

Media Release
Monday 22 April, 2024

Vendor Finance popularity rocketing up - a sign of the times

- Vendor Financing ten times more popular in just one year
- Lubricating a generational transfer of ownership
- Assisting younger business buyers into Boomer-built enterprises

The role of Vendor Financing has become ten times more popular in just the last year, and is now a key factor in getting more and more sales of small businesses over the line – especially to younger buyers.

That is the key finding from recent data shared from the country's leading business brokerage, [ABC Business Sales](#).

“Vendor finance structuring - the lending of money by a vendor to a purchaser to assist the transaction - used to only be a component in one out of every 100 deals we did, but now it is a factor in close to 10% of our business sales, particularly those involving a younger demographic of buyers,” says ABC Business Sales managing director, Chris Small.

“You could say the trend is very much a sign of the times.

“A large portion of our new purchasers are younger buyers who don't have the financial ability to buy these businesses outright, and many of our listings are 'boomer owned businesses' where the vendors are highly motivated to sell and also have the capacity and flexibility to make the deal work.”

Small says these business owners view vendor finance as a very acceptable investment. It provides a good return (10-14% is the standard rates for vendor finance) and given they know their business intimately, they are comfortable with that lending-risk profile.

“It can be a real win-win too,” says Small, “because this method is also a very positive signal to the buyer of the vendor's confidence in the business i.e. that it will support the new buyer's ability to repay the financing structure.

“Hence, contributing to this growing trend of generational transfer of ownership within the small business sector.”

The frequency/appeal of vendor financing is also strongly influenced by the current interest rate environment, and with the major banks' standard lending metrics for business sales being 30%-60% of the businesses total value, that leaves a potential 40%-70% equity gap which vendor financing is helping to bridge.

Ends.

Interviews: Chris Small, Managing Director, ABC Business Sales is available for interviews

Images: Please [click here](#) for Hi res imagery

For media enquiries & interview requests please contact:

Mike Hall | Partner | **PR Partners** | 021 733 887 | mike@prpartners.co.nz