

Why is there a shortage of good practices today?



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If you are considering purchasing a dental practice you may have noticed that there is a shortage in the supply of good practices. I believe that this is directly related to the value of the nest egg that the typical vendor has been able to set aside for his or her retirement. Since stock market valuations have declined over the past few years, the typical vendor is saying to themselves "I will work a couple of more years to put more money aside and those same years will not have to be supported by the funds I have already put aside." This is a very logical approach to the economic turndown in the stock market.

The current impact of such thinking, however, is that buyers looking for practices may be out of luck. This in turn may mean that those who would normally be purchasing an existing practice are now starting from scratch in a brand new practice which will take a number of years to develop. For the vendors, it means that they will work longer than they had previously planned to do.

Future outlook

This current economic cycle will actually have a greater impact on the availability of practices than retiring baby boomers wanting to sell their practices in the years to come. The practices which did not come up for sale between 2001 to 2003 will come on the market when the economy is stronger. In addition, the practices which one would expect to come up for sale because of the vendor's age will also come up for sale. This means that there should be more practices available in the future to satisfy the demand.

Advice for buyers

While you are an associate, take the time today to improve your education skills and business acumen so that when the right practice does come available you will have the skills to take the practice to the next level. Most good practices have well-educated practitioners driving the resources. While I am not a big fan of starting from scratch, if you can find a great location and you can live inexpensively, you could try to develop a practice away from your current

associateship. With this option, you're building a valuable patient base while still retaining your associateship as your main source of income.

Advice for sellers

If you cannot afford to retire, continue your present course. Any fluctuation in the value of your practice will be more than made up by the income as you continue to practise. Use these years to improve your practice to make it more appealing to a purchaser when you feel that is the time to sell.

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