

MAY THE TIDAL WAVE OF BUYERS LIFT VALUATIONS IN 2026



There is an old saying that a rising tide lifts all boats.

It originated in Atlantic Canada where the largest tidal surge in the world occurs - in the Bay of Fundy.

When it happens, all boats sink and rise together.

In business valuation, we look for similar tidal movements: flows of capital, motivated purchasers, and broad marketplace 'influencers' to determine whether the tides of wealth are rising or falling.

And occasionally, we experience the equivalent of King (Supermoon) Tides!

In the dental market, we are experiencing these King tides in specific micro-segments: the hot properties.

One reason certain segments of the market are seeing a surge in sale prices is not due to an inherent increase in business valuations but because of an influx of free capital from private sources funding multi-practice accumulators of all sizes.

When significant capital enters a market with a strong appetite for a specific type of asset class, that asset class will inevitably increase in value.

Before I explain why some dental practices are benefiting, let us look at the real estate analogy that we all understand.

Imagine that real estate investment trusts (REITs) suddenly have a strong appetite for residential apartment buildings of one hundred units or more. That is the asset class where they execute their investment strategy most effectively, where their management expertise lies, and where economies of scale generate the best returns.

Thus, if REITs start competing with one another for these 100-plus-unit buildings, it is certain that the values of those properties will rise.



This increase may only occur in certain markets such as Hamilton, Edmonton, Scarborough, or North Montreal, for example, but the targeted demand for a community and specific property type and size will push valuations upward.

Now back to dental.

We have purchasers of all types, backed by ample bank financing or private equity, who are seeking specific types of practices in specific communities.

The practices that meet their criteria, those \$1.5 million or more of revenue, and at least \$250,000 in free cash flow, are starting to attract a rising tidal flow of money. Lots of money!

This hyper interest, from well-financed purchasers, can translate into irrational sale prices.

Will this tidal surge of cash affect all business valuations and appraisal conclusions nationwide?

The answer is **not yet**. We need to see bona fide and sustained trends in actual, documented sale prices before any adjustments to business valuations can be justified.

The temptation served on a platter to the business appraiser is to look only at recent sales and foolishly conclude that it is sustainable and is likely to repeat.

Do not get me wrong – I hope that it does!

But if I only use a forward estimate thus predicting higher values based solely on a few recent outliers that sold at a premium it is dangerous and not respectful to the ebb and flow of a market.

Some of these recent, and shockingly high sale prices, are merely exceptions, not the market norm.

When exceptions become the rule, as transpired during the pandemic – much to everyone's dismay, appraisers can ethically increase market values.

That is why we recommend that prudent business owners obtain an appraisal for their practice now and subscribe to an annual update program with their chosen appraiser. This allows them to track changes in the marketplace and make informed decisions.

The bottom line is that **historical sales dictate current valuations** more so than predicted sales.

No appraisal firm can see the future – no one has that talent. Not me, not you.

So, watch for the recent outliers, hope for a rising tide in your community, and may your practice's boat float with high waters.

Cheers to you and yours for this holiday season.

In my home we say Merry Christmas and Happy Hanukkah.

We pray for a prosperous new year for all.

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