Golf’s Great Divide: Buyers and Sellers

The golf industry that was devastated in the wake of the most recent recession has created an environment emphasizing a more disciplined investor approach. Golf buyers in 2015 proved to be more selective compared to 2014, holding out for “great deals” amid concerns about paying too much on the back end of the cycle. On the other hand, many owners witnessed a full market recovery, as values of traditional real estate (apartments, office, etc.) soared above 2007 highs and many golf courses started making money again. Accordingly, sellers expected golf assets to trade at pre-recession metrics and held out for premium prices, while buyers were still looking for bargain pricing on value-add opportunities. As a result, there was a great divide between what buyers were willing to pay and what sellers expected to receive.

2015 was a successful, but challenging year that saw the gap widen between buyers’ and sellers’ expectations, although the economy continued to improve, especially for properties in the leisure class. As the current real estate cycle approaches the late innings, we see sellers becoming more strategic and in some cases, even pulling their assets off the market. Alternatively, after a great run for the past five years, many buyers are unwilling to “catch a falling knife” and jeopardize their profits by pursuing risky investments.

Our year wrapped up with a variety of impressive transactions in the U.S., Caribbean and Europe, for total consideration of more than $175 million. These assets, which are depicted on the following pages, include golf and country clubs, ski resorts and marinas, plus land associated with those property types. Over the last three years, we have successfully closed transactions totaling more $490 million.

As 2016 unfolds, we are bringing a number of quality assets to market, with several listings under contract. Many of these properties are depicted on the last two pages and the following write-ups summarize the trends we see in the leisure space.

Best Regards,

Jeff Woolson
Managing Director
CBRE Golf & Resort Properties
THE CARIBBEAN SOARED AS BHA MA R STUMBLED

The bankruptcy announcement at mega-resort Baha Mar in June 2015 was the earthquake felt around the Bahamas, sending shockwaves throughout the development community and causing many investors to reevaluate the region. However, the rest of the Caribbean has continued at record pace, with nine golf courses under construction and 21 more in planning stages. Caribbean hotels continue to experience year over year improvement in RevPAR, ADR and occupancy. 2015 was the fifth consecutive year of solid improvement with lower fuel prices spurring cheaper air travel and a U.S. economy nearing the top of the market. The U.S. announced the commencement of normalized relations with the Cuban government in 2015. Although general tourism to Cuba from the U.S. is still not acceptable, there are now 12 categories approved by the government including educational, humanitarian and people-to-people trips. As a result, U.S. travel to Cuba was up approximately 50% through year-end 2015. Then on December 17, 2015, the U.S. approved up to 110 regularly scheduled commercial flights to Cuba per day.

AVOIDING THE EQUITY CLUB DEATH SPIRAL

Member equity clubs are becoming the latest target for acquisition by savvy golf course buyers. Many equity clubs did their best to hang on during the recession by running lean and ignoring deferred maintenance and needed capital expenditures. Now, countless middle market equity clubs are still underperforming and trying to survive with fewer members and less revenue, coupled with higher dues, minimums and assessments. The dreaded “equity club death spiral” is sometimes unavoidable, but common solutions include third-party management or an outright sale of the club.

SKIING: LET IT SNOW

El Niño appears to be a reality this year and west coast ski resorts are bracing for a big winter, a welcome change after receiving very little snowfall the past two seasons. CNL Lifestyle Properties is a real estate investment trust that is selling more than a dozen ski resorts across the country. If the Orlando-based REIT sells the remaining ski resorts as a package, it would be the largest single ski resort transaction in the history of the sport.

ASIA PACIFIC: RISE OF THE INSTITUTIONAL INVESTOR

CBRE recorded $20 billion USD in direct commercial real estate acquisitions by Asia Pacific institutional investors in 2014 and $9.6 billion in H1 2015. CBRE expects that real estate investment by Asia Pacific institutional investors will increase by $240 billion between 2015 and 2020, with approximately 34% of that investment coming from China. This calculation is based on a gradual increase of APAC institutional investors’ allocations to real estate from 2% to 3% and sustained growth in total asset size. This increase is supported by the relaxation of outbound investment regulations in China, Taiwan and South Korea, along with initiatives to increase real estate investment by Japanese and Hong Kong institutional investors. Among Chinese institutional investors, sovereign wealth funds and insurance companies are expected to be particularly active, supported by government measures and their need for risk diversification. As competition increases on the sale of traditional property types in gateway cities, we believe these same investors in search of yield will spill into the leisure space and we are tracking this capital closely.

Please contact Jeff Woolson at jeff.woolson@cbre.com for a copy of the Asia Pacific Major Report.
FROST CREEK
(Formerly known as Adam's Rib Ranch)
EAGLE, COLORADO
March 2015
Private Country Club / Finished Homes / Developable Land
SOLD
GOVERNOR’S BEACH AT ROSE HALL PLANTATION
MONTEGO BAY, JAMAICA
June 2015
Developable Land

SOLD
THE RANCH CLUB
MISSOULA, MONTANA
July 2015
Semi-Private Golf Club / Developable Land
SOLD
CAMERON HOUSE & THE CARRICK
LOCH LOMOND, SCOTLAND
November 2015
Luxury Resort Hotel / Private Golf Club (27 Holes)
Marina / Timeshares / Developable Land
SOLD