

2014: Mega-deal year

Four major portfolio acquisitions bolstered the 2014 market as golf course values continued to improve **BY LAIRA MARTIN**

It was an epic year. Four massive portfolio sales highlighted an already busy year in golf course sales activity. And the majority of courses sold shifted from distressed properties to non-distressed assets for the first time in six years.

“From a transactional and value standpoint, we have turned a corner,” said Steven Ekovich, national managing director of Leisure Investment Properties Group. “Distress in the market has dramatically dropped. About four years ago, 80 percent of what we did was distressed, and last year it was less than half.”

The median value of golf course sales nationally was up for the second year in a row. It increased 15 percent from 2013, Ekovich said, and increased 11 percent the year before. There were at least 42 sales with a sale price of \$1.5 million or more.

“2014 was a really big transitional year for golf courses being viable investments,” said Jeff Woolson, managing director of CBRE’s Golf & Resort Group, who brokered the \$15 million sale of the Hilton Tucson El Conquistador Golf & Tennis Resort and its sister property, El Conquistador Country Club in Tucson, Ariz. “We are seeing a tale of two cities, where you’ve got golf courses that are really well located kicking off good cash flow and you’ve got others trading for cap rates anywhere from 9 to 11 percent.”

But the defining story in 2014 was the portfolio deals. Arcis Equity Partners, ClubCorp, Newcastle and C-BONS International Golf Group all made major moves.

“Never in our lifetime will we see any activity like we saw in the year of the

mega deal,” Ekovich said. “There was a confluence of events that happened, which led to the perfect storm for these deals to be traded, and they will never come together in the same way they did. The reality is, most of the large portfolios have already been traded.”

Nearly \$1 billion traded hands in 2014 through four portfolio acquisitions. In addition, Kohlberg & Co. acquiring a majority of stock in Troon Golf contributed

to the significant infusion of capital.

ClubCorp made great strides in strengthening its position as an owner. After it went public in 2013, all eyes were on the company to see what it would do next. ClubCorp delivered when it acquired Sequoia Golf and its 50 properties — 30 owned, three leased and 17 managed — for \$265 million. It also acquired two Tournament Players Clubs — TPC Piper Glen in Charlotte, N.C., and TPC



Top deals of 2014

1. CNL Lifestyle Properties portfolio:

48 golf properties
Buyer: Arcis Equity Partners
Seller: CNL Lifestyle Properties
Price: \$306.5 million

3. American Golf

Operator of more than 90 courses
Buyer: Newcastle Investment
Seller: National Golf Properties
Price: \$219 million



2. Sequoia Golf portfolio:

30 owned, 3 leased and 17 managed properties
Buyer: ClubCorp
Seller: Sequoia Golf
Price: \$265 million

4. Walton Street Capital portfolio:

26 golf properties
Buyer: C-BONS International Golf Group
Seller: Walton Street Capital
Price: Undisclosed

5. Tegavah Golf Club & Community

Rio Verde, Ariz.
Buyer: Shea Homes
Seller: Brookfield Residential Properties and JEN Partners
Price: \$59.5 million

6. Brookridge Golf & Fitness

Overland Park, Kan.
Buyer: Curtin Property Co.
Seller: Capital Foresight
Price: \$17.5 million

Michigan in Dearborn in a portfolio deal of three properties, brokered by Ekovich. ClubLink acquired the third property, TPC Eagle Trace in Coral Springs, Fla. The three properties sold for a total of \$10.5 million.

“Larger, more successful multi-facility operators have developed a way to leverage their unique scale and their cost advantages across large portfolios that create an easier way to turn around under-performing facilities,” said Jon Last, president of Sports & Leisure Research Group. “Big players have the resources that have the potential to positively impact the outcome in a way a smaller operator could not do.”

Arcis Equity Partners, a private equity firm run by Blake Walker, who formerly oversaw acquisitions for ClubCorp, made

two big moves in 2014. In September, Arcis purchased CNL Lifestyle Properties’ portfolio of 48 golf properties for \$306.5 million.

A month later, Arcis recapitalized Eagle Golf, which operates 29 golf courses. Walker became CEO and chairman of Eagle Golf, the 20th largest management company in the world. Eagle Golf now manages the 48 properties from the CNL acquisition. Fortress Investment Group, a \$65 billion private equity firm, is the financial backer for Arcis.

Newcastle Investments acquired American Golf, the world’s eighth largest management company, for \$219 million. Though in reality, it acquired the management company by restructuring debt, rather than through a typical acquisition.

“The reality is, the table has been reset,” Ekovich said. “The debt burden has been reduced. Now there is new capital that can go into all these portfolio properties and make them wonderful.”

In November, C-BONS International Golf Group acquired a portfolio of 26 golf properties from Walton Street Capital, retaining Century Golf Partners as the operator. The Nevada-based company, which receives funding from Hong Kong-based investment group C-BONS, did not disclose the sale price.

Randy Addison, of Addison Law, provided legal counsel for a handful of 2014’s portfolio deals, including the C-BONS and Arcis acquisitions.

“We had one of the largest years as far as golf courses being sold in large portfolios,” Addison said. “Investors are excited about



El Conquistador

7. El Conquistador Country Club and Hilton Tucson El Conquistador Golf & Tennis Resort

Tucson, Ariz.

Buyer: HSL Properties

Seller: MetLife

Price: \$15 million

Broker: Jeff Woolson, CBRE Golf & Resort Group

8. DragonRidge Country Club, Henderson, Nev.

Buyer: Pacific Links International



DragonRidge

Seller: Rich MacDonald

Broker: Keith Cubba, Colliers Golf Course Advisory Services

Price: \$11.5 million

9. GGG of Myrtle Beach portfolio:

Burning Ridge Golf Club in Conway, S.C.;

Indian Wells Golf Club in Garden City Beach, S.C.;

Founders Club at Pawleys Island, S.C.

Buyer: Yiqian Funding

Seller: GGG of Myrtle Beach

Price: \$11 million

TPC Eagle Trace



10. TPC Portfolio

Buyer: ClubLink purchased TPC Eagle Trace; ClubCorp purchased TPC Piper Glen and TPC Dearborn

Seller: Addison Law as receiver

Price: \$10.5 million total

Broker: Steven Ekovich, Leisure Investment Properties Group

Sales & Finance

Across the pond

Fairmont St Andrews

Fife, Scotland

Buyer: Kennedy Wilson Europe Real Estate PLC

Seller: St. Andrew Bay Development Ltd. holding company, majority holder Apollo Real Estate

Price: \$53.8 million

Broker: Jeff Woolson CBRE Golf & Resort Group. Paul Collins CBRE Hotels



In August, Kennedy Wilson Europe Real Estate acquired Fairmont St Andrews for \$53.8 million. This came just one month after the Beverly Hills-based company purchased Portmarnock

Hotel and Golf Links in Dublin, Ireland for \$39 million.

“We are working a lot more with our clients in Europe, especially London and Scotland.” Broker Jeff Woolson

said. “You’re mostly seeing golf courses trading between 9 to 11 percent cap rates. Fairmont St Andrews was six caps. The lower the cap, the higher the price.”

“Golf is played mainly on a five-and-a-half inch course
... the space between your ears.”

—Bobby Jones

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where the industry is going. They are doing some reinventing of clubs, and they are also looking into some additional contracts to buy other properties. There aren't many properties left to sell this year."

Pacific Links International, a Canadian-owned company that targets luxury properties to sell memberships overseas, continued its 2013 acquisition streak into 2014. Keith Cubba, national director of Colliers Golf Course Advisory Services, brokered the sale of DragonRidge Country Club to Pacific Links for \$11.5 million, making it the company's third course in Henderson, Nev.

"Pacific Links has an advantage when they go to acquire because they have built a reputation as a very good custodian," Cubba said. "If you have to sell and Pacific Links is the buyer, you know they are going to put a lot of capital into it."

In 2013, Cubba partnered with Ken Arimitsu, vice president of brokerage services at PM Realty Group, to broker the sale of Dove Canyon Country Club in Rancho Santa Margarita, Calif., to Pacific Links International for \$20.5 million.

In 2014, Arimitsu saw an increase of golf course sales with the intention to repurpose properties, including Sierra La Verne Country Club in La Verne, Calif., which he brokered. Two family-owned companies, Zaruka Investment Properties and Wedgewood Wedding & Banquet Centers, jointly purchased the property for an undisclosed amount with the intention of increasing full-service wedding services, special events and food and beverage opportunities.

"Over 80 percent of the deals have some semblance of repurposing the golf course, whether shrinking it down or getting rid of it altogether for alternative use," Arimitsu said. "Even municipalities are taking notice that golf is not the sacred cow anymore. It is creating opportunities for developers and alternative uses for land."

This trend is not stopping anytime soon. In fact, Arimitsu thinks it will grow. He expects equity clubs to look for exit strategies and hotels to sell off their

courses, or hire third-party management companies.

"The biggest trend you will see in 2015 is a lot of golf courses will be redeveloped for residential or other uses," he said. "Some buyers will be operators, but you're going to see a lot of non-golfers buy property to

access the land."



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All within broker suggested value range.

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COURSES WE CLOSED IN 2015

- Honey Creek Golf Club**
Conyers, GA
- Jenning Mills Golf**
Athens, GA
- The Dominion Club**
Richmond, VA
- Seven Lakes Country Club**
Pinehurst Area, NC
- Stonecrest Golf Club**
Summerfield, FL

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