

The original and authentic practice value index

Show-stopping issues

Lis Hughes answers some of the issues raised when selling a dental practice

One of the potential 'show stopping' issues when we are selling a dental practice is around leases. Here are some hotspots you should be aware of.

Seller: my lease has less than five years but there won't be a problem with the landlord I have known him for years.

Answer: if that is the case, have a chat now (please don't mention you are thinking of selling) ask to increase the term of the existing lease to at least 10, if not 15 years.

Seller: the lease has expired, but we continue to pay the rent and the landlord seems ok with that.

Answer: this is never a good position to be in whether you are selling a practice or not, so get your new lease in place as soon as possible. Nobody buying a practice will be able to get funding without a formal lease in place and if you are not selling, how vulnerable do you feel without a lease in place?

Seller: the lease is outside of the Landlord

and Tenants Act 1954, will that matter?

Answer: most funders will be cautious about lending on leaseholds outside of the act as the act certainly provides more security for the tenant – however, if there are sufficient years remaining on the lease then funding may still be obtained.

Seller: should I try and get the lease put inside the act?

Answer: definitely but the landlord may want a financial consideration to do so.

Seller: I rent out a room to a chiroprapist, we don't have a formal arrangement as he is a friend.

Answer: you will need to get this sorted out in advance of a sale and get a formal

agreement in place. Be aware that sub-letting arrangements may put some buyers off as they will probably want the room to be used as a surgery, which long term would be far more profitable than rental income from your friend.

Seller: I am going to retain the freehold and create a lease.

Answer: Great, in our experience this will ease the transaction as you will have a vested interest in getting the deal done.

Seller: why do you have so many problems with third party landlords?

Answer: most third party landlords have no interest in the timescale the seller and buyer want to work towards, and some

will recognise an opportunity to take commercial advantage when a lease is either assigned or a new lease created and that has been known to scupper a sale.

Seller: so what is the best advice if I have a third party landlord and I want to sell my practice?

Answer: get a copy of your lease and read it, or ask a property lawyer to check it over and if there are issues, deal with them before you put your practice on the market.

If you have less than seven years on your lease then ideally you should approach your landlord for an extension to at least 10 or 15 years. **D**

IF YOU HAVE had your practice valued either by Frank Taylor & Associates or another agent and want an update, get in touch on **0330 088 1156**. Alternatively, email team@ft-associates.com or visit www.ft-associates.com.

PRACTICE ONE – GREATER LONDON

Practice type: this is a three-surgery, fully-private, expense-share practice, which is being sold due to the ill health of one of the principals. The practice has been established for over 90 years and is being sold as leasehold and a new 15-year lease is being created.

Practice gross: the gross fee income is in the region of £450,000 and has been generated by one principal working full time, one working four days a week, two hygienists working two days each a week, and are supported by a full-time practice manager, two part-time receptionists and three part-time nurses.

Price achieved: a price of £596,828 was achieved, which was in line with the asking price.

Agents comments: this is a great example of how when the existing principal is the owner of the property and wants to retain the freehold, a mutually agreeable lease can be produced. Fifteen years on, commercial terms with the option (if the new buyer wishes) for first refusal on buying the freehold should it be put to the market.

PRACTICE THREE – MIDLANDS

Practice type: this is a three-surgery, fully private, expense-share practice being sold to facilitate the retirement of both principals. The practice has been established for over 40 years and is being sold as leasehold.

Practice gross: the gross income is in the region of £525,000 and comprises 35% of capitation schemes and 65% private patients. The income has been generated by both principals working four days a week, a hygienist working three days a week, two full-time nurses and two part-time receptionists.

Price achieved: a price of £550,000 was achieved, which was in excess of the asking price. The funding for this purchase was sourced by FTA Finance.

Agents comments: this is an extremely well-run practice with another great opportunity for development, not only is the practice in the heart of a thriving market town there is massive residential development taking place. The existing owners have not actively marketed this practice for some time so a well thought-out marketing strategy should prove to be very productive.

PRACTICE TWO – CENTRAL LONDON

Practice type: this is a two-surgery fully private practice being sold as the principal wants to focus on clinical work and not business administration. The practice has been established for 10 years and is being sold as leasehold.

Practice gross: the gross income is in the region of £400,000 and has been generated by the principal working 2.5 days a week, and two associates working a combined 2.5 days a week, a hygienist working two days a week. The team is supported by a full-time practice manager, a part-time receptionist, and two full-time nurses.

Price achieved: a price of £575,000 was achieved, which was slightly less than the asking price. The funding for this purchase was sourced by FTA Finance.

Agents comments: this practice offers the new owner a great opportunity as there is room for expansion and evidence that there is a demand. The practice is ideally located for commuters and residents alike and there are extensive plans for new housing developments over the next five years.

PRACTICE FOUR – SOUTH EAST

Practice type: this is a two-surgery, fully private practice, being sold to facilitate the principal's retirement. It is being sold as leasehold, with 14 years remaining on the existing lease.

Practice gross: the gross income is in the region of £350,000 and has been generated by the principal working three days a week, a hygienist working 1.5 days a week and they are supported by two nurses working a combined four days a week and a part-time receptionist.

Price achieved: a price of £480,000 was achieved, which was in line with the asking price.

Agents comments: this practice proved to be very popular, it shows reconstituted profits of over 50% and currently the practice is only open four days a week. The incoming principal has worked in the area and is delighted to find a practice that not only suits his business needs but also fits with his family requirements as his days of commuting will soon be over.



Lis Hughes is managing director of Frank Taylor & Associates. Lis has worked in the dental sector for many years and offers a depth of understanding when buying or selling a dental practice.

