



DEALERSEDGE WEBINAR · SEPTEMBER 24, 2026 · 1:00 PM ET

Dealership Valuations at a Turning Point

Rates, market forces and what your store is worth

01 Interest Rates and Capital Costs

02 Dealership Earnings and M&A

03 Real Estate Value and Capital Alternatives

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MARKET DATA

Through September 24, 2026

Source dates noted individually

SURMOUNT is a commercial real estate firm and does not provide tax, legal or accounting advice. Illustrative figures are not appraisals, quotations or forecasts. Market pricing and projections are dated and subject to change.

Higher rates, softer earnings and larger transactions

Higher financing costs are converging with softer dealership earnings and larger transaction sizes, putting more weight on how capital is structured around the next acquisition, facility or ownership decision.

01 Borrowing costs

5.11%

10-YEAR TREASURY, SEPTEMBER 23 CLOSE

+92 bp

since January 2

3.87%

overnight SOFR, Sept 22

The highest level since 2007, and the benchmark for long-term debt and real estate pricing.

02 Dealership earnings

-11.8%

NET PRE-TAX PROFIT, AVERAGE STORE, Q2 YOY

-13.5%

new-vehicle gross per unit

+5.2%

fixed operations gross

The third consecutive quarter of year-over-year declines, with service and F&I offsetting part of the pressure.

03 Transaction size

\$90M

AVERAGE GROUP TRANSACTION VALUE, Q2 2026

+14.3%

dealerships acquired, H1 2026

\$39M

2019 average

Estimated enterprise value including real estate, near the 2021 peak of \$92M.

WHAT TO CONSIDER

Higher borrowing costs and softer earnings are tightening cash flow, while near-peak acquisition sizes require larger capital commitments relative to the earnings available to support them.

Sources: US Treasury daily par yield curve (4.19% January 2); 5.11% September 23 market close (market reports). Federal Reserve Bank of New York, SOFR (September 22). Presidio-NCM Average Dealership Performance Benchmark, Q2 2026 (pre-LIFO; year over year). The Haig Report, Q2 2026. Kerrigan Advisors, The Blue Sky Report, Q2 2026, Chart 32 (estimated average enterprise value of multi-dealership transactions, including real estate, excluding working capital and FF&E).

The market is pricing a higher rate path into next year

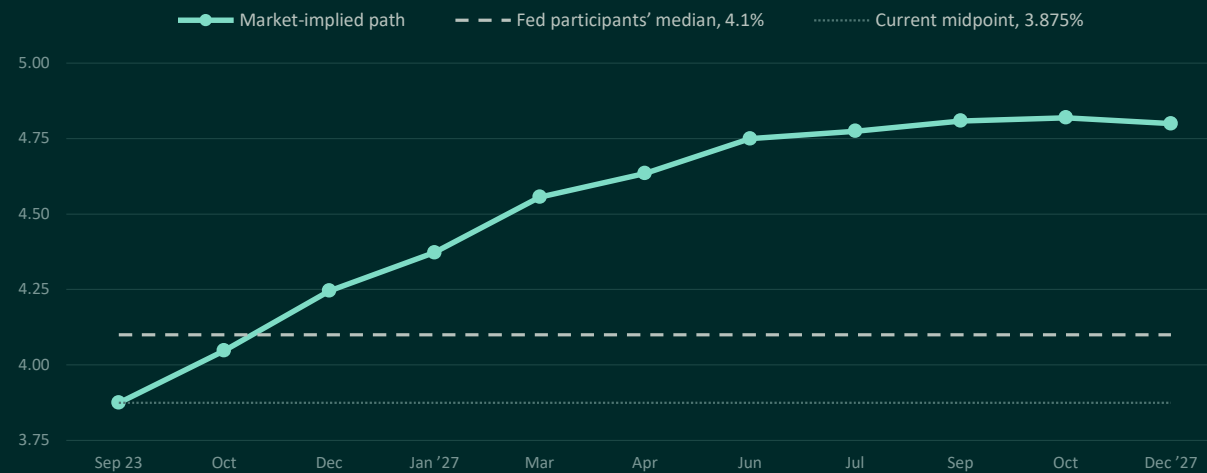
The Fed's median year-end 2027 projection is approximately 4.1%, compared with a market-implied rate of 4.8%. Current futures pricing assigns a high probability to at least 75 basis points of additional tightening by April 2027.

POLICY RATE, % · MARKET-IMPLIED PATH vs. FED MEDIAN

Dec '27: market 4.80% vs. Fed median 4.10%

MARKET-IMPLIED ODDS

FEDWATCH, SEPT 23



98%

At least +50 bp higher

Two quarter-points by Jan 27, 2027

96.25%

At least +75 bp higher

Three quarter-points by Apr 28, 2027

70%

At least +100 bp higher

Four quarter-points by Dec 8, 2027

Increases are measured from the current target range. These probabilities reflect futures pricing on September 23 and will change as the outlook evolves.

WHAT TO CONSIDER

Current market pricing suggests limited relief from borrowing costs through 2027. Evaluating upcoming maturities, acquisitions and acquisitions and facility commitments now gives groups time to assess alternatives before higher rates affect those decisions.

Sources: CME FedWatch, aggregated meeting probabilities, as displayed 5:37 p.m. ET, September 23, 2026. Cumulative probability = sum of every target-range outcome at or above the threshold, relative to the current 3.75–4.00% range; market-implied path = probability-weighted range midpoint (SURMOUNT calculations). Federal Reserve, FOMC statement and Summary of Economic Projections, September 16, 2026. Probabilities describe cumulative rate levels priced on that date, not forecasts or a guaranteed sequence of decisions. >99% displays as 100% in the CME aggregate due to rounding.

Higher rates raise operating costs and the cost of capital

Floating-rate borrowing transmits rate changes into current interest expense. Higher long-term yields influence refinancing, facility investment and investor return requirements.

01 Floating-rate costs

SOFR AND PRIME

3.75–4.00%

Fed funds · +25 bp, Sept 16

3.87%

SOFR · Sept 23

7.00%

Prime · +25 bp, Sept 17

WHERE THE IMPACT APPEARS

- Floorplan interest on vehicle inventory
- Revolving credit, working capital and capital expenditure lines
- Floating-rate acquisition and term debt
- Customer financing costs, affecting affordability and vehicle demand

ILLUSTRATIVE IMPACT A 100 bp increase on \$20M of floating-rate debt adds approximately \$200,000 in annual interest expense.

02 Costs tied to the 10-year

10-YEAR TREASURY

5.11%

10-year · Sept 23 close

+67 bp

since June 30

+92 bp

since January 2

WHERE THE IMPACT APPEARS

- Borrowing costs when fixed-rate debt matures or is refinanced
- Pricing for new fixed-rate loans and interest-rate hedges
- Long-term funding for image programs and facility projects

ILLUSTRATIVE IMPACT Refinancing a \$10M loan at a rate 100 bp higher adds approximately \$100,000 in annual interest expense, assuming an unchanged balance.

WHAT TO CONSIDER

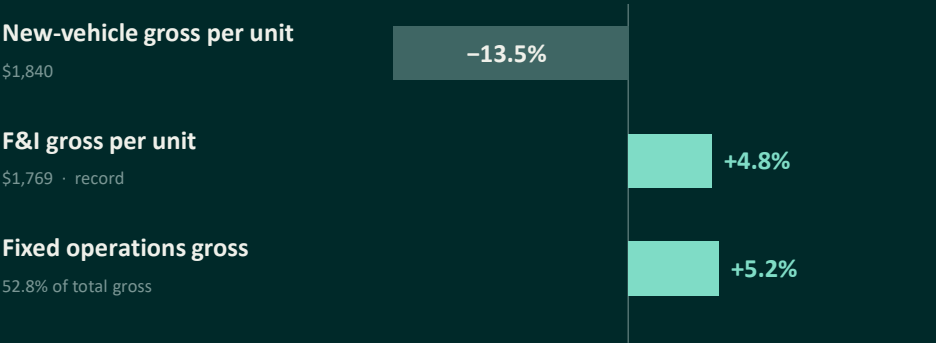
Higher interest expense absorbs cash today, while maturities, refinancing and facility projects create exposure to future borrowing costs. Together, these pressures can reduce the capital available for acquisitions and reinvestment.

Sources: Federal Reserve, September 16, 2026. Federal Reserve Bank of New York, SOFR (3.62% September 16; 3.87% September 22). Bank prime rate 7.00% effective September 17 (6.75% prior). US Treasury daily par yield curve (4.19% January 2; 4.44% June 30); 5.11% September 23 market close (market reports). Illustrations are simple interest arithmetic, before hedges, manufacturer floorplan assistance and taxes; actual costs depend on balances and loan terms.

Service and F&I are supporting profits as vehicle margins soften

Growth in fixed operations and F&I is cushioning lower new-vehicle margins, while earnings performance varies across luxury, import and domestic dealerships.

AVERAGE DEALERSHIP PERFORMANCE | Q2 2026 VS. Q2 2025



52.8% of total gross profit now comes from fixed operations

PERFORMANCE BY SEGMENT, Q2 2026

	NEW-VEHICLE GPU	NET PRE-TAX, YOY	
Luxury	\$5,067	-13.3%	
Import	\$1,466	-5.6%	
Domestic	\$1,390	-0.2%	

Luxury dealerships generated the highest gross profit per new vehicle but recorded the steepest earnings decline. Domestic dealership profits were nearly unchanged.

WHAT TO CONSIDER

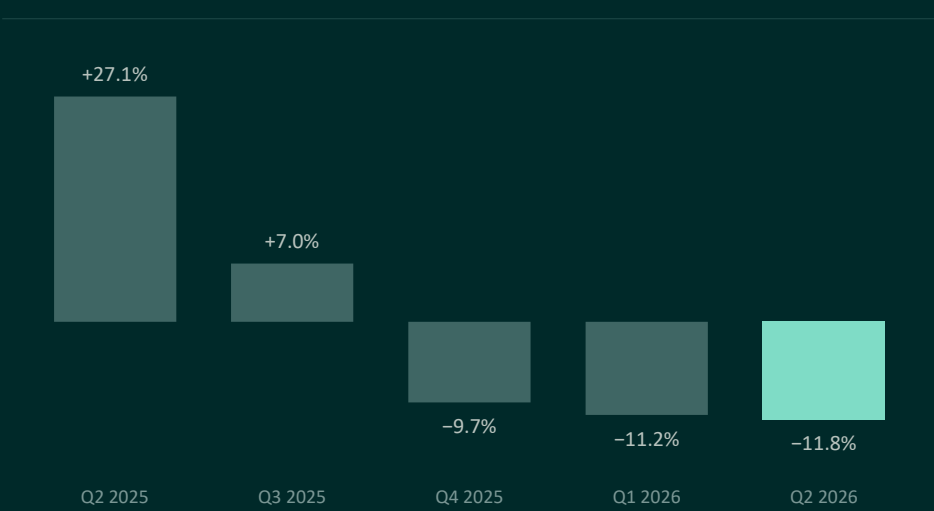
As vehicle margins decline, dealerships depend more on parts, service and F&I to sustain earnings. The strength of these profit sources increasingly determines how well a store can absorb higher costs and support future investment.

Source: Presidio-NCM Average Dealership Performance Benchmark, Q2 2026 (4,000+ franchised stores, all brands and sizes; pre-LIFO; changes year over year). Departmental gross includes specified manufacturer incentives. Segment figures: Presidio-NCM, Q2 2026.

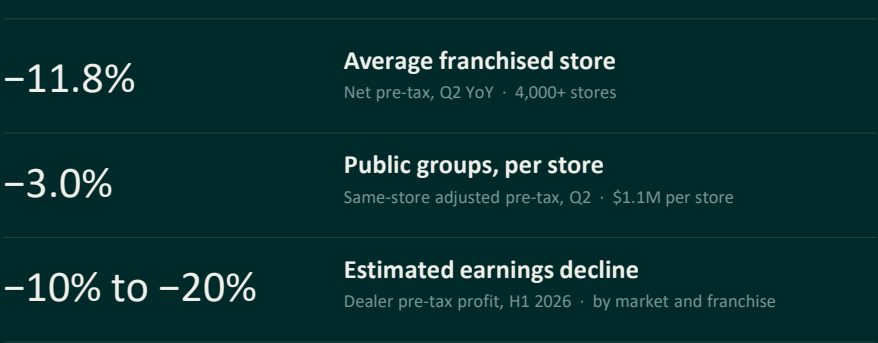
Earnings are declining from an elevated base

Average store profitability has declined year over year for three consecutive quarters. Earnings remain above pre-pandemic levels, with results varying by franchise, market and operating model.

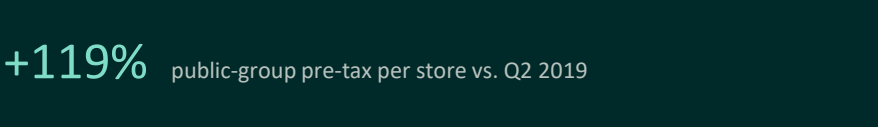
NET PRE-TAX PROFIT, AVERAGE STORE, YOY CHANGE



PROFITABILITY BY BENCHMARK



PROFITABILITY REMAINS ABOVE PRE-PANDEMIC LEVELS



WHAT TO CONSIDER

Softer earnings leave less room to absorb higher costs and support new commitments. Preserving liquidity becomes more important as groups balance acquisition opportunities with ongoing investment needs.

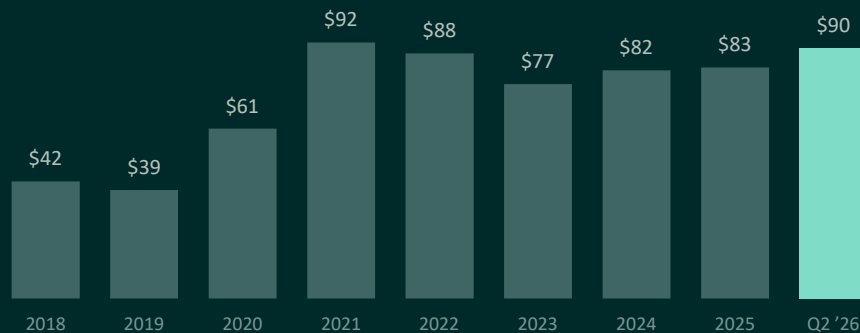
Sources: Presidio-NCM Average Dealership Performance Benchmark, Q2 2026 (4,000+ franchised stores; pre-LIFO; Q2 2025 comparison lifted by tariff pull-forward and a CDK-disrupted Q2 2024). The Haig Report, Q2 2026 (AutoNation, Group 1, Asbury and Sonic; same-store adjusted pre-tax per store). Kerrigan Advisors, The Blue Sky Report, Q2 2026 (estimated decline, varies by market and franchise). Samples, periods and definitions differ and are not directly comparable.

Dealership values remain elevated as earnings soften

Buy-sell activity remains strong, average group transaction size is near its prior peak, and blue sky values have held broadly steady despite lower earnings.

AVERAGE DEALERSHIP GROUP TRANSACTION VALUE (\$M)

Estimated enterprise value, including real estate



\$90M

Average group transaction value
Q2 2026

2.3x

The average transaction size

+14.3%

Dealerships acquired
H1 2026 vs. H1 2025

WHAT BUYERS ARE PAYING

462

Buy-sell transactions over the past 12 months

Through June 30, 2026, versus 454 in the prior period

+78%

Blue sky values vs. 2019

Published index, roughly flat year over year

FRANCHISE OUTLOOKS ARE DIVERGING | Q2 2026

Kia: Lower end of the blue sky multiple range raised to 5.0×

Volkswagen and Audi: Blue sky multiple ranges reduced

Flat values on lower earnings mean buyers are paying more per dollar of current earnings. Either earnings stabilize, or price and structure adjust.

WHAT TO CONSIDER

Elevated valuations and softer earnings increase the importance of acquisition discipline, with greater focus on sustainable cash flow, capital committed at closing and investment required after the acquisition.

Sources: Kerrigan Advisors, The Blue Sky Report, Q2 2026: Chart 32, estimated average enterprise value of multi-dealership transactions, including real estate, excluding working capital and FF&E (a larger average can reflect deal mix as well as pricing); 462 transactions in the twelve months to June 30, 2026 vs. 454 prior; Kerrigan Blue Sky Index vs. year-end 2019; Q2 2026 multiple adjustments. The Haig Report, Q2 2026 (dealerships acquired). Q2 2026 vs. 2019: SURMOUNT calculation (\$90M vs. \$39M).

Capital readiness strengthens a dealer's position

The opportunities ahead will favor groups whose capital is ready, and used efficiently, before the need arrives.

01

Competing for the most desirable dealerships

The strongest franchises and best-performing stores attract serious competition. Dealers with capital ready to deploy and the ability to execute quickly are better positioned to win these opportunities.

02

Capitalizing on emerging opportunities

Earnings pressure, refinancing needs and ownership priorities may create compelling acquisition opportunities. Well-capitalized groups fund the acquisition and the investment needed after closing.

03

Funding facilities while preserving capital for growth

OEM image programs, renovations, relocations and new points compete directly with acquisitions for capital. Bringing real estate investors into these projects can reduce upfront cash commitments, preserving liquidity and capacity for acquisitions.

WHAT TO CONSIDER

Capital readiness strengthens a group's ability to compete for sought-after dealerships and act on emerging opportunities. Real estate capital can support the acquisition and the investment that follows, while preserving flexibility for facility needs.

SURMOUNT perspective. Development structures, rent terms and occupancy costs depend on the project and should be evaluated with legal, tax and accounting advisors.

Real estate can fund the next business or ownership decision

Real estate can support a range of capital and ownership objectives for both the business and its owners.

01 Acquisitions and growth

Unlocking real estate capital can expand a group's ability to pursue acquisitions, reinvest in facilities and compete for strategic opportunities.

Acquisition capital · Cash retained for reinvestment

02 Facilities and expansion

Image programs, renovations, relocations and new points can require significant investment. Partnering with real estate investors can reduce the group's upfront capital commitment, preserving liquidity and capital for broader growth.

Lower upfront commitment · Liquidity preserved

03 Liquidity and balance-sheet flexibility

A debt maturity, refinancing or recapitalization is an opportunity to consider monetizing selected properties while continuing to operate in them, reshaping the group's capital structure and creating greater flexibility around its next strategic move.

Capital released · Continued occupancy

04 Ownership and succession

A partner or family buyout, succession plan or partial liquidity event has to balance the needs of the business and its owners, and real estate can provide liquidity while those continuing preserve control.

Owner liquidity · Business continuity

WHAT TO CONSIDER

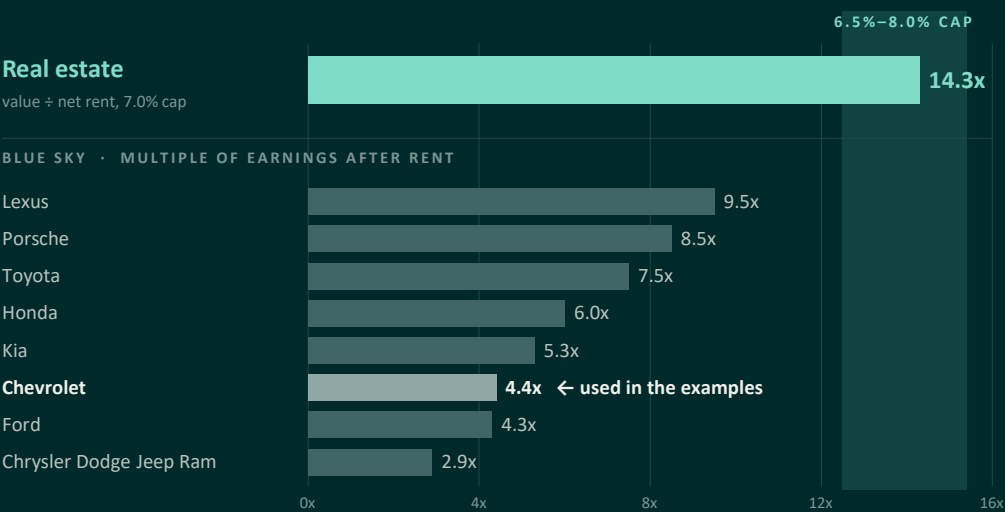
Real estate can provide capital and flexibility for the business and its owners, with the right approach depending on the proceeds required, timing and the obligations attached.

SURMOUNT framework. Structures are illustrative, not mutually exclusive, and should be evaluated with legal, tax and accounting advisors. Franchise agreements frequently require notice or consent on a real estate transfer, and some carry rights of first refusal.

One dealership. Two distinct sources of value.

Dealership acquirers value the operating business based on earnings after rent. Real estate investors value the property based on its net rental income.

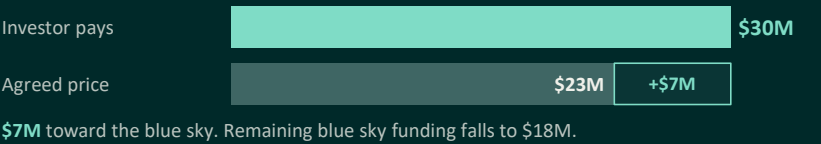
VALUE PER DOLLAR OF EARNINGS OR RENT



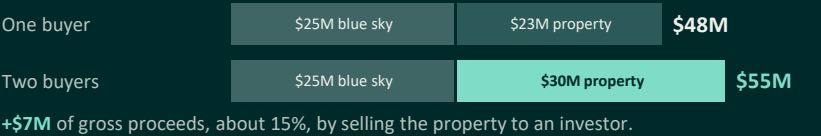
THE IMPACT OF A DEDICATED REAL ESTATE INVESTOR ON ACQUISITION AND EXIT ECONOMICS

Same store: \$25M blue sky at 4.4x, \$2.1M rent. Property worth an assumed \$23M to an owner-operator, \$30M to an investor at 7.0%.

BUYING A STORE



SELLING A STORE



WHAT TO CONSIDER

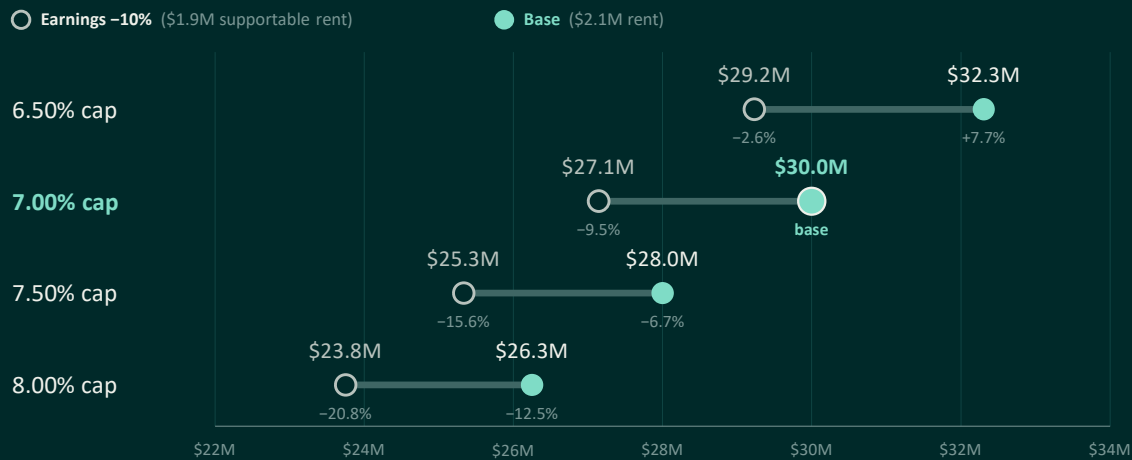
In this illustration, a sale-leaseback reduces acquisition funding needs by \$7M or increases combined proceeds by \$7M when completed before a business sale. Separate real estate pricing captures value that may otherwise be absorbed into the overall dealership transaction.

Single-store illustration; many acquisitions and sales are portfolio transactions, where the same dynamic applies across each property. Blue sky: value of the franchise and operating business above tangible assets. Multiples: Kerrigan Advisors, The Blue Sky Report, Q2 2026 averages (Lexus 9.5x high, Chrysler Dodge Jeep Ram 2.9x low), reproduced with attribution; property multiple = 1 ÷ cap rate. Illustration: \$5.7M earnings after \$2.1M rent x 4.4x = \$25M blue sky, held constant; \$23M dealer-to-dealer property value is an assumption; \$2.1M ÷ 7.0% = \$30M. The buying and selling examples are separate, not cumulative. Before debt, taxes and transaction costs. Franchise agreements frequently require notice or consent on a real estate transfer.

Real estate value is sensitive to both rates and performance

The rate environment and tenant credit profile shape investor return requirements, while store performance determines the rent the property can support.

ILLUSTRATIVE PROPERTY VALUE • SUPPORTABLE RENT × CAP RATE



HOW EACH FACTOR INFLUENCES VALUE

01 Rates affect required returns.

Higher Treasury yields generally put upward pressure on cap rates as investors seek higher returns. The adjustment typically occurs over time rather than immediately.

02 Store performance sets supportable rent.

Investors assess rent against store earnings, so softer performance can reduce sustainable rent and, in turn, property value.

03 Credit shapes the bidder pool.

Weaker coverage or guaranty strength narrows the bidder pool, while strong credit continues to draw aggressive capital from select investors.

WHAT TO CONSIDER

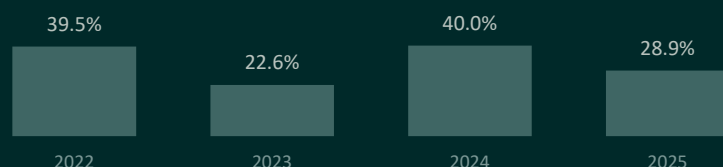
Rates, earnings and credit shape both the rent an asset can support and the return investors require, directly influencing its valuation.

Illustrative sensitivity, not a forecast or appraisal. Value = annual net rent ÷ cap rate. Supportable rent scales with store earnings at constant coverage (base: \$7.8M pre-tax earnings before rent ÷ \$2.1M rent = 3.7x; ±10% earnings = \$1.9M / \$2.3M rent). Published data: The Boulder Group, Q2 2026 Net Lease Market Report (overall single-tenant asking cap rate 6.80% Q1, 6.82% Q2; broad market, not dealership-specific); US Treasury (4.44% June 30); 5.11% September 23 market close (market reports). Cap rates do not move one-for-one with Treasuries. Live market: SURMOUNT observations; qualitative, not a pricing survey.

Q4 presents an opportunity ahead of potential pressure on rates and earnings

Active investor demand and slower cap-rate adjustments support a potential Q4 window, ahead of possible pressure from higher rates and softer earnings through 2027.

Q4 SHARE OF ANNUAL INVESTMENT VOLUME



32% of combined 2022–2025 investment volume across the four REITs closed in Q4, versus 25% for an evenly distributed year, making it the busiest quarter in three of four years.

Private capital adds to the Q4 buyer pool. Beyond these REITs, private investors accounted for approximately 57% of total U.S. net-lease investment volume in Q4 2025.

WHY Q4 STANDS OUT THIS YEAR

- 01 Real estate investors are actively seeking to deploy capital before year-end.**
Investment demand from institutions and private capital sources can support competitive pricing and terms for property owners.
- 02 Cap rates have yet to catch up with higher Treasury yields.**
Cap rates have yet to fully reflect the 67-basis-point rise in the 10-year Treasury yield.
- 03 Futures imply a higher rate path.**
With at least 75 bp of additional tightening priced by 2027, a clearer view of capital needs and available levers gives groups more flexibility heading into next year.

01 | ESTABLISH OPTIONS NOW

Clarify real estate value, investor appetite and transaction terms to preserve the option to act in Q4.

02 | ALIGN CAPITAL WITH PRIORITIES

Position real estate to support acquisitions, facility investment and investment and capital needs over the next 12–24 months.

03 | CONSIDER THE TIMING TRADE-OFF

Weigh the benefits of waiting against potential pressure on pricing and capital availability from softer earnings, 75 bps of rate increases and higher Treasury yields.

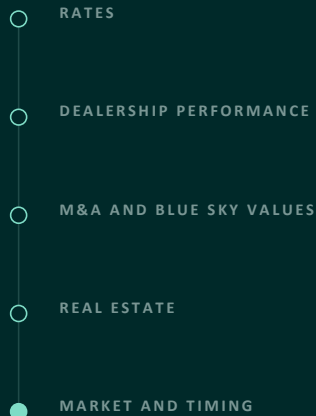
WHAT TO CONSIDER

A clear basis for ownership and capital decisions. A current view of real estate value and capital alternatives helps determine whether continued ownership or monetization best supports business priorities, and on what terms.

Q4 share: SURMOUNT calculation from quarterly releases of Realty Income, Agree Realty, NNN REIT and Essential Properties Realty Trust, 2022 to 2025, dollar-weighted; reported investment measures differ; Realty Income is the largest contributor. CME FedWatch, September 23, 2026. The Boulder Group, Q2 2026. SURMOUNT's timing views are its own judgments and do not guarantee the availability of pricing, financing or buyer demand in any period.

Real estate should be part of the next capital decision

Assessing value, investor demand and available structures now helps align real estate with business priorities and determine whether, when and on what terms to act.



Financing costs have risen, with the 10-year Treasury yield at its highest level since 2007 and futures markets pricing in the potential for 75 basis points of additional rate hikes through year-end 2027.

Dealership earnings remain above historical levels but have declined for three consecutive quarters amid normalizing vehicle margins.

Dealership transaction activity and blue sky valuations remain resilient despite softer operating earnings, reinforcing the importance of capital efficiency across acquisitions, facility investments and ongoing capital allocation decisions.

Real estate offers a distinct source of value and capital to consider alongside the operating business when making acquisition, facility and ownership decisions.

Market conditions and timing influence property values, making it important to weigh historical performance alongside current investor sentiment and the outlook for rates and store performance.

A clear view of real estate value and capital alternatives positions groups to evaluate their options and act with greater flexibility across acquisitions, facility investments and broader capital priorities over the next 12 to 24 months.

Dealership real estate advisory, backed by a full-service net-lease platform.

SURMOUNT's Dealership Advisory Group advises dealers on real estate and capital strategies aligned with their business and ownership objectives. Backed by the firm's broader net-lease platform, the practice brings together valuation, debt and equity capital markets, lease advisory and development expertise to deliver integrated advice and execution.

\$50B+

Closed transaction volume

16,000+

Properties across completed transactions

25+ years

In the net-lease market

8

Offices globally

OFFICES

NEW YORK · BOSTON · CHICAGO · MIAMI · PHOENIX · LOS ANGELES · LONDON · PARIS

ONE NET-LEASE PLATFORM

01 Valuation

Property value and portfolio analysis

02 Capital Markets

Debt and equity capital for existing properties, acquisitions and development

03 Lease Advisory

Economics, site control and restructuring

04 Development

Site selection, financing and construction management

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Firm figures reflect the broader SURMOUNT net-lease platform and are SURMOUNT-stated minimums. Past transaction volumes do not indicate future results. SURMOUNT is a commercial real estate firm and does not provide tax, legal or accounting advice.