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CONDEVCO LLC / CONVENIENCE DEVELOPMENT CORP

THE "METER" NEWSLETTER

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The Stratification of Gas Station Values in Florida

Tank Status, Station Pricing and how it affects the Florida Market.

This is being posted to "The Service Station" blog www.condevco.blogspot.com on October 15th, and will be included in "The Meter" newsletter published on October 20th.

As we watch the clock wind and the calendar pages fly off the pad, it is increasingly clear that what's been predicted for the last 10 years have come home to roost. There would be a high percentage (currently figured at 40%±) of stations that would be in a jam when it comes to the Florida Double-wall tank deadline at the end of 2009. When tank insurance is coming up for renewal this time, if you haven't converted to a DW distribution plant, it's essentially going to be impossible to get insurance for a non-compliant tank set at any price.

The Jan 1, 2010 deadline for conversion to all systems needing secondary containment was mandated by Florida in 1984; so 24+ years to date is a long time to claim you are now surprised. But, at this point it's water under the bridge. The FDEP continues to say there won't be any extensions for compliance granted.

So, as an operator who owns their site, you have a few choices; operate without insurance, getting fined by the FDEP on a daily basis, and risking a complete financial wipe-out if there's an incident. (We are not suggesting this as a course of action, just using it as a scenario!) Or, you can shut down until your tank set can be changed. Or, you can put your station up for sale, discounting the price of a tank swap in the asking price, and hoping someone will purchase the site knowing it needs to be closed down for 3-4 months and there's no assurance that there won't need to be remediation during the tank swap, lengthening the time out of operation and increasing the costs.

In order to accept that level of risk, it's clear the savvy purchaser will expect a large discount to get you out of your jam. Then there's whole issue of getting credit to pay for the job. It's a rare purchaser who can pay cash for the \$300-\$400,000 needed to swap a tank set and account for the lost gross profits for the time they are closed down, right after completing a purchase for the site. The credit crunch is affecting purchaser's decisions on looking at non-compliant sites.

Conversely, the sites that are compliant stand to gain in two categories. 1) Value of the actual asset, and 2) improved competitive position from the immediate wash-out of (let's figure) 30% of the station count at the end of 2009. Increased volumes, increased scarcity of sites to fuel from, and increased profits should all be in the offing if there is no extension for compliance granted. You have to think FDEP is serious about holding everyone to the deadline, taking them at face value.

Should owners be lobbying for some kind of state program for sites that need tank swaps that are not in the LUST fund? A loan guarantee or low-cost assistance for tank swaps? The population of the State of Florida will be profoundly unhappy and inconvenienced if 25-30% of the current retail sites have to close down in January 2010.

On the other hand, if you took care of business, have a new dispensing plant in the ground, why not get ready to enjoy less competition and greater volumes, all because you followed the law? Why should the people that didn't take the deadline seriously get help?

Which leads to our title subject; the Stratification of Gas Station values here in Florida. There are two tiers of pricing setting up in the market; tank-compliant stations and those who aren't. In addition, within each tier, there are usual considerations of parcel size, Branding/Fuel Supply Agreements, competitive position, amenities (car wash, service bays etc.), foodservice and size of store.

What we're seeing from multiple owners is that sites that fall into the non-compliant pricing tier, are .75 of an acre or under, and need significant updating are trying to keep some kind of floor value on the pricing of these sites, but the floor is preventing the sites from moving. With today's lack of ready credit, I think a major look at these small sites asking prices needs to be addressed, or there is going to be a significant drop in station count once the deadline rolls around.

At Condevco we can price and market your parcel, or find you a site that fits your needs. We consult on operational and pricing issues. Write me back at rsanticola@condevco.com

Fuel Prices Heading Down

As we all know, it looks as though the prices for Crude Oil and subsequently refined product have headed down rapidly as the world financial markets crisis spreads and begins to impact the ability of your customers to spend. Has the decrease in fuel prices added any dollars to inside store visits? Are your customers a little friendlier than a few weeks ago? Well, let's wait and see what the OPEC "emergency meeting" comes up with for a production cut this week.

It's a good time to be a distributor.



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ABOUT CONDEVCO LLC AND RON & DARCEE SANTICOLA

RON SANTICOLA HAS BEEN IN THE CONVENIENCE STORE BUSINESS FOR 14+ YEARS HERE IN FLORIDA AND INTERNATIONALLY, AS A "C" LEVEL EXECUTIVE AND CONSULTANT. AWARD-WINNING AND RESPECTED INDUSTRY LEADER. DARCEE SANTICOLA IS AN AWARD-WINNING STORE DESIGNER AND SPACE PLANNER. WE MERCHANDISE LOCATIONS AND LAY OUT SELECTION, MIX AND PROMOTIONAL CALENDARS.

RON IS ALSO A FL LICENSED REAL ESTATE BROKER, SPECIALIZING IN PETROLEUM RETAILING PROPERTIES AND PETROLEUM DISTRIBUTION.

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