LINK WELLINGTON

Market Update

Issue 20

Rising Confidence, Falling Interest Rates – Thrive In 2025

With the market rebounding, business confidence on the rise, and LINK Business Brokers by your side, 2025 is shaping up to be a promising year.

LINK™ we sell businesses

LINK Wellington
0800 446 041

Recent business sales

Hospitality
WELLINGTON
$450,000

Hospitality
WELLINGTON
$600,000

Hospitality
WELLINGTON
$365,000

Professional
WELLINGTON
$250,000

Hospitality
WELLINGTON
$149,000

Services
WELLINGTON
$895,000

Property / Real Estate
WELLINGTON
$325,382

Hospitality
WELLINGTON
$725,000

Services
HAWKES BAY
$370,000

Automotive
WELLINGTON
$430,000

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Rising Confidence, Falling Interest Rates – Thrive In 2025

As we settle into the new year, Neil Craigen, LINK Business's Auckland Ellerslie office sales manager, sheds light on what the upcoming trends of 2025 means for business owners and aspiring business owners looking for their opportunity to buy. The key is: confidence.
While 2024 presented its challenges, 2025 has emerged with business owners approaching the year with a renewed resolve.

> "Business owners are starting to feel more confident,"

says Neil. ANZ's January 2025 business confidence outlook shows promise, although falling 8 points from December 2024, business confidence remains extremely high at 54.4. To reap the rewards of the fall in interest rates from the second half of 2024, practicing some patience will go a long way. Overall, the economy-wide reported past activity inched forward in January after December's strong rebound. While the ups and downs persist, the overall trend in the market suggests recovery is underway—though it's more of a slow cruise than a full-throttle acceleration.

This gradual economic recovery can be seen through the significant levels of enquiry LINK continues to have, with average numbers of buyer interest up over 20% year-on-year, and 40% up from FY22 and FY23. With favourable financing conditions with the banks are now available, combined with dropping interest rates and business owners making the decision not to wait any longer, there are several competitively priced businesses coming to the market. "This is driving strategic buyers looking to take advantage on pricing at the current market conditions."

As the economic recovery continues and interest rates continue to decline, Neil explains that business values could rise further, which is prompting astute buyers to act now. "Growth through acquisition is also a driving competition for good quality businesses to enhance operational efficiencies and generate new revenue/profit. We also have a surplus of baby boomers who are reaching retirement age and looking to sell - there are many that don't have a succession plan and selling is the most likely exit!"

As a buyer this market presents you with opportunities you want to take advantage of. As for business owners looking to sell, preparation is key to ensure you maximise the value of your years of hard work.

"Engaging with a broker early provides you with clarity on the current market value of your business and what you need to do to ensure you get the best return on your investment."

Key to this: Having accurate and up-to-date financial information. Buyers will scrutinise this so remove personal expenses and ensure everything is in order. Next, ask how reliant your business is on your involvement in its day-to-day operations. Exploring ways to reduce this dependency will work in your favour and offer you a strong standpoint in negotiations.

"Be realistic and flexible with timelines and pricing. Working with a broker from LINK, with extensive market reach and industry expertise, ensures professional support through negotiations to achieve the best possible outcome."

With the market rebounding, business confidence on the rise, and LINK Business Brokers by your side, 2025 is shaping up to be a promising year. Neil firmly believes that success comes down to strategy, not timing. "There is never a bad time to buy or sell a business—just poor planning!"

Timing the Market: How to Decide If You Should Sell Before or After EOFY

When considering a business exit, timing the sale of a business can be just as important as the decision to sell itself. One of the key questions that can arise is whether to finalise a sale before the end of the financial year (EOFY) or to wait until post-EOFY market conditions stabilise.

Selling before EOFY

One of the primary advantages of selling before EOFY in New Zealand is financial clarity. At this stage, financial records are up to date, and prospective buyers can assess a full financial year's performance without ambiguity. This transparency can streamline negotiations and build buyer confidence, especially if the business has demonstrated strong financial results.

EOFY also presents opportunities for tax planning. While New Zealand does not have a broad-based capital gains tax, business owners should consider the impact of depreciation recovery, GST obligations, and the potential tax benefits of structuring a sale before the financial year closes. For businesses with strong profitability, completing a sale before EOFY may also assist in managing tax obligations more effectively under Inland Revenue Department (IRD) regulations.

Waiting until post-EOFY

On the other hand, waiting until post-EOFY can provide a strategic advantage by allowing time to assess market trends. The period immediately following EOFY often brings shifts in buyer activity, as investors and businesses evaluate their financial standing and adjust acquisition strategies. If market conditions are expected to improve, holding off on a sale could yield a better price and stronger deal terms.

Another key benefit is the ability to refine financial performance and address any issues that may have impacted on profitability in the previous year. This extra time allows sellers to present stronger financials for the new fiscal year, potentially increasing valuation and buyer interest. It also provides an opportunity to align with evolving economic conditions, particularly if industry trends in New Zealand indicate a more favourable climate later in the year.

However, delaying a sale also comes with risks. Market volatility, interest rate shifts, and changes in buyer confidence can all impact demand. Any unforeseen downturn in business performance in the new financial year could weaken your valuation and bargaining position.

Making the right decision

Ultimately, the decision to sell before or after EOFY depends on your business's unique circumstances and your strategic goals. Sellers who have well-prepared financials and seek tax advantages may benefit from closing before EOFY. Those who anticipate stronger market conditions or wish to improve financial performance may find post-EOFY to be the better option.

For business owners looking to exit, timing is everything. Whether before or after EOFY, a strategic approach, supported by expert broker services, will ensure the best possible outcome in the sale of a business.

Franchise vs. Independent Business: Making the Right Choice Before EOFY

If you are looking to become a business owner of either a franchise or an independent business, the time to act is now. Make sure you are prepared to make an informed decision as this will have implications that extend beyond daily operations to tax planning, financial positioning, and long-term growth potential.

Financial Structure and Initial Investment

A franchise offers a structured business model with an established brand, operational framework, and ongoing support. However, it also comes with upfront franchise fees, royalty payments, and restrictions on operations. Independent businesses, on the other hand, provide greater flexibility but require a more hands-on approach to branding, marketing, and strategy. The financial considerations differ significantly, and you must assess whether you prefer the stability of a franchise or the autonomy of an independent venture.

Tax Implications and EOFY Planning

With the financial year-end fast approaching, tax positioning is a crucial factor for you to consider. Acquiring a franchise may provide clear financial reporting systems that facilitate streamlined tax preparation and compliance. Many franchises offer structured financial documentation, making it easier to track expenses and claim deductions. Independent businesses, while offering greater control over financial decisions, may require more intricate tax planning. As a buyer, you should evaluate available deductions, potential asset write-offs, and depreciation schedules before making a purchase. Engaging with financial advisors to understand tax efficiencies can help position the acquisition advantageously ahead of EOFY.

Operational Control and Strategic Growth

Franchises operate within defined parameters set by the franchisor, which can provide a proven path to success but may limit innovation and flexibility. Buyers seeking an established system with comprehensive support may find a franchise appealing, particularly if they are new to business ownership. In contrast, independent businesses allow owners to shape their strategies, marketing efforts, and operational processes without external oversight. While this level of control can be advantageous, it also demands a strong entrepreneurial mindset and the ability to adapt to market changes.

The long-term value of a business is a key consideration.

Making the Right Choice Before EOFY

As you evaluate opportunities before the end of the financial year, it is imperative to consider both short-term financial benefits and long-term business viability. Franchise acquisitions may offer structured support and brand recognition, but they come with ongoing costs and operational constraints. Independent businesses provide greater freedom but require a strong strategic approach to growth and financial management.

The numbers just keep getting better and better

$2b+

of businesses listed on our global websites

250+

businesses sold globally per month (avg)

3,000+

businesses for sale internationally

73%

of buyers think about buying a business for up to three years

79%

of buyer prefer an established business