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The niche of selling businesses today can be very profitable

November 19, 2007 - Connecticut

The niche of selling businesses today can be very profitable due to the larger commission commanded, potential leads to larger real estate deals, and the number of buyers and sellers. It involves many different aspects to be successful in your pursuit. Understanding marketing, pricing, knowing when not to take a listing, your client's motivation to sell, the advantage of being a licensed agent, co-broking, confidentiality factor, information gathering and listening to your client's needs, working with attorneys, and seller financing, are some of the aspects necessary to prosper.

There are more misconceptions and misguided opinions in pricing a small business by professionals and sellers in the marketplace today. A whole article could be written on this subject alone. I have heard so many different formulas and multiples of gross or net profit that simply do not work. An example: A woman who owned a luncheonette was advised by her accountant that her business was worth one time her gross business which was \$150,000 when she actually netted \$30,000 for the year, working seven days a week from 5:30 a.m. to 3 p.m. I advised her to offer it to her accountant for half price who of course even by his own standards was not interested. A quick and easy rule of thumb would be to use two to three times the owner's cash flow plus owner's add backs to arrive at a price for the business. Contributing factors to the multiple would be assets, condition, location, how long they have been in business, lease terms, type of business. These factors can determine what multiple you use. Another contributing factor is the business owner's motivation to sell. If their position is to have to sell quickly for financial, health, another business opportunity or any other reason, the business must be priced lower for a quicker sale and is important information to know when taking a listing.

The marketing aspect I have had the most success with has been various Businesses for Sale web sites, which have exposure worldwide. I have received numerous inquiries from across the country and Europe. Most of these websites charge on average \$40 per month for as many listings you wish to post, and are far more effective than print. Direct mail to like businesses has also been effective.

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Seller financing can be an important facet since many businesses are not bankable and most sellers are reluctant to hold any paper. Seller financing is like a pie that has pieces to it, what is the offer, is it close to the asking price, how much down, length of time for the payback, interest rate, security other than the assets of the business, credit history. When a majority of the pieces are there, it would benefit the seller to offer the seller financing.

A commission rate of 10%, or a minimum of \$7,500 for lower priced business, is industry standard due to the amount of work involved in closing the deal. Most deals from the point of when the buyer and seller have agreed does not flat line to the closing. There are always bumps that you would be responsible to smooth out and developing a working relationship with both the buying and selling attorneys is the best way to smooth out the bumps and keep the deal moving. Â Â Â Â Â Â Â

In the state of Connecticut, you do not need a license to be a business broker and there are numerous brokers who presently are in operation which do not co-broke. The advantage for licensed agents is obviously the sale of a business with real estate and the ability to negotiate leases, but also to inform prospective clients that you co-broke where many unlicensed brokers do not and the clear benefits to the seller.

This is a snapshot in developing a niche in selling businesses and in a market where there are highs and lows, the buying and selling of businesses seems to stay strong.

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