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Small-business sales picking up in Milwaukee area

The Business Journal of Milwaukee - by [Rich Kirchen](#)

While fewer small businesses are being bought and sold nationally, the Milwaukee and Waukesha areas are experiencing a renaissance in activity, according to a new report and local business brokers.

The main reason for the increased demand is people who have lost their jobs during the recession looking to buy small businesses. However, the big challenge to closing deals is the tight financing market that requires sellers to increase the money they contribute at closing, brokers said.

The median asking price for small businesses in the Milwaukee-Waukesha area in the fourth quarter of 2008 was \$367,450, a 9.7 percent increase from the fourth quarter of 2007, according to [BizBuySell.com](#), a San Francisco-based Internet business-for-sale marketplace. The businesses in the local data had a median revenue of \$505,433, up from \$500,736 a year earlier.

Business owners in the Milwaukee-Waukesha area are asking, on average, for a revenue multiple of 1.02 compared with 0.97 a year ago, BizBuySell.com said. The cash-flow multiple is 4.42, up from 3.56 in late 2007.

BizBuySell said its data is based on 84 Milwaukee-area businesses listed on the Web site by local business brokers and owners during the fourth quarter.

Nationally, fewer deals are getting done, and completed deals are closing with lower business valuations than a year ago.

“Milwaukee really is an outlayer compared with what we’re seeing nationally,” said Mike Handelsman, BizBuySell general manager.

Handelsman said apparently capital to complete transactions is more available in Milwaukee than other metropolitan areas.

Tight money

Despite Handelsman’s comment, Milwaukee-area brokers said availability of money remains tight with banks requiring sellers to contribute from 20 to 50 percent of financing compared

with the previous norm of 10 percent.

“A number of deals fell apart because the banks weren’t lending at that time, in spite of what they’re saying,” said Ed Krajcir, owner of **Sunbelt Business Brokers** in Brookfield.

One reason the sales prices in Milwaukee have increased is that sellers are infusing more of their own money and want a better price in return, brokers said.

In spite of the financial challenges, deals are getting done because of the increased demand, brokers said.

“It’s a good time to sell — there are more buyers in the market than in the past five years,” Krajcir said.

Krajcir said 50 percent or more of the buyers locally are displaced executives and upper management staff.

Another factor working in favor of selling small businesses now is that some sellers are motivated by the prospect of closing a transaction before President George W. Bush’s capital gains tax cuts expire in 2010, Krajcir said.

IMPROVING CONDITIONS

The market for selling small businesses in the Milwaukee-Waukesha area has improved from a year ago, according to new data from BizBuySell.com. Figures are averages based on 84 closed transactions during the fourth quarter of 2008 compared with a year earlier.

Measure	Fourth qtr. 2008	Fourth qtr. 2007
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Asking price	-- \$367,450	-- \$335,000
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Median revenue	-- \$505,433	-- \$500,736
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Revenue multiple	-- 1.02	-- 0.97
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Cash flow multiple	-- 4.42	-- 3.56
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Source: BizBuySell.com

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