

A dental practice sale has to work as a complete deal

Dr. Tom had an interested buyer for his main office. The combination of price expectations, proposed rent and plans for his remaining location kept the sale from coming together.



THE TAKEAWAY

Evaluate the full transaction—not just the price. The assets included, occupancy costs and your continuing role all affect whether an offer can work.

One buyer wanted the main office

Dr. Tom owned two dental practices and both buildings. The main office generated about 90% of the combined revenue. The larger satellite office operated only one day a week and was underused.

An interested buyer, Dr. Rob, wanted the main office but could not acquire the satellite because of an existing contractual restriction in that area. Buying the main office alone offered a possible route forward. It required the seller to consider a transaction different from the original two-location package.

The proposed terms did not fit together

Dr. Tom wanted the original price even though the buyer would receive only the main practice. He also intended to grow the satellite office and would not agree to the proposed restriction on competing after the sale.

From the buyer's perspective, the question was what business he would actually acquire and how much of its value could be retained if the seller expanded nearby. Any continuing seller activity needed to be discussed alongside the purchase terms, rather than left as an assumption.

The relevant contractual protections depend on the transaction and applicable law. The lesson is to resolve the issue directly, not to assume that every buyer or lender requires exactly the same provision.

Rent became another obstacle

Because Dr. Tom owned the main building, he also controlled the proposed lease. He sought \$42 per square foot, triple net. The rent study in this case indicated roughly \$18 per square foot, with higher-priced local properties around \$24.

Those are historical case figures, not current market rents. They illustrate a structural problem: occupancy costs that exceed the market can undermine a buyer's operating budget even when the practice itself is attractive.

If you will remain the landlord, assess the lease as carefully as the practice price. The buyer has to fund both obligations from the ongoing business.

An interested buyer moved on

Negotiations became more difficult, and communication shifted through the seller's attorney. The underlying disagreements were not resolved. Dr. Rob eventually purchased another practice.

Dr. Tom's retirement plans remained unsettled. A desirable main office and an interested buyer had not been enough to overcome terms that did not work as a package. The satellite office was eventually closed, and several subsequent associate arrangements did not result in a completed purchase.

Questions to answer before rejecting an offer

You do not have to accept terms that fail to meet your goals. But compare an offer with realistic alternatives, including the cost and effort of continuing to operate.

- Does the price reflect the actual assets and locations being sold?
- Are the proposed lease terms supported by the local market?
- Can the buyer reasonably support the combined occupancy and acquisition costs?
- How will your continuing clinical work or retained location affect the buyer?
- Which issues can be adjusted without undermining your main goals?
- Does the proposed path move you toward the retirement or transition you want?
- Are the professionals you are working with familiar with dental practice transactions?

Start a conversation: adsmidwest.com

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