

Broker market conditions in 2022

What we see today with buyers and sellers

Building success through the sharing of information

By Steve Mariani

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You may remember 12 or 18 months ago when sellers could just name their price and multiple to still have 4 or 5 serious buyers considering the listing within days, but that's all seemed to have changed in 2022.

As I connect with brokers and lenders from around the country about the current market conditions, I am finding a true shift from a year ago. Just last year a seller could name his multiple, and the broker almost had to list the business knowing it will still get some level attention if it's a decent, cash flowing business. During the last 4 or 5 months I have noticed a shifting of the pendulum slightly toward the buyer's side. Today as I poll my closest people, I find that potential buyers are much more hesitant to offer up that LOI or sign the offer letter as presented and look to continue negotiating over weeks instead of just hours or days.

We're now seeing lenders desperate for transactions and brokers beginning to panic with fewer listings than normal. Most businesses we're reviewing are doing well and continue to move forward on a post-pandemic track. Their either getting back to where they were previously or many times, ahead of previous years. So why is it harder to secure listings and why are buyers hesitating? As I explore and ask many experts, the answer seems to come back the same. Many factors are at play in 2022 that weren't in the last 2 years. We're all through the pandemic and that does not seem to be affecting our clients to the levels it had been in the past, so what is it? Here's what many have expressed to us. First, it's the current state of our nation and the inflation that seems to be hitting every American, every day. Although America is not directly in the Ukraine war, to many, it seems like we are due to additional effects it's having on our country. When people become emotional, many become paralyzed and avoid any action at all. Second, the threat of increasing interest rates, again, people shut down under uncertain emotional conditions. We all know the interest rates will be increasing over the coming months and no one knows or can determine when that will end. Is a recession in our future?

We see many businesses that rely on supply chains, and these don't seem to be any more stable today than they were just a year ago. We're still hearing stories about ships unable to unload their

cargo into ports and its evident everywhere, including your local grocery store, auto dealers and many retail locations.

Buyers seem to be hesitating more than average these days and their due diligence lists have been expanding. We're no longer seeing multiple offers within days of the listing going live and offers or LOI's are now taking weeks to produce. Buyers are asking more questions and not moving forward as fast as any of us would prefer. Clients are now requesting loan information at 2, 3 or 4 % higher interest than today's current rates to account for future inflation.

Lately I have been receiving calls from brokers concerned about the number of listings, or lack thereof, they have going into mid-2022. My comments are always the same, stay the course and stick with your plan. If you've been in this industry for any length of time then you've witnessed the markets ups and downs with listings, lenders, and pricing over the years. Although these factors play a big part in our daily businesses, they should not stop our forward progress or demand we change our direction.

From the lending side of things, we're also seeing lender concerns as credit policies tighten up at a few of the larger national lenders. The turbulent last 2 years has caused many businesses to make changes and adapt to market or shipping conditions that have not always been of benefit, and many are now struggling. Defaults seem to be rising in a few industries while falling in others, adding to the credit uncertainty. Our direct lender referrals have increased 40% since the start of 2022 and we see this trend continuing for the short term, a clear indication of what to expect through the next quarter. Rising interest rates are also adding to the buyer hesitation as we expect them to continue to increase over the remainder of the year.

The bottom line is to stay focused and on track with your plan as these too, are short term concerns and will pass, I have seen this before.

To increase your success, direct your buyers to one of our highly trained experts for pre-qualification and we will be happy to assist in the screening and closing of your transaction. Try us and see the difference that personalized service along with top level advice and lending sources can make.

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