

CASE STUDY:

Preserving & Enhancing Private Clubs

How did a developer bring a golf club to life, sell over 1,000 new homes and exit the golf club successfully? With the right partner.

ConcertGolf
Partners

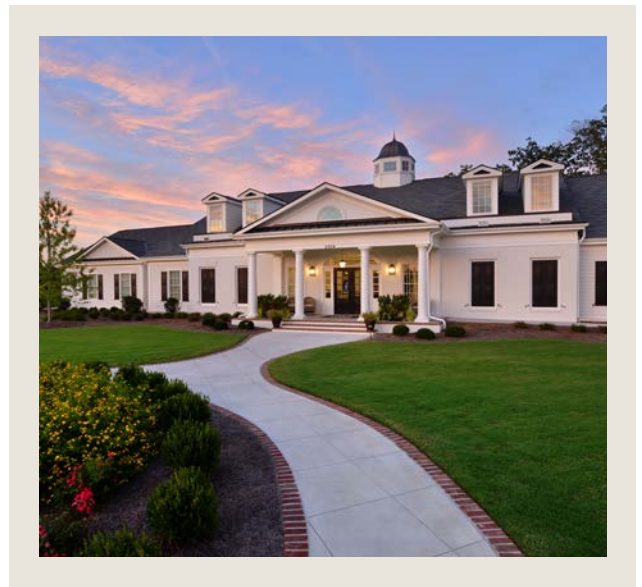
The Club at 12 Oaks | Holly Springs, NC

Back in 2011, the real estate industry was still licking its wounds from the Great Recession. Among the casualties were master-planned golf communities, which are very costly to launch and can take more than a decade to see through to completion. Wachovia Bank, acquired by Wells Fargo Bank in the crash, had a portfolio of real estate it had taken back from borrowers during the recession. One of those properties was the just-started 12 Oaks development in Holly Springs, North Carolina, a suburb of Raleigh in the Research Triangle area. Its timing was poor, having been started just before the 2007 downturn hit.

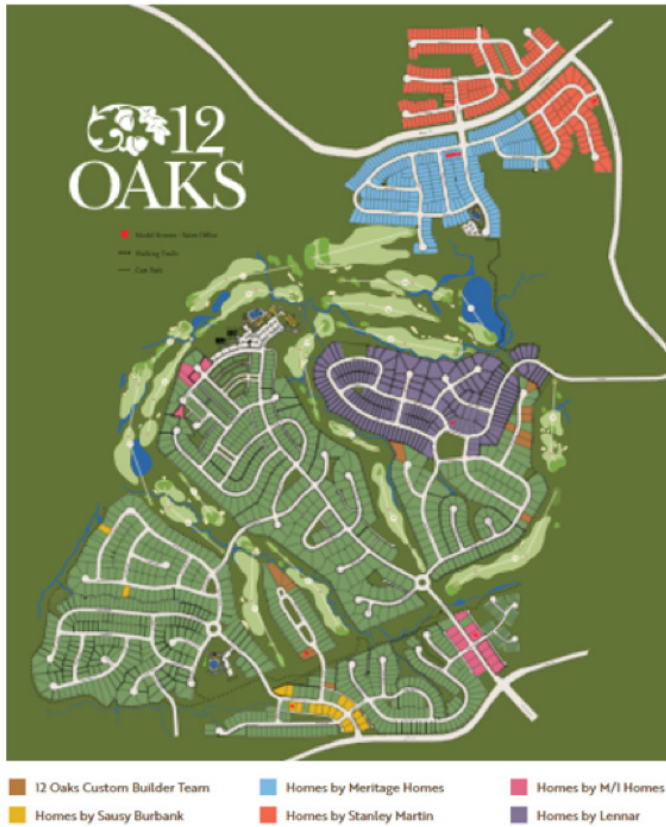
At the time, 12 Oaks had no clubhouse – just the Nicklaus golf course and a pool with a temporary clubhouse, 110 pioneer homeowners and approvals to build a total of 1,100 homes once fully complete. The golf club itself had lay fallow for two years, and by 2011, had only been re-opened for a year. But it was in a prime location, right off US-1, just 20 minutes south of downtown Raleigh in the path of growth. Eighty new homeowners had purchased lots in 12 Oaks in 2011.

Landeavor LLC of Tampa, Florida, acquired the property from Wachovia in 2012, and inherited a golf course being maintained by a third-party maintenance company. How would the developer bring the golf club to life, sell over 1,000 new homes and then exit the golf club successfully?

Read on to find out.



The 12 Oaks Community



The Club at 12 Oaks is the centerpiece amenity at the 912-acre 12 Oaks community in fast-growing Holly Springs, North Carolina, a suburb of Raleigh in the Research Triangle area. 12 Oaks now has a total of 1,704 homesites; an acclaimed championship golf course by Nicklaus Design Group; an 35,000-square foot clubhouse; fitness center; two resort-style swim complexes; tennis and pickleball courts and numerous parks and open spaces. Designed with the feel of a college campus, 12 Oaks features over 20 miles of trails and sidewalks winding through rolling hills, open fields, lush woods and even alongside creeks and streams.

The Nicklaus Design championship course at 12 Oaks, opened in 2009 and lauded as one of the best new private courses in the country by Golf Digest, stretches to an epic 7,132 yards and offers a variety of risk-reward shots for golfers of all skill levels. Water comes into play on several holes, challenging the more skillful player with a Nicklaus-style “go for broke” shot while at the same time, offering the more risk-averse player a bail-out area. The course is a scenic beauty as well, with undulating fairways and indigenous wetland vegetation framing several holes.

Landeavor, LLC, based in Tampa, Florida, is a full-service real estate development company specializing in master-planned residential communities throughout the Southeast. Since

acquiring the 12 Oaks development in 2011, Landeavor has nearly sold out of the original 1,100 lots and added 600 more, which are now being built out by top homebuilders. All homeowners are required to become at least social members of the club, and so far, roughly 35 percent have opted to become golf members.

A Developer’s Experience Using a Golf Management Company

Because its investors had a relationship with Century Golf, a leading golf management company, Landeavor hired Century Golf to manage The Club at 12 Oaks when it acquired the development in 2011. Unfortunately, the 3rd party management approach had not gone as planned; the developer called it “a cultural mismatch.” According to local Landeavor officials, member survey responses were poor, the club was losing money every year, and there was very little member engagement at the club, despite the top-rated Nicklaus course, beautiful new club facilities and the rapid growth of the 12 Oaks neighborhood.

During this time, Landeavor had been spending on capital projects for club amenities. They built a grill by the pool, redid the bunkers and regressed the Nicklaus greens with Champions Bermuda, a better grass for the area. Landeavor had 585 homes inside the gates, and there were 200 new homes being built per year, a rapid pace by any standard.

Fast forward to 2018. The developer did not want to be in the club business long-term. The relationship with Century Golf was taking up too much time, and proved be a drain on cash flow. The developer considered either a sale to a quality club owner-operator or hiring a different golf management company to run the club for two more years while the remaining lots were being sold.

What is the Right Exit Strategy for a Developer?

“ Residential developers usually face two choices when they approach sellout of the homes: **they can donate the club to the members and the club faces a highly uncertain future** as a member-funded and self-governed non-profit entity, or **they can partner with a well-capitalized club owner-operator to get cash back from the club sale and a proven high-quality member experience.** We have learned that members don't want to deal with club funding and management if they know their club will be well taken care of. ”

Peter Nanula
CEO, Concert Golf Partners

In the case of 12 Oaks, the developer was not interested in handing the club to the membership – Landeavor wanted to recoup some of the millions it had spent acquiring and improving the club amenities. Should they sell the club now, despite it being under-utilized and under-managed, with some type of future earnout? Or should they put in a few more years of effort, hire a different golf management company and make a concerted membership marketing push?

Choosing the Right Partner

The Landeavor team set out to find the right partner, who could pay a fair cash price now but also deliver a superior member experience for 12 Oaks residents. Remember, this choice would reflect – well or poorly – on Landeavor's reputation as a quality residential developer.

The developer team knew they needed someone who would continue to make capital investments in expanding the clubhouse and catering facility, as well as tackling the long-deferred water solution - 12 Oaks needed a new wet well and substantial upgrades to its irrigation system. Their vision included great programming with the 12 Oaks community, higher quality and consistency in the dining facilities and more focus on hosting top-notch golf tournaments. The third-party management company had been lacking in these areas, despite countless meetings and demands for better results.

“ It was always our plan to sell The Club at 12 Oaks as we wound down real estate sales and marketing. After months of due diligence on the leading golf club companies, we determined that **Concert Golf Partners was absolutely the best choice for our club members and community residents.** We knew that everything Concert Golf Partners had done at MacGregor Downs CC (also located near Raleigh) would be well-received at 12 Oaks. **Our agreement with Concert Golf contains important protections for members and residents,** including guaranteed access and preferred pricing for golf memberships for 12 Oaks residents, as well as commitments to high quality club operations. **Concert Golf demonstrated its commitment to partnering with the community.**”

David Mason
VP of Development, Landeavor



12 Oaks is the second private club in the Research Triangle area acquired by Concert Golf Partners. It had partnered with the member-owned MacGregor Downs Country Club, located in nearby Cary, in 2014, and according to David Mason of developer Landeavor, “It was the positive member feedback from MacGregor Downs CC that convinced us that we needed Concert Golf here at 12 Oaks.”

The Transformation Is Underway

The Club at 12 Oaks acquisition by Concert Golf provided Landeavor with a strong return of cash on its investment and the end to its worries about club management. The transaction also capped any future increases in 12 Oaks member dues rates and bars any future assessments on the membership. The deal included a commitment by Concert Golf to inject over \$1 million into capital projects at the club.

Concert Golf has already made good on the initial improvements, with irrigation system upgrades completed and a brand-new poolside bar & grille.

In the first year under Concert Golf ownership, 12 Oaks gained 47 new members. Member engagement increased dramatically. The new wine club filled to capacity immediately after it was launched, and nearly 170 members attended the first wine club tasting in January. The club had to host Santa Brunch over the course of three Sundays and nearly 1,200 members attended. The club is now profitable and able to re-invest in additional improvements.

In choosing a partnership with Concert Golf, Landeavor and The Club at 12 Oaks enhanced their member experience and have ensured the club's ability to thrive for the long term.

