Golf Course Living:

Now May Be The Time To Buy

by SCOTT KAUFFMAN

IF THE U.S. housing market were a round of golf, buyers and sellers would finally be starting to post some red numbers. Economic indicators are good, mortgage rates are low, and home sales are on the rise. This looks to be a smart time to purchase a home.

But what about a second or vacation home? What if you're looking for that dream escape to the seashore, lake, or mountains? The same fundamentals that guide primary-home purchases—prices, rates, availability—apply to second homes as well. So no surprise, the experts are saying this might be the moment for picking up your personal parcel of paradise.

According to the National Association of Realtors, vacation-home sales rose seven percent in 2011, to 502,000 units. (Last year's figures have not been released but there is no question the upward trend has continued.) However, a great deal of inventory remains available, and second homes are still a bargain in many places, especially in popular Sun Belt locales such as Florida, Texas, Arizona, and the Carolinas: NAR data show the median sales price of vacation homes plummeted to $121,300, a 40.6 percent drop from the peak price of $204,100 in 2005.

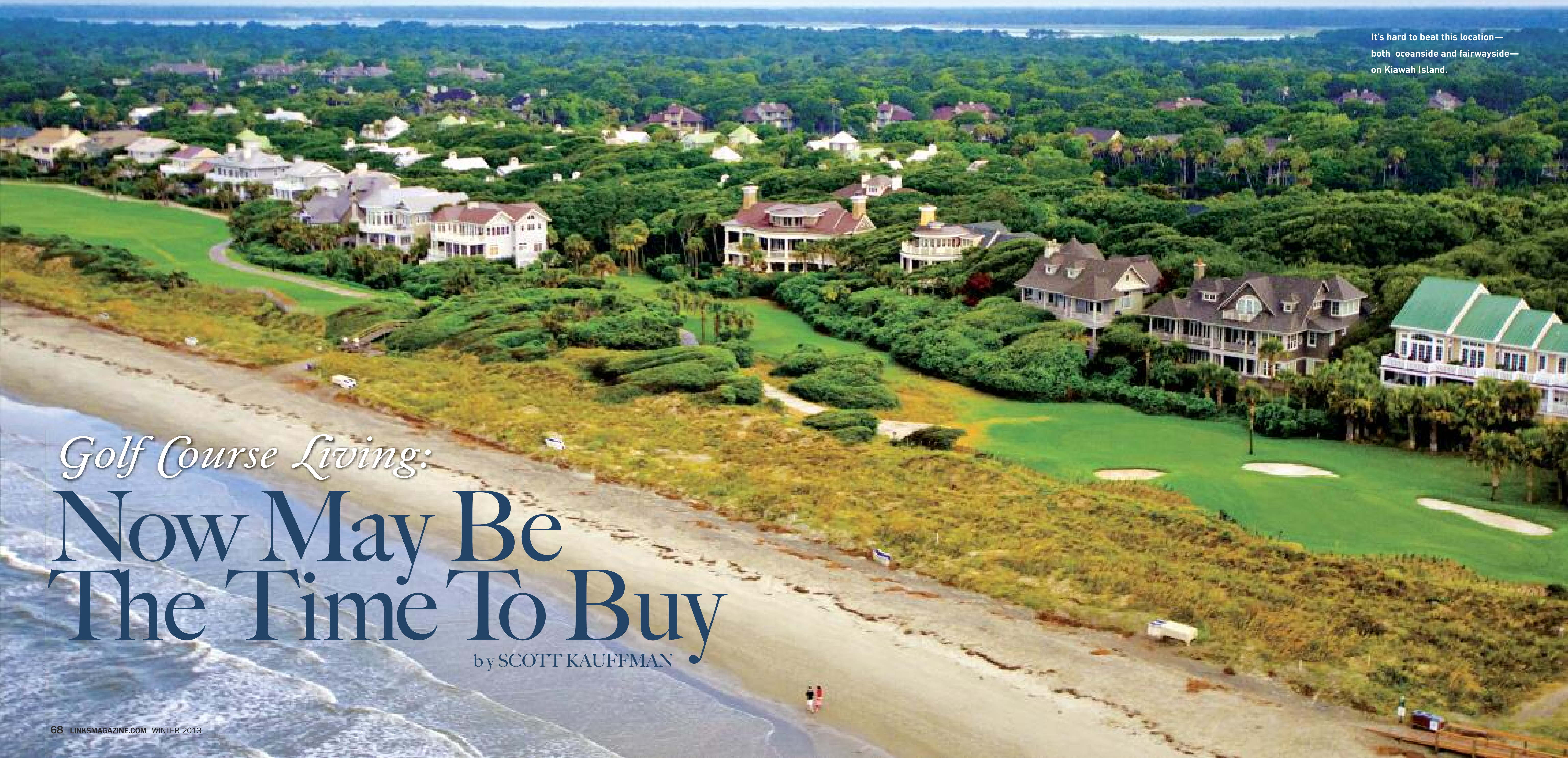
And by many accounts, one of the liveliest sectors of the second-home market is golf course real estate. But before grabbing your checkbook, look at what's happening in various segments of the golf-housing market to get a sense of what's going on. No matter where you're thinking of buying, the first rule is do your homework, what the lawyers (and you'll need one) call "due diligence." Be prepared to study financial statements, talk to management and current owners, make more than one prospective visit, and be patient, because a little heads-up planning now can save headaches later.

As to how individual properties are doing, let's take a spin through some of the more popular and successful golf developments, starting with two mega-communities: the Villages in central Florida and the Woodlands near Houston.

The Villages, less than an hour from Orlando, is the top-selling master-planned community in the nation, according to John Burns Real Estate Consulting. Spanning parts of three central Florida counties, the Villages and its 35-plus daily-fee golf courses had an astonishing 2,307 new-home sales in 2011 on the heels of 2,208 sales the prior year.

The Woodlands, home to the prestigious 36-hole Club at Carlton Woods and seven other courses, was the country's second-most successful master-planned community last year, registering 945 property sales.

On the West Coast, upscale golf and ski community Martis Camp in Truckee, California, near Lake Tahoe, is another success story as sales continue to soar. After recording 90 property sales in 2011 for $90.2 million, more than any other private community in



It's hard to beat this location—both oceanside and fairwayside—on Kiawah Island.

the United States, according to developer DMB/Highlands Group, Martis Camp had another strong year in 2012, reporting $118 million in real estate transactions with 175 homes now in some stage of construction or design.

Above: Martis Camp
Right: Daniel Island

Back east in the golf-centric Carolinas, numerous active-adult, vacation-home communities are seeing equally strong rebounds in real estate-related transactions:

• Near Wilmington, N.C., 81-hole St. James Plantation sold 236 properties for $38.2 million through the third quarter of 2012, a 131 percent increase from the previous year.

• On Daniel Island in Charleston, S.C., a mixed-use community that features two top-ranked private golf clubs, representatives said home sales were up 20 percent in 2011 over the previous year and inventory of available properties has "returned to healthy levels for the market." Even condominium sales, flat in most national markets, remain active, with 26 new units sold in 2011, up 30 percent over 2010.

• Kiawah Island has roared back, its in-house real estate division reporting 29 properties under contract, 12 of them priced at more than $1 million.

• The Reserve at Lake Keowee in Sunset, S.C., is experiencing its strongest real estate and membership sales activity to date. More than 35 new families moved into the community last year, at least nine existing Reserve Members purchased additional property, and 30-plus homes are under construction.

Perhaps the best snapshot of the Sun Belt real estate rejuvenation is Palm Beach County, Florida. According to the Realtors Association of the Palm Beaches, prices are rising, with median home prices increasing 12 percent in August 2012 compared with the previous year, housing starts up 22 percent from a year ago, and single-family home sales continuing to surge.

One community benefitting from the bump is Old Palm Golf Club in Palm Beach Gardens, an exclusive club that is experiencing record sales and construction. According to a club spokesperson, model homes often sell as soon as they open and home sites are in such demand that the developer recently released previously unavailable lots to meet the "ever-increasing interest in the community."

"We were always confident that when the market started to recover, Old Palm would be among the most highly sought after private club communities," said sales director Connie McGinnis, who currently has four model homes starting from $1.2 million under construction. "That day has come, and as expected, sales have taken off."

Second-Home Savvy:
Some Numbers to Know

Low prices and historically low mortgage rates have vacation homes back within reach of many and the market is booming. But buying a second home isn't exactly like buying a first. On a primary residence, buyers typically need a down payment of only 5–10 percent; on a second home, lenders are likely to demand 20 percent, and in 2011 the median downpayment for both investment and vacation-home buyers was 27 percent, according to the latest National Association of Realtors study on vacation homes.

The good news is that mortgage interest and tax payments on a second home may be used as deductions on your federal return. And if you rent out the property, maintenance, advertising, and other outlays may be deductible business expenses. To qualify for the business deductions, however, your use of the property must be limited, generally to 14 days or fewer. It's complicated, so consult with a tax attorney or accountant.

The vast majority of vacation-home buyers—82 percent, according to the NAR—said their primary reason for buying was to use the property themselves for vacations or as a family retreat. For 30 percent, the plan was to turn the vacation property into a primary residence at some point in the future, while only 22 percent planned to rent it out. —*S.K.*

As these examples show, the golf-real-estate sector is picking up nicely after a long weak period. However, that does not mean golf-course construction is equally healthy. No one expects it to boom the way it did between 1986 and 2005 when 4,500 courses opened—an average of 225 new courses each year. But even after hundreds of courses closed the last few years, that part of the industry is slowly regaining a sense of equilibrium as well.

Case in point: the Tribute and Old American Golf Club, a master-planned resort-style community located 23 miles from Dallas-Fort Worth International Airport. This top-rated development now totals 1,150 single-family lots, 160 golf villas, 183 townhomes, and 700 condominiums overlooking Lake Lewisville or the Tribute's two courses.

According to the Tribute, the community recorded its best-ever third quarter in 2012 with a record 28 sales. Following the surge in sales, the Tribute recently opened Phase II of the Balmerino and Aberdeen neighborhoods, where the three production home builders have more than 20 homes under construction with expected delivery dates this spring.

So how are golf communities managing to not only survive but thrive in today's market? To use a common business term, by "thinking outside the box." Hot trends include flexible golf/social club-membership programs and pricing property at realistic pre-real estate bubble valuations. They help explain how South Carolina's Lake Keowee broke even last year for the first time in its history, with dues and use fees generating enough revenue to support operations.

The club has been operating in the black thanks to more than 1,000 new multi-generational members—the families of current Reserve members—taking advantage of the new Legacy Membership Program. Introduced in January 2011, this arrangement allows existing Lake Keowee members to extend benefits and privileges to their adult children, parents, grandparents, and grandchildren at no additional cost. Through the "Share the Legacy Program," members receive special incentives on available real estate and are rewarded for referring new members.

At Michigan's Tullymore Resort, chief executive officer Terry Schieber credits a unique "home-buy-back" program for sparking the community's dozen-plus sales. As Schieber describes it, instead of discounting Tullymore property, the developer buys back an existing home at its currently appraised price if the owner agrees to buy a new home. It helps that the average lot now sells for $45,000—down from $70,000 a few years ago—and comes with a full $20,000 club membership.

Some developments also have generated new capital through the sale of new shares in the club/development company (such as at Keowee Reserve) or the arrival of a new developer/owner (Tullymore). It's easy to see why so many golf course communities are starting to feel better about their future, and why prospective buyers are sharing the joy.

Scott Kauffman is a licensed real estate broker who also writes widely on golf course real estate and luxury-resort development.

Below: The Woodlands
Below right: The Reserve at Lake Keowee