

Closed dealerships just gathering dust

September 6, 2009 | By Steven Cole Smith, Sentinel Columnist

About 15 new-car dealerships have closed across Central Florida in the past few years, and if you believe the analysts, more will close in the next two years.

Which, in most cases, leaves some large holes in the local landscape. In a climate where financing is tight and auto sales are down, few investors are looking to re-open closed dealers.

So what becomes of that property?

Not much, if you tour some of the area's closed dealers. McNamara Pontiac-Isuzu closed its store at 1010 E. Colonial Drive in Orlando in 2006, after more than 40 years. The property remains vacant.

An auto dealership "is a single-use facility," said Mark Johnson, president of M.D. Johnson Inc., a Seattle-based company that advises auto dealers, and handles mergers and acquisitions.

Johnson has done a lot of business in Florida, and said it is tough to find buyers for existing dealerships with a franchise in place, much less a closed-down dealer.

"The value of the store is in its franchise to sell new vehicles," Johnson said. "Once the franchise is gone, it's just a building and a big parking lot."

Which, he said, presents limited possibilities. In two local cases -- at closed-down Chrysler dealerships in Clermont and St. Cloud -- the local government bought the stores to serve as offices, and maintenance facility for city- or county-owned vehicles. But those are the exceptions. Let's look at two facing bigger challenges -- one on a modest scale, and one that is, by no means, modest.

On the smaller side, Saturn of Orlando-Osceola, located a half-mile from the Florida's Turnpike on U.S. Highway 192 in Kissimmee, closed last November. It's a typical Florida stucco-and-palm trees Florida dealership: The buildings and 14.71 acres are listed for \$3.69 million.

But a hint of what might be its future is the fact that the listing says that price is less than \$270,000 an acre, and that "the building and parking areas will help reduce the impact fees that will be realized by a new development." It seems even the listing agents aren't expecting it to re-open as a car dealership: It's just 14.71 acres of property that happens to have some buildings on it. Buyers of property like that, Johnson said, "are likely to tear down the buildings and start over."

A much bigger project is the sale of the closed-down Bill Heard Chevrolet dealership on Sanford, located on what was once arguably the best location of any area car dealer: 27.7 corner-lot acres on Interstate 4 in Sanford. It opened in 2001, closed a year ago this month after the entire Georgia-based Heard chain went bankrupt. It's an enormous dealership, befitting Heard's self-ascribed nickname, "Mr. Big Volume."

The Sanford store's inventory was financed by a division of General Electric, which foreclosed on the property and put it up for bid. There were none. Last month, a new broker was hired to market the property, calling it "an excellent redevelopment site for an office, multifamily, retail or hotel project." How much? You have to fax a confidentiality agreement to the real estate office to find out. But, I'm willing to bet, it's negotiable.

That said, there are investors buying auto dealerships, Johnson said. For big chains such as Fort Lauderdale-based AutoNation, it has to be a deal "that makes perfect sense in every area," or they aren't interested. Smaller investors, such as the New York-based company that, with Johnson's help, recently bought the Mercedes-Benz dealership in West Palm Beach, are finding down-economy bargains that they just can't pass up.

As you would expect, Johnson said, the buying and selling of car dealerships is a challenge in any economy, given who the buyers and sellers are. No car dealer wants to sell too cheap, and no car dealer wants to pay more than he or she has to.

"You just don't leave money on the table in that business," Johnson said. "It's considered bad form -- like rude behavior at a party."