

How to Purchase a Gas Station

Purchasing a gas station involves a complex decision-making process. You need to investigate the location carefully and work with a commercial real estate broker to identify a strong business. Consider all the practical and financial...

Part 1 of 5:

Exploring Neighborhoods



Study the traffic flow. When you first get the idea to buy a gas station, you need to become familiar with the location. Drive around the neighborhood. Study the traffic patterns and get to know the busy intersections. Look for locations that are likely to have a lot of travel and draw customers from local business.^[1]

2.



Talk to the police. Visit the local police station and find out about crime or other activity in the area of your prospective business. Ask about the history of criminal activity at that particular gas station or at other similar business in the area. Find out how active the police are at patrolling that neighborhood.^[2]

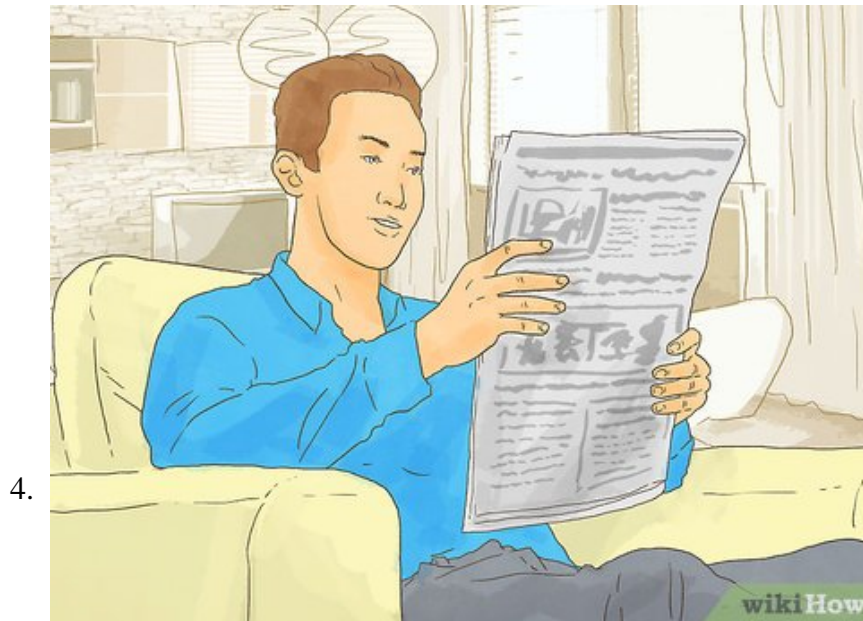
1. To ensure that you get full attention, you should call the police station ahead of time and ask to make an appointment with someone. This will work better than just dropping in unannounced.
2. In some jurisdictions, you may be able to review local police activity on the police department's website.

3.



Visit the Chamber of Commerce. The Chamber of Commerce exists to help local business communicate with each other and share their successes. Visit the Chamber of Commerce and ask about the strengths and weaknesses of the community. You should be able to find out if new businesses are growing or closing in the area. Even if you cannot schedule a meeting in person, visit the chamber's website and learn what you can.^[3]

1. From a chamber's website, you can learn about community activities, charitable donations, and business involvement in community leadership.
2. The Nashville Chamber of Commerce, for example, has a special section of its website dedicated just to relocating in the area and starting a new business.^[4]



Read the local newspaper. Visit the public library and read through several weeks or months of the local paper. Look at the police 'blotter,' a common article that reports police activity in town. Look for stories of crime against gas stations. Look for information about growth or decrease in the local population. Try to get a feeling for the community's attitude toward new business.^[5]



Visit as a customer. After you have narrowed down your options, visit the station you are thinking of buying. Notice all the details. Is it easy to enter the station or is the traffic pattern difficult? Is the layout of the pumps easy to maneuver? Keep in mind that some things may be easy to change when you take over, but some things may not, or could be expensive.^[6]

1. For example, cleaning up the bathrooms and repairing fixtures would be a relatively small cost. However, if you find that the plumbing does not work at all, you could be in for a serious unexpected expense.

Part 2 of 5:

Using a Commercial Real Estate Broker

1.



Search online for a commercial real estate broker. Run a search for 'commercial real estate' in the location that interests you. You should find listings for several commercial real estate brokers. Review their websites to see the kinds of properties they handle. Find a company that specializes in retail businesses, and particularly gas stations if possible.

2.



Look at the agency's other listings. If most of them appear to be office spaces, that company is probably not for you. They might be able to handle a gas station, but it won't be their specialty. Find a company that seems to show several similar businesses.

1. For example, in the St. Louis, Missouri, area, A&M Realty, Inc., lists several gas stations and convenience stores on its website. This is probably a company that will be able to help you (in that area).^[7]

3.



Meet with a real estate broker. When you find an agency that looks like it can help you with commercial properties, call to schedule an appointment with a broker. Meet with the broker and ask questions about what the agency can offer you. In particular, you may ask some of the following questions:

1. 'How familiar are you with this community?'
2. 'How many sales of gas station businesses have you or your company been involved with in the past year?'
3. 'What special concerns do I need to think about when buying a gas station?'
4. 'What can you or your agency do to help me with licensing and other state regulations?'

4.



Explore the agency's support services. Find out what the real estate agency can do to help you. There is much more in buying a gas station business than just looking for a property. You will want a real estate agency that can help you analyze the market, look at the business's financial records, and understand the community.

1. For example, in the Boca Raton and Tampa, Florida, areas, the Commercial Florida agency offers such strategic services as:^[8]
 1. site selection
 2. feasibility studies
 3. market forecasts
 4. demographics
 5. research services

5.



Visit available properties. A commercial real estate broker should be familiar with the available gas station properties in the area. Ask the broker to arrange visits, so you can tour the facility and speak with the owner or business manager. When you visit, look at the facility, the structure of the buildings, the traffic patterns, and the location of the pumps. Ask to see the company's sales records and financial accounts.

6.

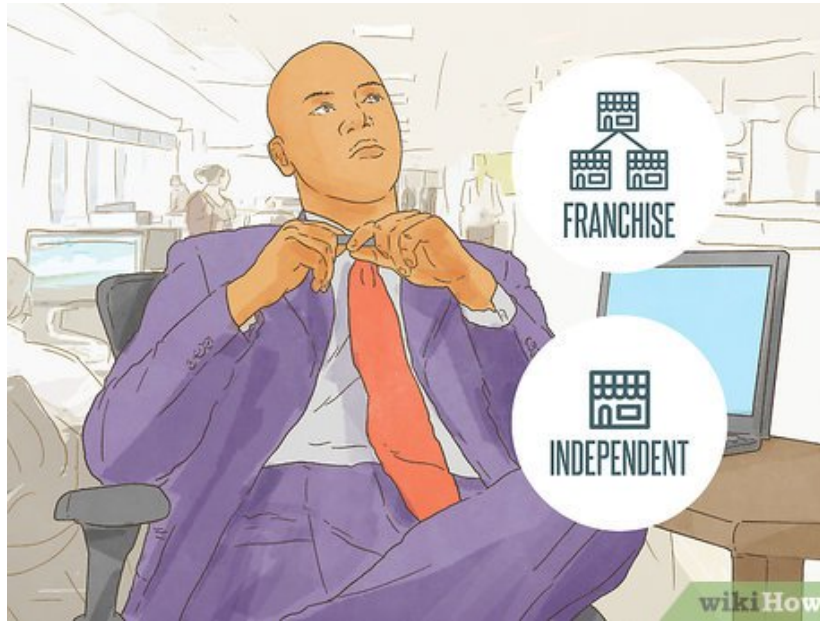


Investigate the convenience store. Many gas stations contain convenience stores or sell some additional items. Gas stations generally make more profit from their convenience store than from the sale of gas alone. Check out the kind of store, the number of products sold, and its overall cleanliness and appearance. These will all be indications of a successful business.^[9]

Part 3 of 5:

Buying into a Franchise

1.



Consider the value of the name. Buying a franchise, as opposed to an independently owned station, comes with the value of a recognized name. Whether you look to buy a Shell, Sunoco, Texaco or other name, you automatically become part of a recognized brand. That brand adds value to the station itself and will likely attract some level of business to your station.^[10]

2.



Review the protections from the company. When you buy into a franchise, the national company will provide certain legal protections. This can be a big advantage of buying a franchise business rather than an independent gas station. If you buy an independent station, you may be left on your own.^[11]

1. One of the biggest concerns of owning and operating a gas station business is the threat of tank leakage and environmental damage. Most franchise purchases will protect you in such cases. The national company will often take on the responsibility.
2. You will need to read the franchise agreement very carefully to make sure that you fully understand your liabilities and those of the national company.

3.



Explore the future fees and costs of a franchise. Buying into a franchise carries the benefit of a well-known name and some financial protection, but you will be responsible for substantial fees and other financial expectations. Read the franchise agreement carefully to know what these are. Learn the requirements of owning a franchise before you buy the station.^[12]

1. For example, you will likely be required to purchase your gas from the company's own designated suppliers, at their chosen prices.
2. You will be required to pay for insurance for the company's pumps and other fixtures. #*You will likely have to pay regular franchise fees.

4.



Investigate potential competitors. If you buy into a franchise, the national company may have the right to approve other franchises very close to your own location. While you cannot control or limit all competition, you don't want competition coming from your own brand. You should negotiate this point before buying into a franchise and try to set as wide a radius as possible.^[13]

Investigating the Risks

1.



Test the soil under and around the property. Once you buy the property, you will become responsible for any environmental hazards it contains. You need to find out about these hazards before purchasing. You have to determine whether the gas tanks are leaking or have leaked anything into the soil that you may have to clean up.^[14]

1. Check the telephone book or Internet to find agencies in your area that perform environmental testing. Before engaging anyone, explain the purpose of the testing and your desire to purchase the property.

2.



Investigate the individual tanks. The seller may not volunteer information about the quality of the storage tanks unless you inquire. You should ask the owner for copies of any purchase receipts or technical specifications of the tanks. Make sure that the tanks meet the current minimum requirements for your state.^[15]

1. In California, for example, gas station tanks must be made of double-walled fiberglass (DWFG) with leak detection sensors.
2. To find the requirements in your state, you may need to hire an attorney. Alternatively, try calling the office of the Secretary of State. Each state will have its own office that sets the regulations.

3.



Verify ownership. You need to know what you are buying. Purchasing a business may be separate from purchasing the property that the business rests on. You need to ask to see the title for the property. If you find out that the sale is only for the business and not the property included, you will need to adjust the purchase price accordingly. Don't pay as much for the business as you would for the business and the land.^[16]

1. A real estate attorney can help you review the paperwork to tell you what your purchase includes.

4.



Check with city hall. Do not assume that the streets and businesses in the area of your prospective gas station will stay the same. You should check the city zoning department and office of public works to find out if any major changes are coming. A new road could divert traffic away from your site, seriously devaluing the business. If the city has plans to change zoning, you should find out before getting committed to the location.^[17]

Part 5 of 5:

Closing the Deal

1.



Secure financing. Unless you have sufficient cash to buy the business on your own, you will need to visit a bank or other lender to secure a loan. Search online to compare business loan mortgage rates. Find a

lender whose rates are competitive. Meet with a bank officer to complete an application and obtain approval.

1. You will need to provide a great deal of personal and financial information as part of a loan application. Be prepared to turn over information about your employment history, bank accounts, and tax records.
2. With many lenders, you can prequalify for a business loan. It is a good idea to begin this process and obtain prequalification before you finalize your search for a specific property.^[18]

2.



Work with the broker to make an offer. The real estate broker can assist you in evaluating the asking price for any particular gas station property. You should consider the prices of other gas stations available in the area, along with the recent history of sales of similar businesses. The broker should have these records. Analyze the company's sales and financial records to gauge the likely success of the business itself. When you are ready, have your broker submit your offer.^[19]

3.



Negotiate a reasonable purchase price. Your first offer is not likely to match the seller's asking price. Also, the seller is not likely to accept your first offer. Work with your broker to negotiate a purchase price that you believe is a good one. Part of negotiating may include not only the price itself but also the terms of payment.^[20]

4.



Complete all necessary regulatory details. A good commercial broker should be able to help you with the state regulatory requirements. You will at least need to have the tanks and soil inspected. Beyond that, each state will have its own expectations and requirements.^[21]

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