



Timothy A. Brown



Mark McNulty

Information on the business management of a dental office.

business practice

Practice Management



When Will Dental Practice Values Decline?

“Dental practices continue to be a sound investment, but if you are preparing to sell; you need to get organized now!”

We enjoy helping our clients achieve financial independence — this is defined as the ability to work out of choice, not necessity. For many dentists the value of their practice is paramount in determining whether or not they may become financially independent.

The challenge is not the present value, but for those clients who are looking at selling five to 10 years from now, what will their practice be worth then? Given a number of current trends, we're prepared to predict that the long-term outlook for practice values may be less favorable than today.

Why this prediction? Among numerous variables, the most is dental demographics:

- Dental practices trade on supply and demand. From studies conducted by the Canadian Imperial Bank of Commerce (CIBC) and Canadian Federation of Independent Business (CFIB)¹, baby boomer entrepreneurs are planning a mass exodus from business ownership in the years 2010 to 2020. The Ontario dental community is included in this ownership shift.

- As of 2009, more than half of Canadian dentists will be between 50 and 65. It is rare that we have clients who continue to own a practice beyond the age of 65. On average our male clients sell between the ages of 50 and 60, female clients between the ages of 40 and 50.

This indicates that up to 10,000 Canadian dentists are nearing their exit from dentistry. Many do not own a practice, thus reducing the numbers who are preparing to sell to roughly 5,000 over the next 10 years — that's an average of 500 sellers each year. In the year 2008, significantly fewer than 500 dental practices will sell in Canada.

Assuming these baby boomers do indeed sell in increasing numbers, there will be fewer potential purchasers. According to our informal survey of Canadian dental schools, there may be fewer than 500 dentists graduating each year for the foreseeable future. So who is going to buy all of these practices?

One possibility is that purchasers will come from outside of Canadian dental schools. A number of dentists are licensed each year who have come from another country and have qualified to practise.

There is also some thought that the new investor dentist (i-Dentists™) or associate-run practices will pick up some of the supply. Our concern is that there may not be enough associates available to take care of the oversupply.


Tighter Credit:

Canadian financial institutions have a very positive attitude towards lending to dentists, and for the past five to 10 years, dentists have generally enjoyed low interest rates and modest credit conditions. However, given the current financial crisis in the United States, and its possible spillover effect in Canada, it may have a negative impact on practice values as lenders tighten credit conditions and raise interest rates. This will reduce practice values.

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What Does This Mean?

Practice values may currently be at an all-time high in many urban centers. Dental practices continue to be a sound investment, but if you are preparing to sell; you need to get organized now! Evaluate the option of selling earlier and possibly associating, if you wish to continue practising dentistry. This has obvious lifestyle implications but it helps to know the numbers to make an informed decision. 

Timothy A. Brown is the President & C.E.O. of ROI Corporation & ROI Capital, companies that specialize in dental practice appraisals, brokerage, consulting, locum placements, associate-ships and practice financing across Canada. Timothy can be reached at 905-278-4145 or timothy@roicorp.com.

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