Course Renovation - A Trend for the New Millenium

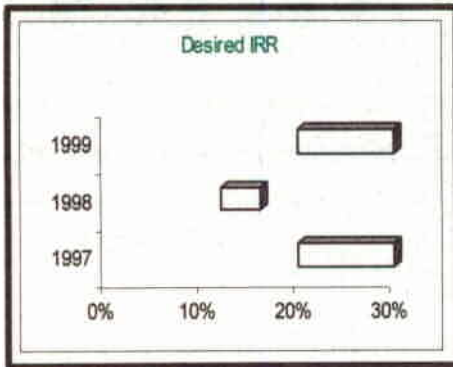
By Hal Phillips and Larry Hirsh

As the golf industry continues to churn out the equivalent of 300 new 18-hole courses each year -- 85 percent of which are upscale daily-fees -- market pressures have obliged some municipalities to upgrade their golf facilities to effectively compete for rounds.

For example, take the City of Cedar Rapids Iowa, which recently awarded Lohmann Golf Designs (LGD) a long-term contract to renovate and potentially expand its four municipally-owned course facilities. Over the course of a 10-year agreement, LGD will refurbish the city's three 18-hole golf courses -- Ellis Park, Twin Pines and Squaw Creek -- in addition to its 9-hole track, Jones Park GC. Reasons cited by Cedar Rapids for the renovations, which are not uncommon for municipalities across the country, were the growth of junior golf, golf rounds in general, and the fact that the courses in Cedar Rapids like those across the country are aging.

Continued on Page 4

Survey Results - Continued from page 1

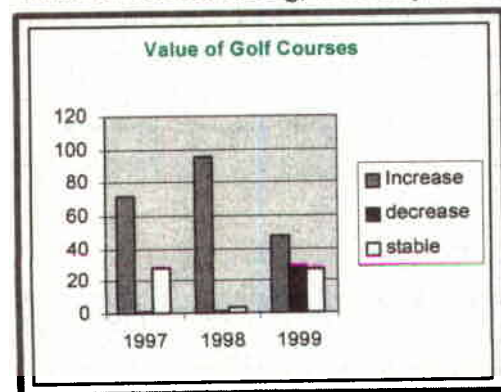


It is common practice in today's market for developers to turn over their projects to members, management firms and other

interests. Consequently, the survey asked what was the typical percentage of cost to build for which these properties sold. Of the survey respondents, (36%) reported a sales price percentage of cost to build above 85%, while 50% fell into the 50% to 85% category. Only two respondents reported a replacement cost of below 50%.

With respect to financing, 39% used local banks as their funding source, while the rest used national banks (31%) and golf financing companies (30%). The typical loan size was over \$5 million with 96% of respondents reporting loan to value ratios between 50% and 75%. Interest rates on loans were predominantly between 8% and 9%, with a few (3 respondents) achieving interest rates as low as 7.5%. The typical amortization period was 20-30 years, an increase from last year's responses, which were typically in the 15-25 year range.

Almost half of the respondents perceived the value of golf courses as increasing, while 25% felt that the value was decreasing, and the remaining 25% of respondents viewed the golf market as stable. This was a drastic difference from last year's survey, where 96% believed the value to be increasing, and only one respondent felt that the value was decreasing.



The responses regarding the desired market size are disparate with those

in the 1998 survey. While most last year were

willing to consider smaller markets for their acquisitions, 86% of this year's respondents sought markets that had a population of 250,000 or more. Major metropolitan markets continue to be the focus of the bigger management firms.

This year, only 37% of survey respondents listed leasing as an option, as opposed to last year when more than half of the respondent's considered this to be a favorable option. Like last year, the percent of gross income was the deciding factor when establishing a lease price. Although many indicated that they used other criteria to determine lease prices, no specifics were mentioned.

We invite your comments on our annual survey, and welcome any suggestions to include additional information.

Survey Summary

• Cap Rates	10% - 12%
• Terminal Cap Rates	9% - 12%
• IRR	20% - 30%
• Prefer DF or SP Courses	78%
• Prefer Private Courses	22%
• Values - Increasing	50%
• Typical L/V Ratios	50% - 75%
• Loan Interest Rates -	7.5% - 9.5%
• Amortization	20-30 years

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Foundation of a Golf Course.....

Drainage/Drainage/

Drainage

By Kevin J. Rapp

Drainage is the foundation for a successful golf course business. With the ever increasing demand for golf courses to not only maintain but to increase the number of rounds played per year, golf courses need the capability to resume play as soon as possible after a rain. The inability to play due to a wet or flooded course can be detrimental to the bottom line of your golf course. Also, a wet golf course is susceptible to damage by both golfers and golf carts.

Some may argue that other factors such as irrigation or grass can be more important than drainage. However, these factors will not work properly without good drainage. Irrigation water without proper drainage may just sit thus damaging the turf, or render the course unplayable in some areas.

The two different types of drainage to be considered when draining a golf course site are surface and subsurface drainage. Properly designed surface drainage can move water effectively to catch basins, streams or drainage swales. The surface water drains into Nyloplast® catch basins and is then carried away by subsurface pipes. Both the inlet area of the catch basin and the pipe size must be designed properly to handle the water flow. The sizing of the pipe is contingent upon the amount of rainfall (inches) in a given area to be removed in a 24 hour period, the slope of the pipe and the smoothness of the pipe interior. Many courses are using ADS N-12® smooth interior pipe to remove water because of its high flow capacity. The engineer must consider all these factors when sizing the major pipe lines on a golf course.

Existing drainage swales or gullies that need to be filled in or covered must have the proper sized pipe. An owner who installs a pipe that is too small for the water flow only compounds his problem by possibly flooding the entire area. This can render a portion or sometimes an entire hole

unplayable. Correcting such a problem is costly and disruptive on the golf course.

Proper outlets for drainage pipes must be identified. It is important to ensure that there is enough distance between the invert of the pipe and the surface into which it is draining. Problems may occur if the water level of the pond is higher than the invert of the pipe because water can back up into the pipe. For example, if the pipe is on a grade of 1%, and the invert of the pipe is 12" below the pond water level, the result will be water standing in the last 100' of your pipe line.

The typical spacing of drainage pipe in greens is 15 to 20 feet. Four inch pipe and gravel installed in a trench is commonly used. ADS AdvanEDGE® flat pipe is gaining more popularity in draining greens because of the time and cost savings in constructing the green. Instead of digging a trench and installing 4" pipe and gravel, the 12" AdvanEDGE flat pipe is laid on top of the green's finished subgrade. A layer of gravel or sand (for a California green) is then placed over the AdvanEDGE. Since there is no spoil from the trenches, labor and time is saved.

The AdvanEDGE pipe laid flat has also helped solve drainage problems where bedrock was a problem. Instead of cutting trenches in rock or blasting the rock, the AdvanEDGE was placed on top of the bedrock and then covered.

After the golf course is open, some wet areas may still exist that need to be drained. Ask any superintendent if he has any wet spots on his golf course and the answer is always "YES". The most common solution to a wet spot in a fairway or around a green is a trench with pipe and gravel or a coarse sand backfill. These trenches can be up to 18" wide. Several courses have used the AdvanEDGE flat pipe installed vertically for these wet spots. Since the AdvanEDGE's dimension are 12" x 1" or 18" by 1", a trench width of only 4" can be used, thus making the scar on the fairway smaller and quicker turf recovery.

If your construction budget tightens, drainage should be the last area to cut dollars. Once a course is built, major drainage problems are expensive and disruptive to correct. When it comes to drainage, the old adage "You can pay me now or you can pay me later" couldn't be truer.

Kevin Rapp is the golf course marketing manager for Advanced Drainage Systems(ADS in Columbus Ohio. His experience includes working with golf course contractors and architects on numerous golf course projects during the past 16 years.

Golf Course Renovation - Continued from Page 1

Municipal course renovation is occurring in all regions, especially in densely populated markets where new daily-fees are coming on line hand over fist, in places like Oblesville, Ind. (Fox Prairie GC), Dallas (Tenison Park GC), Los Angeles (Rancho Park GC) Naco, Ariz. (Turquoise Valley GC) and Berlin, Conn. (Timberlin Park GC). It's happening all across the nation.

Not only are golfers enjoying more play options today but sophisticated cities and towns have seen the handwriting on the wall. They recognize that municipal courses are significant revenue-producers. They also recognize that they can't afford to stand idly by and watch their rounds and revenues go elsewhere -- mainly to these new daily-fees down the street. Municipal courses have a sort of built-in clientele and renovation is a cost-effective way to keep those clients coming back.

Another important dynamic associated with municipal renovation is the issue of green fees. Traditionally, city- or town-courses have charged below market rates in this regard because 1) the quality of municipal courses often merits green fees set below market rates; 2) turning a profit isn't the overriding motive for cities or towns operating golf courses; and 3) municipalities have a mission to provide low-cost recreation options that appeal to the broadest possible spectrum of citizens. These realities, while advantageous to local golfers, have never sat well with daily-fee golf course owners, many of whom view these modest green fees as "subsidized" and thus "artificially" low. This phenomenon isn't new, but it takes on new resonance when a municipal course upgrades its golf product to better compete with neighboring daily-fee facilities.

Two important fiscal questions exist for cities and towns that must be reconciled when setting green fees, especially after municipalities have invested public funds to renovate their existing municipal course or develop a new one. First, how do the city fathers best protect and enhance the taxpayers' investment, i.e. the golf course? And second, how does one maximize that investment in a time when cities and towns are looking for more revenue? The other side of the coin is the perceived responsibility of the

municipality to provide affordable recreational opportunities for its residents.

While setting a green fee below market rate isn't the best answer to any of these questions, it also isn't acting in the best interest of the taxpayer or the town. It's great for golfers, but they only make up about 12 percent of the population. Moreover, low municipal green fees do more than aggravate daily-fee course owners; they also encourage impractical amounts of play, which can depreciate course value while increasing maintenance costs. Consequently, a municipal course renovation is the best opportunity to increase the green fees. Although raising green fees is never an easy task, it's easier after a renovation because golfers are more likely to make a connection between a better golf experience and the higher green fee. In the end, both objectives of the municipality can be met: improving recreational opportunities for residents while at the same time enhancing the city's coffers with more revenue.

Hal Phillips is President of Phillips Golf Media, a full service media consulting firm. Hal can be reached via e-mail at onintwo@ime.net

NewsLinks

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HIRSH SPOKE

On Thursday, July 22, 1999, Hirsh addressed a symposium sponsored by FULCRUM on Building, Buying & Selling Golf Courses in San Francisco, California. Hirsh spoke on the topic of accurately valuing a golf course (what else!!)

NewsLinks

By Larry Hirsh

Not long ago, my wife (and Editor of NewsLinks) suggested we include something in this issue telling our clients and friends about the range of services provided by Golf Property Analysts. Because many might think of GPA solely as a real estate appraisal firm, it seemed like a good idea.



While appraisals certainly account for a good bit of our work, GPA provides a wide variety of services. In addition to membership in the Appraisal Institute (MAI) and Society of Golf Appraisers (SGA), I am also a member of the Counselors of Real Estate (CRE), an organization of approximately 1,500 professionals who provide a wide range of real estate consulting services. In our case, that means market studies, feasibility analyses, due diligence, impact studies, market positioning strategies and operating analyses, to name just a few. These disciplines have enabled GPA to grow its business; and also provide us with new challenges and rewards. Some of our more interesting and enlightening assignments have involved a market repositioning analysis for a 5-course operation in Florida; highest- and best-use analyses for several resort projects; feasibility analysis for a hybrid indoor golf center in Minnesota; and even consulting help for appraisers less experienced in dealing with golf properties.

GPA has also become active in golf property brokerage and disposition consulting. As a licensed real estate broker (in several states) and having grown up in the brokerage business (both parents), I suppose it was only natural for me to begin listing and selling golf courses. In the two years GPA has been involved in course brokerage, we have closed on more than \$25 million in transactions;. We currently have under contract or available for sale approximately \$36 million in additional golf property opportunities.

In most instances, these opportunities have cropped up as a result of GPA's close and enduring relationships with clients, who have sought our advice when buying or selling golf properties. In other cases, our clients have referred GPA to buyers and sellers. This is most gratifying as it indicates our clients appreciate both our wherewithal and discretion.

As we move forward into the new millennium, more exciting things are taking place here at GPA. We are part of a new strategic alliance being formed among elite golf industry service professionals. As part of this network -- which boasts expertise in agronomy, membership marketing, photography, wetlands consultation, hydrology, public relations, course management and the law -- Golf Property Analysts will be able to provide the full range of services to facility owners, developers, financiers, course buyers and sellers. In the past year, we have also added to our already substantial in-house experience. Steve Wolf, a former PGA professional, and Rachel Bush, the former marketing director for Four Streams Golf Club in Maryland,

As real estate professionals with an extensive background in golf (over 300 different facilities to date), we feel GPA is uniquely qualified to provide clients the widest possible variety of useful consulting services. We thank our clients for the trust they've placed in GPA. We look forward to further expanding the scope of our expertise to better meet the diverse challenges our clients face. It's a simple equation: The more we learn, the better resource we become.

THE PRACTICE TEE

- ◆ **Foresites Golf Properties** recently retained GPA to provide a market value appraisal of the **Skyview Golf Club in Sparta, NJ**,
- ◆ GPA has recently been retained to provide a market value appraisal of **the Sea Oaks Country Club in Little Egg Harbor Township, NJ**.
- ◆ **First Maryland Mortgage Corporation** has recently retained GPA to provide a market value appraisal for the **Country Club of Maryland in Towson, MD**.
- ◆ **Watermark Communities** retained GPA to provide consulting services for several sites located in **Palm Beach County, FL**.
- ◆ **LeJeune Properties** retained GPA to provide a feasibility study for a proposed residential golf community in **Montgomery County, PA**.
- ◆ **Ephrata Borough Authority** has recently retained GPA to provide a feasibility analysis for a proposed golf course in **Lancaster County, PA**.

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