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## INTRODUCTION

U.S. consumer inflation rose to 9.1% in June 2022—the quickest increase since November 1981. The price of gas, which was up 11.2% from May 2022 and nearly 60% from a year earlier, was behind much of the increase, while housing and food prices also played a major role.

The consumer price index (CPI) increased 1.3% in June 2022 after advancing 1% in May 2022, according to U.S. labor department, pushing inflation to 9.1% from 8.6%. Eight cities registered double-digit inflation, up from four in May 2022. Seattle, Miami, Houston and Baltimore broke the threshold for the first time since records began two decades ago. US gasoline prices hit record highs in June 2022, averaging above \$5 a gallon, according to data from the motorist advocacy group AAA. Gasoline was the main reason that U.S. consumer prices were 9.1 percent higher in June than a year earlier, the biggest annual increase in four decades. (Source: The Guardian)

The other four cities which experienced inflation above 10% were Atlanta, Tampa, Riverside-San Bernardino in California, and Phoenix, which has had the highest big-city inflation rate throughout 2022. (Source: The Guardian) The sharp rises in US consumer prices in Q2 2022, as per economists, was driven by a global supply chain crisis exacerbated by war in Ukraine and the effects of massive fiscal stimulus early in the Covid-19 pandemic.

Grocery inflation reached a new high of +15.1%—more than doubling since the beginning of the year, according to Numerator. Grocery categories most impacted included frozen meat (+28%), chips (+26%), poultry (+25%), water (+22%) and milk and milk substitutes (+17%). Beverages were the most impacted department in the grocery sector. Among the top-selling categories in the grocery sector, five beverage categories rank in the top 10 for highest inflation rates. (Source: NACS)

### Independent Fuel Operators Feel the Impact of Gas Price Fluctuations

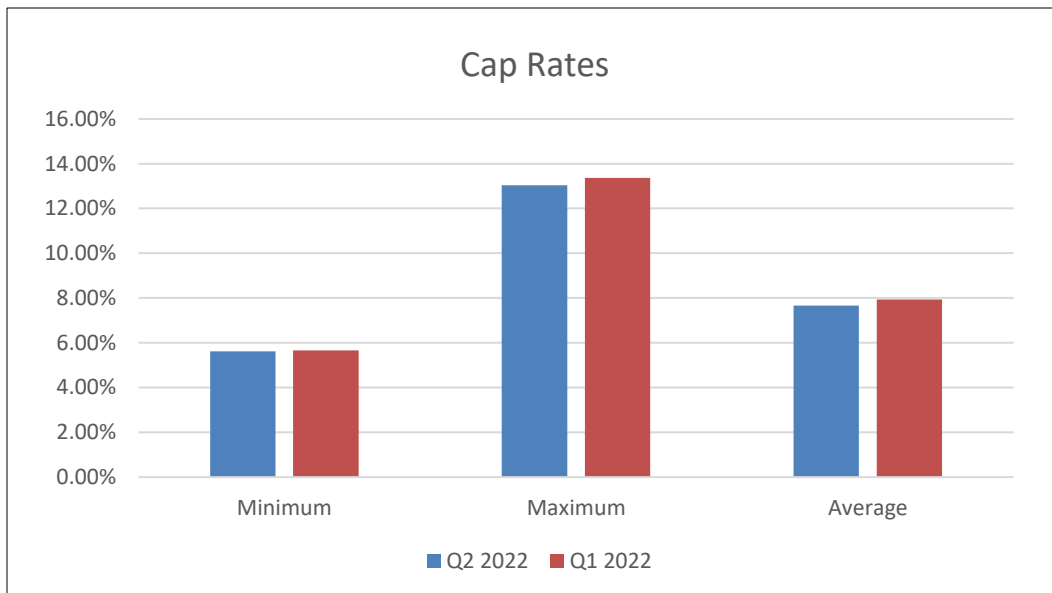
Of the 116,641 convenience stores selling fuel in the U.S., slightly more than half are independently operated, according to NACS. Independent operators make small margins on fuel, and the higher profit margins come from inside the store. When crude oil prices rise, small businesses try their best to raise pump prices slowly so customers will still purchase fuel and hopefully enter the store to make a purchase.

A NACS survey found that high gas prices in Q2 2022 took their toll on sales at convenience stores, with 59% of retailers saying their customer traffic decreased in stores over the past three months. Nearly half of all retailers (49%) also said those customers coming inside the store bought less compared to three months ago when gas prices were \$1.50 a gallon lower.

Fuel retailers are also caught up in a political debate on how to get inflation down. Independent operators also face stiff competition from club stores and grocers, such as Costco and Kroger, who can get their fuel at an advantageous price and not worry about fuel margins, according to GasBuddy. In addition to the low fuel margins typically received from fuel purchases, retailers grapple with credit card swipe fees, which were up 25.6% in 2021. The fees cost c-store retailers a total of \$13.5 billion.

## Q2 2022 Cap Rates

Average cap rates for U.S. gas stations & c-stores decreased by 28 basis points in Q2 2022 as compared to Q1 2022. The following table illustrates minimum, maximum and average cap rates for gas stations & c-stores in Q2 2022 & Q1 2022.



Source: RealtyRates.com

Cap Rates	Q2 2022	Q1 2022	Difference (bps)
Minimum	5.62%	5.66%	-4
Maximum	13.03%	13.36%	-33
Average	7.66%	7.94%	-28

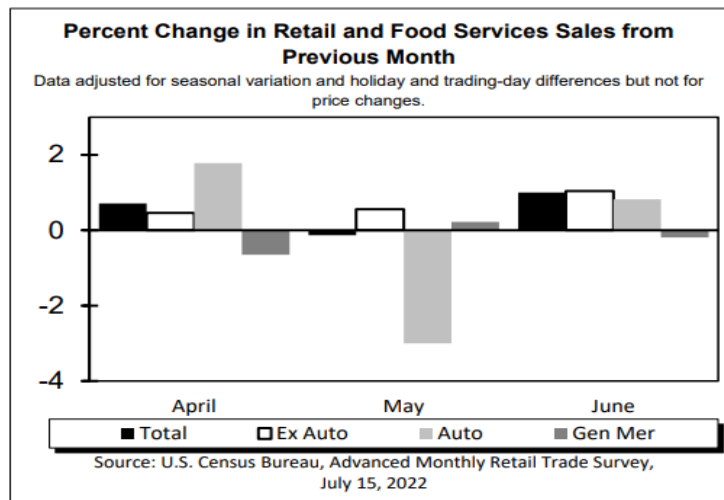
## Q2 2022 – Brand in focus

Fikes Wholesale Inc.’s CEFCO Convenience Stores is divesting 50 of its company-operated petroleum marketing and convenience stores in Texas, Louisiana, Mississippi, Arkansas and Alabama. In Q2 2022, BreakTime Corner Market LLC acquired 48 of the CEFCO stores and Refuel Operating Co. LLC has acquired two of the stores in Mississippi.



CEFCO opened its first c-store in 1979. Through organic growth and acquisitions, the company has expanded to more than 250 locations across six states: Texas, Louisiana, Arkansas, Alabama, Mississippi and Florida. The divestment of these 50 locations will enable CEFCO to enhance its capital allocation and focus investment in new stores and remodeling of existing stores, as per a company spokesperson. Founded in 2004, Houston-based BreakTime Corner Market owns and operates more than 100 gas stations and c-stores in Texas, Florida, Louisiana, California, Kansas, Missouri, New Mexico and Maine. (Source: CSP Magazine)

### Gas station & c-store sales



Advance estimates of U.S. retail and food services sales for June 2022, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were \$680.6 billion, an increase of 1.0 percent ( $\pm 0.5$  percent) from the previous month, and 8.4 percent ( $\pm 0.7$  percent) above June 2021. Retail trade sales were up 1.0 percent ( $\pm 0.4$  percent) from May 2022, and up 7.7 percent ( $\pm 0.7$  percent) above last year. Gasoline station sales were up 49.1 percent ( $\pm 1.6$  percent) from June 2021, while food services and drinking places sales were up 13.4 percent ( $\pm 3.9$  percent) from last year. (Source: U.S. Census Bureau)

### Outlook

Gasoline was a major reason that U.S. consumer prices were 9.1 percent higher in June 2022 than a year earlier, the biggest annual increase in four decades. But as of early Q3 2022, gas prices have declined 28 days in a row, the longest decline since the collapse in energy demand in early 2020 as the Covid-19 pandemic paralyzed the economy. The trend could easily reverse, especially if a hurricane knocks out a refinery on the Gulf Coast, since global oil supplies remain fairly tight. But for the moment, the nation's inventories are slowly growing, in part because of continuing releases of oil by the government from its strategic oil reserves and reduced consumption. There remains the risk of a spike in prices that could send U.S. to new record levels in August should any disruptions occur. As far as the inside sales are concerned, consumers are willing to pay more for drinks and snacks—for now, as per the New York Times. "As inflation keeps going up, we're going to have to be super agile and very precise on the choices we make with the consumer" according to a PepsiCo's spokesperson.

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