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# Golfonomics: What's Your Course Worth?

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# What You Need to Know?

- Elements of Value
- Market Analysis
- Property Characteristics
- Highest and Best Use
- Influences to Value
- The 3 Approaches
- Different Types of Courses
- Unique Considerations
- Common Mistakes





# Why should you care?

- Financing
- Estate Valuation
- Real Estate Tax Assessments
- Federal Income Taxes
- Competitive Market/Market Positioning
- Litigation
  - Divorce
  - Eminent Domain
  - Partnership Disputes
  - Other Disputes
- Renovation (Contribution)
- Depreciation/Deferred Maintenance
- Purchase/Sale
- SWOT
- HBUSE
- Liabilities



# Elements of Value

- Going Concern
  - Real Property
    - Land
    - Improvements
      - Golf Course
      - Buildings
      - Other Facilities



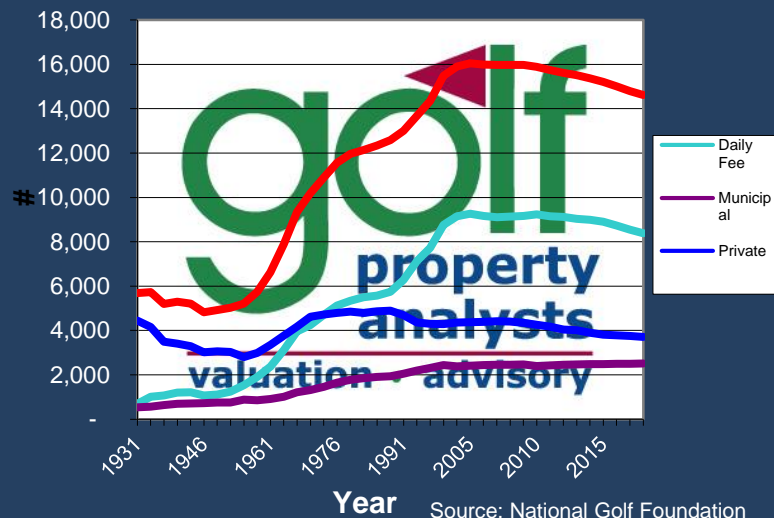
# Elements of Value

- Personal Property
  - Equipment (Maint. & Kitchen)
  - Fixtures
  - Furniture
  - Carts
  - Merchandise
- Intangible Property
  - Goodwill
  - Brand
  - Management
  - History
  - Licenses/Agreements
  - Leases

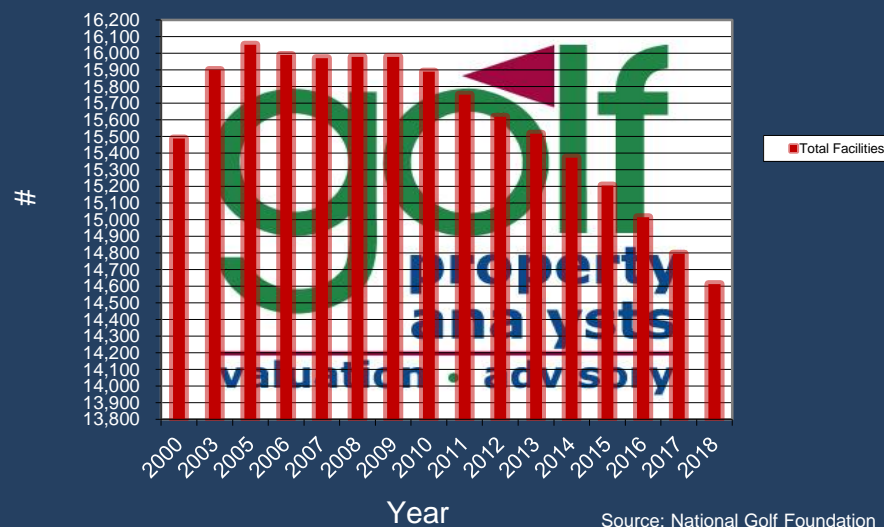


# Market Analysis

Golf Course Growth - US

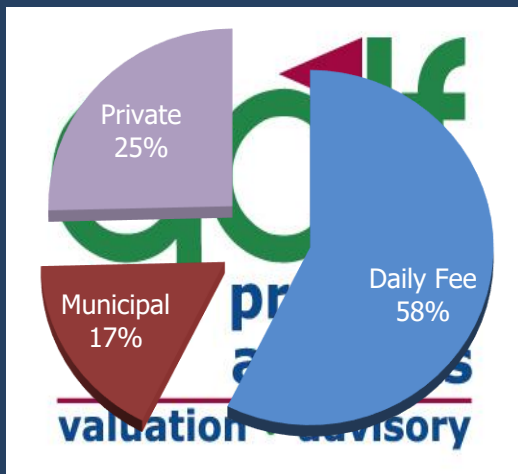


Golf Course Supply - US, since 2000



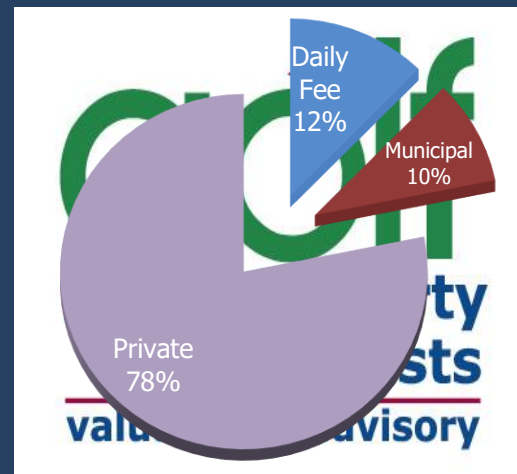
# Market Analysis

Segmentation of US Golf Courses - 2018



National Golf Foundation

Segmentation of US Golf Courses - 1931



National Golf Foundation



# Market Analysis

Golf Market Segments		
Market Segment	Demand Sources	Characteristics
<b>Daily Fee</b>		
<b>Resident Based (incl. municipal)</b>		
Affordable Daily-Fee	Price conscious residents nearby	Limited maintenance and services
Value Daily-Fee	Value conscious residents nearby	Moderate maintenance & Services
Upscale Daily-Fee	Higher income, greater distance, corporate clientele	Upscale maintenance, services and design
<b>Specialty</b>		
Theme Course	Wider market area, tourists, corporate	Replica holes, themed atmosphere (NFL, College, Opryland)
<b>Semi-Private</b>		
Includes all of the DF above, but typically with some form of membership/annual pass option		
<b>Private</b>		
<b>Resident Based (incl. both stand-alone and community amenity clubs)</b>		
Affordable Country Club	Local residents seeking the “best deal”	Limited services, maintenance and amenities. Geared to individuals
Middle-Market Country Club	Local residents seeking lifestyle	Family friendly
Upscale Country Club	Local residents seeking family, social and business use – high income	Highest level of maintenance and service, more social activities
<b>Specialty</b>		
Destination Clubs - Residential	Non-resident, high income, usually a “second” club	Vacation/second home or “big-boy” clientele Limited # of members or “national”
Destination (Big-Boy) Clubs	Resident or non-resident, often corporate entertainment	membership, excellent facilities, maintenance and services, selective membership
<b>Resort (w/ lodging)</b>		
Urban Resort	Corporate and upscale tourist	Usually upscale and affiliated with hotel
Leisure Resort (Non-Urban)	Families and corporate retreats	Vacations and meetings



# Market Analysis

Type	Physical Characteristics Golf Course	Amenities
<b>Daily Fee</b>		
<b>Resident Based (incl. municipal)</b>		
Affordable Daily-Fee	Minimal hazards, wide open, expedite pace of play	Small clubhouses, snack bar
Value Daily-Fee	Moderate hazards and interest	Clubhouse, pro shop, banquet facility
Upscale Daily-Fee	Name architect, better maintenance, lots of features	Larger clubhouse, restaurant, banquet, lockers, pro shop
<b>Specialty</b>		
Theme Course	Name architect, better maintenance, lots of features	Larger clubhouse, restaurant, banquet, lockers, pro shop
<b>Semi-Private</b>		
Includes all the DF above, but typically some of the private club characteristics shown below		
<b>Private</b>		
<b>Resident Based (incl. both stand-alone and community amenity clubs)</b>		
Affordable Country Club	Moderate hazards and interest	Clubhouse, pro shop, banquet facility, swimming, tennis
Middle-Market Country Club	Moderate hazards and interest, better conditions	Clubhouse, pro shop, banquet facility, swimming, tennis
Upscale Country Club	Name architect, excellent maintenance, lots of features	Excellent facilities, dining, banquet, other sports, swimming, tennis, squash, paddle, fitness
<b>Specialty</b>		
Destination Clubs - Residential	Name architect, excellent maintenance, lots of features	Good amenities but often limited locker space
Destination (Big-Boy) Clubs	Name architect, excellent maintenance, lots of features, golf-centric, all-walking sometimes	Varies depending on membership, often large locker rooms, bars, limited dinner service
<b>Resort (w/ lodging)</b>		
Urban Resort	Name architect, excellent maintenance, lots of features, sometimes not walkable	Lodging, water parks, attractions
Leisure Resort (Non-Urban)	Name architect, excellent maintenance, lots of features, sometimes not walkable	Lodging, water parks, attractions



# Property Characteristics

- How much does the quality of the layout mean? (Donald Ross v. Donald Duck)
- Conditions!!!
- Facilities
  - Condition
  - Adequate
  - Overbuilt
- LOCATION



## SWOT Analysis - Golf Property Analysts

### Criteria

Advantages of facilities?  
Competitive advantages?  
Resources, Assets, People?  
Membership/Customer Base?  
Financial reserves, likely returns?  
Marketing - reach, distribution, awareness?  
Innovative aspects?  
Location and geographical?  
Price, value, quality?  
Awards/Recognitions?  
Technology/Communications?  
Cultural, attitudinal, behavioral?  
Tools/Equipment?  
Reputation/Market Perception?  
Historical Performance?  
Depth of Market & Competition?

### Strengths

### Weaknesses

### Criteria

Disadvantages of facilities?  
Competitive disadvantages?  
Resources, Assets, People?  
Membership/Customer Base?  
Financial reserves, likely returns?  
Marketing - reach, distribution, awareness?  
Innovative aspects?  
Location and geographical?  
Price, value, quality?  
Awards/Recognitions/Criticisms?  
Technology/Communications?  
Cultural, attitudinal, behavioral?  
Tools/Equipment?  
Reputation/Market Perception?  
Historical Performance?  
Depth of Market & Competition?

### Criteria

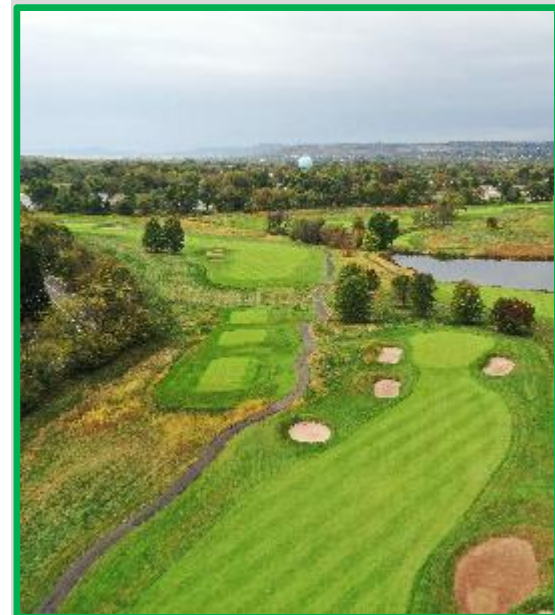
Market developments?  
Competitors' vulnerabilities?  
Industry or lifestyle trends?  
Technology development and innovation?  
Global/Market influences?  
New markets, vertical, horizontal?  
Niche target markets?  
Additions/Upgrades to Facilities/Programs?  
Marketing?  
Information and research?  
Partnerships, agencies, distribution?

### Opportunities

### Threats

### Criteria

Political effects?  
Legislative effects?  
Environmental effects?  
IT developments?  
Competitor intentions - various?  
Market demand?  
New technologies, services, ideas?  
Vital contracts and partners?  
Sustaining internal capabilities?  
Obstacles faced?  
Insurmountable weaknesses?  
Property Constraints?  
Loss of key staff?  
Sustainable financial backing?  
Economy - home, abroad?  
Seasonality, weather effects?  
Capital Needs?





# Highest and Best Use

- Four Tests
- Market Segment
- Alternative Use
- Can a portion of the property be alternatively developed?



# Influences on Value

- Universe of Buyers
- Financing
- Competition
- History
- Condition
- Need for Capital
- Infrastructure
- Revenue Balance



# The 3 Approaches

- Applicability
- Reliability
- Jurisdictional Issues
- Metrics (Units of Comparison)
- Data



# Different Types of Facilities

- A golf course is not a golf course
  - Market Segments
  - Physical Characteristics
- Revenue Sources
- Private
  - Dues
  - Membership Fees
  - Assessments
  - Use Fees
  - Refund Obligations
  - \$ per member





# Different Types of Facilities

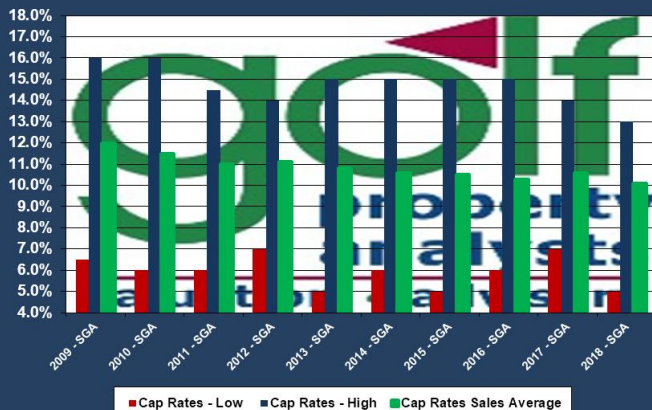
- Daily-Fee
  - # rounds
  - Weather
  - \$ per round
- Private
- Resort
- Municipal



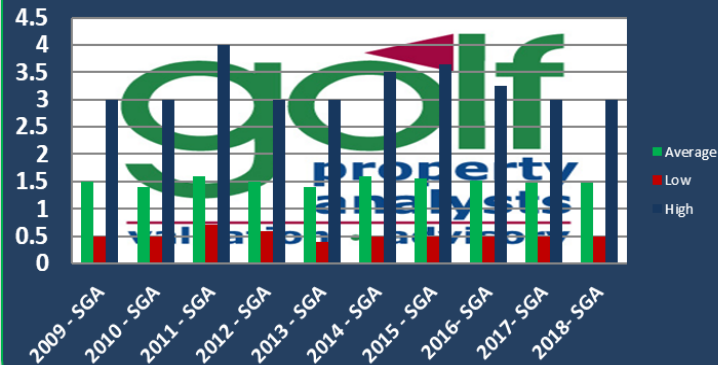
# Market Indicators

- Cap Rates
- Discount Rates
- GIM/GRM

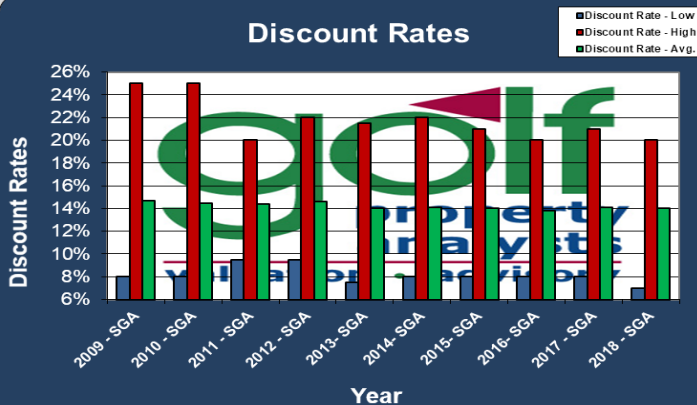
Cap Rates



Gross Income Multipliers



Discount Rates



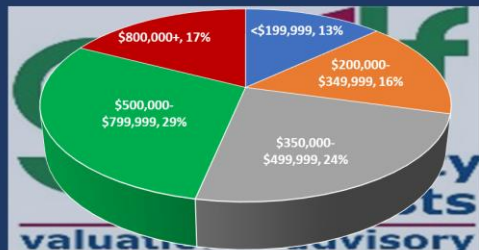
GIM Comparison



# Market Indicators (DF)

	Rounds	Rounds per 18 Holes	Gross Revenue	Gross Revenue per Round	Maintenance Budget	Maintenance Budget per Round	Maintenance % Gross Revenue
AVERAGE	32,521	29,896	\$1,817,910	\$65.37	\$551,095	\$22.44	35%
MEDIAN	31,370	30,000	\$1,477,682	\$46.25	\$472,782	\$15.63	28%
MINIMUM	6,000	7,172	\$173,760	\$7.60	\$57,649	\$3.19	7%
MAXIMUM	95,000	59,965	\$5,311,272	\$322.91	\$1,800,000	\$277.30	146%

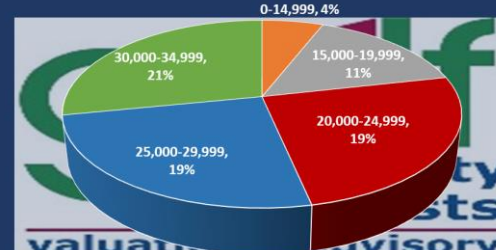
DF MAINTENANCE BUDGET DISTRIBUTION



DF GROSS REVENUE DISTRIBUTION



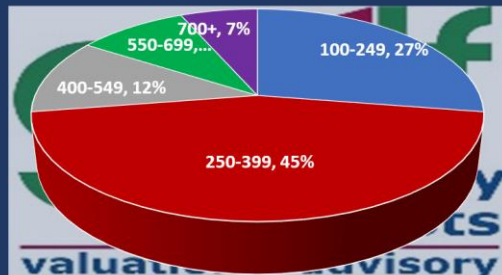
DF ROUNDS per 18 HOLES DISTRIBUTION



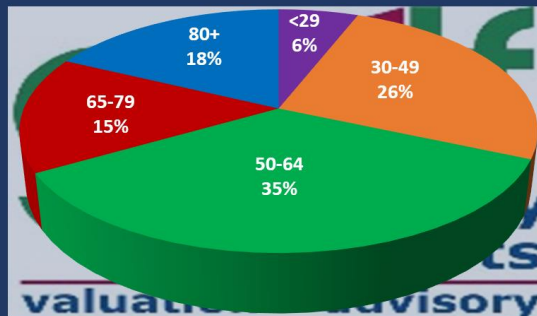
# Market Indicators (PR)

	# of Golf Members	Golf Members per 18 Holes	Rounds	Rounds per 18 Holes	Rds per Member	GR	Gross Revenue per Member	Maintenance Budget	Maint \$ per Round	Maint \$ per Golf Member	Maint % of Gross Revenue
AVERAGE	373	239	22,251	18,394	60	\$7,393,270	\$20,271	\$1,366,084	\$70	\$3,798	21%
MEDIAN	325	260	17,311	17,000	55	\$6,526,914	\$20,000	\$1,089,500	\$62	\$3,644	20%
MINIMUM	100	0	5,557	5,557	18	\$752,572	\$3,146	\$282,770	\$12	\$1,063	4%
MAXIMUM	1,593	1417	110,000	86,230	158	\$25,674,774	\$45,837	\$4,213,975	\$208	\$8,308	83%

PR MEMBERSHIP DISTRIBUTION



PR ROUNDS per MEMBER DISTRIBUTION



PR ROUNDS per 18 HOLES DISTRIBUTION

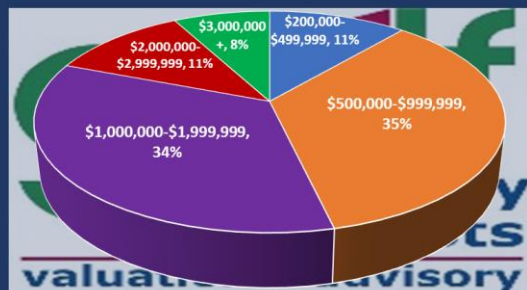




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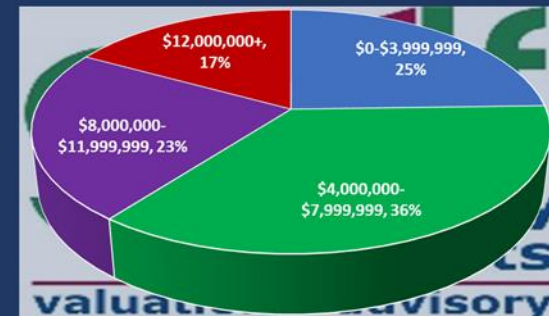
PR MAINTENANCE BUDGET DISTRIBUTION



PR REVENUE per GOLF MEMBER DISTRIBUTION



PR GROSS REVENUE DISTRIBUTION

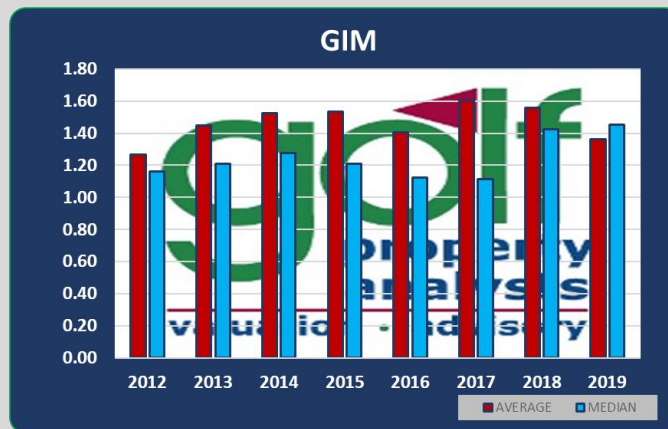


# Market Indicators - Sales

	Daily Fee	Semi Private	Private
Avg Sale Price	\$2,669,297	\$2,861,599	\$5,312,256
Median Sale Price	\$1,750,000	\$2,000,000	\$4,799,999
Avg Gross Revenue	\$1,980,645	\$2,341,310	\$4,155,555
Median Gross Revenue	\$1,500,000	\$1,974,078	\$3,811,871
Avg GIM	1.74	1.21	1.30
Median GIM	1.40	1.13	1.10

SALE PRICE				
YEAR	AVERAGE	MEDIAN	MINIMUM	MAXIMUM
2012	\$2,999,367	\$2,300,000	\$68,000	\$14,200,000
2013	\$3,595,955	\$2,329,000	\$354,834	\$21,500,000
2014	\$4,398,503	\$2,515,514	\$154,195	\$23,000,000
2015	\$3,688,528	\$2,310,000	\$160,000	\$21,000,000
2016	\$3,328,012	\$2,560,000	\$500,000	\$10,500,000
2017	\$3,499,195	\$2,312,500	\$134,000	\$24,000,000
2018	\$4,688,632	\$2,832,000	\$985,000	\$20,000,000
2019	\$3,900,961	\$3,100,000	\$400,000	\$8,308,653

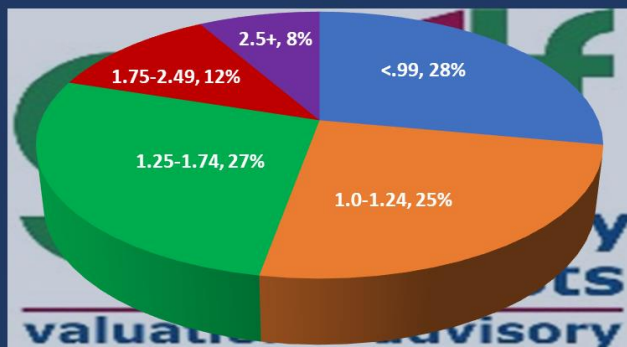
GIM				
YEAR	AVERAGE	MEDIAN	MINIMUM	MAXIMUM
2012	1.27	1.16	0.06	3.13
2013	1.45	1.21	0.01	3.71
2014	1.53	1.28	0.42	6.41
2015	1.53	1.21	0.43	12.67
2016	1.41	1.13	0.60	5.11
2017	1.61	1.12	0.60	7.41
2018	1.56	1.43	0.70	3.00
2019	1.36	1.45	0.89	1.66



# Market Indicators - Sales

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Avg GIM	1.74	1.21	1.30
Median GIM	1.40	1.13	1.10

GIM DISTRIBUTION



Sales Comparison



# Unique Considerations

- Inefficiencies
- F & B
- Management
- Clubhouses
- Weather/Climate
- Case Law
  - NY, NJ
  - Conservation Easements
- Golf Communities

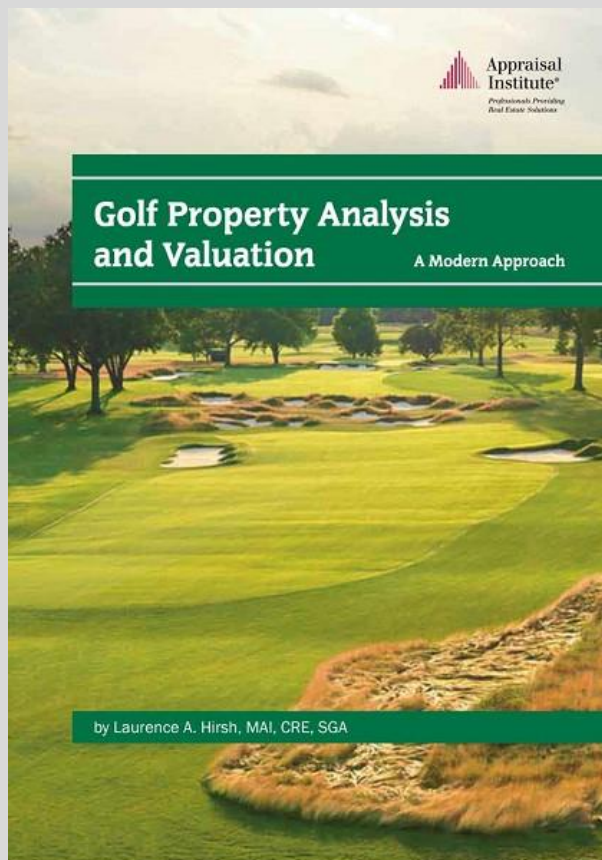




# Common Mistakes

- Comparing Courses in different market segments
- Poorly supported Highest and Best Use (market segment)
- Outdated market data
- Inadequate Market Data
- Irrelevant metrics (units of comparison)
- Inappropriate Approaches
- Unrealistic Financial Estimates
- Incorrect cap rates
- Market identification





To order:  
[www.appraisalinstitute.org/golf](http://www.appraisalinstitute.org/golf)