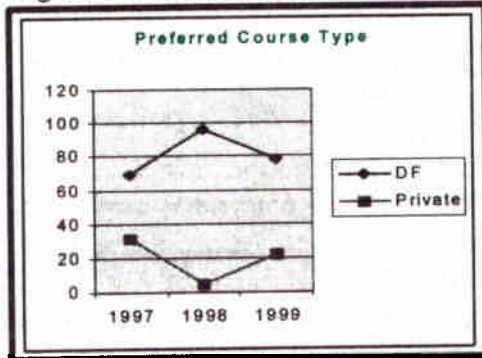


1999 Golf Course Investor Survey

In April 1999, Golf Property Analysts (GPA) sent out a survey to frequent investors in the golf course industry. Of the 120 surveys, which were selectively distributed, approximately 25% were returned. Most of the respondents (80%) were multi-course management firms, while the remainder, (20%), were smaller firms with a regional or local focus.

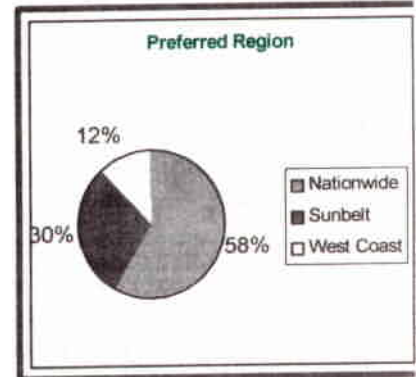


This year 78% of the responding investors indicated a preference of daily fee courses, a drop from the 1998 survey, where 96% of the respondents preferred daily fee facilities. The remainder of this year's respondents (22%) preferred private course investing.

Although most respondents (58%) had no preference of regions, those who did (42%), indicated the Sunbelt and the West Coast as their desired regions for golf property acquisitions.

We asked for desired beginning and terminal cap rates. The respondents replied with ranges from 10% to 13% for beginning rates and approximately 88% of those responding indicated cap rates between 10% and 12%. These results were slightly higher than last year's 9% to 11% range. As for terminal (or "exit") rates, 43% of the investors responded with desired terminal (or "exit") cap rates in the 9% to 10% ranges, while the other 57% responded with a range of 11% to

12%. Almost 60% of the desired internal rates of return (IRR) were between 20% and 30%; which represents a drastic increase from last year's IRR's which were typically between 12% and 16%.



Continued on Page 2

Municipal Golf Course Renovation - A Trend for the New Millenium

By Hal Phillips and Larry Hirsh

As the golf industry continues to churn out the equivalent of 300 new 18-hole courses each year -- 85 percent of which are upscale daily-fees -- market pressures have obliged some municipalities to upgrade their golf facilities to effectively compete for rounds.

For example, take the City of Cedar Rapids Iowa, which recently awarded Lohmann Golf Designs (LGD) a long-term contract to renovate and potentially expand its four municipally-owned course facilities. Over the course of a 10-year agreement, LGD will refurbish the city's three 18-hole golf courses -- Ellis Park, Twin Pines and Squaw Creek -- in addition to its 9-hole track, Jones Park GC. Reasons cited by Cedar Rapids for the renovations, which are not uncommon for municipalities across the country, were the growth of junior golf, golf rounds in general, and the fact that the courses in Cedar Rapids like those across the country are aging.

Continued on Page 4

Foundation of a Golf Course.....

Drainage/Drainage/Drainage

By Kevin J. Rapp

Drainage is the foundation for a successful golf course business. With the ever increasing demand for golf courses to not only maintain but to increase the number of rounds played per year, golf courses need the capability to resume play as soon as possible after a rain. The inability to play due to a wet or flooded course can be detrimental to the bottom line of your golf course. Also, a wet golf course is susceptible to damage by both golfers and golf carts.

Some may argue that other factors such as irrigation or grass can be more important than drainage. However, these factors will not work properly without good drainage. Irrigation water without proper drainage may just sit thus damaging the turf, or render the course unplayable in some areas.

The two different types of drainage to be considered when draining a golf course site are surface and subsurface drainage. Properly designed surface drainage can move water effectively to catch basins, streams or drainage swales. The surface water drains into Nyloplast® catch basins and is then carried away by subsurface pipes. Both the inlet area of the catch basin and the pipe size must be designed properly to handle the water flow. The sizing of the pipe is contingent upon the amount of rainfall (inches) in a given area to be removed in a 24 hour period, the slope of the pipe and the smoothness of the pipe interior. Many courses are using ADS N-12® smooth interior pipe to remove water because of its high flow capacity. The engineer must consider all these factors when sizing the major pipe lines on a golf course.

Existing drainage swales or gullies that need to be filled in or covered must have the proper sized pipe. An owner who installs a pipe that is too small for the water flow only compounds his problem by possibly flooding the entire area. This can render a portion or sometimes an entire hole

unplayable. Correcting such a problem is costly and disruptive on the golf course.

Proper outlets for drainage pipes must be identified. It is important to ensure that there is enough distance between the invert of the pipe and the surface into which it is draining. Problems may occur if the water level of the pond is higher than the invert of the pipe because water can back up into the pipe. For example, if the pipe is on a grade of 1%, and the invert of the pipe is 12" below the pond water level, the result will be water standing in the last 100' of your pipe line.

The typical spacing of drainage pipe in greens is 15 to 20 feet. Four inch pipe and gravel installed in a trench is commonly used. ADS AdvanEDGE® flat pipe is gaining more popularity in draining greens because of the time and cost savings in constructing the green. Instead of digging a trench and installing 4" pipe and gravel, the 12" AdvanEDGE flat pipe is laid on top of the green's finished subgrade. A layer of gravel or sand (for a California green) is then placed over the AdvanEDGE. Since there is no spoil from the trenches, labor and time is saved.

The AdvanEDGE pipe laid flat has also helped solve drainage problems where bedrock was a problem. Instead of cutting trenches in rock or blasting the rock, the AdvanEDGE was placed on top of the bedrock and then covered.

After the golf course is open, some wet areas may still exist that need to be drained. Ask any superintendent if he has any wet spots on his golf course and the answer is always "YES". The most common solution to a wet spot in a fairway or around a green is a trench with pipe and gravel or a coarse sand backfill. These trenches can be up to 18" wide. Several courses have used the AdvanEDGE flat pipe installed vertically for these wet spots. Since the AdvanEDGE's dimension are 12" x 1" or 18" by 1", a trench width of only 4" can be used, thus making the scar on the fairway smaller and quicker turf recovery.

If your construction budget tightens, drainage should be the last area to cut dollars. Once a course is built, major drainage problems are expensive and disruptive to correct. When it comes to drainage, the old adage "You can pay me now or you can pay me later" couldn't be truer.

Kevin Rapp is the golf course marketing manager for Advanced Drainage Systems(ADS in Columbus Ohio. His experience includes working with golf course contractors and architects on numerous golf course projects during the past 16 years.

Golf Course Renovation - Continued from Page 1

Municipal course renovation is occurring in all regions, especially in densely populated markets where new daily-fees are coming on line hand over fist, in places like Oblesville, Ind. (Fox Prairie GC), Dallas (Tenison Park GC), Los Angeles (Rancho Park GC) Naco, Ariz. (Turquoise Valley GC) and Berlin, Conn. (Timberlin Park GC). It's happening all across the nation.

Not only are golfers enjoying more play options today but sophisticated cities and towns have seen the handwriting on the wall. They recognize that municipal courses are significant revenue-producers. They also recognize that they can't afford to stand idly by and watch their rounds and revenues go elsewhere -- mainly to these new daily-fees down the street. Municipal courses have a sort of built-in clientele and renovation is a cost-effective way to keep those clients coming back.

Another important dynamic associated with municipal renovation is the issue of green fees. Traditionally, city- or town-courses have charged below market rates in this regard because 1) the quality of municipal courses often merits green fees set below market rates; 2) turning a profit isn't the overriding motive for cities or towns operating golf courses; and 3) municipalities have a mission to provide low-cost recreation options that appeal to the broadest possible spectrum of citizens. These realities, while advantageous to local golfers, have never sat well with daily-fee golf course owners, many of whom view these modest green fees as "subsidized" and thus "artificially" low. This phenomenon isn't new, but it takes on new resonance when a municipal course upgrades its golf product to better compete with neighboring daily-fee facilities.

Two important fiscal questions exist for cities and towns that must be reconciled when setting green fees, especially after municipalities have invested public funds to renovate their existing municipal course or develop a new one. First, how do the city fathers best protect and enhance the taxpayers' investment, i.e. the golf course? And second, how does one maximize that investment in a time when cities and towns are looking for more revenue? The other side of the coin is the perceived responsibility of the

municipality to provide affordable recreational opportunities for its residents.

While setting a green fee below market rate isn't the best answer to any of these questions, it also isn't acting in the best interest of the taxpayer or the town. It's great for golfers, but they only make up about 12 percent of the population. Moreover, low municipal green fees do more than aggravate daily-fee course owners; they also encourage impractical amounts of play, which can depreciate course value while increasing maintenance costs. Consequently, a municipal course renovation is the best opportunity to increase the green fees. Although raising green fees is never an easy task, it's easier after a renovation because golfers are more likely to make a connection between a better golf experience and the higher green fee. In the end, both objectives of the municipality can be met: improving recreational opportunities for residents while at the same time enhancing the city's coffers with more revenue.

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HIRSH SPOKE

On Thursday, July 22, 1999, Hirsh addressed a symposium sponsored by FULCRUM on Building, Buying & Selling Golf Courses in San Francisco, California. Hirsh spoke on the topic of accurately valuing a golf course (what else!!)

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THE PRACTICE TEE

- ◆ **Foresites Golf Properties** recently retained GPA to provide a market value appraisal of the **Skyview Golf Club in Sparta, NJ**,
- ◆ GPA has recently been retained to provide a market value appraisal of **the Sea Oaks Country Club in Little Egg Harbor Township, NJ**.
- ◆ **First Maryland Mortgage Corporation** has recently retained GPA to provide a market value appraisal for the **Country Club of Maryland in Towson, MD**.
- ◆ **Watermark Communities** retained GPA to provide consulting services for several sites located in **Palm Beach County, FL**.
- ◆ **LeJeune Properties** retained GPA to provide a feasibility study for a proposed residential golf community in **Montgomery County, PA**.
- ◆ **Ephrata Borough Authority** has recently retained GPA to provide a feasibility analysis for a proposed golf course in **Lancaster County, PA**.

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