

NEWS

'NEW NORM IS A YO-YO'

Selling prices for Atlanta small businesses nosedive

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The median selling price of small businesses sold in metro Atlanta dropped nearly 50 percent in the third quarter, versus a year ago, according to new data from online business-for-sale marketplace BizBuySell.com. The median revenue of those businesses also fell about 45 percent from a year ago.

According to an analysis of 56 closed transactions in metro Atlanta by BizBuySell, businesses sold for a median price of \$132,000 in the third quarter, compared with \$242,500 a year ago. Businesses that sold in Q3 had a median annual revenue of \$306,035, compared with \$556,051 last year.

The plunge in pricing and revenue in the metro Atlanta market is related to the smaller size of businesses reported sold in this quarter, said **Bob House**, group general manager of **BizBuySell.com** and **BizQuest.com**. "Smaller businesses have smaller revenues, smaller cash flow and therefore command lower sale prices," House said.

Nationwide, brokers reported 1,814 closed deals to BizBuySell in Q3, down from 1,987 closed deals at the same time

a year ago. Nationally, the median sale price of a business sold in Q3 slipped from \$189,000 last year to \$185,000 this year. "2014 was a really robust year," House said. "2015 is a strong year, but not quite as strong."

Sellers continue to remain bullish, according to BizBuy's third annual Business Buyer-Seller Confidence Index, which sampled more than 1,500 people. The majority of business owners (58 percent) believe they can receive more money for their businesses than they could last year. The Seller Confidence Score increased from 56 in 2014 to 62 in 2015.

Buyers appear to be more cautious. The Buyer Confidence Score dropped from 52 in 2014 to 47 this year. "Buyers are starting to feel, maybe, assets are overvalued," House said. Fifty-seven percent of surveyed buyers reported small businesses are currently overvalued.

"It doesn't take much by way of negative news for buyers to prolong their decision-making, or simply hold firm where they are," said **Sara Burden**, president of **Walden Businesses Inc.** "As we look at the activity levels comparatively for the past several years, it appears the new norm is a yo-yo." While Walden saw fewer deals close in the third quarter compared with

the same time last year, the selling prices were 13 percent higher in 2015.

Prices for businesses are trending up due to an "incredible imbalance" between buyers and sellers, according to **David Chambless**, CEO of **Abraxas Business Services Inc.**

"Right now...there are far more buyers than good businesses for sale," Chambless said.

At an individual buyer level, interest in small businesses is stoked from people believing they need to own something from which they can't be fired, that will provide for their lifestyles into old age, Chambless said. "For private equity and strategic buyers, they have lots of cash on their balance sheets that is earning very low returns. It seems safer to deploy it where the return is higher," he said.

David
Chambless

Chambless is optimistic about the business-transaction market for the remainder of 2015. "Most indices that are denominated by confidence will solidly improve," he said.

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