

VALUATION VIEWPOINT

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Known or Knowable in a Retrospective Appraisal

By Thomas J. Bauer

A key consideration when preparing an appraisal is what information the appraiser should consider. One of the governing principles in a retrospective appraisal is the concept of “known or knowable”. Retrospective appraisals are appraisals with a valuation date before the issue date of the appraisal. Retrospective appraisals are required for a variety of intended uses, such as estate tax (which typically uses the date of death as the valuation date), gift tax (which typically uses the date of gifting as the valuation date), marital dissolution (which typically uses the date of separation as the valuation date), and shareholder disputes/minority oppression claims (which typically uses a court ordered date as the valuation date).

Often when preparing a retrospective appraisal, the appraiser will be faced with a difficult question: should new information that has come to light after the valuation date, but before the issue date of a report be considered when forming an opinion of value? There is no better example of this than the COVID-19 pandemic. Nearly every industry was severely impacted by the economic and societal disruptions brought on by COVID-19 and governments’ responses to the pandemic. However, the COVID-19 pandemic was not known or reasonably foreseen in late 2019 and early 2020, drawing into question whether appraisers should consider the impacts of post-valuation date events when forming projections and other assumptions during a retrospective appraisal.

Industry guidelines generally state that when performing a retrospective appraisal, the appraiser should only consider information that was known or reasonably knowable as of the valuation date. For example, the Uniform Standards of Professional Appraisal Practice (USPAP) states in its Advisory Opinion 34, “Data subsequent to the effective date may be considered in developing a retrospective value as a confirmation of trends that would reasonably be considered by a buyer or seller as of that date.” The American Society of Appraisers’ (ASA) guidance is similar to USPAP, stating “only information that is known or knowable as of the specific valuation date should be incorporated into a business valuation” (BV 201 Chapter 3 Section IV.B). In order for information to be considered in a retrospective appraisal, the information does not need to have been released prior to the valuation date.

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Meet the Author:**Thomas J. Bauer**

Tom is a Senior Business Valuation Analyst at Shenehon Company. As an analyst, he prepares analyses in the valuation of both operating and holding companies. Tom graduated from the University of Minnesota, Carlson School of Management with a degree in Finance and a minor in Supply Chain and Operations. His previous internship experience was with Compeer Financial in Legislative Affairs, where he led a project creating documents summarizing the impact in areas such as sustainability and emerging agricultural markets. Tom was also on the appraisal team where he assisted with the appraisals of approximately 150 properties and building sites in the agriculture real estate sector in 5 upper Midwest states.

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However, the information should have been reasonably foreseeable by buyers and sellers. In the prior example of the COVID-19 pandemic, the events and economic turmoil that existed in 2020 and 2021 would not have been foreseeable prior to the onset of the pandemic. Generally, knowledge of the effects of the COVID-19 pandemic would then be excluded when performing a retrospective appraisal with a valuation date in late 2019 or early 2020 under guidance from USPAP and ASA.

Nonetheless, courts often adopt a more pragmatic approach. Judges often expect appraisers to consider all information available to them when forming a retrospective appraisal. It is important for the appraiser to be knowledgeable about the changes that have occurred in the company, industry, and overall economy between the valuation date and the issue date of the appraisal and how these changes impact value. In the event of testimony, an appraiser should be prepared to answer questions regarding what post-valuation information was considered in the retrospective appraisal and how it impacts their valuation conclusions.

While industry guidelines generally recommend relying on information that was known or knowable as of the valuation date, judges expect an appraiser to be familiar with post-valuation date information and its impact on value. Therefore, an appraiser should select the relied-upon information on a case-by-case basis, based on the relevant facts, the intended use, and intended user of the appraisal.

The Impact of COVID-19 on Golf Courses and Their Real Estate

By **Stuart J. Handzel**

Outdoor activities have seen a significant increase in participation since the COVID-19 pandemic in 2020. The participation increase is perhaps most notable in the golf industry. This is a significant shift from previous years, as golf participation was stagnant and many courses locally and around the country were facing closures. We know this participation increase has been a boon for the golf industry, but what impact has it had on the real estate market for golf courses?

Prior to 2020, interest and participation in golf was slowing. According to the National Golf Foundation (NGF), the number of adults that annually played golf decreased from 24.7 million in 2014 to 24.2 million in 2018. Additionally, the golfing population was significantly aging, with less than 10.0% of golfers being between the ages of six and seventeen. Younger people had interests elsewhere, whether it be other sports or other forms of entertainment. The stagnation in participation and revenues led to many golf course closures across the country. According to IBISWorld, there were more than 12,000 golf courses in the United States in 2008. In 2017, less than a decade later, the number of courses decreased to under 11,000. Locally, West St. Paul's Thompson Oaks Golf Course closed in 2018 and Hollydale Golf Course in Plymouth closed in 2019.



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The City of Minneapolis has plans to reduce the Hiawatha Golf Course from 18-holes to 9-holes, which is the result of a Minneapolis Parks and Recreation Board vote that took place in 2017. While each situation was unique and had specific circumstances, they highlighted the greater trend prevalent within the industry.

The current outlook for the golfing industry is much more positive than it was pre-COVID. The NGF reported that more than 26 million adults played golf in 2023, a significant increase of approximately 2 million golfers from five years before. According to IBISWorld, revenues in the golfing industry increased by more than 21.0% in 2021 and by more than 11.0% in 2022. This increase was led by new golfers, with the NGF reporting a record of 3.4 million beginners in 2023. Many of the beginners are women, as in 2025 the NGF reported nearly 8 million female golfers, a 41.0% increase since 2019. Junior golf has also boomed, growing by 40.0% since 2019. The overall increase in participation is largely due to the COVID-19 pandemic, which led to a significant increase in the popularity of outdoor activities. Golf course closures have continued, but at a much slower rate than in the previous decade, and the number of golf courses in the country is expected to stabilize in the future. Industry revenue and participation have not decreased back to pre-COVID levels, as the rapid and unexpected increase in golf participation has shown resiliency. New golfers are expected to keep playing for years to come.

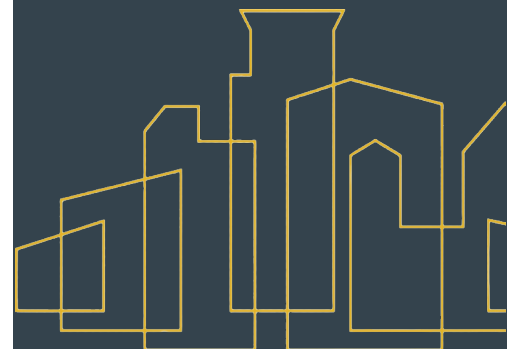
Golf course ownership requires a significant amount of capital investment in maintenance and upkeep as well as for seasonal and year-round expenses. The high level of expenditure and expenses result in low margins for the industry; many golf courses operate at a loss. According to IBISWorld, in 2021, at the beginning of the golf participation boom, the 10-year historical average net income for the golf industry was -1.9% of revenues. This trend shifted post-COVID, as in 2026 IBISWorld reported a 5-year historical average net income for the golf course industry of 4.6% of revenues. In accordance with the positive shift in the profitability of golf courses, the real estate market experienced an upward shift. We can analyze the CoStar database to observe differences in golf course transactions from 2010 to 2019 and transactions post-2020 in the Minneapolis-St. Paul Metro and surrounding area. Golf courses that are no longer operating, were part of a distressed sale, or were developed, were not considered. From 2010 to 2019, the analyzed transactions sold at a rate of just above \$99,000 per hole. After COVID, the analyzed transactions sold at a rate of more than \$250,000 per hole. Many of the post-COVID sales were significantly higher quality than the pre-COVID sales, which can partially explain this phenomenon. Buyers' increased willingness to invest in more premium courses indicates that the current real estate market for golf courses is significantly more appealing than it was before the pandemic. Additionally, the RealtyRates.com Investor Survey indicates that cap rates for golf courses have remained relatively consistent since 2019, slightly increasing. This implies that the increase in property value may also be tied to the rise in industry net operating income since 2021, leading us to conclude that the pandemic played a significant role in increasing the real estate value of golf courses.

Meet the Author:

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