



Gold Book

Research Series

Your Guide to Laundry Excellence

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A white paper by the
Coin Laundry Association
www.coinlaundry.org

How to Value a Coin Laundry

A Closer Look At Valuation, Seller Preparation
and Buyer Due Diligence

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Valuation of a coin laundry for sale is in some ways not much different than valuing a house for sale. Many of the same factors come into play, including the role played by characteristics such as size, age and condition, location and appearance.

But a coin laundry is a business, so in addition to the above factors, valuation must take into consideration how much income the business generates, the expenses that affect a particular property's ability to maintain profitability, the level of competition a facility faces in a given market area and other concerns.

Finally, a coin laundry is a *specific kind of business* subject to a set of requirements that do not constrain other more portable businesses. With much of a coin laundry's value reliant on installed infrastructure—in some cases put into place at great cost because of impact fees—lease terms and conditions can have a profound influence on how much a laundry is worth.

And because most coin laundries rely on a rather narrowly defined slice of the population for the bulk of their income, demographics also have an outsized effect on value.

Different Laundries, Different Valuation Factors

To complicate matters, each laundry operates within its own unique set of circumstances. No two possess all of the exact same characteristics related to equipment mix, market demographics, competitive environment, physical location, cosmetic appeal and other factors.

As a result, the weight one places on each characteristic in calculating a valuation can vary widely, depending on a laundry's unique combination of those attributes.

For example, in the valuation of a laundry with a lot of new, well-maintained machines, the age and condition of those machines may play a smaller role in a valuation if the business has only a few years left on its lease. All things being equal, a laundry with a longer lease, but older machines, might fare better in a valuation.

And while factors such as equipment age and mix, physical location and cosmetic appeal may play a significant role in the valuation of a laundry in an urban area with significant competition, their relative weight in a valuation may fade in the case of an older facility that is making a good profit in a market with little or no competition.

Art vs. Science

Those are only a few examples of how the valuation process must be thoughtfully applied—and in fact customized—to conform to the unique characteristics of the laundry being assessed.

Add to that the fact that sellers typically have an inflated view of the value of their laundries—and that buyers, particularly novices, may have a limited understanding of what the various valuation factors are and how they fit together—and setting a value becomes an even more complicated task.

Moreover, valuation to some degree is always subjective, and relies as much on art as on science—a good thing to remember when tempted to rely too heavily on a formula to assign a value.

In the end, a fair valuation is the price that a willing seller and a willing buyer are prepared to agree upon. In the following pages, this paper will attempt to provide an overview of the various methods that sellers and buyers can use to arrive at that fair valuation, examine some of the major factors that affect it, and review ways sellers can maximize the value of their business.

1 Methods

What Are The Most Common (And Preferred) Methods for Placing A Sale Value On An Existing Self-Service Laundry?

There are several common ways of assessing the sale value of a laundry. Choosing one method over another may depend on the unique circumstances of the laundry, as well as on the precision a seller or buyer may feel they require given those circumstances.

Intrinsic Value

Valuing a laundry based solely on its intrinsic value is reserved for placing a sale price on a business that is not making a profit or is losing money. In this case, a value will be based on a handful of factors each of which has some standalone marketable value. Intrinsic value typically will result in the lowest valuation among the various methods, and is based on the following factors:

LEASE. The amount of time remaining on a lease, if it can be conveyed from one leaseholder to another, typically will be one of the more valuable assets of a laundry, particularly in areas with higher rents and greater competition.

EQUIPMENT. While it would seem that washers, dryers and other equipment would be a valuable asset, even newer machines in good condition often bring only a deeply discounted sale price.

LEASEHOLD IMPROVEMENTS. These include improvements to the leased premises such as utility infrastructure (plumbing, electrical, natural gas service, etc.), lighting fixtures, partitions and other physical improvements.

SEWER HOOKUP FEES. Depending on the locality, regulatory authorities may or may not require costly one-time hookup fees to the water and sewer system. These fees convey their value to a buyer who wishes to continue operating a business that relies on those same connections.

Sales Multiple

Also known as the *gross income multiplier* method, the sales multiple method is regarded as one of the least accurate methods for assigning value because it fails to take into account the variance in expenses that results in differences in net income among stores of similar gross income. In other words, in the case of two stores with the same income, one may be enjoying a 40 percent profit margin while the other is losing money.

Using this method, the value of a store simply equals its gross income times a multiplier that generally ranges from 1 to as high as 2.5, depending on the local market and other factors.

In addition to the method's inherent weakness in failing to consider the costs of operation, the somewhat oversimplified multiplier of 1 to 2.5 can result in a broad value range that may be less accurate than a multiplier that has been adjusted for various factors that affect an individual store.

Return on Investment

Also called the *income capitalization* method, this method is based on the return on investment (ROI) desired by the buyer—in other words, it is the price an investor would pay that would allow him or her to generate an ROI of X percent. The ROI used in this method typically ranges somewhere between 18 percent and 30 percent for all-cash purchases, with a goal of 25 percent being typical.

Factors such as the regional cost of living and population density can effect what one considers an acceptable ROI in a given market.

Net Income Multiplier

Also called the *profit multiple* method, this valuation scheme is based on the annual net income a laundry generates. Because it accounts for expenses, this valuation method comes closer to accurately reflecting the performance of a specific store. The value is set at a multiple of annual net income.

Again, depending on the market, the multiple may range from 3.5 to 5.5 times yearly net income.

Store Value Multiplier

The most complex and fine-tuned method of arriving at a value of a laundry for sale is the store value multiplier method, which is based on a store's average *monthly* net income, rather than its annual net income.

This method also is known as the *enhanced profit multiple* method because it adjusts a basic starting multiplier by adding or subtracting from it based on the strengths and weaknesses of a store's individual characteristics.

Like the net income multiplier, this method accounts for expenses. But in addition to accounting for those expenses, this method also uses a set value system to add or deduct points from that multiplier based on factors such as the *length and terms of the lease*, the *age and condition of equipment*, the *level of competition*, *local demographics*, the store's *amenities*, the *local cost of living* and other factors. For example, a long lease would add points to the multiplier, whereas a short one would subtract points.

In agreeing on a sale price, the parties to the transaction should anticipate a certain level of disagreement over which factors should be added or subtracted from the multiplier.

This enhanced method often is a preferred choice in very competitive, densely populated markets such as those along the West Coast.

Other Factors

All of the methods laid out above also are to varying degrees subject to a range of other factors that may influence a laundry's value. Those include, but are not limited to, the availability of suitable financing, income from laundry service contracts, neighborhood crime rate, and other factors.

What is the Net?

The more generally preferred methods of setting value rely on net income, and buyers and sellers may have vastly different ideas of how this number is calculated. Part of the art of valuation is deciding how to qualify and quantify the factors used to calculate the net.

On the seller's side for example, owners for variety of reasons may not deduct certain expenses from gross income to arrive at net income. This is particularly true in the case of labor that current owners perform themselves, especially tasks like *accounting, collections, cleaning, maintenance and repair*, which some owners may feel are just a part of operating a laundry rather than a discrete set of expenses.

But prospective owners may not wish to perform every one of those tasks, or perhaps any of them at all. And even if they do, savvy buyers will want to make sure that the cost of this labor is clearly accounted for in any valuation. It is important for buyers to know what labor costs they are about to assume, even if they choose to do the work themselves and not incur a dollar expense under their own ownership plan.

The other complication in basing a valuation on net income is that many laundries are "mom and pop" cash businesses in which the handling of cash may become a bit fuzzy. It therefore is important for a buyer to examine records closely, and to consider the use of the methods discussed later in this paper to verify the accuracy of cash reporting.

Two expenses—*debt service* and *depreciation*—typically are not considered in calculating net income when valuing a laundry.

2 Key Factors

What Are The Factors That Most Directly Impact The Valuation of A Self-Service Laundry?

As already has become apparent in the section above, the truth is that many factors directly affect the valuation of a coin laundry. But perhaps the better question is: *Which are most critically important? Which factors may carry the most weight in sealing or killing a deal?*

Here are a few factors that most experts would put at the top of the list.

Lease

As one industry veteran put it: “The landlord holds the keys.” In the case of a coin laundry, the business literally is bolted to the floor—and in fact dug in under the floor. An owner cannot simply pull up stakes and leave. The cost of other investments such as leasehold improvements and hook-up fees are already sunk into the property secured by the lease.

A long lease guarantees that a buyer will have sufficient time to recoup his or her investment. The longer a buyer is assured of earning income, the more valuable the facility.

As a result, most experts agree that the length and terms of the seller’s lease—and how it compares to an industry standard lease—may have the greatest potential impact on a laundry’s valuation.

Of course, like all other factors, the importance of the lease in valuation must be weighed in relation to the other characteristics of the laundry. It is a single part of the valuation puzzle. For example, a 20-year lease will have more value in a market with stable or improving customer demographics than in an area that is losing renters and/or undergoing gentrification, or in which a buyer might face growing competition from new laundries.

Most industry experts would agree that a lease should have a bare minimum of 10 or 12 years remaining, be assignable to the buyer, and feature options to renew at reasonable terms. A well-priced lease of 15 or 20 years or more will result in a higher valuation provided other factors are positive. Leases shorter than 10 years may contribute little or even no value to the valuation, especially if the lease lacks terms that are amenable to a prospective buyer.

Profitability

It may seem obvious that profitability is an important factor in setting the value of the store, but like a lease, its level of importance must be considered against the other factors that make up the larger, unique context of the particular store in question.

For example, profitability might be of greater concern to an all-cash buyer who desires a higher return on investment to more quickly recoup the cost of the purchase, but of less concern to a buyer who is financing the purchase and sees clear opportunities to improve the store’s earnings over time.

Some prospective purchasers, however, would put profitability at or near the top of their list of concerns, particularly prospective purchasers with no industry experience who may perceive the acquisition of a coin laundry as a “plug and play” investment.

Crime

Most successful laundries rely on a low-income clientele, and unfortunately, low-income areas are the most susceptible to crime. While a lack of crime will not necessarily in and of itself increase the value of a laundry,

the presence of crime can lower the valuation of even the newest, most well-equipped facility—even if that facility does more business than a comparable laundry in a low-crime area.

Other Factors

Depending on the unique circumstances of each store, other factors also may emerge as critical to valuation:

Equipment could prove to be a critical factor in valuation if a store has all new machines.

Demographics, if they are improving, could boost the price of a store which so far has shown only stable but unremarkable income, and drag it down if target demographics are declining.

Competition that is intensifying can depress a valuation if sales trends indicate the laundry for sale is struggling to retain its share of the market.

3 Neutral Factors

What Are Some Characteristics/Factors That Do Not Affect The Valuation of A Laundry?

Many industry professionals would say that nearly everything has—or can have—some impact on a laundry's valuation. But there also are factors which, although they may hold a position of priority in the mind of a buyer or seller, in reality have little meaning when the time comes to negotiate a price.

Price the Seller Paid

The amount of money a seller paid in the past to purchase a laundry has little to do with what the business is worth now. However, some sellers may believe they should be able to sell their business for at least as much as they paid for it, if not more.

Those sellers, however, forget that that a laundry is the sum of its parts, and that its value is based on what those parts are worth here and now within the context of the laundry's present condition, the length and terms of the lease, its current earnings, and how well it is positioned in terms of today's demographics and competition. Just because a seller paid \$300,000 for a laundry 10 years ago does not mean that is what it is worth now.

Owner Operation vs. Hired Labor

Whether work in a laundry is done by hired employees or done by the owner should have little effect on valuation—as long as the cost of an owner's own labor, if he or she provides it, is accounted for in calculating net income.

Ineffective Management

Generally, industry veterans are able to discern opportunities in which basic management improvements can

bolster a laundry's earnings. The fact that a laundry has not been managed in a way that will generate maximum earnings may not add or subtract from its current value—but experienced buyers will have a clearer understanding of how proper management can enhance that business's value in future.

Most veterans of the industry would agree that on a subjective level, almost all characteristics can be construed to affect value, even if only in a minor way.

4 Competition

How Should An Educated Buyer Consider The Quantity and Quality of Local Competition When Assigning A Value to A Laundry for Sale?

Competition can significantly affect a laundry's income potential, and hence its value, depending on the particular characteristics of that competition versus those of the laundry for sale, and the characteristics of the market they serve.

An educated buyer benefits greatly by closely examining the competition, scoring each competitor in terms of its advantages and disadvantages over the store for sale, and then assessing the relative importance of those differences within the context of that particular market to arrive at a value for the store for sale.

Onsite Research

Perhaps the most important thing an educated buyer can do is to conduct a careful, onsite study of each competitor. It is crucial to observe a competitor's laundry in action—close up—by spending time in the facility to assess its layout and cosmetic appeal, do wash, record vend prices, quiz the customers on why they like or don't like the facility, get some sense of how well the store is run, and track how much customer trade passes through the facility on the busiest wash days. In short, a prospective buyer should put the competition under the same level of scrutiny as the laundry that is for sale.

Some brokers who specialize in coin laundries may be able to provide a valuation checklist that also can be used to compare the strengths and weaknesses of competing laundries.

A laundry for sale that is in a weaker competitive position in relation to its competitors will have a lower value multiple, and a more successful competitor will have a higher one.

If the laundry for sale is in a weak competitive position, a buyer with detailed information gleaned from onsite visits of competitors will be better equipped to consider a number of key decisions concerning the laundry for sale, such as:

- The purchase price at which the laundry may still be a viable investment;
- What disadvantages (such as equipment mix) can be changed to improve the laundry's competitive position; and
- What disadvantages (such as poor location compared to a competitor) cannot be altered.

Quality of Competition

“Quality” may include any number of characteristics, including:

AGE AND CONDITION OF MACHINES. Are the competitor’s machines new or old? Are any out of order? Are they in good or poor cosmetic condition? Are they old machines with limited features or newer ones with more advanced options?

MACHINE MIX. How does a competitor’s mix of machines satisfy the needs of the market? A typical low-income market might ideally be served best by large-capacity machines, while a store that serves a clientele of university students or retirees might require the opposite.

LOCATION. Is a competitor located in a safe, brightly lit location, or next to a “questionable” business such as a bar or adjacent to a poorly lighted area? Is there ample nearby parking? Is the laundry visible from the street? Is there convenient ingress and egress from the street?

COSMETIC APPEAL. Is a competitor’s laundry cosmetically attractive? Is the paint fresh? Are the floors and walls clean? Is the interior layout practical and well-lit?

PRICING. How do a competitor’s prices compare to those of the laundry for sale? Do the other characteristics of the competitor—age and condition, location, cosmetic appeal—appear sufficient to support a possible increase or decrease in price?

AMENITIES. How does the laundry for sale compare in terms of additional features or amenities? Are there vending machines, an ATM or games? Internet access? A TV lounge to children’s play area? Is the laundry attended or unattended? Does it have drop-off dry cleaning service?

These various characteristics may assume greater or lesser importance when assessing the competition, depending on how alike or different a competitor is from the laundry for sale. If, for example, both laundries have the same mix of machines of similar age and condition, that aspect becomes less of a competitive factor. But if, for example, a competitor clearly has a better physical location, an educated buyer likely would give that factor greater weight when gauging the competition.

Quantity of Competition

How much competition is “too much”? The answer is: It depends.

CURRENT COMPETITION. All things being equal, several laundries that currently are operating profitably in the same market area may well be able to continue to operate successfully in that market over the long term, so long as (among other things) each maintains consistent *service quality*; *market demographics* remain stable; *pricing and amenities* of the facilities stay relatively on par; *expenses* remain under control; and no *new competitors* enter the market.

However, chances are that—in this example market or any other—the characteristics of competing laundries will be different enough that a close comparison will reveal competitive advantages or disadvantages among

those laundries based on all of the factors listed in the last paragraph, as well as on the characteristics described in the preceding section on *quality*.

These differences in some cases may represent opportunities for an educated buyer. For example, one might correct a *disadvantage* in a laundry for sale—such as changing the machine mix to better meet the requirements of the market—and capture a share of business from a competitor.

A buyer also could leverage an *advantage* the laundry for sale may have over competitors—such as a ample parking and location near a grocery store—by creating marketing to alert the targeted consumers of those conveniences.

POTENTIAL COMPETITION. It is also important for a prospective buyer to conduct sufficient research to see if any new competitors plan to enter the market where the laundry for sale is located, or if a competitor plans a significant expansion or overhaul of a current facility. A buyer should also acknowledge the possibility that a new entrant into the market could acquire a currently underperforming laundry and transform it into a stronger competitor. All of these factors can affect a valuation.

Good sources for obtaining that information in these matters include equipment distributors, other laundries and local building and licensing authorities.

DEMOGRAPHICS. Demographic studies created specifically for the coin laundry industry, such as those available through the Coin Laundry Association, can be of value in gauging competition on two different levels.

First, a demographic study contains data that will help an educated buyer come up with a general estimate of the number of *likely* customers in laundry's service area idea. A buyer can use that information in turn to help determine if the market is underserved, well-served or saturated with competition.

An underserved market could well spell opportunity, whereas a market saturated with tight competition may pressure operators to lower vend prices to keep customers, and/or compel them to make certain capital investments that might have been postponed in a less competitive environment.

Second, a comparison of demographic data over time can indicate whether the target demographic in a laundry's given market—in most cases, low-income renters—is declining, rising or stable.

Existing laundries could reasonably be expected to continue to share available trade in a stable market. On the other hand, while a growing target demographic is good news for existing laundries, a positive growth trend may tempt new competitors to enter the market.

Personally examining the neighborhoods around the laundries in the market area to see where likely customers live also will help a prospective buyer assess how convenient each laundry is to the market's consumers.

5 Run-Down Laundries

Often Potential Buyers Come Upon A “Run-Down” Laundry for Sale. When The Equipment Is Older and/or The Store’s Net Profitability Is Minimal, What Further Considerations Are There for A Buyer In Placing A Value On Such A Laundry?

An older, run-down laundry for sale can sometimes be a tempting target, especially for a novice looking to get into the business with a minimal investment.

In general, however, only a buyer with industry experience and a savvy eye will be able to discern the difference between a money pit and a potential goldmine.

Lacking that sort of experience, a prospective buyer would be well advised to tap the expertise of one or more people who do know the difference—someone like an equipment distributor or coin laundry consultant who serves the area, or a business broker with good credentials and experience in the coin laundry industry. Or even an experienced owner.

‘Cold Leftovers’

The truth is that some of the best coin laundry properties that come up for sale—run down or not—may trade hands among those in the industry without ever being formally listed for sale.

Part of being “in the know” as an owner is understanding which laundries are doing well or not, how market demographics are shifting, what the costs are for maintaining, upgrading and operating a laundry—and who might be selling a property.

Communities of owners and distributors are somewhat like neighborhoods. In an average neighborhood, for example, a person might buy what he already knows is a well-maintained car from the fellow next door rather than acquire a “mystery” one from a used car dealer. What this means to prospective buyers hoping to enter the coin laundry industry is that some of the better laundries in the “run-down laundries market” may already have been snatched up.

This is not to say that opportunities are not available. Buyers, however, should be aware that insiders—in any industry—often have an advantage in acquiring additional properties, and that a run-down laundry that has been formally listed for sale may already have been passed over by those who know the market best.

Key Factors to Consider

WHY? As in purchasing any business, it is critical to know why an owner is selling—but in this case it also is important to know why the laundry is run-down in the first place. The mere fact that a laundry is run-down should raise questions. For example, has the owner let the place go into decline because he did not want to make big investments in the years before retirement? Or has he put off new investments because the laundry’s demographic base is shrinking, or because a huge rent increase is on the horizon?

FUNDING. A buyer who is undercapitalized runs a high risk entering a business that relies on the dependable operation of old equipment. A price that seems reasonable at the time of purchase can turn out to be an overpaid price if a buyer soon has to assume more debt to replace equipment in addition to meeting the debt service on the laundry purchase.

POTENTIAL. In short, paying for potential is a mistake. A laundry is worth only what it is worth at the time of purchase, and a buyer should pay a value based on what laundry is currently doing, not on what it *could* do. Realizing the full potential for a run-down laundry that is not currently earning its keep—assuming that potential is in fact there—requires the investment of time and capital. Buyers should resist the entreaties of any seller or broker who puts too great an emphasis on potential when setting a value. A seller, for example, may attempt to negotiate a price based on the premise that changing out certain machines is certain to boost income. But if the seller is so sure that is the case, the question arises as to why the seller has not already replaced those machines.

LEASE. The lease is always a key factor in setting value, but perhaps more so in a case of a laundry where the equipment is old or the net profitability is minimal. Such a laundry may get the lion's share of its value from a lease if there is a substantial amount of time remaining on it, it is assignable, and the rent meets industry standards. Such a long-term lease also is more valuable in municipalities where permitting and constructing new laundries is limited by statute and/or very costly. If other aspects of a laundry for sale meet the buyer's criteria, the buyer always should attempt to negotiate the best terms possible on the lease, or if the sale includes the actual real estate, the best purchase price.

WATER AND SEWER. This is an important valuation consideration for run-down laundries in areas with high environmental impact fees. Installed water and sewer infrastructure will be heavily factored into the value of older, run-down stores in municipalities where it may cost as much as \$10,000 per machine just to hook up to the local water and sewer system. When compared to the cost of building a new laundry—which can require the payment of fees totaling hundreds of thousands of dollars—buying an established facility, even a run-down one, rather than building a new one can make financial sense if other factors are positive. Consequently, knowing how local regulations affect infrastructure is an important consideration in valuation.

EQUIPMENT AND MECHANICAL INFRASTRUCTURE. A laundry that is run-down but appears to be functional and turning a profit may contain many faults that are out of sight, and there may be repairs which—while they may have kept the laundry limping along in the short-term—soon will fail. A run-down laundry means run-down machines and often run-down mechanical infrastructure, but the real question is: *Just how run-down is it?* While no one expects an older, run-down laundry to be perfect, there is a vast difference between one where machines and mechanical infrastructure have received regular service and maintenance and one where an owner has done only the bare minimum.

Machines are expensive to replace, and rehabbing pipes, wiring and walls can run an average of \$60 to \$75 per square foot. Where maintenance has been poor, a buyer can expect to begin incurring those costs immediately, and should include that in the valuation. Where service and maintenance have been done more conscientiously and old but clean machines continue to hum, a buyer might expect to refurbish the purchase

on a less emergent schedule, and account for that in the value. “Looking under the hood”—examining maintenance records, removing the panels of machines, looking into ductwork and examining pipes and wiring—will help a prospective buyer determine the true condition and value of an older facility.

COMPETITION. Generally speaking, there are two sides to the coin when it comes to competition and a run-down laundry. On one hand, if the laundry competes against newer, better facilities that hold many advantages in the market, the buyer will have to anticipate making significant investments in the run-down laundry to transform it into a viable competitor so it can obtain its fair share of the market. In that case, competition becomes a major factor in valuation.

On the other hand, if the run-down laundry for sale competes against nothing but other run-down laundries, competition could assume less importance in valuation. At the same time, if all the competitors in the market are run-down laundries, a buyer with sufficient capital could quickly re-equip and update the laundry, catch the competition off guard, and pull customers away from those run-down competitors. In such a case, an educated buyer who sees a clear opportunity might be willing to pay a higher price to acquire a particular run-down laundry.

A third situation also exists in which a prospective buyer currently operates a laundry in the same market as the run-down laundry for sale. Such buyer faces the dilemma of whether to buy the laundry and “become their own competition,” or to risk letting it fall into the hands of another buyer who may re-equip it and turn the laundry into a stronger competitor. Such additional incentive to buy a laundry could also affect the valuation.

SIZE. When it comes to laundries, size often matters. Older run-down properties often are smaller facilities that turn smaller profits. By comparison, a bigger laundry with more machines will produce a level of profit more likely to cover the cost of overhead, and to recoup the cost of the acquisition, equipment purchases and leasehold improvements. Buyers should acknowledge the income-generating limitations of smaller laundries in assigning their value, particularly when there is little or no possibility to expand.

CLOSURE. A run-down laundry that is shuttered or repossessed is particularly problematic. With no customer traffic, no income flow to examine, and little or no clue of what works and what doesn’t, such a laundry’s worth often is reduced to intrinsic value. And if equipment is old, it may bring little or nothing in terms of resale to help fund replacement machines. Moreover, a buyer likely will have to endure a much longer period of time before gaining profitability while he or she rebuilds the store’s trade.

6 Mistakes

What Are The Most Common Mistakes Committed By Buyers and Sellers?

Buyers

Lack of Experience

Jumping into the coin laundry business without industry experience—and without seeking guidance from industry professionals—can set the stage for a multitude of errors when buying a store.

Coin laundries for sale attract the attention not only of experienced owners, but also of a broad range of prospective buyers from outside the laundry community.

For example, coin laundries increasingly have drawn the interest of affluent professionals who are looking for an investment vehicle that provides a higher rate of return than income-generating securities and other financial instruments. These buyers are not looking to buy and operate a business so much as secure a higher, steady return on investment.

The field of prospective buyers today also includes a growing number of Baby Boomers for whom running a coin laundry may appear to be the perfect “retirement job.”

And of course, many seeking to buy a coin laundry simply are looking to own their own business and be their own boss.

Buyers like these are far less likely to have experience in the industry, and some may have only the most rudimentary business skills. As a result, most of these would-be owners would benefit by taking the time to learn all they can about the business before jumping in as buyers. A membership in the Coin Laundry Association and/or state or regional organizations can provide a novice with access to a wide range of learning resources and industry expertise.

A prospective buyer who has done preliminary research into the industry—before seeking to buy a laundry—will have a much better idea of what he or she is getting into, and will enter the fray as an educated buyer who understands the valuation process rather than as a rank amateur who spends too much for too little. Many of the mistakes discussed below occur with greater frequency among new market entrants, particularly those who have not done their homework.

But even with some decent “book-learning” under one’s belt, a novice is well advised to work with a credentialed laundry broker or consultant, who typically will have a better understanding of the value of comparable properties in the local market the new buyer seeks to enter, and who will be able to provide expert counsel throughout the purchase process.

Rushing into a Purchase

“Haste makes waste” is more than a cliché in a laundry sale. A buyer who has money in hand often may be in too much of a hurry to spend it. While it’s true that funding in hand will not begin making a return until it is put to work, using it to purchase the wrong property—perhaps at too high a price—can produce a much worse outcome, one that the buyer will be forced to live with.

Failing to take the time to think a purchase through can prove deadly over the long term. Even a fairly priced laundry can turn out to be a problem for someone who buys too hastily. For example, a laundry may satisfy every financial and operational measure to justify the sale price, but if that laundry is located an hour away from a new owner, that owner may quickly learn that the store might as well be on the other side of the country when the coin changer comes up empty during a Friday evening rush hour. A laundry that is priced right for a buyer who lives next door to it may well be “overpriced” for one who lives 15 miles away.

Due Diligence

Prospective owners who are eager to buy a business sometimes speed through due diligence. This poses a particular risk for someone new to the industry, and/or for a buyer who makes the purchase directly from a seller without having the transaction properly vetted by an industry professional or professionals.

In addition to retaining the normal legal and financial counsel to aid in the transaction, the buyer—depending on his or her experience—may need to obtain the assistance of a broker or consultant with industry expertise to examine income statements and tax returns, review the lease and utility bills, examine competition and demographic trends, and dig for facts and information that may have been overlooked or omitted by the seller. Which leads into the next issue ...

Trusting Too Much

Income statements, expense records and tax returns may bolster a seller's case for the asking price, but they do not provide unimpeachable evidence of a store's earnings. All of those numbers come from a single source—the seller. Buying a coin laundry is a costly investment, and while most sellers may be honest, a buyer does not want to fall victim to the one who is not.

Moreover, the coin laundry business, as the name indicates, is by and large a cash business, which by its nature can invite a certain amount of laxity in the handling of cash.

That's why *income verification* is crucial to the due diligence process. That means examining numbers that do not lie—such as water and electric bills and meter readings. And counting out cash from the boxes alongside the owner to corroborate the income numbers in the records.

But those methods of income verification are not foolproof either. Most laundry brokers have come across at least one seller who has inflated numbers for prospective buyers by “salting” the boxes with extra coins, running water down the drain or into the alley, running machines in the middle of the night, or calling in every available relative to do wash. That's why many laundry experts recommend “staking out” a facility to make sure that what the buyer sees in the seller's records is what he or she will get after the purchase is made.

An educated buyer bolsters due diligence by putting the laundry for sale “under surveillance” for several weeks. Under the most ideal circumstances, that means having oneself or someone inside the laundry *recording machine usage* during business hours, as well as parked outside when it is closed to make sure no one enters to game the system. It means *recording water and electric meter readings* for the period and comparing them to prior months and the prior year to look for inconsistencies.

This helps the buyer verify that the cash one counts is in fact the cash that customers put into the machines over the observed period. And it allows a buyer to compare actual observed usage of machines with the income an owner has been reporting, as well as with the usage of water and electricity that appears on utility bills. A solid two weeks of close observation will provide the numbers a buyer can use to justify the seller's asking price, or to come up with a lower valuation.

While these measures might seem to be overly cautious, an honest seller with nothing to hide should have no objections to them. Such measures are especially justified when purchasing a high-volume store. Many laundry brokers and consultants have their own checklists and methodologies for conducting income verification studies.

Labor

Some new buyers may not take a close enough look at labor. “Self-service” does not mean a laundry operates on its own. Because many coin laundry owners own only one or two stores, and because many tend to be do-it-yourselfers, some sellers may fail to accurately report their own labor among a store’s expenses, or perhaps neglect to include it altogether. A buyer should know who cleans the laundry, fills the change machine and performs other tasks an attendant might perform. Some owners also may repair their own machines. All of the labor costs should be accounted for in an accurate valuation.

Lack of Capital

A novice buyer may underestimate the cost of maintaining a laundry. If a buyer has entered the business without the “rainy day” capital sufficient to handle surprises, it generally indicates that he has bought in over his head. He has paid too much in the sense that he has bought a laundry that he will not be able to operate at maximum earning potential in the near term.

Lease

Net income, age and condition of equipment, demographics and other concerns are all critical to valuation, but they may count for naught depending on the length, cost, terms and conditions of the lease.

While the things one can see—equipment and physical infrastructure—are very important, their ability to generate income are subject to a few lines in a document that dictate for how long and at what cost.

One critical question in valuation, for example, is whether the lease is a *gross lease*, under which the lessee simply pays a set rent for a set period; or a *net lease* under which the lessee must also pay other expenses. In a shopping center, for example, a lessee may have to pay a pro-rated share of the center’s property taxes, insurance and common area maintenance costs. Buyers who fail to make a close examination of a lease do so at their peril.

Pricing

A buyer who factors price hikes into the amount they will pay for a laundry needs to take a close look at competitors’ pricing before proceeding any further. If a buyer does not have a valid reason for raising prices—for example, after upgrading equipment or improving the customer experience by adding a lounge area—a buyer could well price themselves out of the market after they have bought the store.

Re-Imaging

While a buyer might be able to remake the reputation and increase the profitability of an otherwise acceptable laundry that has suffered from bad management, poor cosmetic upkeep and out-of-service machines, that buyer needs to factor into the purchase price the time it will take to win back customers. A good cleaning, a

coat of paint, some repairs and a smiling attendant will only go so far. A buyer needs to realize that it could take a good six to 12 months of effective promotions to bring a reliable flow of customers back through door.

Customers

An educated buyer needs to know what sorts of customers are contributing to the bottom line. It is one thing if income is all from walk-in trade. But if a laundry is gaining part of its income from commercial accounts or drop-off dry cleaning, a buyer needs to explore those business arrangements to see if they will survive the transaction, and factor the findings into the valuation. In the case of commercial accounts, if the seller owns other laundries, the buyer also may want to obtain a non-compete agreement from the seller to prevent the seller from taking the commercial accounts with him.

Sellers

Planning

Some sellers do not plan the sale of their laundry far enough in advance. As a result, buyers often do not see the laundry—meaning both the facility itself and the back-office operation of the laundry—presented in the best possible manner to gain the best valuation.

Unfortunately, some sellers are compelled to sell a laundry quickly for reasons beyond their immediate control, such as a sudden need for cash, or a life event such as the illness or death of the owner. In such cases there is little time to do much more than to make sure machines are running and the laundry is clean.

However, if an owner is offering the laundry for sale as part of a longer-term plan to exit the business or enter retirement, the seller should invest the necessary time and/or money if she or he hopes to obtain the highest possible sale price.

Sellers miss out on the best opportunity to maximize the sale value of their laundries when they do not plan ahead and implement the improvements that are necessary to market their business in the best possible shape. Some of the ways a seller can prepare to gain the best price from an educated buyer are outlined in *Section 8* later in this paper.

Sale Price

Sellers often simply are not realistic and ask too much for their stores. A seller may remember all the time, money and sweat he or she has expended in running the laundry over the years and want it to be reflected in the asking price. Or a seller may think that he should get at least what he paid for the laundry 10 or 15 years earlier, even if the store's condition has deteriorated or market demographics have declined.

Most brokers agree that setting a sale price too high generally will result in a laundry remaining on the market for a longer period of time, which may only serve to convey the impression that there is something else wrong with the facility.

Experience

Many sellers buy a store one time in their laundry career and sell a store once in their career. Unless they

have a high level of broad-based business experience, they may run into problems if they attempt a “sale by owner” transaction.

That is not to say that many owners do not successfully sell their own stores on a do-it-yourself basis. But knowing the laundry business as an owner may not prepare a seller to calculate a valuation that is both fairly priced and which leaves nothing on the table—much less manage all the legal and financial aspects of a large sales transaction with a high level of confidence that everything is being done correctly.

That is why it is important for many sellers to sell with the assistance of people who know the market and have contacts throughout it—such as a broker, distributor or consultant—and if possible to use legal and financial professionals with experience working on coin laundry transactions.

Gaming the Sale

Brokers agree that the worst thing a seller can do is to try to inflate the valuation of a laundry by intentionally fudging the numbers for things such as net income and utility usage. In addition to being unethical and perhaps illegal, nearly all of the tactics used to inflate value can be revealed through thorough well-conducted due diligence.

7 Brokers

What Are The Advantages/Disadvantages to The Seller In Using A Broker? To The Buyer?

One can hardly argue against using an expert in a coin laundry transaction, and a broker is such an expert. As in any industry, the key is to find an expert who is reputable and experienced and who knows the nuances of the industry.

Finding a Broker

In a best-case scenario, a broker should have specific experience in coin laundry transactions and know how the industry works—perhaps with experience as an owner or a distributor—and be well acquainted with the market in which a particular laundry is located.

Industry organizations such as the Coin Laundry Association and state and regional groups that serve the coin laundry business are good sources of information on where and how to find the right broker, and on what qualifications and certifications a good broker should have.

A seller or buyer who wishes to forgo the use of a broker, but nonetheless wants a mediated transaction, also could retain the representation of other professionals—for example, an attorney who has done a number of coin laundry sales, a distributor with brokering experience, a consultant or funding professional who serves the coin laundry industry, or an owner with experience buying and selling laundries.

Sellers

Advantages

ACCESS TO BUYERS. Brokers receive many inquiries from prospective buyers looking to purchase coin laundries. Consequently, they have buyers in the wings waiting for the right opportunity. So when a sale comes up, a broker may already know one or more buyers who may be the best match for the particular laundry that is for sale.

MORE EDUCATED VALUATION. A broker who specializes in coin laundries and/or who has had extensive experience selling them is familiar with the business, understands how to assess the characteristics of a store to calculate its value, and knows the value of many *comparable properties* sold in the market. A seller who retains an experienced coin laundry broker will go a long way toward minimizing guesswork in setting a valuation. Moreover, a good broker will not let a seller set a price that is too high.

PREPARATION AND PRESENTATION. A broker knows the market and knows what buyers want to see in a laundry. Before the laundry goes on the market, an experienced broker can inform the seller of potential weaknesses in the business from a buyer's perspective, suggest ways to address those problems, and generally advise the seller on how to prepare the business for sale at maximum value.

OBJECTIVITY. A broker can bring a certain objectivity to a valuation—objectivity that an owner who is deeply involved in the day-to-day operation of the business may not be able to muster. A broker can provide an honest assessment as to the quality and condition of the laundry, as well as provide the seller with a reasonable idea of what price he or she is likely to realize from the sale.

HIGHER PRICE. Sellers may get a higher price for a laundry through a broker, who typically has access to a larger pool of prospective buyers, and who is more practiced at encouraging and managing competing bids for a properly priced property. If selling in a robust coin laundry market, the broker will know enough about the market to set the “right price” to spark a robust round of competitive bidding which, if managed properly, may bring a better sale price than a seller may have gotten selling it on his or her own and setting the price independently. Moreover, a good broker typically will discourage a seller from trying to price a laundry above its fair market value, which may cause it to languish on the market.

QUALIFIED BUYERS. As in many businesses, there are some buyers who bid on anything and everything, some who are not financially qualified to complete a purchase, and some who wish to impose too many contingencies. Part of a broker's job, in addition to trying to obtain the highest price, is to do the first analysis of offers in order to winnow out the most serious and most qualified buyers. A broker can perform this task much more quickly and efficiently than the seller can and—especially in the case of multiple offers—this relieves the seller of the time-consuming job of doing the initial qualification of buyers rather than focusing on the business.

FREEING UP THE SELLER. To get the best price, a laundry should “look its best” both cosmetically and operationally during the time it is on the market. By retaining a broker, an owner is freed up to focus at the most critical time on the business to make sure it looks and runs the best for prospective buyers.

SMOOTHER TRANSACTION. A broker who sells laundries for a living knows not only how to properly value a laundry, but also how to shepherd the deal through its legal and financial aspects. The broker knows how to “marry together” the buyer’s and seller’s attorneys, and where to obtain and how to deal with industry financial professionals. From past sales, a good broker also already knows people in the legal and financial communities who have worked on coin laundry sales who can be brought into the transaction. All of these things can help minimize snags and help a sale go more smoothly and expeditiously.

Disadvantages

COMMISSION. The main disadvantage is that a broker typically takes a 10 percent commission on the sale. But that cost has to be weighed against all the gained advantages of using a broker. Moreover, a reputable broker generally will work to obtain a sale price that covers the commission as well as provides a fair return to the seller.

Buyers

Advantages

ACCESS TO SELLERS. Just as sellers get access to more buyers by using a broker, buyers get access to more sellers. And the wider the net is cast, the greater the opportunity to find the right buyer at the right price.

SELLER PAYS. The seller typically pays the broker. That means that the buyer has the “free” ability to use the broker to search to match him or her with the right property.

INFORMATION. While the broker may not help the buyer analyze the laundry for the buyer or guarantee the accuracy of the information the seller provides, a good broker does collect and assemble the seller’s information for presentation to buyers.

TIME SAVINGS. A broker can help a determined buyer search through all available listings, as well as apprise the prospective buyer of the availability of laundries as they come on the market. This can speed up the search process and cut the time it takes to find the right property.

Disadvantages

HIGHER PRICE. A buyer may pay a higher price for a laundry that is handled by a broker because the broker is attempting to get the best price for the seller. Moreover, a formally listed property may draw more bids and possibly increase the price. But in the case of a desirable property that has been listed through a broker, there may be no other way for the buyer to acquire the property.

POTENTIAL CONFLICT OF INTEREST. In most cases, the broker represents the seller. Although good brokers may attempt to serve as a dual representative as much as possible, the first allegiance of a broker naturally is to the seller who pays the commission, a fact that a buyer should recognize.

In sum, a broker can provide a valuable service in the purchase and sale of a coin laundry by connecting a large pool of sellers and buyers, connecting the right seller with the right buyer, helping to manage the legal and financial aspects of the sale, and otherwise contributing the professional expertise necessary to ensure a smooth and efficient transaction.

8 Preparation

How Can A Seller “Prepare” to Sell At Maximum Value to An Educated Buyer?

Ideally, a laundry for sale should look and operate at its best when it goes on the market. If a laundry is properly prepared for sale, buyers will see what they hope to see when they walk into the business and when they examine the books.

A laundry should be “staged” to obtain a top sale price in much the same manner as realtors stage houses for sale. The laundry should look as bright, clean and well maintained—and its records as straightforward, complete and accurate—as they ever have.

But in the case of many laundries, that may be easier said than done. It can take a long time to prepare a laundry so it is truly “ready” for sale.

In fact, most industry experts say that most owners contemplating sale should try to begin the preparation process a minimum of two years in advance

Records

Records often are a laundry’s Achilles heel when the time comes for sale, according to most industry experts. That is why those experts advise owners to make sure they keep meticulous books—if they have not done so—beginning several years in advance of an expected sale. The more detailed the records, the better. A seller can command a higher price if he or she can present accurate, detailed records on all aspects of the operation—such as how much it costs to run each machine, and how much income each is generating—and a buyer will be more comfortable in paying that premium.

NET INCOME. Because coin laundries are in large part a cash business, there is an inherent risk that an owner may have been lax in accounting for all of that cash. When a laundry’s financials do not reflect actual income, it not only can have a negative effect on valuation, but also may cast doubt on the laundry’s other numbers. It also is important to make sure to account for any other income that may come from various non-laundry vending on the premises, and services such as wash-dry-fold.

EXPENSES. Sellers also need to make sure to account for every expense, because an educated buyer will dig out any that are unaccounted for, including:

LABOR. To properly prepare financials for a laundry for sale, an operator needs to begin accounting for any off-the-books labor—whether it is his or her own unpaid work cleaning the facility or maintaining or repairing machines, or labor for which money typically has been paid out and not recorded.

MAINTENANCE AND REPAIRS. Sellers should keep accurate records on what it costs to keep each machine in the laundry operating. In the buyer’s eye, meticulous repair records can serve as an indication of the seller’s stewardship of the store.

UTILITIES. An educated buyer and/or a buyer's representative can and often will examine water and electric bills, as well as current usage, and compare it with a laundry's financial records and equipment mix to verify the business's claimed income. Consequently, it is in sellers' best interest to keep an accurate record of utility usage.

Physical Premises

An educated buyer knows that the cosmetic appearance of a laundry is key to the customer experience. All things being equal, a clean, well-lit facility will draw more traffic than one that is not. A seller is well-served by making sure that a facility shines when it goes on the market.

A seller can do simple things—paint and repair walls and bulkheads, replace tile or upgrade lighting—to bolster the appearance of a store.

But sellers also should make sure that the things “around the edges” are attended to as well—a bright and clean bathroom, for example, and a clean and attractive storefront.

Equipment

A savvy buyer also will want to see what is going on under the surface. The value of having all visible surfaces bright and shiny will lose its luster if a buyer removes machine panels to discover a world of collected dust and grime, or finds that vents have not been cleaned.

Prior to a sale, problem machines should be replaced and the remainder should be kept clean, well serviced and in good repair. As noted above, each machine should have records that document service, repairs and usage.

The seller should use the years before a sale to attend to any deferred mechanical maintenance. Pipes, wiring and the water heater all should be in good repair.

Lease

One thing a buyer can do to greatly improve the value and marketability of a laundry in the years immediately preceding the sale is to renegotiate the lease with an eye to selling the business. That means negotiating a long lease with terms that allow it to be easily assigned to the new laundry owner.

Customer Base

To get the best price for a laundry, a prospective seller should make an effort to ramp up the laundry's income in the years before the sale. There are a number of actions that can aid in that goal. In addition to the pursuing the repair and cleaning efforts described above—which also help to provide a cleaner, more comfortable environment for customers—an owner can work on pulling in more customers by conducting more marketing efforts and promotions, and providing exemplary customer service.

As noted, preparing a laundry to sell at top price takes planning and preparation. But every repair and improvement serves to reassure prospective buyers of the laundry's quality and value, and increases the owner's ability to ask a higher selling price.

9 Due Diligence

To What Degree May Due Diligence Discoveries Add or Subtract From The Valuation Of A Laundry?

Records

As has been touched on elsewhere in this paper, the fact that a coin laundry is primarily a cash business means that numbers on a spreadsheet may not always match a store's actual cash income.

Because of this inherent element of doubt, most educated buyers find it only prudent to approach a laundry's income figures with a certain amount of skepticism, and to verify them as part of due diligence by ensuring that those numbers make sense when compared to the facility's utility usage and other expenses.

The best scenario a buyer can hope to encounter is one in which the seller—with an eye to sale—has prepared accurate, complete and verifiable records that document everything about the laundry. That includes income and expense statements, tax records, information on leasehold improvements, and detailed records for machine purchases, repairs and maintenance.

Such records make the process of due diligence easier and faster for the buyer, increase the buyer's confidence and comfort level, make the seller look more professional, and help justify the seller's asking price. Were several similar laundries for sale in the same market, a laundry with meticulously kept records and verifiable income may even merit a slight premium over others which do not.

On the other hand, a laundry with records that are incomplete and/or contain elements that are not easy or impossible to verify—or worse yet, through due diligence reveal a lack of candor on the part of the seller—can lower a prospective buyer's confidence, shave dollars from the laundry's valuation, and perhaps even sink a deal altogether.

Income and Expenses

Due diligence that verifies the seller's financials may not necessarily increase a valuation, but it will help to substantiate a seller's asking price.

On the other hand, a valuation can be negatively affected if the results of due diligence swing in the other direction. That's because what may seem to be relatively "small" differences in what the seller presents for income and expenses can add up to a lot in terms of a laundry's valuation if those figures are not accurate.

For example, suppose a buyer were using the net income multiplier method described in Section 1 to arrive at a valuation, and in assessing a particular laundry for sale, arrived at a multiplier of 50 times monthly net income.

Suppose the seller reported a monthly gross income of \$10,000 and monthly expenses of \$6,000, resulting in monthly net income of \$4,000. Applying the net income multiplier (50 x \$4,000), the buyer in this case would value the laundry at \$200,000.

But suppose due diligence revealed that the seller's monthly gross income was not \$10,000, but rather \$9,500, and expenses were not \$6,000, but instead \$6,500. In that case, the true net income actually would be only \$3,000. Now applying the same multiplier (50 x \$3,000), the buyer would calculate a valuation of only \$150,000—a \$50,000 difference.

Clearly, careful due diligence concerning financial statements can significantly affect a laundry's valuation.

Age and Condition

A laundry's machines, water heater and installed mechanical systems are all part of the business's basic intrinsic value.

An educated buyer will closely examine the condition of machines and mechanical infrastructure, ideally engaging a service technician to examine each machine, and employing others as necessary to assess any plumbing or electrical issues. A savvy buyer may also query the firm that sold and/or maintains the machines in the laundry to collect additional information about the laundry's general condition and how it compares to others in the market.

If a seller has not addressed any outstanding maintenance and repair issues before offering the laundry for sale, he or she should expect the valuation of the business to be negatively affected to some degree by any deferred issues a buyer discovers through due diligence.

Lease

The lease certainly plays a role the valuation of a laundry. The reason is simple: A 20-year lease guarantees a buyer twice the amount of time to recoup an initial investment and generate income than does a 10-year lease.

The length and terms of the lease will factor into the initial determination of value before the laundry is offered for sale, and can re-emerge as an issue during due diligence if some aspect of the lease was overlooked or misrepresented by the seller, or if the lease has only a short amount of time remaining. In that case, a determined buyer may attempt to bargain for a lower price if his or her concerns are not otherwise satisfied, for example, through a renegotiation of the lease to accommodate the buyer.

In short, it only stands to reason that if a seller believes certain factors are important enough to be considered in assigning a value to a laundry for sale, they should anticipate that a buyer will expect those same factors to stand up to the scrutiny during due diligence—and should be prepared to renegotiate the asking price if they do not.

10 Real Estate

When A Laundry Is Available for Sale And Includes The Real Estate, What Impact Does This Have On The Valuation Process? Does The Opportunity to Purchase The Real Estate Add A Premium to The Value Of The Laundry?

Laundries today by and large continue to be operated on leased premises. At the same time, most industry experts would agree that owning the building that houses a laundry provides a clear advantage to the laundry owner insofar as it alleviates concerns over a lease. In that respect, most experts say, there is a perceived additional value from an owner's perspective, but not one for which a typical buyer is prepared to pay a premium.

SEPARATE VALUATION. Generally speaking, brokers in most areas of the country seem to agree that in the case of a "dual purchase," one should determine the values of a laundry and the building/property where it is located separately from one another—the first as a laundry business, and the second as a piece of revenue-generating real estate—and then simply combine the two numbers to arrive at a total value.

OWNERSHIP ADVANTAGES. At the same time, in certain cases the benefits of owning both laundry and real estate together may be great enough to justify paying a premium to acquire them in a single deal.

In fact, the trend among some of the larger coin laundry operators is to own both. That's because by controlling the business and the real estate, one has opportunities as both laundry operator and landlord. Should one decide to sell the business but keep the real estate, one can lower the rent to increase valuation of the laundry for sale, then continue to collect rent as a landlord and perhaps raise it later.

A buyer's specific business plans coming into a deal also could increase the value of a laundry with real estate for a particular buyer. For example, an investor intent on rehabbing a laundry to improve its earning potential—and then selling it and collecting a higher rent as a landlord—might pay a higher price to realize that opportunity.

Such a landlord-operator also would have the option not only to sell the business, but also to finance the purchase for the buyer and collect a healthy interest on the loan in addition to rent. And in the case of a default, the landlord would resume the ownership and operation of the laundry.

REGIONAL CONDITIONS. Market and real estate conditions in certain areas of the country—typically on the East and West Coasts—also may dictate whether or not a dual sale is desirable and/or commands some sort of premium. For example, a freestanding laundry for sale with property is a rarity in certain areas of California, and a seller might well command some sort of premium for the combined package over what the business and property might bring if offered separately.

It is important to remember that these all are only general scenarios. Whether or not a seller can expect a premium for a dual sale is unique to each particular situation, and subject to the intentions of the buyer. At the same time, as one industry expert noted, if one evaluates the building correctly and the business correctly, one should have reached the maximum valuation of the combination in any event.

Summary

As noted throughout this paper, a valuation relies on exact numbers and objective data, as well as on generalized information and subjective judgment.

This marriage of science and art, while it may seem like an unlikely combination, has proven over time to provide the best approach to addressing the basic challenge of laundry valuation—that is, that no two laundries are exactly alike, nor are the micro-markets they serve.

Moreover, no two owners or buyers are exactly the same. Their earning goals, management styles, main interests and concerns, and reasons for being in the business all may vary from individual to individual.

Consequently, the method of valuation one chooses, the time and place in which it is applied—and the manner in which the results are interpreted in a financial, localized and even personal context—render what is in the end a highly nuanced valuation.

The key to the successful use of the valuation process is to acknowledge that it does not produce a valuation that is cut in stone, but only one that serves as a starting point from which a buyer and seller can begin to seek common ground.

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