

# **Investing in the Car Wash Business**

## **Section # 7 – Adding a “New to Industry” Facility**

*Source: notes taken during a 09.27.07 Business Seminar conducted by Fred Grauer, Executive Vice President – Investor Market, Conveyors, Ryko Manufacturing Company*

### **Tools to Evaluate Site**

- Demographic
- Traffic Analysis
- Site Survey
- Competitive Analysis (SWOT)\*
- Pro-Forma / Cash Flow Analysis
- Historical Financials (Existing sites)

**\*SWOT Analysis – Used with competitors when buying an existing carwash or developing a new one.**

- Strengths
- Weaknesses
- Opportunities
- Threats

### **Role of Vendor, Distributor, Supplier**

- Teach & educate
- Evaluate sites
- Work and be a member of your team
- Assist in planning and permit process
- Provide installation & supervision
- Provide staff training, service
- Supply intelligence

### **Broker vs. Developer Functions**

#### **Listing Broker:**

- Site Search & Analysis
- LOI Submission & Negotiations
- Demographics & Traffic Counts
- Contract Preparation
- Open Escrow

#### **Buyer's Broker:**

- All of the above plus site search activity not limited to his / her firm's property listings

#### **Carwash Owner / Operator as Real Estate Developer:**

- Code Information
- Preliminary Concept
- Design
- Project Cost Estimating
- Design Team Assemblage
- Coordinate Professionals
- Government Approval Process
- Public Hearings
- Utility Companies
- General Contractor
- Lender Information

- Land Closing
- Public Works Permits
- Ground Break Coordination

NOTE: Construction is not a developer role. Monitoring of the General Contractor (GC) is typically handled through the inspection process by Client, Architect, Structural Engineer and City Inspectors.

### Project Costs for Denver Washes a/o January 1, 2006

<b>LAND</b>	4+2 – ¾ acre	\$300,000 - \$500,000
	Express Wash – 1 acre	\$400,000 - \$700,000
	Full Tunnel Wash – 1 – 1.5 acres	\$500,000 - \$800,000
<b>SOFT COSTS</b>	For any type of development runs	\$60,000 - \$100,000
<b>BUILDING</b>	4+2	\$450,000 - \$550,000
	Express Wash – 1 bay w/ 2 detail bays	\$400,000 - \$500,000
	Full Tunnel – 1 bay w/ ancillary space	\$550,000 - \$700,000
<b>SITE COSTS</b>	\$3.00 - \$4.00 psf times the area of the land	
<b>EQUIPMENT</b>	Contact your equipment supplier. Depends upon which configuration is purchased.	
<b>WATER &amp; SEWER</b>	1 – 3” size will suffice depending upon wash set-up	
<b>TAPS</b>	\$30,000 to as high as \$250,000	\$30,000 - \$250,000
<b>BUILDING PERMITS</b>		\$8,000 - \$24,000
<b>SIGNS</b>		\$12,000 - \$20,000

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### Customer Washing Habits

- Typically more than 75% of your customers live within 3 miles of the carwash
- 23% or more wash greater than 3 times monthly in a Rollover or In-bay
- 9.21% or more wash 3 times monthly in a Self-serve
- 3% use a Tunnel Wash 3 times monthly
- 5% wash at home 3 times monthly

Source: *International Carwash Association*

### What is the Financial Opportunity?

- % ROI is close to the same on all types
- The main difference is \$ volume
- As in all, it's a question of the higher the risk, the greater the return

- Quality of management
- Effort!

### **Critical Considerations**

- Each carries a different commitment
- Type of financing (SBA requires hands-on owner)
- First and last, you are a real estate investor
- Labor is a critical factor in decision of choice, as are management and bottom line performance

### **Creating a Business Plan**

- SBA Lending
- Business Plans & Financial Plans
- SBA.Gov web site
- Small Business Development Center (SBDC) departments at Universities offer consulting services and research by their Business School

### **Business Plan: Key Components**

- Executive Summary
- Company Summary
- Products & Services
- Market Summary
- Implementation
- Financial Plan (car wash project workbook a.k.a. Financial Plan Workbook)

### **Financial Plan Workbook: Key Components**

- Personal Financials & Cash Flow Statement
- Project Cost Detail Report
- Pro-Forma (Financial Statement Forecasts + Cash Flow Statement)
- Site Study (Demographic Summary + Competition Evaluation + Site Survey + Industry Links for Source Information)

### **Resources**

- ICA – CarCareCentral.com (become a member!)
- Publications
- Road Trips
- Internet (just Google “carwash”)
- AutoCareForum
- [www.ryko.com](http://www.ryko.com)
- Associations
- Book Stores, Libraries
- Vendors
- Universities’ Small Business Development Centers