LAKE ELSINORE CARWASH MARKET ANALYSIS

Prepared for:

City of Lake Elsinore

September 13, 2024

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1. Introduction

This report evaluates potential market demand for the development of new carwash facilities in the City of Lake Elsinore. The analysis is not intended to assess the feasibility of specific proposed project(s), but provides a citywide framework for anticipating the need for new carwash businesses over the next 11 years (through 2035).

The analysis considers the existing inventory of carwashes in Lake Elsinore and the larger South Riverside County (SRC) market area. The study also quantifies carwash projects that are currently planned or under construction in the market area. Existing carwashes were generally identified by aerial photography and other databases, and planned carwashes by reviewing development data maintained by the various municipalities in the evaluated SRC market area.

By evaluating the existing and potential concentrations of carwash facilities in the larger market area (with these concentrations expressed in terms of the number of households per carwash), the study establishes a "standard" demand factor that is applied to the number of households in Lake Elsinore (in order to quantify potential market support for new carwash facilities in the City, now and in the future).

In addition to the carwash supply/demand analysis, the report also evaluates potential demand for new convenience markets in the City through 2035. For forecasting purposes, it is assumed that all new convenience markets would be associated with gas stations.

The remainder of the report is organized in the following chapters:

- Chapter 2 provides an Executive Summary of the study's major findings regarding future demand for carwashes and convenience markets in Lake Elsinore;

- Chapter 3 provides the detailed analysis of carwash supply/demand conditions; and

- Chapter 4 provides the detailed analysis of convenience market supply/demand conditions.

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2. Executive Summary

Carwash demand

Based on the demand analysis described below, TNDG estimates that Lake Elsinore is currently under supplied by 2 carwashes (compared to benchmarks derived for the larger South Riverside County market area). That is, as of 2024 Lake Elsinore could support 2 new carwashes over and above the existing inventory. Demand for new carwashes is projected to grow (on a cumulative basis) to 3 carwashes by 2030 and 4 carwashes by 2035. There are currently 9 potential (planned or under construction) carwash projects in Lake Elsinore. If all of these projects were built by 2035 (which is unlikely based on projected demand), the City would be overbuilt by 5 carwashes in 2035.

Each of the geographic areas referenced in this report (i.e., the City of Lake Elsinore and the larger SRC market area) has strong growth expectations, according to the Southern California Association of Governments (SCAG), for both households and employment. The household growth rate in Lake Elsinore, however, is higher than the corresponding rates for the overall SRC region. According to these projections, Lake Elsinore would have over 4,000 additional households and 3,000 additional workers by 2035 (of which about 2,500 would be in-commuters assuming current patterns hold).

Using the common market-demand indicator of households-per-carwash, Lake Elsinore – in comparison to the SRC region – currently has a slightly higher ratio of households to carwashes (i.e., fewer carwashes per household than the overall region). Given the number of planned carwashes identified as pending within the two areas, along with the projected growth of households, the ratios of households to carwashes within Lake Elsinore would be less than the SRC region by 2030. These conditions are summarized in the following two tables, which show 1) projected household and carwash growth in Lake Elsinore and the SRC region, and 2) demand for carwashes based on this growth and the ratios of households to carwashes by 2030 (on the assumption that planned units are operational by that time).

ESTIMATES OF CURRENT AND FUTURE CARWASHES WITH SCAG HOUSEHOLD AND EMPLOYMENT PROJECTIONS WITHIN LAKE ELSINORE AND SRC REGION

Variable	Lake Elsinore	SRC Region
Carwashes by Area		
Existing carwashes	9	83
Planned/under-construction Carwashes	9	27
Total existing plus planned/under construction	18	110
Households		
Households 2024	21,586	198,019
Households per carwash (as of 2024)	2,398	2,386
Households 2030	23,993	216,914
Households per carwash (By 2030), with supply equal to currently known existing carwashes plus those planned/under construction	**1,333**	**1,972**

Source: TNDG.

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Year	Demand for TOTAL carwashes, applying regional ratio of households per carwash as of 2030, compared to supply	Lake Elsinore	SRC Region
2024	Total demand as of 2024	10.9	100.4
	Less number of carwashes, 2024	(9.0)	(83.0)
	Net demand shortfall	1.9	17.4
2030	Total demand as of 2030	12.2	110.0
	Less carwash supply under the assumption that 2030 supply is equal to currently known existing plus planned/under constr.	(18.0)	(110.0)
	Net demand shortfall	-5.8	0.0
2035	Total demand as of 2035	13.2	118.0
	Additional new-carwash capacity beyond 2030 assumed supply	(4.8)	8.0

Source: TNDG.

Convenience market (gas station) demand

Compared to regional (south Riverside County) benchmarks, Lake Elsinore currently is currently "oversupplied" with gas stations/convenience markets. Based on the regional standard of approximately one gas station/convenience market per 1,800 households, Lake Elsinore's resident "need" is estimated at approximately 12 gas stations/convenience markets. The actual number of existing gas stations/convenience markets is 16, suggesting that the City has 4 more gas stations/convenience markets than it should theoretically be able to support. Despite this theoretical "oversupply," data from the California Department of Tax and Fee Administration indicate that the City's existing gas stations are performing strongly (average annual taxable sales in 2023 of $7.6 million per station, compared to the countywide average of $7.0 million per station).

Given the strong sales performance of the City's existing facilities, it is appropriate to consider a demand standard for Lake Elsinore that is more aggressive than the regional benchmark, reflecting the fact that visitors generate significant demand for convenience stores and gas stations, beyond what would be required for the City's resident population. As such, an alternative demand forecast is provided which assumes that the City's current households-per-facility ratio represents market equilibrium for Lake Elsinore (even though it would suggest oversaturation based on regional standards). Moreover, to account for the potential growth of visitor spending, TNDG has applied a 50% increase to the future demand projections. Under this alternative forecast, Lake Elsinore could support approximately 5 new convenience markets (over and above the existing inventory) by 2035. In comparison, there are currently 7 planned convenience market (gas station) projects in the City, suggesting that the number of planned projects exceeds foreseeable demand.

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ESTIMATES OF CURRENT AND FUTURE CONVENIENCE MARKETS WITH SCAG HOUSEHOLD AND EMPLOYMENT PROJECTIONS
WITHIN LAKE ELSINORE AND SRC REGION (CONSERVATIVE SCENARIO)

Variable	Lake Elsinore	SRC Region
Convenience Markets by Area		
Existing convenience markets	16	103
Planned/under-construction convenience markets	7	16
Total existing plus planned/under construction	23	119
Households		
Households 2024	21,586	198,019
Households per convenience market (as of 2024)	1,043	1,823
Households 2030	23,993	216,914
Households per convenience market (By 2030), with supply equal to currently known existing convenience markets plus those planned/under construction	**1,043**	**1,823**

Source: TNDG.

ESTIMATES OF CURRENT AND FUTURE CONVENIENCE MARKET DEMAND (CONSERVATIVE SCNENARIO)

Year	Demand for TOTAL convenience markets, applying regional ratio of households per convenience market as of 2030, compared to supply	Lake Elsinore	SRC Region
2024	Total demand as of 2024	11.8	108.6
	Less number of convenience markets, 2024	(16.0)	(103.0)
	Net demand shortfall	-4.2	5.6
2030	Total demand as of 2030	13.2	119.0
	Less convenience market supply under the assumption that 2030 supply is equal to currently known existing plus planned/under construction	(23.0)	(119.0)
	Net demand shortfall	-9.8	0.0
2035	Total demand as of 2035	14.3	127.6
	Additional new-convenience market capacity beyond 2030 assumed supply	(8.7)	8.6

Source: TNDG.

ESTIMATES OF CURRENT AND FUTURE CONVENIENCE MARKET DEMAND (AGGRESSIVE ALTERNATIVE SCNENARIO)

Year	Alternative calculation to account for visitor demand in Lake Elsinore @ 50% of resident demand	Lake Elsinore	SRC Region
2030	Total demand as of 2030 (adjusted for visitor demand)	19.7	N/A
	Under the assumption that 2030 convenience market supply is equal to currently known existing plus planned/under constr. facilities	(23.0)	N/A
	Net demand shortfall	-3.3	N/A
2035	Total demand as of 2035	21.4	N/A
	Additional new-convenience market capacity beyond 2030 assumed supply	(1.6)	N/A

Source: TNDG.

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3. Carwash Analysis, Data, and Findings

The analysis considers multiple ways of assessing demand for carwash establishments in Lake Elsinore and the surrounding area, beginning with defining/determining the following:

- The distribution of existing and known planned carwashes within Lake Elsinore.

- The number of households within Lake Elsinore.

- The number of workers within Lake Elsinore, adjusting for those who also live in that area.

- The larger surrounding reference area region of South Riverside County (SRC), combining data on existing/planned carwashes and the number of households and jobs in this larger reference area, to establish the relationship between households and carwash facilities (as a primary metric of future demand).

- The SRC region serves as a benchmark for Lake Elsinore. For this analysis the "SRC region" is defined as a 15-mile radius circle from the geographic center of Lake Elsinore and the rest of SRC (remainder of Murrieta and all of Temecula).

- Expectations for the future growth of households and jobs within Lake Elsinore, and the distribution of that expected growth, all of which also has a relationship to the larger SRC region.

- Growth in the proportion of higher-density housing as a trend that would tend to support the need for carwash facilities.

The database of carwashes, current and future, focuses on several distinct types of carwashes (Full-Service, Quick-Service, Self-Service, and Gas Station). Facilities frequently found adjacent to or integral with gas stations and convenience markets are classified as "Gas Station" carwash facilities and exist throughout Lake Elsinore, and the SRC region. Table 1 identifies a summary of all existing and known planned carwashes by type for Lake Elsinore and the larger SRC region.

TABLE 1. EXISTING AND KNOWN PLANNED CARWASHES BY TYPE WITHIN LAKE ELSINORE AND SRC REGION

	Lake Elsinore		SRC Region	
	Count	Share	Count	Share
Existing Carwashes	**9**	**50.0%**	**83**	**75.5%**
Full-Service	2	22.2%	10	12.0%
Quick-Service	1	11.1%	21.5	25.9%
Self-Service	2	22.2%	9.5	11.4%
Gas Station (CW)	4	44.4%	42	50.6%
Planned Carwashes	**9**	**50.0%**	**27**	**24.5%**
Full-Service	0	0.0%	0	0.0%
Quick-Service	2	22.2%	11	40.7%
Self-Service	0	0.0%	0	0.0%
Gas Station (CW)	7	77.8%	16	59.3%
Existing & Planned Carwashes	**18**		**110**	

Source: City of Lake Elsinore; South Riverside County cities; TNDG.

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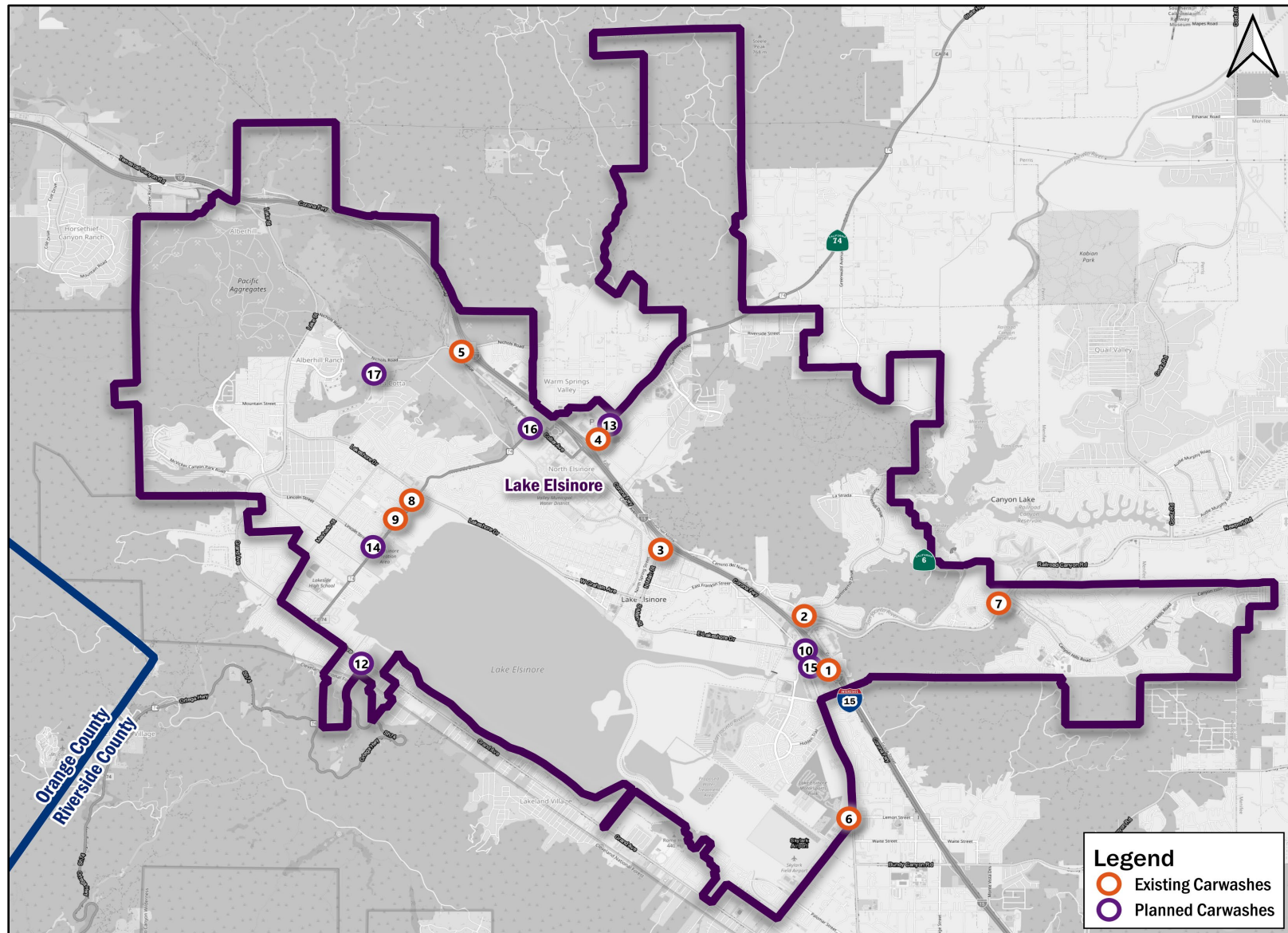The Natelson Dale Group, Inc.

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Figure 1 on the following page shows the nine identified existing carwashes and the nine planned carwashes within Lake Elsinore, and Table 2 below identifies each carwash by name and type in Lake Elsinore.

TABLE 2. EXISTING AND PLANNED CARWASHES WITHIN LAKE ELSINORE

ID	Name	Type	Jurisdiction
Existing Carwashes			
1	Casino Carwash	Full-Service	Lake Elsinore
2	Rio Carwash	Full-Service	Lake Elsinore
3	Chevron Gas / Rocket Convenience Store Carwash	Gas Station	Lake Elsinore
4	Mobil Gas / Circle K Convenience Store Carwash	Gas Station	Lake Elsinore
5	ARCO Gas / AMPM Convenience Store Carwash	Gas Station	Lake Elsinore
6	Super Star Carwash	Quick-Service	Lake Elsinore
7	Chevron Gas / Food Mart Convenience Store Carwash	Gas Station	Lake Elsinore
8	Dollar Carwash	Self-Service	Lake Elsinore
9	U-Wash Self Service Carwash	Self-Service	Lake Elsinore
Planned Carwashes			
10	Tommy's Express Carwash	Quick-Service	Lake Elsinore
11	Sunny Express Carwash	Gas Station	Lake Elsinore
12	Bamiyan Marketplace Carwash	Gas Station	Lake Elsinore
13	Evergreen Commercial Development Carwash	Gas Station	Lake Elsinore
14	Riverside/Lincoln Commercial Carwash	Gas Station	Lake Elsinore
15	Imperial Stations Carwash	Gas Station	Lake Elsinore
16	Kassab Travel Center Carwash	Gas Station	Lake Elsinore
17	Ortega Plaza Carwash	Gas Station	Lake Elsinore
18	Walmart Carwash	Gas Station	Lake Elsinore

Source: City of Lake Elsinore; TNDG.

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FIGURE 1. EXISTING AND PLANNED CARWASH BUSINESSES WITHIN LAKE ELSINORE

Source: TNDG; see text.

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Each of the geographic areas referenced in this report (i.e., Lake Elsinore and South Riverside County) have strong growth expectations, according to the Southern California Association of Governments (SCAG), for both households and employment. Though both areas referenced have strong growth expectations, household growth in Lake Elsinore is projected to increase at a higher rate than the corresponding rate for the SRC Region. According to the household projections, Lake Elsinore would have over 4,000 additional households, as well as add 3,000 jobs to the city by 2035 based on the employment projections (of which about 2,500 would be in-commuters assuming current patterns hold).

In Lake Elsinore, there are a total of nine planned or under-construction carwashes (see Figure 1 and Table 2), and 27 in the larger SRC Region, as shown in Table 3. The analysis in Table 3 assumes that the planned/under construction carwashes are operational as of 2030, at which time the number of households in Lake Elsinore and the larger SRC Region will have increased as well, as shown in Table 3. Table 3 includes other measures of growth in the Lake Elsinore and the larger SRC Region, including projected households for 2035 and 2050, according to SCAG, and projected growth in employment for the three areas, through 2050. Household and employment growth projections include interpolations for 2024 and 2030.

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Variable	Lake Elsinore	SRC Region
Carwashes by Area		
Existing carwashes	9	83
Planned/under-constr. carwashes	9	27
Total existing plus planned/under construction	18	110
Households		
Households 2019[1]	19,979	185,177
Households 2024[2]	21,586	198,019
Households per carwash (as of 2024)	2,398	2,386
Households 2030[2]	23,993	216,914
Change (2024-2030)	2,407	18,894
Households per carwash (By 2030), with supply equal to currently known existing carwashes plus those planned/under constr.	**1,333**	**1,972**
Households 2035[1]	25,999	232,659
Change (2030-2035)	2,006	15,745
Households 2050[1]	29,254	251,125
Change (2035-2050)	3,255	18,466
Employment		
Employment 2019[1]	16,731	187,554
Employment 2024[2]	17,868	201,259
Employment 2030[2]	19,538	221,544
Change (2024-2030)	1,669	20,285
Employment 2035[1]	20,929	238,449
Change (2030-2035)	1,391	16,905
Employment 2050[1]	22,665	268,723
Change (2035-2050)	1,736	30,274

1. SCAG Projections provide data for the base year of 2019, 2035, and 2050.
2. Estimated for early 2024 and for 2030 assuming a straight-line interpolation of SCAG figures.
Source: SCAG; TNDG.

Table 4 translates the household growth figures in Table 3 into demand for additional carwashes based on that growth. The demand projections are based on the ratio of carwashes to households in the SRC Region by 2030, under the assumption that 2030 carwash supply is equal to the number of carwashes currently known plus those planned or under construction. The table shows that there is a shortfall in the number of carwashes in Lake Elsinore and the larger SRC Region as of 2024, and that supply and demand will have caught up by 2030. The Table also recognizes that based on the projected household growth, there will be no additional capacity for new carwashes through 2035, based on oversaturation of built carwashes that are assumed to be built by 2030.
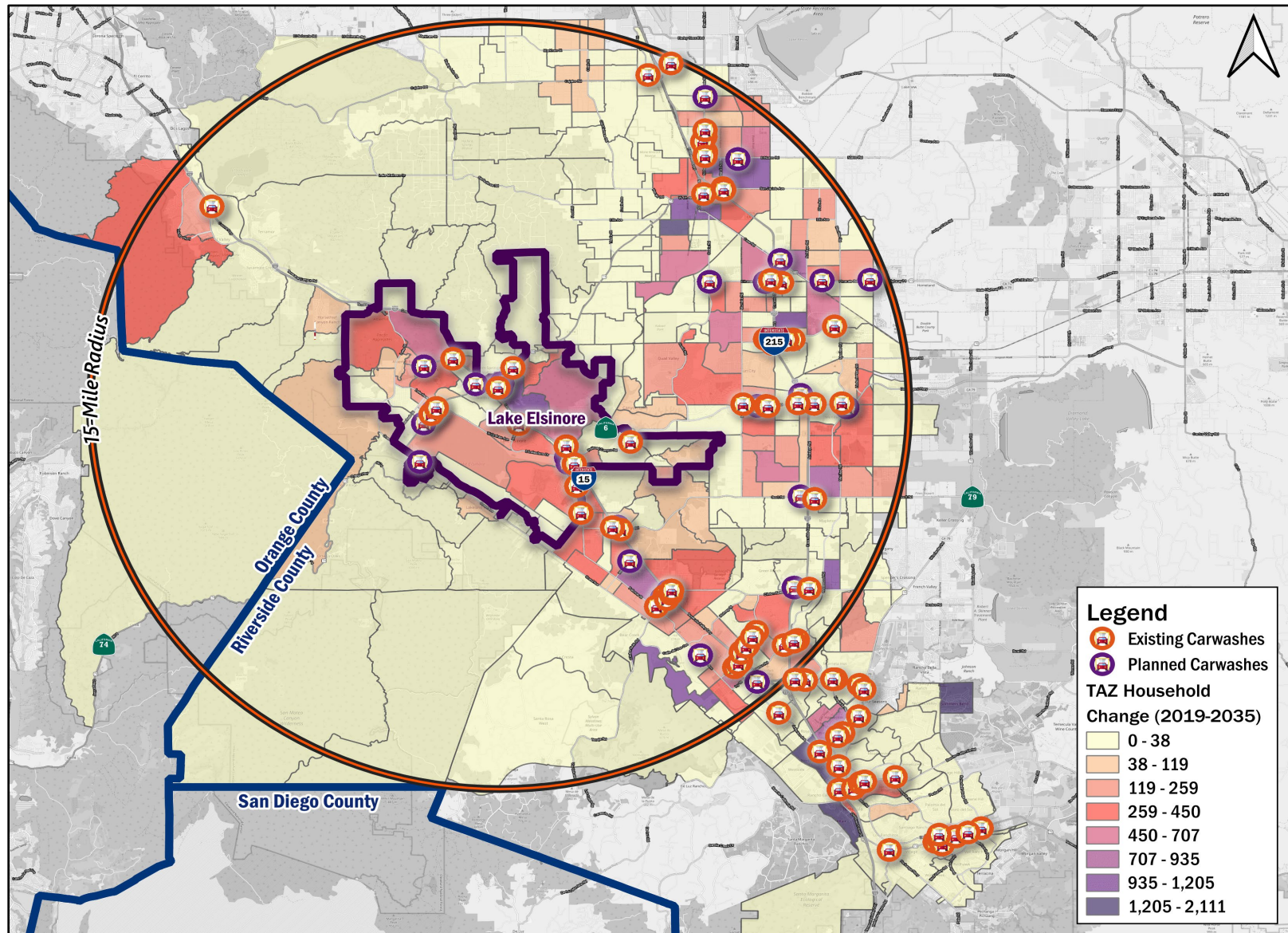
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TABLE 4. ESTIMATES OF CURRENT AND FUTURE CARWASH DEMAND

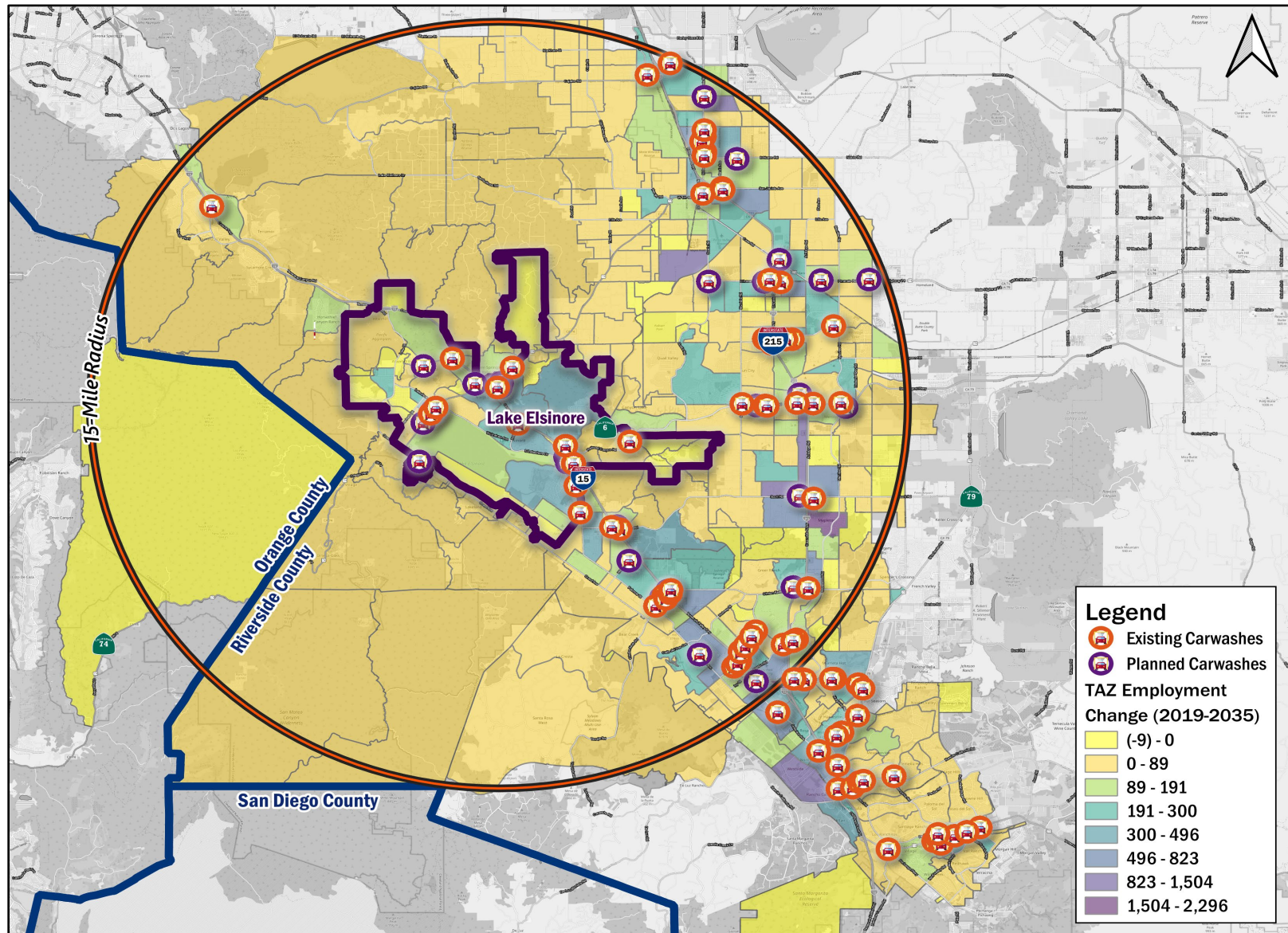| Year	Demand for TOTAL carwashes, applying regional ratio of households per carwash as of 2030, compared to supply	Lake Elsinore	SRC Region
2024	Total demand as of 2024	10.9	100.4
	Less number of carwashes, 2024	(9.0)	(83.0)
	Net demand shortfall	1.9	17.4
2030	Total demand as of 2030	12.2	110.0
	Less carwash supply under the assumption that 2030 supply is equal to currently known existing plus planned/under constr.	(18.0)	(110.0)
	Net demand shortfall	-5.8	0.0
2035	Total demand as of 2035	13.2	118.0
	Additional new-carwash capacity beyond 2030 assumed supply	(4.8)	8.0

Source: TNDG.

Lake Elsinore and the larger SRC Region are shown on Figure 2 and Figure 3, along with the locations of existing and planned/under-construction carwashes. These figures make clear a defining characteristic of the distribution of carwashes, which is that they frequently are clustered in close proximity to one another. Figure 2 and Figure 3 also show the change in projected households and employment by SCAG Transportation Analysis Zone (TAZ) for Lake Elsinore and the larger SRC Region.

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Source: SCAG; TNDG; see text.

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FIGURE 3. CHANGE IN EMPLOYMENT (2019-2035) BY TRANSPORTATION ANALYSIS ZONE (TAZ)

Source: SCAG; TNDG.

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In-commuting workers

Although the number of households in a carwash Trade Area is considered the primary indicator, workers in a carwash Trade Area are another segment of potential demand for carwash services. In this regard, the Trade Area is "employment intensive." The SRC Region has approximately 1.3 jobs per household, compared to a statewide average of 1.1 jobs per household.

Based on the SCAG numbers, there are over 17,800 jobs in Lake Elsinore as of 2024, of which about 14,800 would be in-commuters who do not live in the Lake Elsinore (applying the same percentages for percent of workers living outside Lake Elsinore, as shown in Table 5 for 2021 conditions, where these outside workers would therefore not be double-counted with the resident households), and these "extra" workers would supplement demand for carwash services attributable to households.

TABLE 5. WORKERS WORKING WITHIN LAKE ELSINORE AND SRC REGION, PER OTM DATA FOR 2021

	Lake Elsinore		SRC Region	
	Count	Share	Count	Share
Employed in Trade Area, 2021	14,105		140,750	
Employed and Living in Trade Area	2,365	16.8%	58,650	41.7%
Employed in Trade Area, but Living Outside	11,740	83.2%	82,100	58.3%

Source: U.S. Census Bureau, Longitudinal Employer-Household Dynamics (LEHD) program, 2021; TNDG.

Lake Elsinore's other favorable market conditions supplement the findings of these household-growth estimates. In addition to the high numbers of in-commuting employees in the area, the high ratio of vehicles per household in Lake Elsinore, and trends of households transitioning from lower-density to higher-density housing in Riverside and San Bernardino Counties (see following sections), also indicate a growing need for carwash services.

Vehicles per household

Table 6 below shows the estimated average number of vehicles available per household for Lake Elsinore, Riverside County, the state of California, and the entire United States. Lake Elsinore's ratio of vehicles-to-households slightly exceeds the ratio for Riverside County, which is higher than the ratios for California and the US.

TABLE 6. ESTIMATED AVERAGE NUMBER OF VEHICLES PER HOUSEHOLD

	City of Lake Elsinore	Riverside County	California	U.S.
Estimate of total vehicles	46,659	1,694,449	26,428,665	236,480,231
Vehicles/household	2.23	2.20	1.95	1.82
As % of CA average	114%	113%	100%	93%
As % of US average	122%	121%	107%	100%

Sources: U.S. Census Bureau, 2022 American Community Survey 1-Year Estimates; Esri; TNDG.

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Trends in higher-density housing

Another trend that would appear to be favorable for the carwash industry is the growth of higher-density housing outpacing single-family development, which should also increase the demand for carwash facilities of one kind or another. Apartment or condominium dwellers are less likely to have access to equipment and space commonly associated with washing one's own automobile. Rules and regulations may further decrease the likelihood of car washing by multifamily housing residents.

Table 7 below summarizes trends over the period 2010 to 2022 in housing occupancy by renter or owner, and by density category (according to designations used by the U.S. Census, which are based on "units in structure"). Although the rapidly growing Inland Empire is known as a place where traditional single-family home building is a strong component of that growth, renter-occupied housing units have kept pace with owner-occupied units over the period of 2010 to 2022. For both owners and renters, the greatest percentage change among the units-in-structure categories, by far, occurred in the highest-density category of "50 or more" (units in structure) – 58% and 66%, for owners and renters respectively, equaling 26,500 new households over the 12-year period.

Table 8 compares conditions in 2010 with 2022 in a different way, showing the relationship between low density and higher-density housing in terms of building permits at the two points in time for Riverside and San Bernardino Counties. In 2010, higher-density permits were 16 and 9 percent of the 2-county totals, for units and value, respectively. In 2022, higher-density permits had increased considerably as a percent of the total, at 24 and 13 percent of the totals, for units and value. In 2022, values for permitted housing of 1 or 2 units in structure were 3.2 times the amount in 2010, and values in the higher density category were 4.5 times higher than 2010.

The relative shift towards multi-family housing in the Inland Empire region is likely to intensify in future years as cities in the region pursue policies to incentivize affordable housing production pursuant to Regional Housing Needs Assessment (RHNA) targets.

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TABLE 7. TRENDS IN HIGHER-DENSITY HOUSING, RIVERSIDE AND SAN BERNARDINO COUNTIES, 2010-2022

Owners and Renters by # Units in Structure	Riverside County		San Bernardino County		Total of two counties		Change in units 2010-2022	% change 2010-2022	As % of total units	
	2010	2022	2010	2022	2010	2022			2010	2022
Total: (Occupied hsg units)	**670,075**	**769,475**	**594,975**	**674,191**	**1,265,050**	**1,443,666**	**178,616**	**14.1%**		
Owner-occupied housing units:	458,273	527,528	372,535	422,060	830,808	949,588	118,780	14.3%	65.7%	65.8%
1 and 2	405,543	470,280	338,469	389,155	744,012	859,435	115,423	15.5%	58.8%	59.5%
3 to 49	5,151	6,917	4,658	4,224	9,809	11,141	1,332	13.6%	0.8%	0.8%
50 or more	803	1,184	564	973	1,367	2,157	790	57.8%	0.1%	0.1%
Mobile and other	46,776	49,147	28,844	27,708	75,620	76,855	1,235	1.6%	6.0%	5.3%
Renter-occupied housing units:	211,802	241,947	222,440	252,131	434,242	494,078	59,836	13.8%	34.3%	34.2%
1 and 2	109,788	118,328	112,528	123,887	222,316	242,215	19,899	9.0%	17.6%	16.8%
3 to 49	71,801	80,954	77,139	82,511	148,940	163,465	14,525	9.8%	11.8%	11.3%
50 or more	17,209	28,360	21,804	36,385	39,013	64,745	25,732	66.0%	3.1%	4.5%
Mobile and other	13,004	14,305	10,969	9,348	23,973	23,653	-320	-1.3%	1.9%	1.6%

Source: U.S. Census Bureau, ACS 2010 1-Year Estimates, ACS 2022 1-Year Estimates; TNDG.

TABLE 8. CENSUS BUILDING PERMIT ACTIVITY IN 2010 AND 2022

Geography	1 - 2 units		3 or More units		Total units		3 or More units as a % of Total Units	3 or More units as a % of Total Value
	Units	Value	Units	Value	Units	Value		
2010 Building Permits								
Riverside County	4,027	$877,515,567	520	$70,351,847	4,547	$947,867,414	11.4%	7.4%
San Bernardino County	1,282	$234,029,332	507	$48,813,084	1,789	$282,842,416	28.3%	17.3%
Combined	**5,309**	**$1,111,544,899**	**1,027**	**$119,164,931**	**6,336**	**$1,230,709,830**	**16.2%**	**9.7%**
2022 Building Permits								
Riverside County	8,485	$2,378,603,067	1,799	$246,674,870	10,284	$2,625,277,937	17.5%	9.4%
San Bernardino County	4,210	$1,157,821,183	2,253	$283,822,245	6,463	$1,441,643,428	34.9%	19.7%
Combined	**12,695**	**$3,536,424,250**	**4,052**	**$530,497,115**	**16,747**	**$4,066,921,365**	**24.2%**	**13.0%**

Source: U.S. Census Bureau, Manufacturing and Construction Division, Building Permit Survey; TNDG

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The U.S. carwash industry

According to various sources[1] reviewed by TNDG, carwash technology, products, and business practices continue to evolve, with the combined effects of improving their environmental impacts and enhancing the potential appeal of such businesses to owners/operators as well as customers. The emergence of new technologies could also be a reason for new facilities to replace older, increasingly obsolescent ones.

The Covid-19 pandemic caused carwash business activity to decline, presumably because of people getting out less. However, the pandemic also increased the need for cleanliness/disinfecting, and some carwash businesses promoted this kind of service as a way to counter business downturns. On a long-term basis, it is reasonable to conclude that this kind of adaptation will tend to smooth out businesses disruptions if future pandemic measures arise.

The pandemic may also have induced certain advancements in the carwash business, for example, contactless payments, and income from subscription-based programs, which would have helped stabilize these firms when it was most needed.

Carwash operators are expanding marketing efforts with membership programs, loyalty bonuses, and the like, which should all tend to increase business activity generally.

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[1] Including for example carwash.com and research organizations that specialize in certain industries such as carwashes, including Grand View Research.

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4. Convenience Market Analysis, Data, and Findings

Following a similar supply/demand methodology as used for the carwash analysis, this chapter projects potential future demand for the development of new convenience market facilities in Lake Elsinore. Consistent with recent historic trends, the analysis assumes that all future convenience markets would be developed in conjunction with gas stations.

The database of existing and planned convenience markets focuses on two different types (stand-alone Convenience Markets and Convenience Markets with Gas Stations). Convenience markets are frequently established with gas stations and vice versa and are classified in this analysis as "Convenience Markets with Gas Stations". These stores exist throughout Lake Elsinore, and the larger SRC region. Table 9 below identifies a summary of all existing and known planned convenience markets by type for Lake Elsinore and the larger SRC region. Note that while Table 9 provides a summary of all existing Convenience Markets for both Lake Elsinore and the larger SRC region, the estimates and projections in Tables 10, 11a, and 11b focus strictly on market demand for <u>Convenience Markets with Gas Stations</u> as this is the generally the standard for newer existing and planned convenience markets.

TABLE 9. EXISTING AND KNOWN PLANNED CONVENIENCE MARKETS BY TYPE WITHIN LAKE ELSINORE AND SRC REGION

	Lake Elsinore		SRC Region	
	Count	Share	Count	Share
Existing Convenience Markets	**21**	**75.0%**	**134**	**89.3%**
Convenience Market (Only)	5	23.8%	31	23.1%
Convenience Market with Gas Stations	16	76.2%	103	76.9%
Planned Convenience Markets	**7**	**25.0%**	**16**	**10.7%**
Convenience Market with Gas Stations	7	100.0%	16	100.0%
Existing & Planned Convenience Markets	**28**		**150**	

Source: City of Lake Elsinore; South Riverside County cities; TNDG.

In Lake Elsinore, there are a total of seven planned or under-construction convenience markets and 16 in the larger SRC region, as shown in Table 10 below. The analysis in Table 10 assumes that the planned/under construction convenience markets will be operational as of 2030, at which time the number of households in Lake Elsinore and the larger SRC region will have increased as well, as shown in Table 10. Table 10 includes other measures of growth in the Lake Elsinore and the larger SRC region, including projected households for 2035 and 2050, according to SCAG, and projected growth in employment for the three areas, through 2050. Household and employment growth projections include interpolations for 2024 and 2030.

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Variable	Lake Elsinore	SRC Region
Convenience Markets by Area		
Existing convenience markets (with gas stations)	16	103
Planned/under-construction convenience markets (with gas stations)	7	16
Total existing plus planned/under construction	23	119
Households		
Households 2019[1]	19,979	185,177
Households 2024[2]	21,586	198,019
Households per convenience market (as of 2024)	1,349	1,923
Households 2030[2]	23,993	216,914
Change (2024-2030)	2,407	18,894
Households per convenience market (By 2030), with supply equal to currently known existing convenience markets plus those planned/under construction	**1,043**	**1,823**
Households 2035[1]	25,999	232,659
Change (2030-2035)	2,006	15,745
Households 2050[1]	29,254	251,125
Change (2035-2050)	3,255	18,466
Employment		
Employment 2019[1]	16,731	187,554
Employment 2024[2]	17,868	201,259
Employment 2030[2]	19,538	221,544
Change (2024-2030)	1,669	20,285
Employment 2035[1]	20,929	238,449
Change (2030-2035)	1,391	16,905
Employment 2050[1]	22,665	268,723
Change (2035-2050)	1,736	30,274

1. SCAG Projections provide data for the base year of 2019, 2035, and 2050.

2. Estimated for early 2024 and for 2030 assuming a straight-line interpolation of SCAG figures.

Source: SCAG; TNDG.

Table 11a translates the household growth figures in Table 10 into demand for additional gas stations/ convenience markets based on that growth. The demand projections are based on the ratio of gas stations/convenience markets to households in the SRC region by 2030, under the assumption that 2030 convenience market supply is equal to the number of gas stations/convenience markets currently known plus those planned or under construction. The table shows that, compared to regional (south Riverside County) benchmarks, Lake Elsinore currently is currently "oversupplied" with gas stations/convenience markets. Based on the regional standard of approximately one gas station/convenience market per 1,800 households, Lake Elsinore's resident "need" is estimated at approximately 12 gas stations/convenience markets. The actual number of existing gas stations/convenience markets is 16, suggesting that the City has 4 more gas stations/convenience markets than it should theoretically be able to support. Despite this theoretical "oversupply," data from the California Department of Tax and Fee Administration indicate that the City's existing gas stations are performing strongly (average annual taxable sales in 2023 of $7.6 million per station, compared to the countywide average of $7.0 million per station).

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Year	Demand for TOTAL convenience markets, applying regional ratio of households per convenience market as of 2030, compared to supply	Lake Elsinore	SRC Region
2024	Total demand as of 2024	11.8	108.6
	Less number of convenience markets, 2024	(16.0)	(103.0)
	Net demand shortfall/(oversupply)	-4.2	5.6
2030	Total demand as of 2030	13.2	119.0
	Less convenience market supply under the assumption that 2030 supply is equal to currently known existing plus planned/under construction	(23.0)	(119.0)
	Net demand shortfall/(oversupply)	-9.8	0.0
2035	Total demand as of 2035	14.3	127.6
	Additional new-convenience market capacity beyond 2030 assumed supply	(8.7)	8.6

Source: TNDG.

Given the strong sales performance of the City's existing facilities, it is appropriate to consider a demand standard for Lake Elsinore that is more aggressive than the regional benchmark, reflecting the fact that visitors generate significant demand for convenience stores and gas stations, beyond what would be required for the City's resident population. As such, Table 11b provides an alternative demand forecast which applies a 50% increase to the future demand projections (the 50% adjustment is intended account for growth in <u>visitor</u> spending on gas station/convenience market sales). Under this alternative forecast, Lake Elsinore could support approximately 5 new convenience markets (over and above the existing inventory) by 2035. In comparison, there are currently 7 planned convenience market (gas station) projects in the City, suggesting that the number of planned projects exceeds foreseeable demand.

TABLE 11B. ALTERNATIVE ESTIMATES OF CURRENT AND FUTURE CONVENIENCE MARKET DEMAND ACCOUNTING FOR ADDITIONAL VISITOR DEMAND AT 50% OF RESIDENT DEMAND

Year	Alternative calculation to account for visitor demand in Lake Elsinore @ 50% of resident demand	Lake Elsinore	SRC Region
2030	Total demand as of 2030 (adjusted for visitor demand)	19.7	N/A
	Less number of convenience markets, 2024		N/A
	Under the assumption that 2030 convenience market supply is equal to currently known existing plus planned/under constr. facilities	(23.0)	
	Net demand shortfall/(oversupply)	-3.3	N/A
2035	Total demand as of 2035	21.4	N/A
	Additional new-convenience market capacity beyond 2030 assumed supply	(1.6)	N/A

Source: TNDG.

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