



Timothy A. Brown

Market Update

The future has never looked brighter for dental professionals.
But will this trend continue?

Dental practice sales for the first quarter of 2008 will be higher than in the first quarter of 2007. As this market matures, in terms of the average age of a practising dentist, the number (supply) of practices for sale will increase and the demand will eventually decrease. Any change in these two critical variables will have an impact on price.

This topic has been documented by many experts for almost 10 years, but the real increase in supply has yet to materialize. Thus demand remains very strong. In the very unique marketplace of dental practice sales the cycles are somewhat predictable yet have proven to be quite resistant to outside economic forces. When compared with the units of measure for the traditional economy such as the stock market, currency fluctuations, oil prices and real estate, dentistry as a profession remains very stable.

Proof of such resilience is the continuing availability of financing from all the major lenders in Canada.

This lending invariably stimulates the demand for practice acquisitions, expansions and in some areas, a steady stream of brand new start-ups. One would anticipate a marginal withdrawal from the current lending practices of the banks, when studying the more immediate changes to the markets in early


January 2008. The TSE dropped dramatically in mid-month, the US has entered the 'recession' debate and other global factors continue to cause unrest. However, the dental market place proves to be stronger than ever, with new buyers entering the market daily combined with a continuing short supply of practices for sale in the highest demand areas. Thus, prices continue to increase in the most desirable regions, namely those surrounding the GTA.

How is this possible? Some observations that we share with our clients are:

1. Dentistry has educated the public for many years, thus cementing itself as an essential service and these educated patients continue to appoint regardless of negative economic data — thus, the income of most dental practices is stable or rising.
2. Dentists and dental practice teams are steadily becoming more business-sensitive and are better at addressing consumer demand for elective dental treatments. This is opposed to the more traditional practice of treating immediate needs only, which to a large extent was influenced in previous generations by insurance benefits.
3. Our ageing population needs more health care and it is highly

predictable that the elderly demographic will consume an even greater volume of dental care each year. We predict this will be the pattern for at least another 10 to 20 years.

4. The Canadian economy generally remains very stable, and is growing in many regions; consumer confidence thus remains solid. This confidence will continue to stimulate elective spending on many items, including health care (cosmetics).

In short, this continues to be one of the greatest growth periods for dentistry. What a fabulous time to be a dentist, to own a practice or to enter into ownership! Even with the climbing sale prices of those practices in the major markets, the cash flow and the Return on Investment (ROI) mean owning a practice or entering into ownership remains one of the best financial decisions a dentist can possibly make. 

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