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RaceTrac Takes a First Step Toward Franchising its Gas-and-Convenience Stores

Atlanta-Based Chain Offers Three Locations in Central Florida



RaceTrac, a chain of gas-and-convenience stores in the South, has taken a first step toward franchising locations.

The Atlanta-based company, which opened its 500th location in December, has put three operations in central Florida up for sale to would-be franchisees. The stops are the first and so far only sites that will be franchised. “At the moment, this is a limited franchise opportunity, exclusive to these three currently operating stores,” Natalie Morhous, RaceTrac’s president, said in a statement.

The three stores are located near Orlando – in DeLand, Mt. Dora and Clermont. According to the company, the locations were chosen because of the traffic flow around the stores and projected growth patterns.

Morhous said the company’s “85-year history, convenient locations and proven experience in marketing, operations and merchandising put us in a unique position to recruit and support qualified entrepreneurs.” But it’s no stranger to franchising. The company’s other brand, RaceWay, is sold as franchises and has 245 locations through the southeast.

Investment in a RaceWay runs between \$127,000 and \$370,000 while RaceTrac puts total Initial investment in each of the ones being offered at between \$1 million and \$1.4 million. The franchise fee is \$25,000. These businesses are strictly for owner operators, people who have a net worth of at least \$700,000 and \$350,000 in available cash.

RaceTrac will retain ownership of the real estate, and the franchisees lease the stores from the company. The company’s approach to franchising is similar to its sale-leaseback program in which it builds the stores and leases them from the new owner.

The company offers limited number of those. How many is proprietary, said Morhous.

RaceTrac signs long-term triple net leases, which means RaceTrac handles all of the property expenses and most of the maintenance. Barry Wolfe, senior managing director for investments with Marcus & Milchap in Fort Lauderdale, Florida, said the company is an excellent tenant with good credit and a good brand.

But "we see more Circle Ks and WaWa's" selling than RaceTracs, Wolfe said. When they do sell, they tend to command a strong capitalization rate, known as "cap rate," that defines the net income a property produces. "They sell in the high 4s to low 5s," Wolfe said.

A cap rate rises with the price paid for a property. Higher cap rates tend to mean less risk. The average cap rate for convenience stores is about 5.86, according to net lease company Calkain.

A RaceTrac location is on the market in Jacksonville, Florida, at 5004 Gate Parkway for \$4.7 million with a 4.74-percent cap. A West Palm Beach location , a site vacated by a bank, sold for \$4.5 million, fetching a 4.9 percent cap rate.