

**Estimated 30.5% Cash on Cash Return (ROC)**  
**at the**  
**NTI Full Service Conveyorized (Tunnel) Carwash**

<b>Rules of Thumb (national statistics)</b>		<b>Tunnel Considerations</b>
<ul style="list-style-type: none"> <li>• EXTERIOR ONLY &amp; FULL SERVICE tunnels make up 20% of all existing sites</li> <li>• 4 phased wash cycle: Prep + Wash + Rinse + Dry</li> <li>• 1 SF surface area on the vehicle takes how much time to clean it? (chemicals need 10-15 seconds contact time @ conveyor speed of 90 vehicle per hour)</li> <li>• Wash Capability: 1 car per hour per foot of building length (1 car / hour / ft of bldg)</li> <li>• To wash 150 cars / hour, must have 150 ft of conveyor / building</li> <li>• A 10,000 SF building costs \$350 per foot to construct &amp; equip (10,000 x \$350 = \$3,500,000)</li> <li>• Project w/ 3,000 sq ft tunnel (30' x 100') x \$350 / sq ft = \$1,050,000 + land</li> </ul>		<ul style="list-style-type: none"> <li>• Capture Rates: 0.5% to 1.5% of 24 hr traffic count</li> <li>• Full Service Production = 2.5 cars per man hour</li> <li>• Wash 1 car per hour per foot on building</li> <li>• Higher start-up costs &amp; labor requirements</li> </ul> <p style="text-align: center;"><b>Annual Profit Potential (national averages)</b></p> <ul style="list-style-type: none"> <li>• \$100,000 - \$375,000 EXTERIOR Only (high volume units washing 30,000 cars / month earn \$900,000+)</li> <li>• \$400,000 - \$750,000* FULL SERVICE * numerous added profit centers work well at carwashes</li> </ul>
<b>Tunnel / Conveyor Financial Model Project Cost Estimates</b>	<b>Capital Required</b>	<b>Comments</b>
<p><b>Land:</b> 43,000 SF x \$25 SF (including broker's commission, if any)</p> <p><b>Building &amp; Equipment:</b></p> <ul style="list-style-type: none"> <li>• 7,000 SF x \$350</li> <li>• Fees (Arch, GC, ME, Other)</li> <li>• Govt Fees (Impact, Sewage Bldg Permit, Etc)</li> </ul> <p style="padding-left: 40px;"><b>Total Building &amp; Equipment</b></p> <p><b>Estimated Project Cost (Land + Building + Equipment)</b></p>	<p style="text-align: center;">= \$ <b><u>750,000</u></b></p> <p style="text-align: center;">= 1,750,000</p> <p style="text-align: center;">= 150,000</p> <p style="text-align: center;">= <u>150,000</u></p> <p style="text-align: center;"><b><u>\$2,050,000</u></b></p> <p style="text-align: center;"><b><u>\$2,800,000</u></b></p>	<p>Memo: Equipment included in the \$1,750,000 'Bldg &amp; Equipment calculation:</p> <ul style="list-style-type: none"> <li>• \$400,000 Wash System &amp; Ancillary Equipment</li> <li>• <u>50,000</u> Other</li> <li>• <b><u>450,000</u> Total Equipment</b></li> </ul> <p>NOTE: Easy rule of thumb for cost of building &amp; equipment is \$350 (+/-) per SF</p>

<b>Full Service Tunnel / Conveyor Financial Model</b>	<b>Statistics</b>	<b>Comments</b>
<ul style="list-style-type: none"> <li>• Capture Rate (0.5-1.5% of 24 hr traffic)</li> <li>• Number of washing days per year (wdy)</li> <li>• Estimated cars per year (cpy)</li> <li>• Local market price for full svc. wash</li> <li>• Estimated Revenue per year</li> <li>• Estimated Variable Costs per year: &gt;&gt; 31% Labor &gt;&gt; 25% Variable Operating Costs &gt;&gt; 10% Management</li> <li>• Estimated Fixed Costs per year &gt;&gt; 12% (taxes, insurance, advertising, legal, other)</li> <li>• <b>EBITDA</b></li> <li>• Estimated Mortgage Cost per year w/ 20% cash down &gt;&gt; Financing: \$2,240,000 (80%) @ 8% over 20 years =</li> <li>• Cash Flow after Debt Service</li> <li>• <b>CASH on CASH Return (ROC)</b></li> </ul>	<p>= 400</p> <p>= 300</p> <p>= 120,000</p> <p>= \$15</p> <p>= \$1,800,000</p> <p>= \$ 1,188,000</p> <p>= \$ <u>216,000</u></p> <p><b>\$ <u>396,000</u></b></p> <p>= \$ <u>225,000</u></p> <p>= \$ <u>171,000</u></p> <p>= <b><u>30.5%</u></b></p>	<ul style="list-style-type: none"> <li>• Example: 40,000 cars per day (cpd) @ 1% = 400 cpd</li> <li>• Note: 310-320 in Los Angeles</li> <li>• 400 cpd times 300 wdy</li> <li>• Revenue / car times cpy</li> <li>• 31% + 25% + 10% = 66% \$1,800,000 x 66% = \$1,188,000</li> <li>• \$1,800,000 x 12% = \$216,000</li> <li>• Cash Down = \$2,800,000 x 20% = \$560,000</li> <li>• \$19,000 / mo x 12 = \$225,000</li> <li>• \$396K - \$225K = \$171,000</li> <li>• \$171,000 / \$560,000 = 30.5%</li> </ul>
<b>Business Value</b> (Assuming the above financials are for a seasoned existing carwash business)		<i>Tunnel Carwash – Washing 120,000 cars / year</i>
Gross Revenue	\$1,800,000	
Labor & Management	738,000	
Supplies & Utilities	450,000	
Insurance, Advertising, Mnt, Credit Card	216,000	
<b>EBITDA</b>	<b>396,000</b>	Memo: 22% of Gross Revenue
Principal & Interest (or rent)	225,000	
<b>Net Before Taxes</b>	<b>171,000</b>	
1. Return on cash	30.5%	\$171,000 / \$560,000 = 30.5%
2. Estimated value of Business Goodwill based upon EBITDA	\$1,197,000	7 x \$171,000 = \$1,197,000 + assets Multiple used is “7-9.5 times EBITDA”. Most businesses sell for “3.5-5.0 times EBITDA”
3. Value of real estate assets based upon 8.0% cap rate of rent	\$2,812,500	\$225,000 (Debt Svc or Rent) / 8.0% = \$2,812,500
4. Approximate value of Business Goodwill + Real Estate Assets	<b>\$4,009,500</b>	

MEMO: Established CW business EBITDA should be 10-15% of Gross Revenue. Some are higher. Rarely in the U. S. can one be found at 40% of Gross Revenues		The above business EBITDA is 22% of Gross Revenue

*Source of above information not accredited elsewhere is Fred Grauer, Executive V. P. – Investor Market, Conveyors, Ryko Manufacturing Company. Fred is a second generation industry participant whose family has owned over 100 bays of self-serve and more than 70 tunnel carwashes*

FULL SERVICE Conveyorized Tunnel Carwashes are very much in evidence throughout the country. They are a proven concept. Most have additional profit centers not mentioned above.

In Southern California, where traffic counts are generally much higher than elsewhere, experienced full service carwash operators and new to industry investors alike are more interested in finding viable locations for development as an EXPRESS Exterior Carwash due to its lower cost, greatly reduced manpower needs and much simpler operational requirements.

Locations capable of generating satisfactory results as a FULL SERVICE or EXPRESS Exterior Conveyorized Tunnel Carwash are VERY DIFFICULT to find. Most experienced commercial real estate brokers have no knowledge of the critically important factors associated with this type of land use. Furthermore, they tend to ignore many potential properties and only show buyers their own listings.

Jack Muellerleile does not take listings. He works exclusively for buyers. His experience includes 23 years with Big Oil and 20 years on his own as a Petro-related & Carwash consultant and real estate broker. He may be contacted as follows:

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