

Businesses not selling for near what they used to

Buyers can grab steals if they can find loans or cash

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Austin-area businesses sold last year yielded less than half of what those who sold during 2009 got, as a scarcity of loan money depressed business valuations.

The sharp decline in local business sales prices stood in stark contrast to the national business-buying landscape that was largely unchanged from 2009.

About 40 local businesses were bought for a median \$120,000 during 2010 versus 43 businesses bought for a median \$280,000 the previous year, according to a report by San Francisco-based BizBuySell.com.

Twenty-eight percent of local businesses sold last year were small ventures that went for less than \$50,000, compared with 2009 when 44 percent of local businesses sold

went for \$100,000 to \$300,000, the data show.

The large decrease in sale prices were mostly due to a lack of capital available to buyers. As a result, valuations declined and business owners who sold last year typically did so by necessity rather than choice, said Thomas Wilkinson, a partner at Austin-based accounting firm PMB Helin Donovan LLP.



Wilkinson

“The lack of leverage is causing a decrease in pricing of companies,” he said. “So you end up with a lot of distressed sales rather than healthy sales.”



Handelsman

Last year, Texas bank earnings on loans were more difficult to generate as capital became scarce. The net-interest margins — the percentage difference between the interest rate banks pay depositors and the rate they receive from lenders — slipped to 4.01 percent compared

BUSINESSES SOLD

YEAR	NO. OF AUSTIN LISTINGS	NO. OF NATIONAL LISTINGS	AUSTIN MEDIAN SALE PRICE	NATIONAL MEDIAN SALE PRICE
2010	40	4,568	\$120,000	\$150,000
2009	43	4,440	\$280,000	\$160,000
2008	51	6,202	\$270,000	\$190,000

Source: BizBuySell

with 4.44 percent in 2006, according to a report by the Baker Group based on data supplied by the Federal Deposit Insurance Corp.

BizBuySell, which doesn't track all transactions, reported that restaurants made up the largest category of local businesses sold during 2010, with five. Acquired businesses ranged from pizza shops to accounting firms. The largest seller was a limestone quarry that sold for \$2.4 million, the report shows.

Nationally, sale activity and prices remained about level from last year. About 4,568 business were bought for a median

\$150,000 during 2010 versus 4,400 business bought for a median \$160,000 the previous year, according to BizBuySell.

Meanwhile, only 13 percent of business sales nationwide were less than \$50,000. The largest portion of nationwide sales, 23 percent, were for \$100,000 to \$200,000, the report shows.

Going forward, more available capital coupled with pent-up demand for business deals is projected to result in higher prices this year, BizBuySell General Manager Mike Handelsman said. “There’s a lot of supply that’s been sitting on the sidelines that’s going to come to market.”