

Buying and selling practices post-lockdown

Zoe Close speaks to **Lis Hughes** about how the dental property market has been affected by Covid-19.



Lis Hughes is the MD at Frank Taylor & Associates.

ZC: What has the dental property market been like since March 2020?

LH: It's been remarkably different to how we thought it would be when we first went into lockdown. We were all a bit stunned and wondering what might happen.

However, we've had a constant stream of associates registering interest in buying a practice. A lot of associates felt concerned about the future, particularly if they were in the NHS.

It really opened the floodgates for associates who were thinking about



Zoe Close

is the sales manager for Practice Plan.

whether it was the right time to become an owner. As soon as we went into lockdown and practices began closing, it was an almost immediate reaction.

During lockdown, the vast majority of practice sales 'paused', however, there were still some completions – we didn't have any buyers pulling out of the transaction.

We were still valuing practices, remotely or in person if we could, and we made the decision to base this on pre-Covid-19 figures. Since we had no data about the impact of the pandemic, this seemed the fairest and most appropriate approach.

ZC: Have you seen a shift in terms of the volume of enquiries from associates?

LH: It was fairly consistent to how we normally trade, however, there was an enhanced appetite for buying.

There were a lot of buyers who thought they might be able to snap up a bargain, but demand was high and our values remained at pre-lockdown levels.

We stopped launching new practices and were doing virtual viewings during lockdown, but when we started again in June there were offers being made that were at or above asking price.

It's still a very solid market. Associates are still driven to be principals and principals are still driven to want to sell, normally that's because of retirement but there may be different reasons now. Although we did have a case of one person who was going to sell and retire before Covid-19 hit, but they were so bored during lockdown they decided not to!

ZC: What kind of changes, if any, have there been in terms of selling practices?

LH: The banks wanted three months of trading figures before they would sign off on anything, which during lockdown obviously wasn't possible. But now it has been possible and it's positive to see so many practices that have been able to return to an almost pre-Covid-19 level of trading.

It has been interesting to see how practices have been evolving to deal with the demand from patients and how people are putting their exit strategies in place.

The people who were thinking of selling in January are still thinking that way, they just need to get up and running properly before they have the practice valued and put on the market.

In some cases we are seeing that instead of paying the full amount on completion, lending banks are paying 80 per cent of the sale value with 20 per cent retained for an agreed period of time to make sure turnover does go back up to normal levels.

Overall, the pandemic has been far less disruptive than we thought it might be; our values have remained consistent.

This is being driven by the banks who are being very realistic and acknowledging that the reason turnover is down is because practices have been shut for three months.

The banks have got to keep lending and keep the economy going, and dentistry has always been considered a safe sector to lend in.

ZC: Are there any particular areas of opportunity for those looking to buy a practice in 2021?

LH: We're seeing more interest in regional areas, outside of the big



Cities like London, as people aren't commuting at the moment so less people are visiting their dentist on their lunch break and are looking for a practice closer to home – so regional areas are becoming more popular with buyers looking to capitalise on this. The question is whether this is a spike or a trend.

For example, Leicester has always been very popular and will probably become even more so. I think if anywhere is going to struggle it will be central London as people are working from home more, but we still don't know what will happen yet long term.

The corporates are still very active, they have money and they want to spend it. But the biggest driver is that associates are hungry to be practice

owners as they are concerned that they won't get the same deals they have in the past, as owners seek to increase profitability and cut costs to deal with the impact of Covid-19.

In March I would've said that I didn't know what the future would be, but now I am really confident that we still have a strong market and that appetite to buy and sell is still high.

ZC: Is there anything different that buyers need to be considering that they wouldn't have before lockdown?

LH: The market has remained so steady that it is really the same considerations as before Covid-19. It's like the housing market – people will always want to sell, so there will always be buyers and sellers.

Buyers need to be aware there aren't any bargain basement deals to be done; I have no sellers saying 'just sell the practice, I can't deal with it'. The majority are keen to be back in work and treating patients.

The interesting thing has been seeing how practice owners have been able to spend the lockdown analysing their business and realising how much or how little they were spending in certain areas and making changes to improve the way they run their business. They've been given the opportunity to really analyse how their practice runs and many are making the most of that, and you can see it reinvigorating their drive to make their practice the best it can be.