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Business brokers continue to be bullish on a strong M&A market for 2018. Optimism persists despite economic and political uncertainty about U.S. tariffs according to the Q1 2018 Market Pulse Report published by the International Business Brokers Association (IBBA), M&A Source and the Pepperdine Private Capital Market Project.

On May 1, 2018 President Trump delayed steel and aluminum tariffs for key allies

with business costs. Many businesses are taking a 'wait and see' approach as current economic growth could make an increase in raw material pricing more tolerable."

On the other hand, rising interest rates are viewed as problematic with advisors predicting a negative impact on sellers (43 percent) and buyers (68 percent). Rising interest rates may spur activity in the short term as buyers are motivated to take on debt before financing becomes more expensive. As interest rates move up, purchase prices may be subdued, despite an otherwise strong market.

"With interest rate increases looming, buyers and sellers were motivated to accelerate the deal making process early this year. We may continue to see abbreviated timeframes in order to get ahead of additional increases," said Craig Everett, PhD, Director of the Pepperdine Private Capital Markets Project. "At the same time, a strong seller's sentiment in the lower middle market gives business owners and advisors the leverage they need to set timetables and keep the deal process moving forward."

Consistent with general market optimism, seller market sentiment is at an all-time high in four of five market sectors. Business in the $1MM to $2MM sector had the biggest jump in confidence, growing 14 percentage points. Despite the seller market advantage, the majority of Main Street business owners fail to plan for the sale of their business. Advisors indicated that half of businesses that went to market in the last quarter did not sell and that 88 percent of business owners in the

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