Home or away?

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Property investment trends

The housing market is certainly rising at the moment, with the latest Financial Times' House Price Index, showing that house prices rose by 0.7 per cent in June and by nine per cent over the past 12 months.

This is despite the fact that the Bank of England has announced five interest rate rises in the last year, with the last decision to order another quarter-point increase in base rates, to 5.75 per cent—the highest level since February 2001.

We have an aging, growing population, with more people living alone and it's predicted that an average 223,000 new households every year will be formed over the next 20 years. These figures illustrate that the demand for housing is going to continue over the long term and if house building can't keep up, the laws of supply and demand dictate that the prices will continue to rise.

Many property commentators agree that the market is likely to slow as the year goes on, not least because of negative income growth and the likelihood of continuous increases in interest rates. However, out of 14 organisations including Lombard Street Research, BCC, Rightmove and the Council of Mortgage Lenders, who make predictions on the UK housing market, every one has predicted a positive increase for 2007.

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Invest in property?

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How to attract new patients and keep existing ones happy.

An evening seminar full of proven marketing techniques – specifically for dentists.

Feedback we had from last year’s marketing seminars revealed dentists most wanted to learn about building customer loyalty and acquiring new customers. This inspired Denplan’s new marketing seminars – ‘Don’t Lose Your Patients’.

The seminars have been created by The Chartered Institute of Marketing. Bringing together their marketing expertise with Denplan’s dental knowledge around ‘track’ are the most relevant marketing seminars for dentists.

Developing the marketing and communication skills of everyone in your practice can result in many benefits:

• Knowing where to look for new patients and how to attract them
• Holding onto existing patients for longer
• The potential to increase practice profitability
• More effective marketing communications
• Marketing budgets managed effectively
• Improved patient relationships

Attendance at this seminar provides 1.5 hours verifiable CPD.

Don’t Lose Your Patients seminars

Venues and dates

Dundas Castle, Edinburgh Tuesday 11 September
Thrumpton Hall, Nottingham Wednesday 19 September
Cheston Gras, Bournemouth Thursday 20 September
Edgbaston Cricket Ground, Birmingham Wednesday 26 September
Clarendon Park, Guildford Thursday 27 September
Harewood House, Leeds Thursday 27 October
Aston Court, Bristol Wednesday 1 October

Book your place now:
Phone 0800 169 9934* or email events@denplan.co.uk

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Find out more about Denplan’s other marketing support services
SEE US AT STAND D02 AT THE BDTA SHOWCASE, 18-20 OCTOBER, NEC
A worthwhile investment?

The values of dental practice goodwill are rising as demand for practices rockets. So, before you buy goodwill at current market values, there are many factors to consider before you part with your cash, says Arun Mehra

Goodwill is an intangible asset which varies greatly from practice to practice. There can be no set rule for how much should be paid for goodwill as it varies so much and can only really be assessed on a case by case basis. In addition, there is no guarantee that a practice will retain any goodwill when it transfers hands.

In the south east, it is common for practices to sell, to have over 20 viewings in a day. A scaled bid process usually follows, with the highest bidder ‘winning’ the opportunity to purchase the practice. The pressure on the market and the sense of panic-buying is reminiscent of many boom-and-bust cycles we have seen previously in markets across the board, including property, the internet bubble, the built and unbuilt crane of the 1600s.

Naturally, a vendor wants to maximise the price of their practice sale, but too often dentists purchase over-valued practices. With banks freely lending money in the sector, this has fuelled goodwill price rises. Many young dentists are burdening themselves with huge debt at an early stage of their career, believing that if they don’t buy a practice, they will miss out. The simple principle of caveat emptor is rarely applied by the acquiring dentist, who spends most of his time focused on choosing to buy a practice, without really understanding the responsibilities, obligations and perhaps burden they are taking on. Only 120 to 240 months down the line do they realise their acquisition hasn’t been worth it.

Air of caution

The valuers and the banks need to take some of the responsibility. Already though, some of the main banks are reviewing each manufacture of a practice. The current uncertainty in the financial markets is only making the banks more cautious in their lending policies, including to dentists. A few more burnt figures from loans going bad will certainly make the banks reassess the credit worthiness of the dental sector.

What to do

It is not all doom and gloom for buyers. There are some quality practices for sale, but before you even make an offer, we suggest the following:

1. Obtain annual accounts prepared by a third party accountant for at least three years, to assess the financial performance of the practice.
2. Think, plan, write a business strategy of what you are intending to do with the practice when you buy it. This ESSENTIAL stage is all too easily left out by too many dentists, but in my opinion is an essential aspect to making a practice a success.
3. Do your sums with some expert help. Work out using the historical accounting information how much you feel the practice is worth. Not what the valuer has valued it at, but what would be a reasonable price for you to buy the practice to make it a viable profitable proposition for you.
4. Review the practice set up to see how much you will need to spend on the practice to make it right for your needs e.g. equipment etc.
5. Assess whether the patients really exist on the database. All too often many dentists are buying a large database of historic customers, but are the customers coming back? Are the kind of customers you want to treat? Do your research, ask the vendors for information about the practice performance. If the information isn’t forthcoming shouldn’t you ask why?

Finally, I would urge a sense of caution when buying a practice. I am certainly not trying to put anyone off buying or setting up a practice, but when buying a practice do not be dictated by the market conditions, and what your colleagues may be doing, do your homework and research and make sure the numbers really do stack up.

If you need advice buying a practice, the team at Samera can help. Please visit www.samera.co.uk or call us on 0207 100 8788

About the author

Arun is Managing Director of Samera Ltd, a leading firm of Chartered Accountants dedicated to UK dentistry. In addition, Arun is the co-owner of the award winning ‘The Neem Tree’ dental practices based in Wandsworth and Canary Wharf, London. Arun’s knowledge of dental business and financial issues is extensive. His hands on experience from running dental practices, combined with Samera’s client base of well over 100 clients provides him with a deep understanding of the issues dentists face in running their businesses.