

The Investor's Tour



The golf industry continues to move on a positive front that includes increased participation, revenue, and investment interest. Respondents reveal continued interest in the industry with those good cash flowing facilities generally revealing NIM multiples in the 8x to 11x, averaging 9.6x. However, respondents that are involved in deals that are less focused on net cash flow revealed GIMs ranging from 0.65 to 3.25, averaging 1.62. Several respondents expressed concern about the “potential stickiness” of higher inflation and its continued impact on expenses in particular food costs, fuel, and labor. Labor remains an ongoing issue in terms of recruiting and retention especially in the face of relatively low unemployment rates and rising labor costs.

Salient Indicators*

Survey Method:

2023

| | | | | |
|--|---------|--------|----|---------|
| Overall Capitalization Rate ¹ | Range | 6.5% | to | 14.0% |
| | Average | 10.2% | | |
| Terminal / Residual Capitalization Rate ² | Range | 7.0% | to | 14.0% |
| | Average | 10.6% | | |
| Net Income Multiplier ³ | Range | 6.0 | to | 13.5 |
| | Average | 9.6 | | |
| Gross Income Multiplier ⁴ | Range | 0.65 | to | 3.25 |
| | Average | 1.62 | | |
| Discount Rate | Range | 9.0% | to | 20.0% |
| | Average | 14.2% | | |
| Growth Indicators: | | | | |
| Income Growth Rate | Range | 2.0% | to | 8.0% |
| | Average | 3.5% | | |
| Expense Growth Rate | Range | 2.0% | to | 9.0% |
| | Average | 3.9% | | |
| Operational Indicators:⁵ | | | | |
| Management Fee as % of Gross Revenue | Range | 1.5% | to | 6.5% |
| | Average | 3.7% | | |
| Capital Reserves as % of Gross Revenue | Range | 2.0% | to | 9.0% |
| | Average | 2.8% | | |
| Transaction Indicators: | | | | |
| Marketing Period (Months) | Range | 3 mos. | to | 24 mos. |
| | Average | 9.2 | | |
| Broker Sales Commission | Range | 1.0% | to | 8.0% |
| | Average | 4.2% | | |

* Excludes Significant Outliers.

1 / Overall Capitalization reflects going-concern operations.

2 / Terminal or going-out Capitalization rates also reflect going-concern operations.

3 / Net Income Multiple (Price / Net Income) is the inverse of the Cap Rate.

4 / Predominate GIM range is 1.0x to 2.0x. GIM dependent on profit margin/loss, total revenue, etc.

5 / Most respondents gave their view of the next five year average rate but some also included responds

The Lenders' Tour



In general and within the golf industry, debt financing is a challenge and is likely to continue as the Federal Reserve (FED) extends its year-long fight against high inflation by raising its key interest rate. The FED began the rate increase process on March 17, 2022, when it increased the rate 25 basis points. Over the last year, the FED has raised the fed funds rate by nearly five percentage points (500 basis points), in an attempt to bring inflation down to its 2% goal. It is anticipated that the FED will likely increase the rate another 25 to 50 basis points in the coming months, and then reportedly pause. The survey reveals interest rates have increased and range in the 6.25% to 14.5%, averaging 9.1%. Respondents did note that while rates have increased so have minimum or required debt coverage ratios with the average above 1.65. A number of respondents indicated that they are taking a “wait and see” stance on golf lending to better understand how the rapidly rising rates, high inflation, and possible recession on the horizon will ultimately play out.

Salient Indicators

2023

| | | |
|----------------------------|----------------|-----------------------|
| LTV (Loan-to-Value) | Range | 50.0% to 85.0% |
| | Average | 65.8% |
| Interest Rate | Range | 6.25% to 14.5% |
| | Average | 9.2% |

Common Indices¹:

| | |
|--|----------------------|
| WSJ Prime Rate (2/2/2023) | 7.75% |
| 10 Year Treasury Rate (3/1/2023) | 4.08% |
| Federal Funds Rate (2/1/2023) | 4.75% |
| Secured Overnight Financing Rate (3/1/2023)² | 1 Month 4.53% |
| | 3 Month 4.32% |

| | | |
|----------------------------|----------------|--------------------|
| Call Period (Years) | Range | 5.0 to 20.0 |
| | Average | 7.3 |

| | | |
|------------------------------------|----------------|-----------------|
| Amortization Period (Years) | Range | 15 to 30 |
| | Average | 22.4 |

| | | |
|----------------------------------|----------------|-------------------|
| DCR (Debt Coverage Ratio) | Range | 1.2 to 2.6 |
| | Average | 1.66 |

| | | |
|---------------|----------------|-------------------|
| Points | Range | 0% to 4.0% |
| | Average | 1.4% |

1/ WSJ is Wall Street Journal.
 2/ Secured Overnight Financing Rate is a secured overnight interest rate. SOFR is a reference rate established as an alternative to LIBOR. 30 Day rate is reported, but SOFR also 3, 6 and 12 month.

