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## **Owning & Operating a high fuels volume, major brand gas station vs. a high washed car volume EXPRESS Exterior Tunnel Carwash**

Many, many Gas Station buyers have heard about the EXPRESS Exterior Tunnel Carwash (ECW) model and have decided to quit the gas station business in favor of attempting to purchase an operating ECW or creating one which will be new-to-industry.

### REASONS given this writer:

1. Smaller capital investment;
2. Higher net cash flow;
3. Easier to operate (10-12 hr. day vs. 24-7-365 per the major brand supply contract;
4. Much less liability involved; and
5. No large multi-national corporation with which to deal.

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**Below is another point of view on gas stations.**

## **How To Buy Gas Station Businesses: Top Five Risks**

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Those seeking to buy gas station [business opportunities](#) need to know about five factors that can make this purchase particularly risky compared to other businesses. Along with food, clothing and shelter, Americans consider the fuel needed to run their vehicles a necessity. The chance to be on the selling end of that commodity is what drives a number of entrepreneurs to buy gas station business opportunities.

But there are at least five substantial risks awaiting the buyer interested in this industry. And it is critical to know about them.

1. What's underground? Among the costliest mistakes in a buy gas station plan is to examine only visible assets. While above ground equipment might be functioning just fine, an underground disaster is occurring if gasoline is leaking from storage tanks. The state of California is diligent about enforcing environmental rules for gas stations. For the new [owner](#), especially one not protected by a franchisor, that means enormous clean up costs, not to mention the loss of business while the tractors dig up contaminated soil and the station has to be rebuilt. Requiring both Phase I and Phase II soil testing as a condition of purchase, is a must for the prospective buyer.
2. About those tanks. One of the first questions about California gas stations for sale is whether it has DWFG (double-walled, fiberglass) fuel storage tanks with leak detection sensors. If fuel storage for a possible purchase candidate has not been upgraded, it's best to focus the buy gas station business effort on other offerings.
3. Who's the real property owner? The land may not be owned by the seller, even if seller is a name brand franchisor dispensing its product at the station. Imagine buying a Chevron or a Shell Oil franchise and learning that the company holds only a lease--being sublet to you--which soon will expire. Anyone wanting to buy gas station business opportunities must insist on knowing who owns the property, whether mortgage payments, if any, are being made on time, and the duration and terms of any lease held by the seller.
4. Future traffic patterns. Many investors who have searched to buy gas station businesses have learned, too late, that a road construction crew would soon tear up the [route](#) motorists use to access the gas station business. This fact often is known by the seller. It might even be the undisclosed reason for the sale. So a trip to city hall and a conversation with planning and roads department people is an essential part of the pre-offer due diligence process.
5. Paying a fair price. Some California gas station brokers and sellers like to tie the business

asking price to the gallonage pumped or to gross revenues. But the smart entrepreneur pursuing a buy gas station business objective looks at actual earnings before the seller pays, or sets aside money for interest, taxes, depreciation and amortization. In many cases, markup on the fuel sold may not be enough to cover overhead. The profit might come from a related business, such as mechanical repair, convenience market or car wash.

Knowing that most California gas stations sell at a price equating to the range of two to three times the annual EBITDA figure, not including real estate or inventory, a buyer can be prepared when talking price with the seller or broker. And whether the price at which to buy gas station business assets belongs at the bottom, the top, or in the middle of the range, depends on factors such as terms of the lease, seller's willingness to help finance, and condition of the equipment and improvements.

An entrepreneur on a buy gas station purchase mission is investigating an industry with solid opportunities. But he or she needs to be mindful about the five risks.



**About The Author:** [Peter Siegel, MBA](#) is the BizBen Founder / President. BizBen has hundreds of gas stations for sale and wanted to buy requests and lists numerous gas stations brokers/agents who assist buyers & sellers of California gas stations. You can reach Peter Siegel, MBA (Gas Station/Business Purchase Financing Expert, ProBuy & ProSell Program Advisor with BizBen working with buyers, sellers, brokers, and agents) at 866-270-6278.

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