



BizBuySell Announces Third Quarter Insight Report: It's Still a Sellers' Market for Business Owners Who Want to Cash Out

Online business-for-sale marketplace notes rising demand for businesses and shortage of supply

San Francisco, CA ([PRWEB](#)) October 1, 2008 -- [BizBuySell](#), the Internet's largest marketplace for buying or selling a small business, announced today the results of its Third Quarter 2008 Insight Report, which tracks trends on for-sale and sold businesses in the U.S. According to the report, business valuations are on the rise in spite of a volatile economy.

The latest data is based on a representative sampling of over 50,000 business-for-sale listings on BizBuySell.com and 1,400 closed transactions, as reported by business brokers across the country. It reflects mostly good news for sellers, even if the economy might suggest otherwise.

"The BizBuySell third quarter data suggests that it's still a sellers' market," says BizBuySell.com General Manager Mike Handelsman. "The key metrics used to determine small business valuations are on the rise. That means that a seller can get more money today for each dollar of revenue or cash flow than they did one year ago. That's good news if you are one of the many baby boomers who own a business and are looking to cash out to fund your retirement."

In fact, year over year, the average revenue multiple for closed business-for-sale transactions jumped 7.9% from 0.64 to 0.69. The average cash flow multiple for those same transactions jumped by the same percentage from 2.57 to 2.77 year over year.

Handelsman says the multiples used to calculate business valuations are going up in part because weaker businesses are opting to wait to sell until the economy improves.

"Overall, we're seeing a smaller supply of businesses for sale, but an increase in the quality of businesses for sale," says Handelsman. "This leads to rising multiples that buyers have to pay for those businesses. Although it goes against conventional wisdom, strong businesses can still command good prices."

BizBuySell cites these additional factors as contributors to rising valuation metrics:

-- Higher unemployment: With more people unemployed now as a result of the bad economy, many workers are looking to transition to business ownership and control their own destiny. This has created a surplus of buyers who are driving prices up.

-- Increased demand for companies that prevailed despite the economy: With many companies struggling in this difficult economy, there are fewer companies worth buying. As a result, demand has increased for companies that have managed to be resilient even in a down economy. The BizBuySell data reveals that the median revenue for its sold businesses has declined from \$400,000 to \$380,000 year over year, which suggests that this is indeed a difficult time to maintain revenue streams. Median cash flows are also down year over year, from \$93,942 to \$92,000. Lower revenues and cash flows have resulted in a lower year-over-year median sale prices, down from \$200,000 to \$189,500. In other words, sellers can demand higher multiples but may still get less money if their revenues and/or cash flows are declining.



Despite the rise in revenue and cash flow multiples, however, it doesn't mean it's a good time for every business owner to sell.

According to a recent BizBuySell broker survey, 68% of business brokers say they are seeing the same amount or fewer listings now than they saw one year ago. This slowdown in business-for-sale transactions appears to be based on economic issues, as 92.6% of the respondents who are getting fewer business-for-sale listings indicated uncertainty of the economy or decreased business performance as being the primary drivers of the changing number of new business-for-sale listings.

"Based on what the nation's business brokers are saying, it seems likely that more business owners will be sitting out this economic storm, holding off on selling their businesses until the economy turns around," notes Handelsman. "Buyers have additionally taken significant hits to traditional sources of financing, such as home equity and 401k's. This, combined with lack of credit, indicates that the market may have significant struggles ahead."

More information about local and industry-specific business valuations is available online at www.bizbuysell.com.

About the Insight Reports:

The [BizBuySell Insight Report](#) is a nationally-recognized economic indicator that tracks the health of the U.S. small business economy. Each quarter, BizBuySell analyzes sales and listing prices of small businesses across the U.S., based on more than 50,000 businesses for sale and those recently sold. The BizBuySell Insight Reports focus on over 60 major U.S. markets and publish local, regional, state and national data for trending and analysis.

About BizBuySell:

[BizBuySell](#) is the Internet's largest and most heavily trafficked business for sale marketplace, with more business for sale listings, more unique users, and more search activity than any other service. BizBuySell currently has an inventory of over 50,000 businesses for sale, and more than 800,000 monthly visits. BizBuySell also has one of the largest databases of [sale comparables](#) for recently sold businesses and one of the industry's leading [franchise directories](#).

BizBuySell was founded in 1996 and acquired in 2004 by LoopNet, Inc. LoopNet operates the largest commercial real estate listing service online, with more than \$475 billion of property listed for sale and 4 billion square feet of space for lease. With over 2.5 million members, LoopNet attracts the Internet's largest community of commercial real estate.

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