

Ask the Broker

March 2010

Q

I was thinking of retiring this year but I assume with this economy that it is a bad time and I should wait. Is this true?

(Name Withheld)

I was at the Sacramento Dental Society

meeting last week and we had one of the best turn-outs in years. Believe it or not, at least four older Doctors asked me this same question! And believe it or not, the situation is just the opposite. It is true that we have been experiencing a reduction in inventory for more than a year but some of our practices are still selling for record prices in a record amount of time.

Seven to eight years ago, the JADA published an article with the prediction that an extremely large number of practices would hit the market when "baby boomers" start to retire. That "excess" of practices for sale was predicted to happen around 2012. Currently, we have a SHORTAGE of good practices on the market. This translates into your typical and classic "supply and demand" scenario which now actually favors the Sellers.

Another possible factor that makes this a great time to sell is that excellent financing is still available. Interest rates have crept up slightly but are still at record lows for qualified Buyers.

Several points of clarification:

In contrast to previous "seller's" markets, the rising tide does not float all the boats. Moderate to large-sized practices (those priced \$300K and up) will get full value or even premiums if the cash flow is in expected ranges. Struggling practices with low cash flow are harder to sell in this market. This is a tougher environment to grow a practice and the buyers are not willing to take that chance. Declining revenues can also create additional buyer and lender caution.

From our experience, local markets that have been hit harder by the economy than the rest of the country are very stagnant. Bay Area and Sacramento practices are very HOT right now, but Phoenix and Las Vegas are still somewhat sluggish. Outlying communities in the greater urban areas are also slower, but values are constant unless time is an issue.

CONCLUSION: **IF** you are ready to retire, do NOT wait! Right now the demand is greater than the supply. At some point, we expect a "booming" buyer's market when the "baby boomers" decide it's time to retire.

Questions? E-mail wps@succeed.net

Timothy G. Giroux, DDS



is the Owner & Broker at Western Practice Sales and member of the nationally recognized dental organization, ADS Transitions.

A graduate of Creighton University School of Dentistry (1983), he and his wife, Mona Chang, DDS (LLUSD 1984) were in private practice together for 15 years in Scottsdale, AZ, before establishing their home in Northern California.

800.641.4179

visit us on the web
westernpracticesales.com

