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## **By Dennis Serpone - 2012 is setting up to be a record year for both buyers and sellers in the hospitality market**

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As it would appear, the year for the hospitality industry has arrived.

At first glance, the turbulent waters of the nation's economy may slow even the savviest of Wall St., but in the hospitality industry, 2012 is shaping up to be a big time winner for both buyers and sellers. With all the effects of our national elections, the effects of Obamacare, the volatility in the equities and commodities markets, and all that eclipsed by the huge problems in the housing markets and the severe levels of unemployment, 2012 should be a near record year for sales and acquisitions on both a local and national level.

In the last few years, many of the major hotel and restaurant chains underwent recapitalization, spinning off underperforming units, those with untenable debt went back to the lending sources...deeds in lieu of foreclosure, but with many retaining a management interest for repositioning themselves for rapid expansion when the winds of change are appropriate.

On the sidelines, foreign buyers are also ready to buy. The foreign exchange rates, with the severely devalued dollar, have become additional bait luring already hungry foreign investors to shop for buy-outs in the U.S. hospitality market.

As an example, Friendly's, that recently filed for bankruptcy, in what is normally a highly sought after niche of low cost of goods and higher than average profitability, could be a perfect acquisition by an already established chain, either national or international.

With the apparent reticence of the government to relax its stringent requirements for the Small Business Administration to loan money to restaurant operators, 90+% of deals are structured with the seller providing a significant amount of the financing for a buyer.

For an example, with the sale of a well-located restaurant doing about \$1 million per year in sales and with an attractive lease, that business could easily sell for \$500,000 with the buyer making a down payment of \$200,000 and the seller financing \$300,000, at 6% interest, with the loan amortized over 10 years, but with a balloon payoff in 6 years. Deals like this are done everyday. As long as the buyer is a seasoned operator and has sufficient financial reserves, and the seller can prove that the business being sold is profitable enough to carry the debt service...this is a deal made in Heaven.

In essence, let the government keep its money. If the bureaucrats at the town halls and the out-of-touch legislators at the State House and Congress could find something else to do but create rules, mandates, and regulations that are stifling our economy, the millions and millions of people out of work could easily find employment in our phenomenal industry. People always need to eat, many will always drink, we all need forms of entertainment, and as the herd is thinned, the strong will survive and prosper. All we have to do is make some intelligent decisions the next election. Our next president should have business experience, he or she has to be a capitalist, and one who

welcomes God back into our country.

God bless America.

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