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primarily located at gas stations and e-stores and will be financed mostly through oil companies.

The small investor will be the one who won't be able to negotiate as attractive rates, Thorsby said. He'll have to borrow more money to get started. Typically, this is a self-serve owner.

According to Thorsby, the conveyerized segment, such as the express exterior, full-service and exterior only will sustain its growth longer.

Anthony said that he does think full-service carwashing will continue to grow, but that the express exterior has become another strong player in the market. The express sector has seen the most recent growth and he doesn't foresee it slowing in the near future.

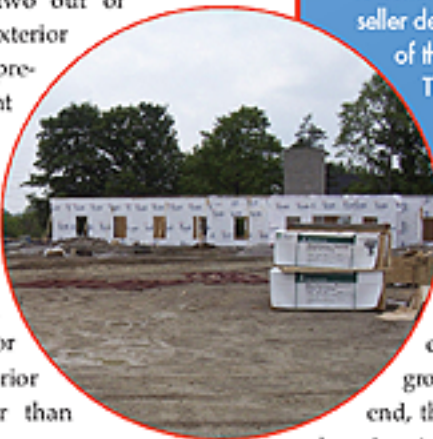
In the past, two out of three conveyor carwashes were full-service, Thorsby said. Now, two out of three are exterior washes. He predicted that pretty soon the industry may see three out of every four offering an exterior-only or express exterior option rather than full-service.

Consolidation

One thing that may begin to shift in the carwash industry as the economy transforms is who owns what washes and how many.

With carwash franchises like Rápido Rabbi® beginning to make headway, the industry may begin to hear the buzz about franchising and consolidation on various levels.

Industry experts have predicted that the industry will continue to see consolidation on the retail level, and that there will not be a decline in the number of loca-



Roger Pencek, founder of Car Wash Brokers, Inc., Phoenix, said his company, which specializes in the sale of carwashes, experiences approximately 90 percent of his carwash deals being financed through conventional lenders.

He predicts that if higher interest rates dominate our economic future, carwash sellers and buyers will be forced to become more "creative" when financing.

According to Pencek, the industry may see a rise in seller carry backs whereby the seller may have to take a promissory note from the buyer and apply this credit in addition to the buyer's loan.

For example, a \$2 million carwash typically might require \$400,000 dollars down (20 percent) under typical financing criteria, but when rates drastically increase, lenders will ask for not 20, but 30 percent down for a loan.

Under typical carry back terms, the investors could put their 20 percent down, and the lenders will consider the seller's promissory note of 10 percent (carry back) as an additional contribution to the down payment; the 10 percent promissory note, or carry back, combined would satisfy the 30 percent requirement.

Another scenario is when a seller wants to exit, they can act as the "bank" and therefore the seller will accept \$200,000 to \$400,000 from the buyer as a down payment and the remainder of the whole note is carried by the seller at a lower interest rate and longer term than conventional lenders.

To summarize, this land contract and carry back creativity can become risky: If the seller defaults, under a land contract, the seller just gets the property back regardless of the condition the property may be in.

The good thing is that this type of creative financing is very quick and can avoid a foreclosure or bank auction on a property which would normally happen when a defaulted bank loan evolves or the operator simply decides to call it quits.

tions, but rather a decline in the overall number of owners. The industry may see a growth in locations, but in the end, there will be fewer owners of those locations.

At the beginning of this year, the industry saw a major consolidation when Jim Coleman Co. purchased the Hanna Brand and united two of the strongest manufacturing forces. Thorsby believes the industry will continue to see consolidation of this sort on the manufacturing level.

If you build it... will they come?

Most new investors in any arena choose to invest in a particular business for several reasons. Obviously, financial gain is one of the most influential factors.

Although carwashing can undoubtedly-

ly be a profitable business, Bussey said his experience has been that people don't get into the carwashing industry only because they can get a high rate of return.

People invest in it, at least partly, if not mostly because they have a genuine interest in the business, regardless of the rate of return. Bussey said that rising interest rates may cut out some investors, but not a significant number.

Furthermore, with the length of time Americans are keeping cars, the fascination with the automobile and its appearance, and the increasing awareness of the environmental benefits of pro-washing, anyone who can cope with the rising interest rates, secure the needed financial backing, and secure a good location will likely find that carwashing is as lucrative a business as ever, even if the demographics have shifted a bit. □

Carry back credit



PENCEK