

FROM  
THE  
EDITOR



**F**annie Mae, Freddie Mac, and Federal Housing Administration are sweetening the pot for multifamily borrowers to go green, particularly for the acquisition and refinancing of older properties through their Green Rewards loan programs. Randy Ward, managing director of agency and multifamily services in CBRE's assessment and consulting services group, talked to *REFI*'s Sherry Hsieh about why more borrowers are considering these programs, particularly for older assets. To read the story, go to page 5.

The decline in popularity of golf as a sport has had a trickle-down effect on golf courses, which have seen a high number of closings over the past few years. But commercial real estate developers are starting to see these properties as ripe for the development of new housing. "It's harder to generate meaningful revenue with membership [fees] or selling rounds, but people love houses next to golf courses because of the green, and they will pay a premium for that," said Steven Werth, an associate of law firm Sulmeyer Kupetz, who specializes in Chapter 7 and 11 cases. Read the full story on page 7.

Finally, make sure you check out Prequin's monthly snapshot on real estate private equity funds. Prequin has expanded the data it provides to us to include new feature that details transaction-level data for players in the sector. Check it out on pages 8-9.

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## THIS ISSUE

### AGENCY LENDERS TOUT GREEN LOANS

A number of agency lenders are sweetening the deal for apartment owners that want to go green.

**TURN TO P5**

### ORANGE COUNTY APARTMENTS TRADE

Decron Properties has acquired a \$96m apartment complex in Orange County.

**TURN TO P6**

### BUYERS SWARM SUBURBAN BOSTON OFFICE

Normandy Real Estate Partners has sold a suburban Boston office in a heavily-bid deal.

**TURN TO P6**

### NEW LIFE SEEN FOR TROUBLED GOLF COURSES

More commercial real estate developers are adding housing to distressed golf courses.

**TURN TO P7**

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# DEVELOPERS EYE CREATIVE GOLF COURSES CONVERSIONS

BY SHERRY HSIEH

**M**ore commercial real estate developers are considering troubled golf courses for new housing developments as a glut of these properties are in distress or bankruptcy. Golf courses have the unique potential to redevelop in a way that makes sense, which is to reduce the number of holes and build homes. It's harder to generate meaningful revenue with membership [fees] or selling rounds, but people love houses next to golf courses because of the green, and they will pay a premium for that," said Steven Werth, an associate of law firm Sulmeyer Kupetz, who specializes in Chapter 7 and 11 cases.

There has been an average of 137 golf course closings annually since 2011, according to Jupiter, Fla.-based National Golf Foundation. The challenge to conversions frequently is related to restrictive covenants and existing homeowners' unwillingness to explore this alternative. "If you buy a house next to a golf course, there are usually some covenants somewhere [in the purchase agreement] that requires [the property to be operated] as golf course," Werth said.

With planned communities such as golf communities, governing documents outline long-term ownership, operation and maintenance. Covenants are often lumped together under the collective term of CC&Rs, or covenants, conditions and restrictions, which refers to the existence or future existence of limitations associated with the use of the purchased land. Werth pointed out often it is the underlying CC&Rs, and not zoning laws, that prevent owners from partially converting a golf course to homes.

David Richey, president of country club division at Toll Brothers, reaffirmed the value of home communities that incorporate golf element. "We look for distressed country club/golf course opportunities because the additional of green space in the residential community does increase value of homes," he said. He added Toll Brothers currently has 11 country clubs ranging from 400 to 2,000 homes, a small component of the firm's overall homebuilding community, but the value of homes on a golf course charge an average 50% premium to similar products in non-country club Toll Brother communities.

Part of the problem for golf courses is a decline in the popularity of the sport. Richey observed that about 50% of Toll Brother residents living on golf communities do not play golf but chose to live there because of the view and membership lifestyle. In addition to decreasing popularity, other factors contributing to financial distress



"WE LOOK FOR DISTRESSED COUNTRY CLUB/GOLF COURSE OPPORTUNITIES BECAUSE THE ADDITIONAL OF GREEN SPACE IN THE RESIDENTIAL COMMUNITY DOES INCREASE VALUE OF HOMES"

DAVID RICHEY, TOLL BROTHERS

include rising membership fees and increasing cost of water. Werth, whose company is based in Los Angeles, has witnessed the negative economic factors affecting golf courses in southern and northern California and, particularly Nevada – primarily Las Vegas.

"Las Vegas is especially troubled, because of an excess of golf courses and [also] because water's so expensive," said Werth. "[In Las Vegas,] you are authorized to use recycled water to water your golf courses, which is [approximately] one third of the cost of portable drinking water. But if your courses are not close enough to a recycled water plant, you don't have that option," he added.

Indeed, while Las Vegas is home to some of the world's most famous and successful golf courses such as the 18-hole Shadow Creek Golf Course, struggling golf courses and clubs are

fighting a deadly price war, market players told REFI. The fourth quarter of 2015 saw high loss severities of 58.2% with 240 loans liquidated. The loss is driven by three notable liquidations, with Loews Lake Las Vegas as the top troubled loan liquidating with a \$132.4m loss, according to Moody's.

The 493-room golf community and resort property located at 101 Montelago Boulevard in Henderson, Nev., 20 miles from the Strip was transferred to special servicer CW Capital in March 2009 when the former Loews Lake Las Vegas owners defaulted on their \$117m mortgage. In 2012, the property was rebranded into a Westin. The original loan was securitized through Barclays and Citigroup's CD 2007-CD4.

While home conversion may not be the ideal solution for every golf course, Werth stressed that it is important to avoid foreclosure. "Get an expert there early and get an expert appraisal to talk about alternative use of the course," he advised lenders, adding that ownership may not be desirable. "And if the owner is not opposed it, retain a broker to see what kind of buyers are out there."

## BACKGROUND

Golf's popularity skyrocketed during the Tiger Boom, post Tiger Woods having won the 1997 Masters Tournament at Augusta National Golf Club in Augusta, Georgia. From the 1990s to early 2000s, developers built 5,000 golf courses across the nation, bringing the country total to 16,000 golf courses.