

**COMMERCIAL REAL ESTATE***Here's why mergers and acquisitions are blowing up*

For the past two weeks, I have pondered trends permeating the commercial property landscape. We deep-dived into third-party logistics providers and discussed a move out of California. Today's topic will complete the trifecta of trends as we tackle the quest for business acquisitions.

My theory: If it happens once, it's an exception. Twice, it's a trend. Three or more times, it's an epidemic. Well, if my theory is true, the pace of mergers and acquisitions is the business equivalent of the Ebola virus!

In a typical week, I contact several dozen small-business owners, folks who own and operate manufacturing, distribution and service companies. No kidding, one-quarter of these companies have recently sold, are in merger talks or are seriously considering the purchase of a competitor. Wow! Contact the CDC and get those vaccinations ready!

So what gives? Why this rampant rush for the exits?

In my experience, the reasons are as follows.

**AGE OF BUSINESS OWNERS** » Let's face it, we are an aging society. Doubt what I say? Take a look around your neighborhood. How many of your neighbors were born when Eisenhower was president? Yep.

Now, give some thought to what your neighbors do for a living. Chances are they manage their own company. If the heir apparent is not living in their basement, and in line to take over, these small business owners face a dilemma: How much longer should I con-



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tinue to own and operate this company? And, is another 2008 on the horizon? Survey says, "Fewer than five years," so now is a perfect time to sell the business and watch "Jeopardy" reruns in your PJs.

**TIME IN THE CYCLE** » Much like activity in the commercial real estate market ebbs and flows, the motivation for company acquisitions follows a similar pattern. Operations are valued based on a multiple of their earnings. The greater the multiple, the higher the value. Profitability has returned, and we are seeing multiples at all-time highs, which translates into much more value today than any time in the recent past.

**CHEAP MONEY** » Another factor that has rallied the ravenous appetite for business acquisition is the availability of capital. These dollars must find a home. In general, folks seek a domicile with the highest return on investment. In many instances, this is best accomplished with a company purchase.

**THE IMPACT ON COMMERCIAL REAL ESTATE** » Housing all of these operations? Yessir, a suite of offices, an industrial building or a retail storefront (aka commercial real estate). In every merger, acquisition or disposition, the buildings in which the operations are located must be analyzed, valued, consolidated, leased, sold, retained or otherwise accommodated.

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