

WANT TO PURCHASE A SELF-SERVICE LAUNDRY IN TODAY'S MARKET?

Well, it will take more money to make money today more than ever before and that goes for the Laundromat industry as well. Before the economic meltdown of 2008 you could purchase a laundry with 20% to 25% down and OK credit. We have seen deals go down with as little as 10% to 20% down using SBA backed loans. Today, it is a different story all together. Most of the banks that had participated in lending for Laundromats are requiring 40% down and that would be for buyers with excellent credit as well as additional collateral in the way of equity in buildings or other hard assets. SBA is still an option but their requirements have tighten up quite a bit and the fees for putting an SBA deal together have become prohibited in all but the larger deals.

The documentation requirements for securing a bank loan or a SBA loan have also increased. Tax returns are the prime documents required on every deal. These returns must show an adequate net cash flow (before depreciation and debt service) to repay the loan. This fact should be a wake up call for some prospective sellers who may think that they can sell their business with tax returns that show little or no cash flow. Of course, there is a bright side to this, and that is, that storeowners who have proper documentation including tax returns that reflect accurately what their stores are producing are the stores that are selling well in today's market.

One alternative to bank or SBA financing is **seller financing**. This may be the only way for some owners to sell their business at least for the next few years. We have seen a sharp increase in seller financing. Typically, the buyers will put 25% to 50% down and the seller will keep a secure interest in the business and equipment as well as personal guarantees from the buyer. Amortization schedules run anywhere from five to twenty years depending on cash flows. Most seller-financed loans, as well as bank loans, will balloon in three to five years. That means that the entire balance of the loan will be due and payable at that time. Sellers that finance the buyers may have additional tax advantages with capitol gains and in other areas so always check with you accountants.

Even in times like we are experiencing today, the laundry industry is holding its-own and well-managed Laundromats are showing increased sales over previous years. Remember, Laundromats are providing a basic needs service and therefore will be more resistant to economic fluctuations. So, if you are looking for a business to buy or you're looking to buy a job, you may want to put Laundromats on your short list. You may need more money than ever to make it happen but in most cases it is worth every penny.

John Vassiliades

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