



*This column was first published in June 2005 in Ontario Dentist magazine, vol. 82, # 5.  
As with all predictions, some were accurate – others have proven to be incorrect.*

## **PRACTICE MANAGEMENT**

As of late spring 2005, the market has proven to be the most active I have ever witnessed. Many of you have heard that before, but this is truly the busiest our company has ever been. Based on the volume of appraisals we perform, I can usually predict the volume of practices that will be put on the market within the next one or two years. Now I have made predictions about the number of practices coming for sale in the past, and some did not come to bear for various reasons. This time I am going to go out on a limb again, and bearing any unforeseen market forces, such as “nine-eleven”; this time I think we are on the right track.

1. The number of baby boomer dentists who want to sell their dental practice in the next one to five years is growing rapidly. These are the ‘freedom fifty-five’ dentists who have been planning and preparing for this for almost a generation. While many in today’s more mature dental market (those who are 65 or older) do not understand this generation’s mind-set, I can assure you there are hundreds, if not thousands, of dentists in Canada who want to exit ownership soon. The same trend has emerged with medical doctors, yet they do not enjoy the luxury of a saleable practice – too bad.

*I was wrong! Baby Boomer dentists have yet to flood the market with listings and we have a huge over-supply of ready and willing buyers as of January 2009. With the recent ‘meltdown’ in savings (due to the stock market) I predict the supply of practices will decrease in 2009 leaving even more buyers frustrated and wanting.*

2. The number of willing, ready and bank-approved buyers is likely to grow in the major centres (like the GTA). Unfortunately, the number of buyers will continue to decline for practices in the outlying, rural and remote regions on Ontario. The profile of today’s buyers dictates that the large majority will desire to practice in the one-hour range of the GTA and a few select other cities such as Ottawa. For the purpose of this prediction, the GTA is considered a one-hour commute from Yonge St. and Highway 401.

*On this topic the prediction was 100% correct! And the number of major city buyers is even larger than first predicted. The real opportunity is now in rural areas of Canada. Get out there young dentists – you are needed! Patient flow is more than ample, housing prices are lower; practice sale prices are lower still. Forget the big city for just five years – see what the financial returns are when you live and work where you are welcome and needed!*

3. Prices for dental practices will peak in one or two years. With the continuing demand in the GTA, prices may increase another 5% to 10% but, the trend is likely to come to a head soon. There comes a point when the sale price does not justify the risks, and dentists will revert back to setting up from scratch or associating, while waiting for the market to decline. Although the purchase of an established practice remains the number one choice for most young dentists, the short supply of the last five years has forced some into setting up against their better judgment.

***Once again, I was wrong. Prices continue to increase as proven by the most recent open market sales. In some areas, sale prices have increased 30 to 50% since 2005 - mostly in the GTA. And with the ever-increasing supply of buyers, prices will go even higher in 2009 – and in the midst of a recession none-the-less! This is a very rare phenomenon but given the dilemma many young dentists face, they may be forced into paying higher prices just to secure the investment they have made in their education and to enjoy a decent livelihood.***

4. Financial institutions will begin to tighten their credit systems. We have witnessed a low interest rate environment for an extended term and when rates begin to climb, even slightly, banks may begin to withdraw from the market. It is inevitable that a few loans will go into default, and some losses will be realized, mostly new set-ups, and banks will tighten their policies. This is a long-standing trend in the financial industry – enter the market – compete with low rates and fast credit decisions then, once market share has increased, draw back.

***Absolutely wrong - again! Lenders continue to be very supportive of the dental professional and in these uncertain times, they are going to great extents and are more interested in dental financing than ever! Lenders seek out premium opportunities in lean times and dentistry has proven to be a low-risk lending proposition for many years. Dentists can expect even lower interest, better lending terms and a very favorable borrowing environment during a recession.***

5. More dentists will desire to exit ownership immediately, avoiding the many costly and unknown factors of the 'transition' thus freeing up more practices for today's long list of buyers-in-waiting. The associate buy-in models of the past are not as viable due to the dramatic variances in philosophy of the two generations of dentists who contemplate such plans. Most of the baby boomers I speak with are seeking freedom from ownership, without the burden of working with, or training their replacement.

***On this topic my nationwide team of Associates is certain; Owners do not wish to seek the associate buy-in model as much as in the past. They have proven to be costly and have a very high rate of failure. It is an old-fashioned modality and will soon become the last resort to selling a practice – mostly for those whose practices reside in the 'un-saleable' markets.***

***My conclusion in the 2005 column read as follows:***

As in any predictions, there can be unknowns. All things being equal, I submit that these five are highly probable. What's your time line? Are you ready if these predictions materialize?

***As of early 2009, it is truly amazing how much things change in such a short period of time.....***

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