STATE OF THE GOLF INVESTMENT MARKET
By Steven Ekovich  Steven.Ekovich@MarcusMillichap.com

IS THERE A PORTFOLIO HANGOVER EFFECT?

In this 1st half of 2015 Golf & The Economy article, we will explore three main topics:

♦ Does the data show a “Portfolio Hangover Effect”?
♦ How realistic is the NGF’s “Golf Bubble Theory”?
♦ What type of golf assets are hot right now?

Why are these topics important? Each year, every golf course owner must make one of four decisions, whether it is a conscious decision or not: to hold and do nothing, to hold and make changes in operations, to refinance, or to sell. Knowing your golf course’s value and where values are heading, as well as what the causal factors are, will help you as a golf stakeholder make better business decisions moving forward.

Golf Values: Updated Data Yields Interesting Results
Since the publishing of our 2014 End of Year Report, a number of additional sales from the 2014 calendar year were reported or found their way into public records, thereby making their way into our database. We have recorded additional sales from 2014 since that time, bringing the total up to 181 and drastically altering the data. With the same trends continuing into the 1st half of 2015, this more complete data set appears more accurate as well.

The sales being tracked include operational golf courses with at least 18 holes. As opposed to the slight increase in average price previously reported on between 2013 and 2014 (1.14%), the updated data reveals a huge jump of 10.58%, with an average sales price of $4,661,645 in 2014. Through the 1st half of 2015, average price has held those gains and continued to increase, reaching $4,764,967 YTD through June 2015. The opposite is true for the median price, as the updated 2014 figure is $260,300 lower than originally reported (although still a slight increase of 2.25% over 2013). Through the 1st half of 2015, the median price is $1,875,743 – its lowest level since 2012. 2014’s updated figures also show an increase in sales velocity (i.e. the number of sales) of 25% over 2013. Velocity appears to be somewhat stable (albeit down slightly) in 2015. However, we are projecting that the number of sales this year will fall short of 2014 totals. (Continued on Page 6)
Creating Value Through Repurposing

By Robert Waldron  Robert.Waldron@MarcusMillichap.com

Golf course value can be derived from the business operation, the real estate or a combination of both. In recent years, golf courses with compatible zoning have become prime acquisition targets for residential and commercial developers seeking 100 to 200 acres of assembled land. The result has been the closure of many courses where the value as a development simply exceeded the value of the golf course as a going concern.

We have worked with numerous golf course owners whose exit strategy was to retire on the proceeds from the sale of their golf courses to a developer. Unfortunately countless owners have become disappointed to find out that underlying zoning, deed restrictions, use regulations and objections from area residents prevent them from fulfilling their dream. In many cases the legal, environmental and planning costs required to overcome these hurdles make the project cost prohibitive.

As the number of golfers and rounds played continues to remain relatively flat, golf course owners are becoming more creative with their ideas to generate a wider variety of revenue streams. Resourceful owners are discovering ways to create value and add new revenue streams by identifying alternative uses for low or non-income producing portions of their golf course properties. Repurposing underutilized facilities such as clubhouses, banquet rooms, driving ranges, tennis courts, parking lots, extra golf holes and vacant land can provide both increased revenue and enhanced value through capital appreciation and reduction in cost basis for owners.

Developable Golf Course Land

It typically requires time, capital and government approvals to maximize the value of the course’s acreage as an alternative use. These can include: Residential lots, Condos, Commercial Development, Lodging, Heath / Medical Facilities, cell towers or other golf related uses such Driving Ranges or Golf Academies. It is imperative that a golf course owner understand the current and future zoning and permissible uses of their golf course land to determine both feasible and the best alternative uses. The value of the developable land is contingent upon the revenue that can be generated by the proposed use and the amount of work and costs required to implement the use.

However, what many owners fail to realize is most courses carry deed restrictions, are bound by neighborhood CC&Rs, and that local governments tend to succumb to pressure by residents around the course to prevent redevelopment, even when zoning allows it. The national news is replete with stories of cities, owners and developers being sued by homeowners that claim their views have been destroyed, their property values will decline, and the additional burden on city resources should prevent the conversion.

Familiarity with the current political climate is imperative in order to measure the odds of acceptance by the municipality for requests to subdivide a property or for changes in zoning or special use exceptions. While some municipalities may welcome the additional tax base provided by residential development others may prefer the green space provided by a golf course. If the course is part of a residential community you can be assured the voices of the current residents will be given significant consideration. Health and Medical facilities are typically welcomed by most communities since they take up little acreage and provide services to the residents.

Golf Course Clubhouses & Non-Golf Amenities

The existing non-golf improvements typically offer infrastructure such as parking lots, restrooms, locker rooms, swimming pools, and food & beverage operations. Subsequently sections of the facilities can readily be transformed into fitness centers, day care centers, destination restaurants, and office space. One of the more popular trends is to repurpose space around clubhouses to outdoor dining thereby providing additional service areas. Fortunately, many of the alternative uses of clubhouses may already be permissible under current zoning thereby eliminating governmental approvals.

The benefits to a golf course owner of repurposing land and facilities can include additional revenue streams, improved operating margins, increased cash flow, capital to invest back into the property, a lower cost basis and capital appreciation of the asset. Considering that most buyers value golf courses on two metrics: Gross Revenue Multiple and EBITDA Multiple, increasing revenue and EBITDA directly correlate into enhanced asset value.
WINNING THE DEAL — MAKING AN OFFER THEY CAN’T REFUSE
By Christopher Karamitsos Christopher.Karamitsos@MarcusMillichap.com

Golf courses acquisitions are often a competitive process. In point, we have transacted deals on properties that have garnered anywhere from six to 16 offers. Determining which offer represents the highest degree of probability involves a number of factors other than simply price. Among these are contract terms, buyer’s motivation, surety of execution and the degree of details included in the initial offer. The latter is something often overlooked by a prospective buyer. However, it will not go unnoticed by the seller or a competent broker. Your offer and the manner in which it is presented speak directly to the rest of the aforementioned factors. Demonstrating to the seller that you are the most logical party with whom he should enter into contract can be accomplished through a well thought out and detailed letter of intent (LOI) bolstered by aggressive terms.

The LOI should cover, with some degree of specificity, all of the major deal-points that will be addressed in the Purchase and Sale Agreement (PSA). This will help to expedite the PSA drafting process and reduce legal fees. In addition to the purchase price, an LOI should address the following:

- Initial and Second Deposits
- Inspection/Study Period Duration
- Financing Contingency (if needed)
- Closing Costs & Date
- Escrow Agent
- Timeframes for Title Commitment & Review
- List of Due Diligence Materials Requested
- Costs and Levels of Inventory to be Purchased at Closing
- Member Dues Prorations and Accounts Receivable
- Liabilities (Gift Certificates, Rainchecks, etc.)
- Assumption of Obligations (Equipment & Cart Leases)

Addressing all of these items on the front end of the process will make the transition from LOI to PSA as seamless as possible and demonstrates to the seller that your intent is serious. (Continued on the Following Page)
WINNING THE DEAL—MAKING AN OFFER THEY CAN’T REFUSE  
(CONT. FROM PG 3)

As you can see below, not everything that sets you apart will cost you more money. Certainly a higher price will, but some of the non-monetary factors such as an expeditious due diligence period, a large non-refundable deposit, your motivation for acquiring the asset and track record of performance will all help to curry favor with the seller.

SIX WAYS TO WIN THE DEAL

Assess & Reveal Your Motivation
What is your motivation for buying the asset? Are you more motivated to own this asset than the others with whom you are competing? Whether you already own in that region or if you are planning on relocating, let the broker and seller know what’s driving your decision.

Do Your Homework
Read the Offering Memorandum in detail and request as much due diligence as the seller is comfortable sharing prior to making an offer. Sellers have a greater degree of comfort with those who have a detailed knowledge of the asset’s operating and physical characteristics.

Be Aggressive
When it comes to price and terms, one tends to be a function of the other. Those who present aggressive terms tend to seek reward in the purchase price and vice versa. When competing for an asset, try being aggressive in both price and terms. An offer at or above list price gets the seller’s attention and says that you are motivated, setting you apart. This is not an uncommon practice among those who successfully purchase highly sought-after properties.

Don’t Forget Terms
Terms can be the difference between similar, competing offers. Large deposits (at least 4% of the purchase price) and short time frames will increase your chances of acceptance. Consider making a portion of your initial deposit non-refundable and keep your due diligence period as short as possible. Offer to begin your inspection period from the date the LOI is accepted rather than the effective date of the PSA—this can shorten the closing process by weeks.

Make Your Case
Surety of execution is often THE determining factor. Submit with your offer: proof of funds (bank references or statement), biography of major investors, and a schedule of real estate currently owned. This will assure the seller of your ability to perform. Your cover letter is where you can communicate your motivation for wanting to own the asset.

Understand the Seller
Knowing what is most important to the seller will help you tailor your offer accordingly. Most sellers focus on net proceeds, the overall timing of the transaction and the probability of closing without unwarranted re-trading of the deal. Work closely with the representing broker and make the process a team effort between you, the seller, and their broker.
List of Exclusive Offerings Now Available

**LOST LAKE RESORT**
Investment Opportunity - Master Planned Golf Community
Sullivan County, NY | $34,000,000
Lead Agent: Christopher Karamitsos | Broker of Record: J. D. Parker

**INDIAN SPRINGS GOLF CLUB**
18-Hole Daily Fee Club
Indio / La Quinta, CA | $6,000,000
Lead Agent: Raymond Demby | Broker of Record: Kent Williams

**CONFIDENTIAL GOLF & COUNTRY CLUB**
18-Hole Semi-Private Golf Club
South Carolina | $5,250,000
Lead Agent: Terence M. Vanek | Broker of Record: Raj Ravi

**PASADENA YACHT & COUNTRY CLUB**
18-Hole Private Club, Marina & Development Opportunity
Gulfport, FL | $9,500,000
Lead Agent: Matthew Putnam

**THE EVERGREEN CLUB**
18-Hole Private Golf Club
Palm City, FL | $1,950,000
Lead Agent: Rob Waldron

**DEER CREEK GOLF CLUB**
18-Hole Daily Fee Club
Overland Park, KS | $5,000,000
Lead Agent: Steven M. Ekovich | Broker of Record: Greg Bates
TO VIEW ALL CURRENT LISTINGS, COME VISIT US AT:
www.LeisurePropertiesGroup.com

**SKYLINE COUNTRY CLUB**
18-Hole Daily Fee Club
*Berkshire County, MA* | $995,000
Lead Agent: Raymond Demby | Broker of Record: Tim Thompson

**THE LINKS AT CHALLEDON**
18-Hole Daily Fee Club
*Mount Airy, MD* | $1,850,000
Lead Agent: Steven M. Ekovich | Broker of Record: Bryn Merrey

**CONFIDENTIAL PRIVATE COUNTRY CLUB**
18-Hole Private Club
*Portland, OR MSA* | $2,400,000
Lead Agent: Christopher Karamitsos | Broker of Record: Adam Lewis

**SCOTLAND YARDS GOLF CLUB**
REO OPPORTUNITY - 18-Hole Daily Fee Club
*Dade City, FL* | $1,150,000
Lead Agent: Raymond Demby

**CONFIDENTIAL HOMEBUILDER’S GOLF PORTFOLIO**
Two Semi-Private 18-Hole Golf Clubs
*Georgia* | $5,790,000
Lead Agent: Terence M. Vanek | Broker of Record: Michael Fasano

**TALLGRASS COUNTRY CLUB**
18-Hole Private Golf Club
*Wichita, KS* | $2,200,000
Lead Agent: Steven M. Ekovich | Broker of Record: Greg Bates
Buyer Sentiment — Opportunity is There, Problem is Financing

By Terence Vanek  Terence.Vanek@MarcusM illichap.com

Last year, the so called voice of buyer sentiment in aggregate was a whimper, muted by the overwhelming $1B in golf asset acquisitions by a mere five buyers. Five major, landscape changing, significantly capitalized buyers to be sure, but five nonetheless. It was tough to hear what the little guy thought with King Kong pounding his chest.

"This acquisition is consistent with our strategy to grow via acquisition and reinvention. These clubs fit well with our stated goal of consolidating a very fragmented industry." - Major Golf Owner

So with the market settling in to a more normal activity pattern, and the major players stepping back (for the most part) to take stock of their new haul, how do the other 99% of potential buyers feel about golf’s investment prospects? The answer we hear is cautiously optimistic, filled with opportunity, but lacking the ammunition needed to take action.

Lenders, with the past financial crisis still fresh in the rearview mirror, have embraced a newfound underwriting discipline that hasn’t quite cozed up to the well-publicized problems of golf ownership. Sure, when it comes to commercial real estate they’re active and hungry, a major reason 2015 might set a commercial real estate record in transaction volume. But golf financing, though improving, is still relatively scarce.

"The previous owner was not in the golf business and was looking to get out. We had a local interest. We want to put a local spin on it with some fresh marketing and new paint." - Individual Owner

The good news is demand from passionate buyers for smaller value deals is much improved. Eyes are wide at the $1M - $2M price tags for courses that used to trade at five times that. The bad news is local acquisition hopes in mid-market and small market towns are mostly dependent on deep pockets (private equity, friends and family) or an SBA proctology process through the local community bank. Traditional banks still look at golf lending as a four letter word, but without them, the lack of liquidity and leverage typical of a healthy market will anchor golf asset pricing for smaller value assets in tertiary markets near their recent bottom.

This lack of traditional financing options might explain the lack of crossover buyers hunting for yield in less crowded and riskier markets. Sure, a few private equity funds entered the scene like a nuclear bomb, but "where are the individual and entrepreneurial CRE buyers who are sick of fighting over four percent cap rates in multifamily and other core product types?"

Regardless, the little guys never do get much media fanfare, even if they represent a more significant portion of all golf transactions. The darling story of 2015 was Chinese buyers looking for golf assets as an investment safe haven. But in reality, outside of Founder’s Myrtle Beach acquisition, the golf airspace hasn’t been nearly as affected by foreign investment as traditional commercial real estate. That being said, the Chinese do represent an overwhelming 90% of all EB-5 applicants, the real estate vehicle for Internationals to purchase US citizenship. With hospitality one of the fastest growing sectors for Chinese investment, this is certainly a buyer to keep track of.

To date though, the Chinese appetite for golf has been overblown, and hype has outpaced the actual amount of buyers we’ve seen transact. Alternatively, this is not at all the case for major owners and the private equity backed portfolio buyers. They continue to push market consolidation, actively seeking acquisition opportunities for $3M+ gross revenue deals in primary and secondary markets. Major players have shifted from REO discounts, to Portfolios, and now to distressed member-owned opportunities where they can sell salvation and buy at bargains. By all accounts, they remain hot on golf investment, albeit investment that is tempered by strategic, geo-centric acquisitions and/or facilities that can be bought low, reinvented with vital new capital projects, and stabilized with a long-term emphasis on sound management practices.

In sum, expect private equity backed buyers to continue to invest heavily in the golf airspace, specifically into member-owned facilities and multi-course opportunities at the top of the quality stack. Keep an eye on foreign investment as a potential key player in the coming months that could significantly push values upward with an aggressive buying style that, in part, may be fueled by ulterior motives like citizenship and safety, rather than yield, and unfortunately, continue to expect asset appreciation headwinds for the smaller $1M - $3M markets in absence of a more liquid, traditional market for financing.

"It’s a big change for the golf business. Maybe we are crazy. Maybe we bought too many courses. But I think the market is at the bottom and will come back." - International Buyer

“We are in acquisition mode. “We are looking for clubs that fit our model, specifically courses in the Sun Belt that operate 12 months a year.” - Boutique Operator

"High Pointe Golf Club, renowned golf architect Tom Doak’s first 18-hole design, has been sold and will be repurposed as a commercial hops farm. Our intent with M1 Local Hops is to create a business that supports the economy and the creation of jobs and opportunity in Michigan." - Buyer Repurposing for Non-Golf Use

"My first born turns to alcohol. Drinks are on me!" - Tom Doak in response
Despite the backdrop of Greece still not being totally resolved, domestic news has been good. The unemployment report shows the number of people who filed is at a 40+ year low – that’s terrific. This is due to both healthy job creation and a relatively lower labor participation rate. As a result the 10-yr UST has continued to trade in the band between 2.20 and 2.40. The Fed is expected to continue on its current path with an increase sometime in late 2015. Rates have bounced around a bit over the past 30 days with mortgage spreads fluctuating by as much as 20-30bp. This has been a result of the uncertainty in the global markets. If we continue to see the issues with Greece, etc. be viewed as resolved or largely resolved, that will help with less volatility in spreads. So what do stable interest rates mean for golf investors?

In short, a lower interest-rate environment will benefit anyone wishing to finance a golf acquisition or to refinance as the low cost of money will allow more EBITDA to be available to service debt. That translates into higher loan to values and overall lower payments. Conversely, if interest rates increase, that will reduce the value of all real estate including golf courses because the course’s EBITDA will not be able to cover as much debt service, so loan to values will decrease and that causes golf value depreciation.

When rates will go up is an open question, but the consensus is that U.S. Treasury yields and rates on credit cards, mortgages, auto loans and other consumer loans will rise slowly especially with the gas price reductions.

Who is currently lending in golf? The answer: banks with and without SBA guarantees, Bridge Loan lenders, Private Equity, Insurance Companies and Hard Money Lenders. Who is not lending in golf?: National Lenders (lenders that have a golf division willing to lend on golf in any geography) and Conduits. However, every time we write this article, the financing market’s strangle hold on the golf faucet seems to loosen a little more to increase to flow of golf financing. Lenders aren’t about to finance everyone, but if you have the right loan-to-value, the experience as an operator and the required debt coverage ratio, it will get done.

The one common thread with all lenders willing to lend was a good borrower. With commercial banks, we have seen a willingness to lend without substantial cash flow, as long as there is a good sponsor. With insurance company loans, the asset has to be one they want in the portfolio, must have cash flow and they look to the underlying land value more than other lenders. Bridge loans need to have a yield the lender wants. Hard money loans for non-stabilized deals have quick turnaround times but have the highest interest rates. Private equity is concerned with the relationship between the investor and lender and works well when an IRR hurdle rate can be reached but is usually not about one transaction, it usually starts before the asset is located and is for multiple purchases over time.

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<tr>
<th>Lender Type</th>
<th>Characteristics</th>
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<tr>
<td>Conventional Bank Loan:</td>
<td>Fixed Rate—Interest: 5.6-5.8%, Points: 1%, Term: 3-7 yrs., Amortization: 20-25 yrs., LTV: 60-70%, DCR: 1.3-1.4, Loan Size: $750,000+</td>
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<td>SBA Guaranteed Loan 7A Program:</td>
<td>Interest: Prime + 1.5-2.75%, Points: 0%, Term: 25 yrs., Loan Size: Up to $5M, Amortization: 25 years</td>
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<td>Life Company:</td>
<td>Interest: 4.75-5.25%, Points: 1%, Term: 5, 10, 15 or yrs., Amortization: 15, 20 or 25 yrs., Loan Size: $750K+, Land Collateral Value is Important</td>
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<td>Bridge Loan:</td>
<td>Interest: 9-14% I/O, Term: 1-2 years, LTV: Up to 65%, Primary Markets &amp; Cash-Flowing Assets</td>
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<td>Hard Money:</td>
<td>Interest: 10-15% including Points, Term: 1-3 yrs., LTV: 50-60%, Usually Interest-Only</td>
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<td>Private Equity:</td>
<td>Interest: 0%, Unleveraged IRR: 20%, Preferred Returns: 8.8-12%, LTV: 60-70%, Waterfall Structure: Deal-by-Deal on Profit Splits</td>
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State of the Golf Investment Market (cont. from pg 1)

So what does this seemingly paradoxical data suggest? Why would average prices be up, while median price is down? While the 2015 Sales Activity article on the final page of this report focuses on the $1M - $10M price tranche, this market-wide analysis features all courses purchased between $250K and $75M. 2015 saw less grouping of sales prices, with more transactions at both extremes of the range. Specifically, there were more lower-priced sales (<$2M), which were offset by increased high-end sales ($7M+). So where did all of the “core” inventory go? We have to look no further than the major portfolio sales of 2014 and their resulting “Hangover Effect” we’re currently experiencing. Most of the assets purchased were good quality
private or resort courses with substantial gross revenue and EBITDA. If those assets would have been sold individually or in smaller groupings, some would have instead traded in 2015, driving up the median value. 2015’s decrease in both velocity and median values indicate a lingering “Hangover Effect”.

Operations: How Realistic is the NGF’s “Bubble Effect”? From an operational standpoint, we have had two years of relatively level revenue, EBITDA, and rounds. According to PGA PerformanceTrak in cooperation with the NGCOA, through June rounds are up 2.2% YTD over 2014, with revenue up 3.3%. This is largely the result of improved weather and stable utilization. The NGF’s data shows that the last two years is leveling out in the 24.5M—25M range. I attended the NGF summit in San Diego. After a copious amount of research was presented, they came up with a very interesting theory. It could mean that the sky is not falling, as some industry pundits believe. The NGF posits that at the height of golf’s participation in 2005, we had four stimulants affecting golf, causing a temporary “Bubble Effect”:

1) Tiger mania creating unprecedented interest.
2) Master planned golf communities were being built all over the country. They were flush with marketing dollars which lead to enormous advertising and promotions extolling the virtues of buying and playing golf in their golf style community.
3) Home owners had so much equity in their houses they could afford memberships, high green fees and a second home or investment home in a private club master planned community.
4) The stock market was at an all-time high, leaving golfers flush with cash.

With the crashes of Tiger, the stock market, and housing values, the extra five million golfers we had at the height of the market (30M), were not really committed core golfers, but instead casual golfers spurred to take up golf or try it as a result of the four aforementioned effects. The NGF believes participation will not fall much below where we are today because this is the real normal level of where golf participation was 20 years ago (and where it would have remained, if not for the “bubble” factors).

If this is true, we will continue to shed more functionally obsolete golf courses (those poorly located and/or poorly run), and we will move back into an equilibrium with the nearly 25M golfers we have now. When supply and demand are more or less back in balance, as population grows, rounds will eventually begin to climb again, with revenue and golf values to ride the wave.

Buyer Trends: Repurposing Remains a Major Theme
During the first six months of this year, the hot product type has been any golf asset that can be developed and that is well located in a major metro. Golf owners are looking to generate excess profits through either use-conversion of the whole course, or excess adjacent land for development. As owners hear about other owners selling their course to developers for prices well above golf course’s innate value as an ongoing business, they think their course is worth that price too. Refer to article entitled “Creating Value through Repurposing” on page 2 for more information on this process. While redevelopment was one of the most prominent buyer trends through 2015, more traditional golf investors remain active as well – refer to the Buyer Sentiment article on page 5 for more examples.

Conclusion
While we are confident in our predictions regarding future sales data, we won’t know until January if average golf values will retain their newly discovered gains from 2014. We also can’t be certain that the median price and number of transactions will be down by the time 2015 comes to an end. What we can say with authority is that there is clearly some type of “Hangover Effect” from the portfolio sales of last year.

From an operational standpoint, this year should remain solid for most owners, as stable utilization and improved weather means more rounds and revenue for golf. The NGF has put forth the “Bubble Theory” of golf participation to both quell the “sky is falling” pundits and explain why they think that the theory makes lot of sense. It appears that the past two years of operational data supports this hypothesis so far. Finally, major metro golf courses without houses surrounding them, that are not restricted, are in hot demand if you can obtain approval from local planning and zoning councils, although this can take years of legal battles, funding and political maneuvering.

FACTORS AFFECTING GOLF’S INFLATED PEAK

1) Tiger mania creating unprecedented interest.
2) Master planned golf communities were being built all over the country. They were flush with marketing dollars which lead to enormous advertising and promotions extolling the virtues of buying and playing golf in their golf style community.
3) Home owners had so much equity in their houses they could afford memberships, high green fees and a second home or investment home in a private club master planned community.
4) The stock market was at an all-time high, leaving golfers flush with cash.
The below analysis focuses specifically in the $1 - $10M investment tranche – generally considered the most important subset of golf-specific transaction activity. These values are driven primarily by property fundamentals specific to the business of golf, and therefore most telling towards overall investor sentiment. All sales figures previously presented in the “State of the Golf Investment Market” are derived from analysis of a larger universe of golf transactions, those between $250K —$75M, and therefore may be different.

As discussed in the State of the Golf Investment Market article, we have reason to suspect a “Portfolio Hangover Effect” due to last year’s high number of portfolio sales. Most of the properties sold were “core” golf assets—financially strong and high quality standalone golf facilities. Their quality and strong financial operations tend to keep their value above $3M each, while the lack of additional development opportunities, resorts, etc. prevented prices from climbing into the eight figures. As a result, we would expect any impact from the “Hangover Effect” to show up clearly in the $1M—$10M investment tranche.

So what would this effect look like in the data for 2015’s sales? Before parsing the data, we would notice that a smaller proportion of properties traded in the “core” $1M—$10M tranche, with more properties selling below $1M. Comparing the 1st half of 2015 to that of 2014, only 67% of sales fell within the $1M—$10M range (compared to 72% in 2014), with 25% of deals trading under $1M (compared to 20% in 2014). We would expect lower velocity, as many of the core deals have already been sold, leaving a vacuum of similar supply. The 1st half of 2015 saw only 34 transactions with sales data available fall within the $1M—$10M range, compared to 43 sales in 2014. So far, the data supports this supposition.

Turning our attention towards average/median price, we see the same pattern emerge within the $1M—$10M tranche as the overall data set, as described previously in this report. Average price was up significantly, reaching $3,919,583 through the 1st half of 2015, compared to only $3,312,007 during that same time in 2014. Meanwhile, median price was down slightly, dropping to $2,875,000 this year after reaching $3,075,803 during the 1st half of 2014. These patterns emerged for the same reason as they did in the overall data set—more sales under $2M and above $7M, with fewer “core” sales landing in between. Though we won’t be certain until the year-end data is reviewed, the “Portfolio Hangover” seems to be leaving its mark.  

### RECENT SALES

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<td>4/27/2015</td>
<td>CA</td>
<td>CA</td>
<td>18</td>
<td>150</td>
<td>Private</td>
<td>$100,000</td>
<td></td>
</tr>
<tr>
<td>The Links at Stone Creek</td>
<td>$5,000,000</td>
<td>4/27/2015</td>
<td>CA</td>
<td>CA</td>
<td>18</td>
<td>150</td>
<td>Private</td>
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### 2015 Sales Activity — The $1M - $10M Investment Tranche

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