

Investment Strategies

Would now be a good time to invest in the car wash industry?

by Robert P.J. Smith

Have you been thinking of investing in a car wash business but you are not sure due to the rising cost of fuel prices? Naturally one would think that it might not be the right time to invest; however, now may be the perfect time to take advantage of some of the opportunities that are available to you within the car wash industry. Whether your thoughts are to purchase a new parcel of land or an existing car wash site, chances are that you

may have to build a new car wash structure or even think of remodeling.

Irv Riopelle, owner of the Palm Springs eight-bay self-serve car wash facility, states, "Car washing has declined slightly this year over last years numbers due to poor weather conditions." However, he is still pushing ahead on a new 52-foot express tunnel. Irv has acquired his permits and will begin construction of the new facility in August 2008, and believes that this will



Eight-bay self-serve car wash structure.



New future express tunnel car wash site.



New combination car wash structure at Manitoulin Chrysler.

offer his clients a choice while improving on customer service. No doubt the new facility will also add an opportunity to generate additional revenue.

The Manitoulin Chrysler's new, soon to be open self-serve and rollover combination wash includes an exterior boat wash and laundry facilities. According to Wayne Legge, owner of Manitoulin Chrysler, "Taking advantage of used or discounted equipment, as well as lower interest rates and using experienced contactors, have helped me to keep this project on track and within the budgeted forecast."

Note that some equipment manufacturers are also quite willing to discount their equipment and even include additional materials to enhance a sale, all in an effort to continually build on their customer service. Distributors of the various lines of equipment may even be able to offer refurbished equipment from clients who have chosen to remodel their current car wash locations. Legge was able to purchase his equipment at a great price, and believes that this is a perfect way to get into the business while keeping your cost to suit your budget.

Another option available to you would be to take advantage of an existing car wash business; this can also help you to enter into the car wash industry. With a little remodeling your investment can open sooner than if you started to build a new facility, allowing you to begin to start

generating the much-needed revenue almost immediately. Independent operator Mr. Mody operates an Esso Gas Bar, including a seven-bay self-serve car wash facility, and has remodeled his entire wash building. Mr. Mody notes that customers were not using his wash bays because of the poor condition they were in. Now his business has increased since the renovations were completed. In the before and after photos that follow, you can see what a little investment in your business can do to make your site more attractive to potential new clientele.

Reduced labor rates can also be another of the benefits to an investor or an independent operator, due to competition to secure work by most contracting firms in the car wash market. According to Legge, using a local, inexperienced contactor set his project back about three weeks. But with the technical experience of Gray Bruce Construction that was able to step in to oversee the completion of the project, Legge was able to complete his project keeping his labor cost to a minimum while allowing him to start generating the much needed revenue. Note it is always best to work with an experienced car wash contractor who will be able to help you to keep your cost to a minimum and your project on schedule.

Legge also comments that properties have reduced in value in some markets, however in other areas prime proper-



Used equipment.



New equipment.



Seven-bay self serve before retrofit.



Seven-bay self serve after retrofit.

ties have more than double—so do your homework. As you may or may not be aware, most financial lending institutions will require you to have at least 25 percent of the required funds if your plans are to build a new facility. Typically the bank loan is 50 percent of the projected cost of your project. However, lending rates are at the lowest rates that have been seen in years, opening opportunities to those who wish to enter into the car wash business. This being said, it would still be a good time to consider entering into the car wash market while you can take advantage of a lower lending rate.

Due to many car wash companies streamlining their operations, there seems to be an experienced work force available to assist you. Selecting quality personnel rather than having to hire non-experienced personnel could be a real asset to your operations. This would include experienced operations managers down to detailers, all able to assist in your new venture.

In summary, there are several opportunities available to you provided that you have done your homework: discounts on materials and equipment, reduced labor rates through competitive bidding, as well as declining cost for prime properties—not to forget the lower interest rates available. In addition, an experienced work force to draw from can be a real asset to your business plan. When you look into all of these factors, now is probably the best time to research all costs associated in which ever direction you have chosen to utilize your investment.

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Seven-bay self serve before retrofit.



Seven-bay self serve after retrofit.