Selling Advice

Knowing when to sell your course is important, but knowing how to sell is critical in order to maximize the greatest return. by Terry McAndrew

Buy, sell or hold is a tough question to answer, regardless of the application. Timing is everything in life, and it's especially tricky when trying to gauge a moving market, particularly when low interest rates and a robust real estate component help to favor the sell side of the transaction.

Offering a business such as a golf course represents another dimension into an already complicated equation. But for those who are looking to maximize on the opportunity, some helpful hints can benefit and potentially accelerate the transaction.

Wall Street technicians believe the trend is your friend when trying to gauge future equity prices, and it has a real-world application for golf course owners, according to Z. Gordon Davidson, a real estate analyst for Golf & Resort Properties in Indian Wells, Calif.

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"Buyers will study financials and look for a trend that is moving up even if it's on a month to month basis," Davidson explained. "Buyers always think they can do a better job than the current operator." He said it's important to review all aspects of the business and streamline operations, as many ways as possible, as a means to show interested parties upside potential exists.

"Among the first things owners should do is address any visible maintenance issues," said Joe Dengel, president of Joseph A. Dengel & Company, based in Dallas, Texas. "They often leave a lasting impression with buyers during an inspection."

Both said it's important for owners to keep staff informed because transition periods can be a susceptible time.

"Employees are sensitive toward their ongoing employment. By keeping them informed, it keeps morale higher, and it's often reflected in their performance and

customer service too," Davidson said. "Whether entertaining offers or seriously looking to sell, bad attitudes turn people off. The staff's attitude, whether it's food and beverage, the head pro or the superintendent, is extremely important. The last thing anyone wants is bad staff members, since they have a direct relationship toward creating goodwill."

"The big thing [in preparing to sell your course] is to be honest," said Hilda Allen, owner and broker of Hilda W. Allen Real Estate Inc., of Adel, Ga. "Everything needs to be up to date such as course financials for the past three years. The books will be examined. There is a due diligence list that needs to be followed," she added.

"If there are any repairs that need to be completed, don't put them off," Allen continued. "At the very least disclose them. It can be accounted for as an outlay of capital and taken off the price. It's never a bad idea to have a third party assess an owners strengths and weaknesses. Owners have to think of it as selling a business," Allen said. "Go through every department and get it in order or identify any improvements that are needed. You need to get your house in order to sell."

To expedite a transaction, Dengel said owners would be wise to have copies of leases for equipment, carts, computers etc., along with any contracts that are outstanding.

"An environmental assessment should be completed and updated, since every buyer is going to want to see it," he added. "Buyers want clean deals, and they don't want a lot of outstanding liabilities. That distracts buyers, and they consider it a contingent liability, which can factor into the price."

After an understanding is reached, all parties are eager for completion, but being prepared in advance plays a large role in this final and critical step.

"A slowdown creates stress," said Dengel. "Buyers study financials and will determine on their own if a course is at its height or stabilization for rounds played or revenue," said Davidson, who was elected the 2006 president for the California Golf Course Owners Association. "The trailing 12 months can be critical since escrow can often take six months to a year. Buyers will want an update."

Knowing when to sell is important, but knowing how to sell is critical in order to maximize the greatest return and minimize the time it takes to accomplish it. Getting help before starting will pay dividends in the end.

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