




Done Deals

Is golf real estate on the rebound? Some Met Area companies think so, and are making big investments on the Eastern Seaboard

BY THOMAS DUNNE

Some of the most spectacular (and well-documented) flameouts of the post-2008 real estate bust occurred in the Southeast, where earlier in the decade overreaching developers had taken on hundreds of millions in debt in order to build out properties and add shiny new resort amenities. Four years later, the market is slowly recovering, but according to Larry Gavrich, a Connecticut-based real estate broker who follows the region closely, “People are a lot more conscious about looking for the most stable communities than they were before the recession.”



Georgia's Reynolds Plantation, a sprawling community including six golf courses, was purchased by MetLife.

Inside the Deal: MetLife Buys Reynolds Plantation



MetLife's acquisition of Reynolds Plantation was overseen by Robert Merck (above), the company's Senior Managing Director in charge of real estate and agricultural investments. Merck works out of MetLife's office in Morristown, N.J., and has been with the company since 1982. He spoke with *The Met Golfer* to give more details on the company's acquisition of Reynolds Plantation.

Q: When did you first become aware that Reynolds Plantation was for sale?

A: In March of this year. Once I found out it was on the market, and from what I knew about the quality and reputation of the property, I said this would be something we would be interested in taking a look at.

Q: How did the process unfold from there?

A: It was a complicated transaction to review and underwrite, because of the size of the property and all its different aspects. We have a

team in Atlanta that handles transactions for Georgia and the Southeast, and they teamed up with the folks at the Daniel Corporation and were able to pull together a very good analysis of the property. It actually came together relatively quickly, and we closed on August 1st of this year.

Q: Is this MetLife's first foray into the actual ownership of a golf property?

A: It's our first ownership in a while. We had been a long-term owner and developer of a property in Birmingham, Alabama called Inverness. It was a mixed-use property that we developed in the mid-1970s and then sold in the early 2000s. Over the years we've owned a couple of hotels that were affiliated with golf courses, but since we sold Inverness this is the first time we've been involved in owning a golf course.

Q: What are the plans for the resort?

A: We expect that Reynolds is going to be a long-term hold

asset for us. It fits what we look for in an investment in terms of quality and potential upside opportunities. The initial plans, which are already underway, are to invest several million dollars in capital improvements to bring the property back to the quality that we think it should be. It was in very good shape when we acquired it, but there are some areas we can improve, including some deferred maintenance on the golf courses. We're then going to maintain it at that high level of quality.

Q: Can you provide details on the new membership plan that you offered to Reynolds Plantation's existing golf members, and what kind of reaction the plan received?

A: There are about 3,200 members at Reynolds, and there had been multiple levels of membership and multiple entry points into those levels. So we simplified things, keeping the initial dues where they were before, and we didn't require any initiation or transfer fees. We've heard a lot of feedback from the members about how pleased they are with what we've done with the membership.

Q: Of the property's six courses, how many are accessible to the public?

A: The Creek Club is the only one that is members-only. The other courses are open to members and resort guests, and we think that structure works well.

Q: Can you speak to the last decade or so of the real estate market and how you think this acquisition will help MetLife as a company?

A: MetLife is a large real estate investor and it's one of the core competencies of MetLife's investment department. We've been investing for almost 100 years. We have both a commercial mortgage portfolio and a real estate equity portfolio. Our commercial mortgage portfolio is around \$42 billion, and it performed

extremely well during the downturn, which allowed us to stay in the market and lend when there weren't a lot of other lenders out there.

On the equity side, our reputation is as a core real estate investor that typically holds properties for the long term. We were disciplined when the market got really hot in the mid-2000s, and we executed several large sale transactions in New York during 2005-2006, which proved to be, well, opportune [this included the \$5.4 billion sale of Stuyvesant Town and Peter Cooper Village in Manhattan]. As we came through the downturn over the past few years, we've been looking for opportunities to increase our equity investments in real estate. We like the returns in equity real estate and the returns that you can get in this low interest rate environment. It's a good hedge against future inflation and we like the income stream that core assets provide. We also look for opportunistic investments, and Reynolds was one of these. We had the ability to acquire a very large but complicated asset, and we're very pleased with our acquisition.

Q: What are the plans to market existing homes for sale or future residential opportunities?

A: Well, we don't sell the homes, we sell the lots to builders or homeowners. Future phases will be developed along the way as we see the opportunity in the market. We know the property has a great reputation, and that the location provides good access to Atlanta and the airport, but it's also away from Atlanta, in a nice setting. Reynolds is known as a golf resort, but we're also going to market the experiences around Lake Oconee. We have plans to enhance the non-golf outdoor activities at the property and really appeal to all different age groups and people with different interests. Reynolds offers all of that, so there's a lot to do there.

He added, "Baby boomers have always had this notion of what their retirement would look like. Those who didn't panic are seeing their nest eggs come back, to a certain extent, and they're starting to look south again." This year has seen some trophy properties begin to find the stability to which Gavrich refers.

Georgia's historic **Sea Island Resort** fell into debt when it undertook a massive \$395 million renovation—including a total rebuild of the Cloister Hotel—just before the recession hit. Chapter 11 bankruptcy proceedings in 2010 ended eight decades of ownership by the Jones family, as New York's Avenue Capital Group and Los Angeles-based Oaktree Capital acquired the resort for \$197.5 million.

Meanwhile, **The Cliffs Communities** in the Carolinas emerged from Chapter 11 bankruptcy in late August. Texas-based Silver Sun Partners, the new ownership group, soon announced that a new Gary Player-designed golf course will open next fall at The Cliffs at Mountain Park, near Greenville, S.C. The Cliffs once made headlines as the site of Tiger Woods's first foray into golf architecture—no word yet on whether that layout, which stalled in the aftermath of the golfer's personal troubles, will ever come off the boards.

But the biggest success story in the recent flourish of dealmaking was **Reynolds Plantation**, the 10,000-acre community about an hour's drive east of Atlanta. In 2011, after the Reynolds membership rejected developer Mercer Reynolds's asking price of \$45 million for the six golf courses and other public areas, the community went into receivership, and it was going to take some deep pockets to rescue it. This vast collection of holdings on Lake Oconee—comprising the aforementioned courses and public areas, a Ritz-Carlton hotel, some 2,300 homes, 5,000 acres of undeveloped land, and other recreational amenities—found just that in MetLife. The insurance giant and longtime partner of the MGA agreed to purchase all of the property's assets, paying about \$160 million in equity and assumed debt (for more on the deal, see sidebar).

Renovating the Ritz-Carlton hotel is a priority, as is establishing a permanent clubhouse for The National, as this Tom Fazio design—the resort's third course—is still being served by a temporary facility a decade after opening. Scanning the pages of "Lake Oconee Buzz," a bustling blog run by residents, one can find homeowners venting on a host of issues, but by and large they appear pleased with the stability offered by its new ownership. "There are plenty of communities," said one poster, "that would love to be in our shoes." ■

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