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# Golfonomics: What's Your Course Worth?

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February 9, 2017  
Orlando, FL

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# Why should you care?

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

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# What Do 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

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# Elements of Value

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

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# Elements of Value?

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

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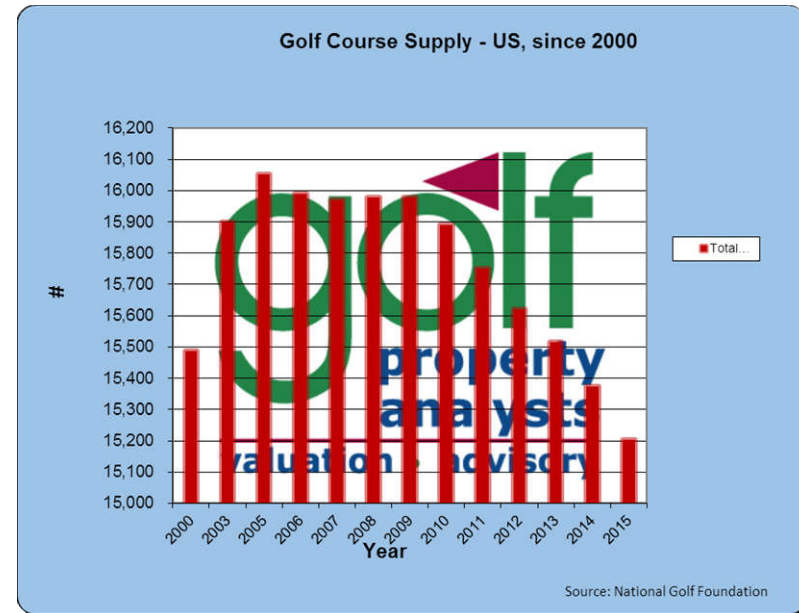
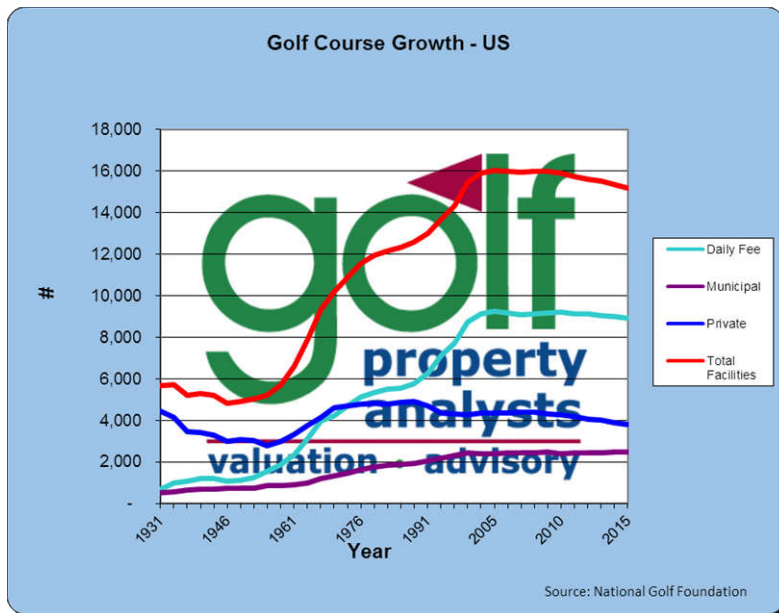
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# Market Analysis



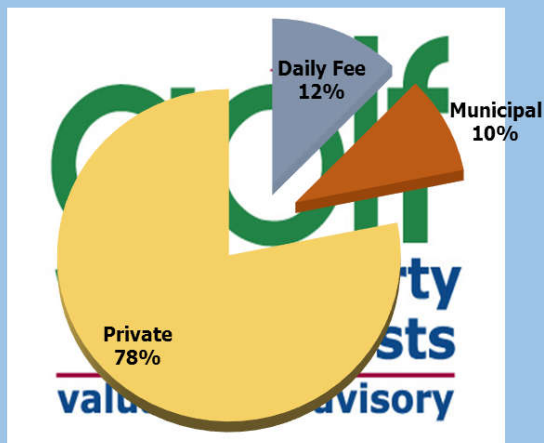
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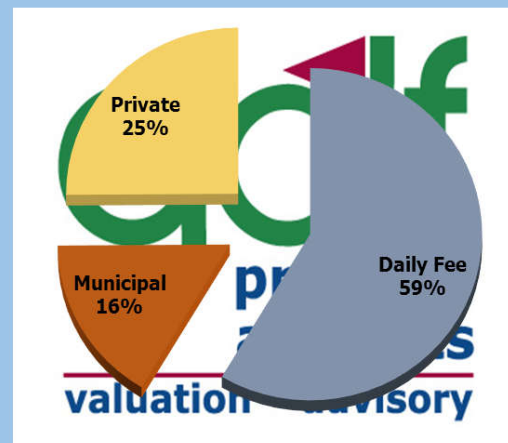
# Market Analysis

Segmentation of US Golf Courses - 1931



National Golf Foundation

Segmentation of US Golf Courses - 2015



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## Exhibit 2.12 Golf Course Market/Marketability Study Process

1. What golf market segment(s) does the subject golf course property have the ability to serve? Some factors to consider include:

- Course design and quality
- Facilities design and quality
- Legal
- Social/economic characteristics of the club and community
- Location—How the golf course fits into the community growth structure

Note: If the work done in Step 1 identifies more than one segment, then the study would become a highest and best use study. This, among other factors, requires repeating the following steps for each segment studied.

2. What are the characteristics of the golf market segment that desires this type of golf course?

- Market area concepts
  - Time-distance concepts
  - Area over which equally desirable substitute properties tend to compete
  - Location of current members/users
- Geographic market delineation
- Consumer profile of most likely users
  - Type
    - > Tourist
    - > Second-home residence
    - > White collar executives
    - > Corporate outings
    - > Local residence
    - > Etc.
  - Characteristics
    - > Income
    - > Age
    - > Social
    - > Employment categories (i.e., high-tech, service, etc.)

3. What is the golf course demand for this market segment?

- Inferred methods
  - Current market conditions
  - General growth trends of city and subject submarket
- Fundamental Methods
  - Ratio methods by golf course type
    - > Ratio of current rounds/memberships to indicator proxies such as: population, age, income, employment, tourists, hotel rooms, etc.
  - Segmentation method (segmentation of golf course types, user types, participation rates, and average rounds played)

4. What is the competition in this market for this market segment?

- Current competitive courses
- Planned competitive courses

5. What is the market condition for this market segment? (comparing supply with demand currently and for the future)

6. How much of this market segment can the subject golf property capture?

- Current capture analysis methods
- Competitive course rating methods

7. What are the financial implications to the property?

- Is it a good investment? (investment value to individual or specific group)
- Is the property's value more than its cost? (feasibility)
- Does this market segment produce a higher net income than another segment? (highest and best use)
- What is the golf course's market value? (appraisal)
- Can redirected management/marketing increase income? (management practices)

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# Market Analysis

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Exhibit 2.1 Golf Market Segments: Course Types and Demand Sources		
Market Segment	Demand Sources	Characteristics
<b>Daily-Fee</b>		
<i>Resident-Based (Including Municipal)</i>		
Affordable daily-fee	Price-conscious residents nearby	Limited maintenance and services
Value daily-fee	Value-conscious residents nearby	Moderate maintenance and services
Upscale daily-fee	Higher-income corporate clientele coming from a greater distance	Upscale maintenance, services, and design
<i>Specialty</i>		
Theme course	<ul style="list-style-type: none"> <li>• Wider market area</li> <li>• Tourists</li> <li>• Corporate</li> </ul>	<ul style="list-style-type: none"> <li>• Replica holes</li> <li>• Themed atmosphere (NFL, college, Opryland)</li> </ul>
<b>Semiprivate</b>		
Includes all of the daily-fee characteristics above, but typically with some form of membership/annual pass option		
<b>Private</b>		
<i>Resident-Based (Including Stand-Alone and Community Amenity Clubs)</i>		
Affordable country club	Local residents seeking the "best deal"	<ul style="list-style-type: none"> <li>• Limited services, maintenance, and amenities</li> <li>• Geared toward individuals</li> </ul>
Middle-market country club	Local residents seeking lifestyle	Family-friendly
Upscale country club	Local high-income residents seeking family, social, and business use	<ul style="list-style-type: none"> <li>• Highest level of maintenance and service</li> <li>• More social activities</li> </ul>
<i>Specialty</i>		
Destination club— residential	<ul style="list-style-type: none"> <li>• Non-resident, high-income</li> <li>• Usually a "second" club</li> </ul>	<ul style="list-style-type: none"> <li>• Vacation/second home clientele</li> <li>• "Big boy" clientele</li> </ul>
Destination ("big boy") club	<ul style="list-style-type: none"> <li>• Resident or nonresident</li> <li>• Often corporate entertainment</li> </ul>	<ul style="list-style-type: none"> <li>• Limited number of members or "national" membership</li> <li>• Selective membership</li> <li>• Excellent facilities, maintenance, and services</li> </ul>
<b>Resort (with Lodging)</b>		
Urban resort	<ul style="list-style-type: none"> <li>• Corporate</li> <li>• Upscale tourist</li> </ul>	Usually upscale and affiliated with hotel
Leisure resort (nonurban)	<ul style="list-style-type: none"> <li>• Families</li> <li>• Corporate retreats</li> </ul>	Vacations and meetings

Source: Adapted from Stephen F. Fanning, "Segmentation of Golf Course Markets," *The Appraisal Journal* (January 2003): 62-67.

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# Property Characteristics

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

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## SWOT Analysis - Golf Property Analysts

<p><b>Criteria</b></p> <ul style="list-style-type: none"> <li>Advantages of facilities?</li> <li>Competitive advantages?</li> <li>Resources, Assets, People?</li> <li>Membership/Customer Base?</li> <li>Financial reserves, likely returns?</li> <li>Marketing - reach, distribution, awareness?</li> <li>Innovative aspects?</li> <li>Location and geographical?</li> <li>Price, value, quality?</li> <li>Awards/Recognitions?</li> <li>Technology/Communications?</li> <li>Cultural, attitudinal, behavioral?</li> <li>Tools/Equipment?</li> <li>Reputation/Market Perception?</li> <li>Historical Performance?</li> <li>Depth of Market &amp; Competition?</li> </ul>	<p><b>Strengths</b></p>	<p><b>Weaknesses</b></p>	<p><b>Criteria</b></p> <ul style="list-style-type: none"> <li>Disadvantages of facilities?</li> <li>Competitive disadvantages?</li> <li>Resources, Assets, People?</li> <li>Membership/Customer Base?</li> <li>Financial reserves, likely returns?</li> <li>Marketing - reach, distribution, awareness?</li> <li>Innovative aspects?</li> <li>Location and geographical?</li> <li>Price, value, quality?</li> <li>Awards/Recognitions/Criticisms?</li> <li>Technology/Communications?</li> <li>Cultural, attitudinal, behavioral?</li> <li>Tools/Equipment?</li> <li>Reputation/Market Perception?</li> <li>Historical Performance?</li> <li>Depth of Market &amp; Competition?</li> </ul>
<p><b>Criteria</b></p> <ul style="list-style-type: none"> <li>Market developments?</li> <li>Competitors' vulnerabilities?</li> <li>Industry or lifestyle trends?</li> <li>Technology development and innovation?</li> <li>Global/Market influences?</li> <li>New markets, vertical, horizontal?</li> <li>Niche target markets?</li> <li>Additions/Upgrades to Facilities/Programs?</li> <li>Marketing?</li> <li>Information and research?</li> <li>Partnerships, agencies, distribution?</li> </ul>	<p><b>Opportunities</b></p>	<p><b>Threats</b></p>	<p><b>Criteria</b></p> <ul style="list-style-type: none"> <li>Political effects?</li> <li>Legislative effects?</li> <li>Environmental effects?</li> <li>IT developments?</li> <li>Competitor intentions - various?</li> <li>Market demand?</li> <li>New technologies, services, ideas?</li> <li>Vital contracts and partners?</li> <li>Sustaining internal capabilities?</li> <li>Obstacles faced?</li> <li>Insurmountable weaknesses?</li> <li>Property Constraints?</li> <li>Loss of key staff?</li> <li>Sustainable financial backing?</li> <li>Economy - home, abroad?</li> <li>Seasonality, weather effects?</li> <li>Capital Needs?</li> </ul>

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# Highest and Best Use

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

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# Influences on Value

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

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# The 3 Approaches

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

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# Different Types of Facilities

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

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# Different Types of Facilities

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

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# Unique Considerations

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

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## 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

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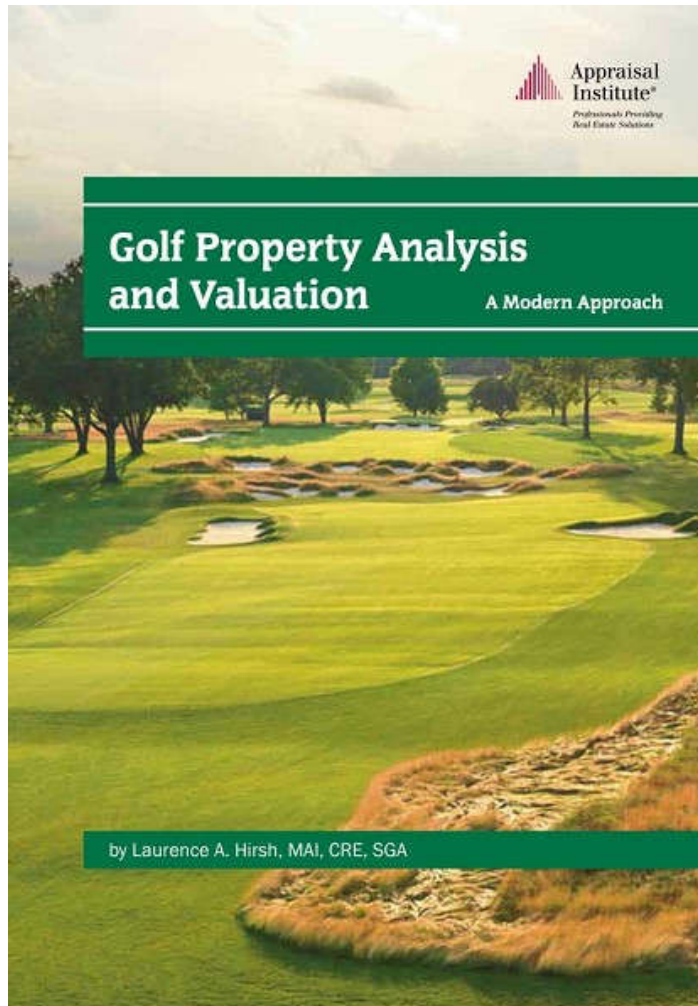
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