DealersEdge®

SPECIAL REPORT

DEALERSHIP VALUATIONS AT A TURNING POINT

SEPTEMBER 24, 2026

TABLE OF CONTENTS & TOPIC ABSTRACTS

As interest rates and dealership performance evolve, owners face important questions about business and real estate values.

Ned Hennessey, Vice President of Investments at Surmount, examined how borrowing costs, capital markets, and the Federal Reserve's rate decisions influence acquisition financing, buyer demand, capitalization rates, and investment pricing.

Surmount specializes in commercial real estate investment sales and advisory services, with nearly $40 billion in assignments collectively advised by its team.

This workshop explored how owners can weigh these factors when considering sales, acquisitions, refinancing, succession planning, and sale-leasebacks, while using dealership real estate as a strategic financial resource.

OVERVIEW **Page 2**

Dealership values reflect interest rates, operating performance, franchise appeal, capital access, facility requirements, buyer expectations, and underlying real estate values.

INTEREST RATES **Page 2**

Ned described a challenging dealership environment with rising borrowing costs, declining profits, and acquisition prices near historic highs.

Reported second-quarter profits fell 11.8% year over year, while average transaction values remained around $90 million.

Higher short-term rates increase floorplan expenses and the cost of credit lines, working capital, and other financing.

Rising Treasury yields also affect real estate pricing and refinancing, particularly for loans originally carrying rates of 3% to 4%.

Consumers face higher borrowing costs, reducing vehicle affordability and purchasing power.

At the time of the discussion, markets anticipated additional rate increases.

Dealers should incorporate higher financing expenses, potential refinancing costs, and continued earnings pressure into operating forecasts, acquisition evaluations, and long-term capital planning for their businesses and real estate holdings.

PERFORMANCE **Page 5**

Dealership profitability is declining as vehicle margins soften and costs rise, with average net pretax profit down about 12% annually.

Service and F&I are increasingly important to sustaining earnings.

Ned cited energy-driven inflation and competition from corporate bonds as pressures keeping borrowing costs elevated.

Easing geopolitical tensions could help, but relief would take time.

Dealers should strengthen their profit centers and prepare for continued financial pressure over the coming year.

TRANSACTION SIZE **Page 8**

Higher interest rates strain dealership profitability, affordability, and financing, yet acquisition prices remain near record highs.

Dealers must assess capital needs and secure funding for growth, operations, and financial stability.

CAPITAL READINESS **Page 9**

Capital readiness positions dealers to compete for premium acquisitions and emerging opportunities from financial distress or retirement more effectively.

Buyers need funding to close confidently, support operations, and improve facilities.

With profits declining and borrowing costs rising, dealers should evaluate capital sources now to preserve liquidity and pursue growth without excessive risk.

REAL ESTATE AS AN OPTION **Page 11**

Surmount helps dealers evaluate real estate strategies to fund acquisitions, improve facilities, strengthen liquidity, and support ownership goals.

Sale-leasebacks may unlock value, but lease terms and their effects on dealership earnings require careful evaluation.

Ned urged dealers to assess options before rising rates and declining profits impact available capital.

He identified strong fourth-quarter investor demand as a potential opportunity, while emphasizing that retaining property ownership may better suit some dealers.

CONCLUSION **Page 16**

OVERVIEW

As interest rates, capital markets, and dealership performance continue to evolve, owners are asking how these changes affect the value of their businesses and underlying real estate.

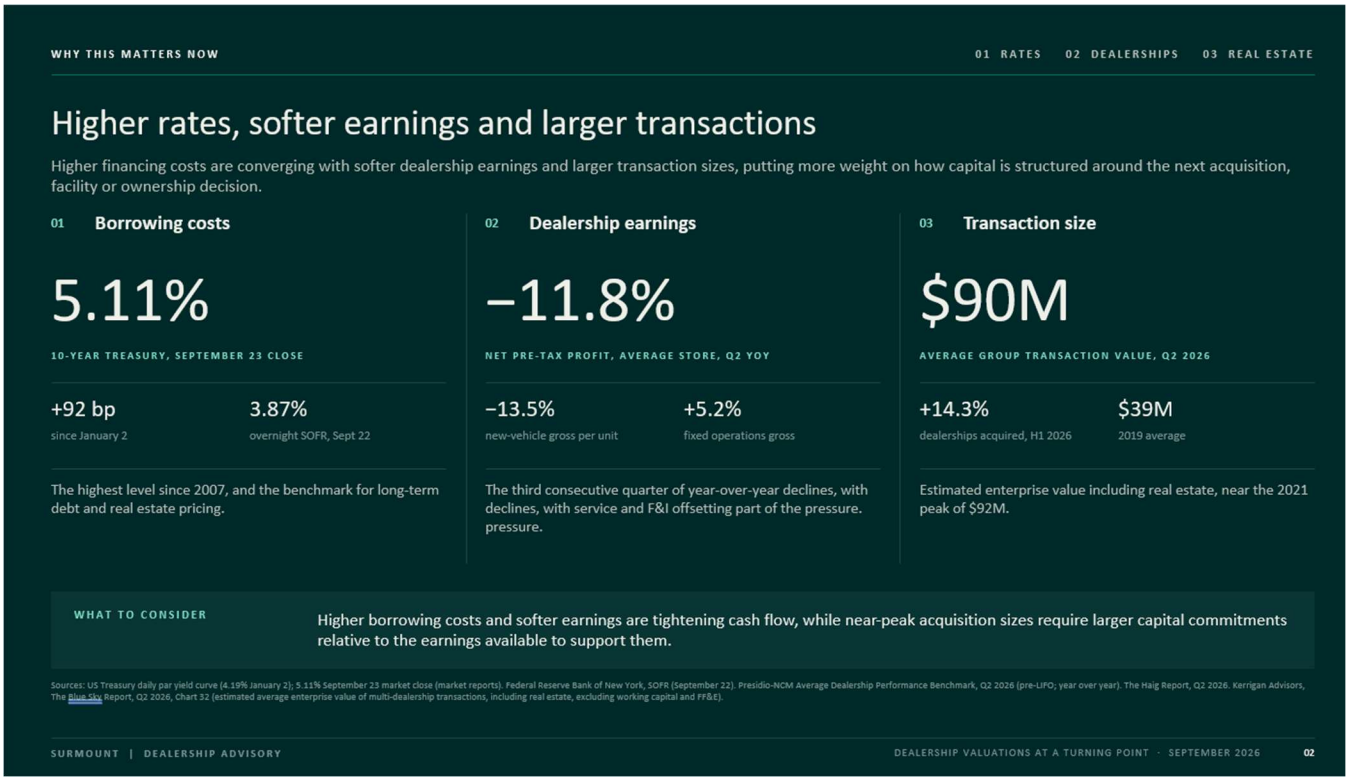
Interest rates are only one part of the equation.

Operating performance, transaction size, franchise desirability, market consolidation, and access to capital also shape dealership values.

Other considerations include facility and image requirements, buyers' expected returns, and the relationship between the value of the operating business and its real estate.

Together, these factors help determine what buyers are willing to pay.

INTEREST RATES



Interest rates are rising at both the long and short ends of the yield curve, increasing borrowing costs for dealerships and their real estate.

The **10-year Treasury yield**, a key benchmark for long-term borrowing and a commonly used proxy for the risk-free rate, has risen 92 basis points this year: nearly a full percentage point!

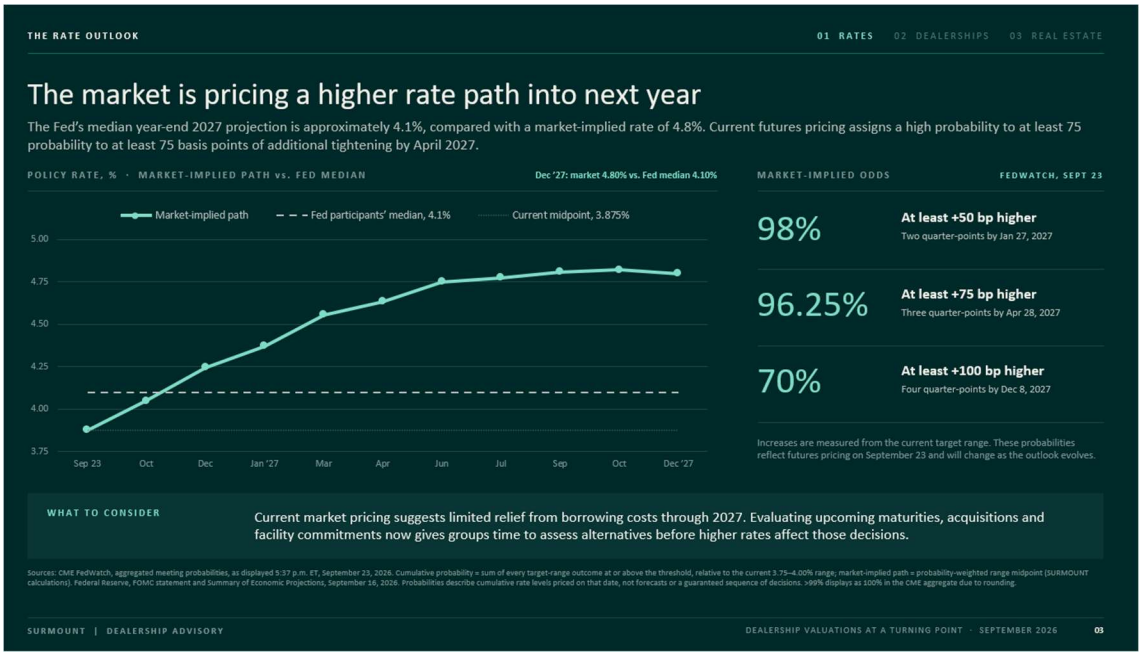
That increase not only affects property loans and other long-term business debt, but also influences real estate pricing, as investors often evaluate returns based on a spread above the Treasury yield.

At the short end of the curve, **SOFR, the Secured Overnight Financing Rate** and the **prime rate** are important benchmarks.

Changes in these rates affect borrowing costs on floating-rate lines of credit and other forms of short-term financing.

And Ned noted that short-term rates could rise further through the end of the year and into 2027.

At the time of this discussion, the latest increase was 25 basis points, or one-quarter of a percentage point, on the previous Thursday and markets were pricing in approximately three additional increases of the same size, bringing the combined increase to **100 basis points, or one full percentage point**.



Dealership profits continue to decline across the industry, with reported second-quarter profits down an average of **11.8% year over year**.

At the same time, acquisition prices remain near historic highs.

Average transaction values are approximately **$90 million**, close to the $92 million peak reached in 2021.

This combination of factors creates a challenge for Dealers: higher interest rates, rising costs, lower profitability and acquisition prices that remain especially high for desirable stores.

Returning to interest rates, Ned noted that the Federal Reserve had raised rates by 25 basis points the previous week.

At the time of this presentation, market expectations pointed toward a rate of approximately **4.8%**, reflecting three potential additional quarter-point increases.

The market was assigning roughly:

☹ A 98% probability of another increase by January
☹ A 96% probability of a second additional increase and
☹ A 70% probability to a third by the end of the following year.

Combined with the previous week's increase, those moves would total **100 basis points** - *One Full Percentage Point!*

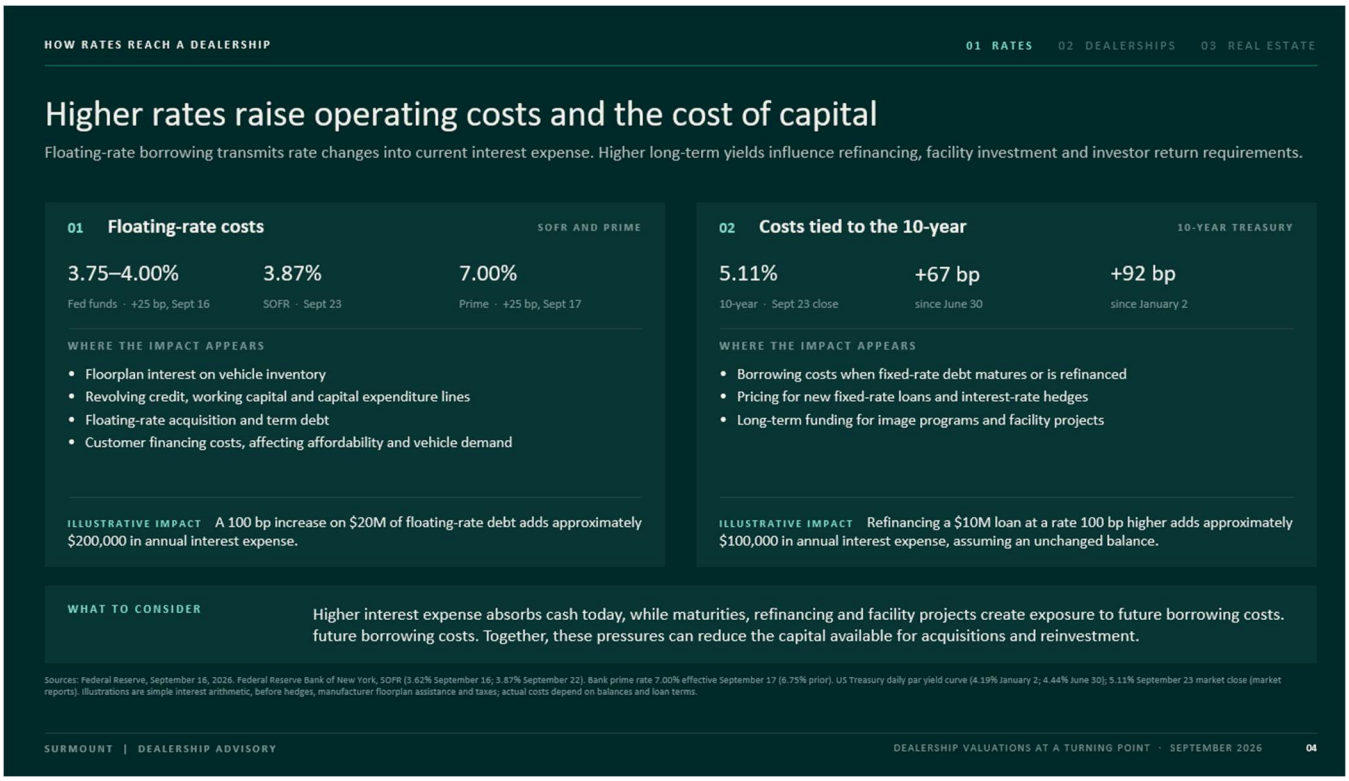
These increases affect both consumers and dealerships.

Higher borrowing costs on home equity lines of credit, credit cards and auto loans can reduce consumers' spending power.

For dealers, rising short-term rates increase inventory carrying costs, particularly through to floorplan financing.

A single 25-basis-point increase may be manageable.

A cumulative increase of 100 basis points, however, can have a much greater impact on dealership expenses, customer affordability, and profitability.



Higher interest rates affect dealership operating expenses and the cost of capital in different ways.

Understanding both is essential as dealers plan for the remainder of this year and going forward.

Short-term rates, including the Secured Overnight Financing Rate (SOFR), closely track Federal Reserve policy.

For dealers, the most immediate concern is probably their **floor plan expense**.

Last week's 25-basis-point increase adds to the cost of carrying inventory, and further increases could bring boost that expense to as much as 100 basis points, a full percentage point.

The cost of revolving credit lines, working capital loans, and capital expenditure financing has also increased and trending upward.

At the time of this discussion, market expectations put the probability of additional increases of 50 to 75 basis points above 95%.

Even if rates do not rise by a full percentage point, the outlook strongly suggests higher short-term borrowing costs.

Dealers need to understand how these increases affect both their operations and their customers.

The impact is already being felt, as additional increases put more pressure on profitability and purchasing power.

The **10-year Treasury yield** behaves differently.

It does not move directly in step with short-term rate increases but instead reflects longer-term market expectations, including concerns about inflation and its effect on investment returns.

The figures in the slide show the 10-year yield rising roughly a percentage point YTD to just over 5%.

Much of that increase occurred after midyear, accelerating nearly 30 basis points over the past several weeks.

Although many of the earlier short-term rate increases were already priced into the market, bond investors have continued to adjust their expectations for potentially higher or more persistent inflation.

A 10-year yield of approximately 5.11%, compared with about 4% at the beginning of the year, reflects those ongoing concerns.

For dealerships, the pressure extends across floor plan financing, credit lines, working capital, and customer borrowing costs.

Higher financing costs also reduce consumer purchasing power in a market where new vehicles and many other expenses are already elevated.

Longer-term rates create another challenge: **refinancing dealership real estate loans**.

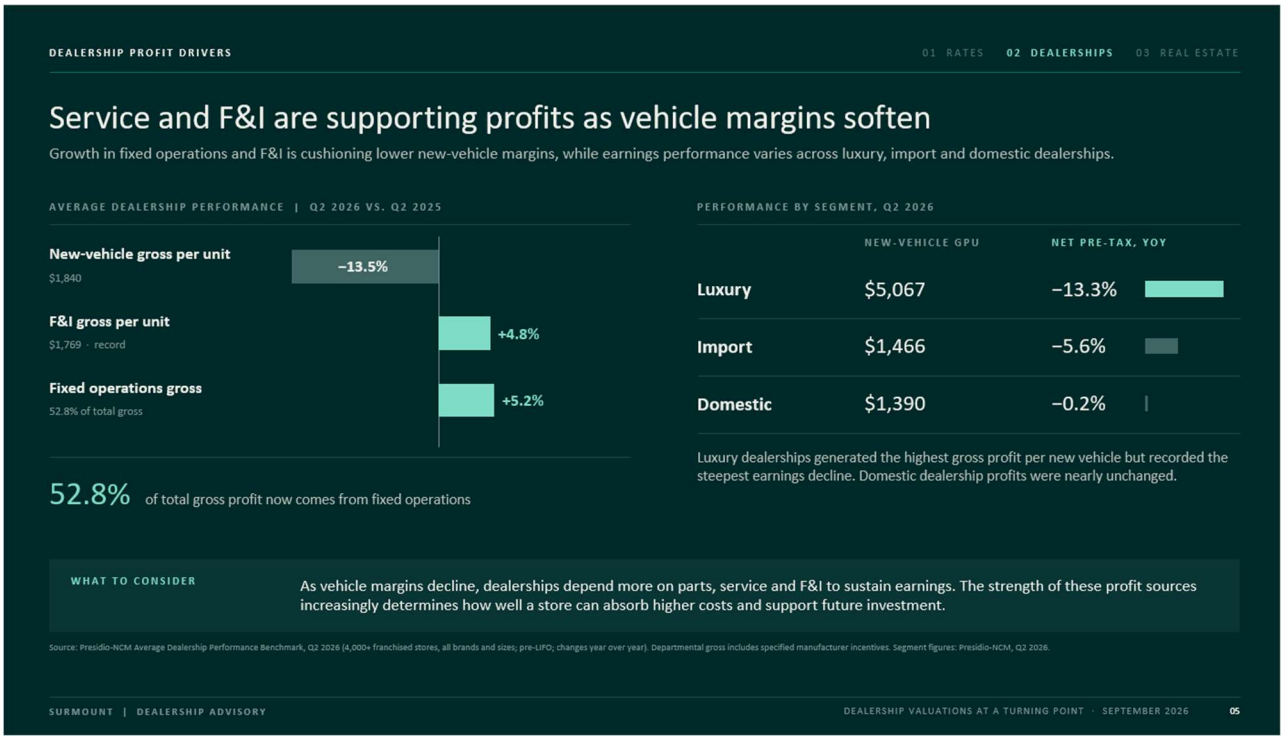
Loans originally priced in the 3% to 4% range may carry substantially higher rates when they mature and must be refinanced.

So alongside declining earnings and higher inventory carrying costs dealers need to factor changes in refinancing rates into their projections.

Taken together, these pressures make the interest rate environment a central concern.

Both short-term operating expenses and longer-term financing obligations are becoming more expensive, shaping many of our conversations with dealerships and industry partners.

PERFORMANCE



While vehicle sales volumes have not declined dramatically, margins on vehicles sold are softening.

And as front-end profits erode, Service and F&I are carrying more of the load.

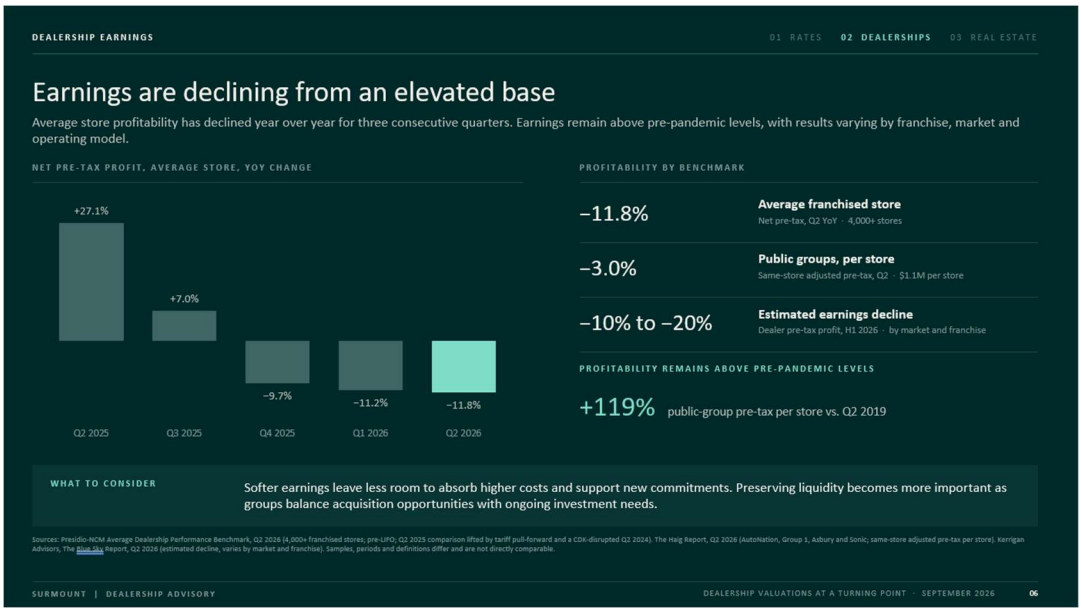
The data shows that gross profit has declined significantly across the industry, falling year after year from the unprecedented post COVID highs.

As profitability returns to more normal levels, higher operating costs and growing affordability concerns are adding pressure.

In this environment, expanding Service capacity and strengthening F&I performance will remain priorities.

Dealers need to help both departments operate at full capacity and deliver consistent results.

Based on current trends, these profit centers are expected to play a larger role in sustaining dealership profitability over the next 24 months.



Dealership earnings continue to decline from the elevated levels of recent years with average net pretax profit per franchised dealership is down about 12% year over year.

Public dealership groups have reported smaller declines, around 3% in some cases while other operators have seen profits fall by 20% or more.

Overall, the industry is experiencing a double-digit decline in profitability, a trend that Ned expects to continue into next year.

Higher interest rates, rising costs, and pressure on consumers are contributing to that downward trajectory.

What happens over the next six months will help shape the outlook for the following 18 months and influence how dealers respond.

When asked how much of the outlook reflects uncertainty about geopolitical and domestic conditions and what developments could turn things around?

Ned answered that he sees two major factors influencing rates: inflation and competition in the bond market.

On inflation, much of the pressure we're discussing is tied to energy.

The conflict in the Middle East has disrupted oil supplies and lasted longer than many expected.

Higher energy costs work their way through the economy, affecting transportation, production, and ultimately the prices consumers pay and the United States, as a major energy consumer, feels those effects.

The second factor is the amount of long-term debt being issued by large corporations, particularly those investing heavily in artificial intelligence, data centers, and related infrastructure.

These corporate bonds are competing for investment dollars that might otherwise flow into U.S. Treasury securities.

Higher corporate bond yields that attract institutional and global investors, potentially reduce demand, and put upward pressure on the 10-year Treasury yield.

That market pressure has also worked against the Federal Reserve's efforts to bring longer-term yields down through bond purchases.

Together, inflation and competition for investment dollars are making it harder for borrowing costs to ease.

At the same time, the projected Fed rate increases would raise short-term borrowing costs, making credit more expensive for dealers and their customers.

What could improve the outlook?

An end to the conflict and a restoration of oil supplies would certainly help.

But even if both happened immediately, the economic effects would not disappear overnight.

The higher costs that have accumulated over the past eight months would still take time to work through the economy so we would still see a lag before improved conditions translated into meaningful relief from inflation and borrowing costs.

Under that scenario, we might move toward a more moderate interest-rate outlook over the next 12 months but would not expect an immediate return to previous conditions.

Persistent inflation cannot simply be switched off.

These are the forces driving the rate outlook and, in turn, contributing to higher costs for dealerships.

Surmount follows this information closely, but the landscape continues to evolve, and the outlook could change.

At the beginning of the year, few people would have expected the conditions that we're experiencing going into October 2026:

☹ a 10-year Treasury yield above 5%,
☹ the prospect of higher short-term rates,
☹ a major conflict in the Middle East, and
☹ the continuing war between Russia and Ukraine.

So, while conditions can change, at this time, Ned does not see a quick reversal as a likely outcome.

When asked about the impact of China entering the US market, Ned observed that the central question is whether their entry would benefit the industry and the dealers he works with would it strengthen the existing dealership system and support its long-term success?

He sees two perspectives among dealers.

1. Some welcome competition because it pushes everyone to improve. They view Chinese brands as a potential opportunity to offer vehicles at prices that appeal to cost-conscious consumers.

   There will always be customers who want premium or luxury vehicles, while others prioritize affordability.

2. The other perspective is that Chinese manufacturers could produce high-quality vehicles at such low costs and at such enormous scale that other automakers would struggle to compete.

   If that significantly eroded sales and profitability across the existing industry, it could become a serious problem.

I would hope that there is a middle ground where additional competition creates opportunities without undermining the broader market.

There would also be significant hurdles to entering the United States.

The dealership industry has a strong lobbying presence, and the automotive market is deeply influenced by policy and politics and might not readily allow new entrants to displace established manufacturers and dealers on a large scale.

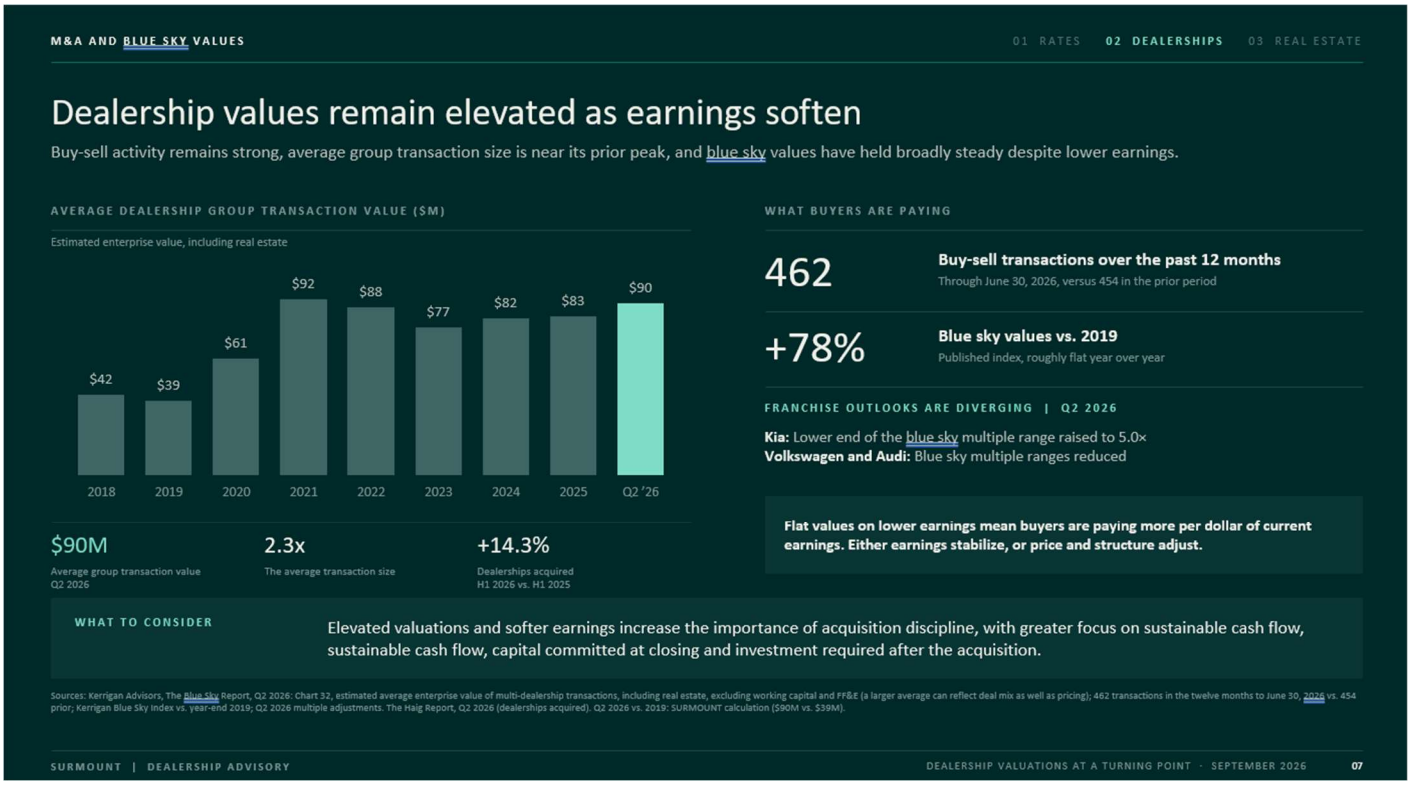
If Chinese brands expanded dealers' franchise options, brought more affordable vehicles to consumers, and encouraged healthy competition, I would be supportive.

The key would be to demonstrate a clear benefit to the market.

I expect Canada to provide an interesting test case as Chinese vehicles are introduced

How they are received could help inform the debate and influence decisions about their potential entry into the United States.

TRANSACTION SIZE



How are interest rates affecting dealership values?

Interest rates are influencing every part of the dealership business

From consumer affordability and dealer borrowing costs to financing availability and debt maturities.

Meanwhile, dealership profits continue to decline year over year.

Despite these pressures, acquisition values remain near record highs.

The average enterprise transaction value is approximately $90 million, just below the post-COVID peak of $92 million.

Dealerships are feeling pressure from nearly every direction, yet acquisitions are not getting any cheaper.

Growth remains a priority for large dealership groups and becoming increasingly important for midsize and smaller operators as well.

Intense competition is making scale and a strong operating platform essential to long-term success.

For dealers with only one or two stores or even a small collection of dealerships, competing is becoming more challenging.

This creates a difficult balancing act: the most sought-after acquisitions remain as expensive as ever, while available cash and financing capacity are increasingly constrained.

Ned expects these conditions to push more groups toward alternative sources of capital.

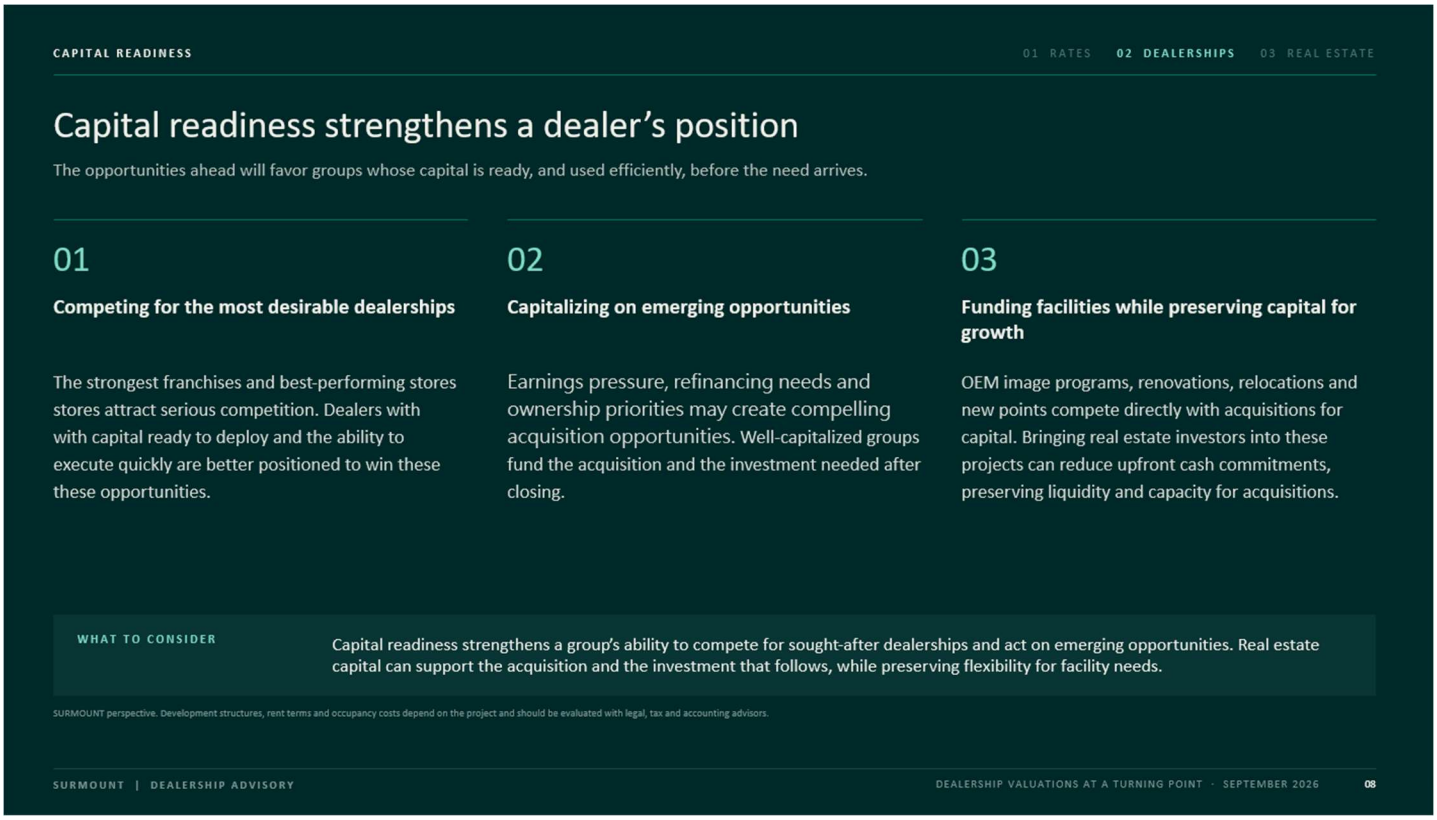
Some will seek funding for growth while others will need it to navigate a tougher business environment, reposition operations, or restructure and strengthen their balance sheets.

Dealers who have not yet assessed their capital needs should do so now because these pressures are clear, and they are not going away.

Over the next 12 to 24 months, access to capital will be critical for acquisitions, facility improvements, investments in dealership operations, and maintaining financial strength and liquidity.

Securing that capital should be a priority for every dealer.

CAPITAL READINESS



With dealership values near their peak, capital readiness gives buyers a stronger position.

That means understanding both the capital that you have and the funding available to you when an opportunity arises.

The most desirable dealerships attract intense competition, and buyers need substantial financial resources just to earn a seat at the table.

Opportunities to acquire established, multigenerational dealership platforms rarely arise, maybe once in 10 or even 50 or more years.

Ned sees the largest, best capitalized, and most sophisticated groups increasingly targeting established dealerships in major metropolitan markets.

These businesses tend to require less turnaround work and less speculation, making them especially attractive.

Markets such as Los Angeles, Miami, Dallas, Austin, Charlotte, Atlanta, New York, Boston, and Chicago are seeing activity as these prized platforms move into the hands of buyers who can act quickly and close with certainty.

Ned expects that trend to continue.

For other dealers to compete, they need access to sufficient capital before an opportunity becomes available.

A buyer scrambling to assemble financing, unable to move quickly, or lacking the resources to support a major acquisition is at a significant disadvantage.

Sellers and their M&A advisers understandably favor buyers who offer a more certain closing.

With average enterprise transaction values around $90 million, the financial commitment is substantial.

Larger transactions can reach hundreds of millions of dollars or as Ned points out, even a billion as was the case for an Atlanta transaction.

These opportunities are rare.

Once a dealership platform becomes part of a mega-group or publicly traded company, it may not become available again within a dealer's lifetime.

However, capital readiness means more than having enough money to complete the purchase.

Buyers also need funds to invest in the acquired stores, improve facilities, and support the combined operation.

An acquisition should leave the buyer financially capable of running and improving the business, without incurring excessive risk.

Ned also expects a different set of opportunities to emerge over the next 24 months as financial distress enters the market.

Some dealers that may have borrowed too heavily, taken on too much risk, or acquired stores that have not performed as expected could face pressures that could force them to sell attractive points.

A group might sell individual stores to reduce debt or remove underperforming operations.

Others may choose to preserve the value they have built and sell an entire platform.

Retirement will also shape the market as aging dealers choose to sell while earnings and valuations remain high and before the industry returns to more normal operating conditions.

Buyers should prepare for these opportunities with the same financial discipline they bring to premium acquisitions.

Ned believes some distressed opportunities could ultimately deliver greater value because buyers may be able to acquire a strong business at a lower cost.

Well-priced opportunities could move even faster than premium deals.

Whichever acquisition strategy a dealer pursues, the principle is the same: CAPITAL IS KING and groups with funding in place will be best positioned to compete and close.

Dealers should be asking themselves:

- What sources of capital are available to me?
- How can I strengthen my financial position now?
- If the right acquisition became available, how would I fund it?
- Could I move quickly enough to compete?
- Would I have sufficient capital after closing to support the business and make necessary improvements?

Facility investment adds another layer to the capital discussion.

Dealers who have delayed required upgrades may be missing incentives or limiting their stores' operating and profit potential.

With earnings declining, carrying costs rising, and interest rates elevated, those gaps become harder to absorb.

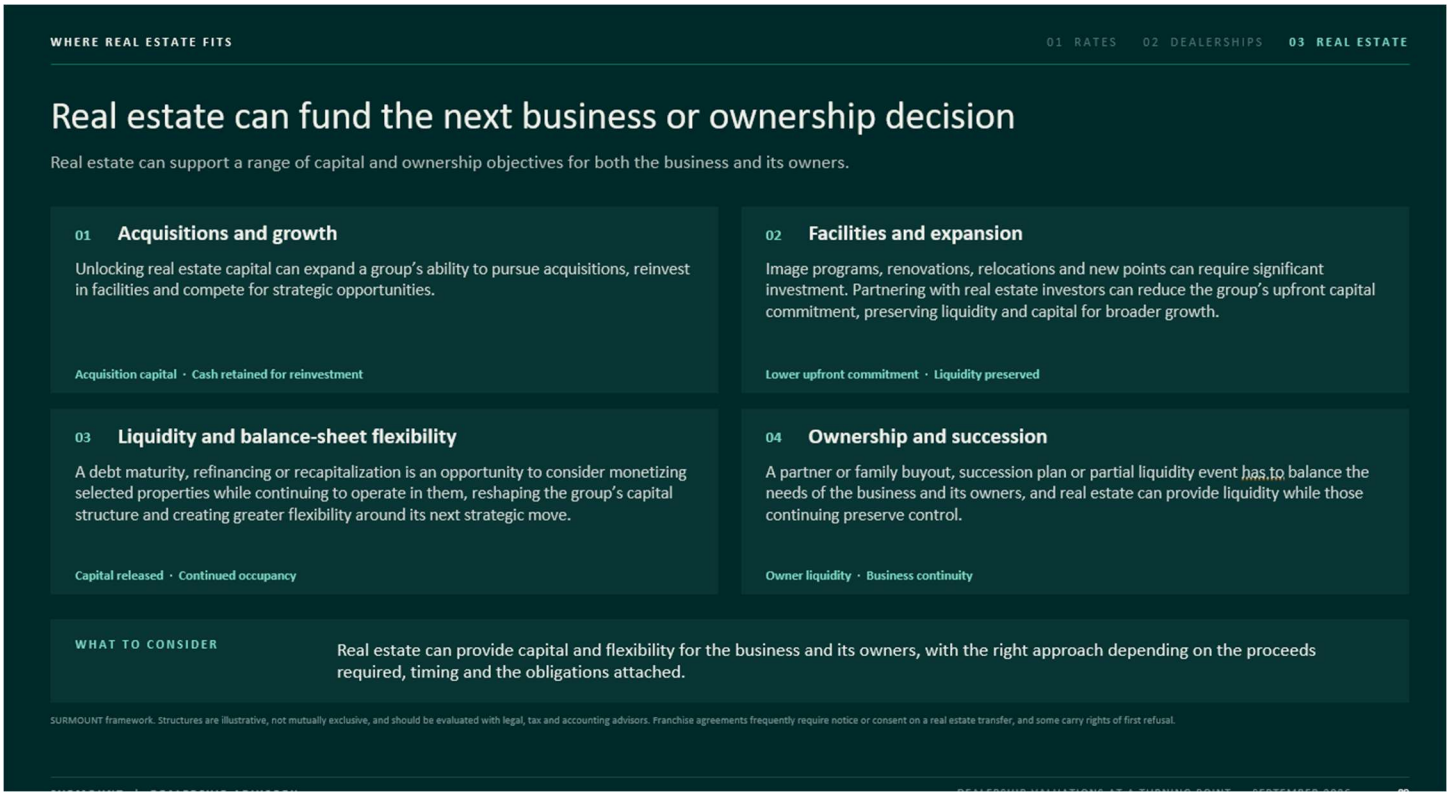
Waiting can make the problem worse.

As financial flexibility tightens, dealers may find it difficult to fund needed improvements since renovations, relocations, and new dealership locations all require substantial capital.

For Ned, the message is clear: dealers need to evaluate their capital options now.

Access to cash will shape their ability to acquire stores, improve facilities, maintain liquidity, and sustain operations over the next 12 to 24 months.

REAL ESTATE AS AN OPTION



That brings us to how Surmount collaborates with dealers.

As a real estate advisory firm, Surmount advises many of the country's largest dealership groups.

Over the past 25 years, the firm has developed relationships across a range of asset classes with real estate investment trusts (REITs), private investors, and institutional and similar investment funds and together, they represent tens of billions of dollars in potential capital.

The firm helps dealers access that market to fund growth, invest in facilities, restructure their balance sheets, and improve liquidity.

It also helps them understand how transactions can be structured to provide both capital and flexibility.

Ned believes that, in many cases, capital tied up in real estate can generate a higher return when reinvested in the dealership business.

However, dealers have traditionally raised two important questions:

- ? How do I maintain flexibility, and
- ? How do I preserve control?

According to Ned, both objectives can be addressed through a competitive process and carefully negotiated lease terms.

Doing so requires an understanding of investor expectations, prevailing market terms, and the provisions that protect a dealer's ability to operate, a central part of the firm's advisory role.

Acquisitions and expansion are obvious reasons to explore these options.

Some dealers have enough capital to complete a purchase but would exhaust much of their liquidity in the process.

Others lack the resources to compete for acquisitions or grow at their desired pace, particularly as earnings and borrowing costs squeeze their finances.

Real estate investors can help free up capital by funding properties that dealers already own, real estate included in an acquisition, or new dealership developments.

This capital can allow dealers to focus on operating and growing their businesses.

However, the transaction structure is critical.

Dealers need terms that support their operations and preserve flexibility throughout the life of the lease.

The goal is to secure funding while avoiding unnecessary restrictions on how the business operates.

As existing debt matures Ned also expects liquidity and balance sheet flexibility to become important.

Dealers may face refinancing rates one to four percentage points higher than their previous rates, along with changes in lenders' loan-to-value requirements.

Those conditions make it essential to evaluate debt restructuring options and sources of additional liquidity.

The need for liquidity may also be personal.

Depending on their stage of ownership, dealers may want to access some of the wealth they have built without selling their business.

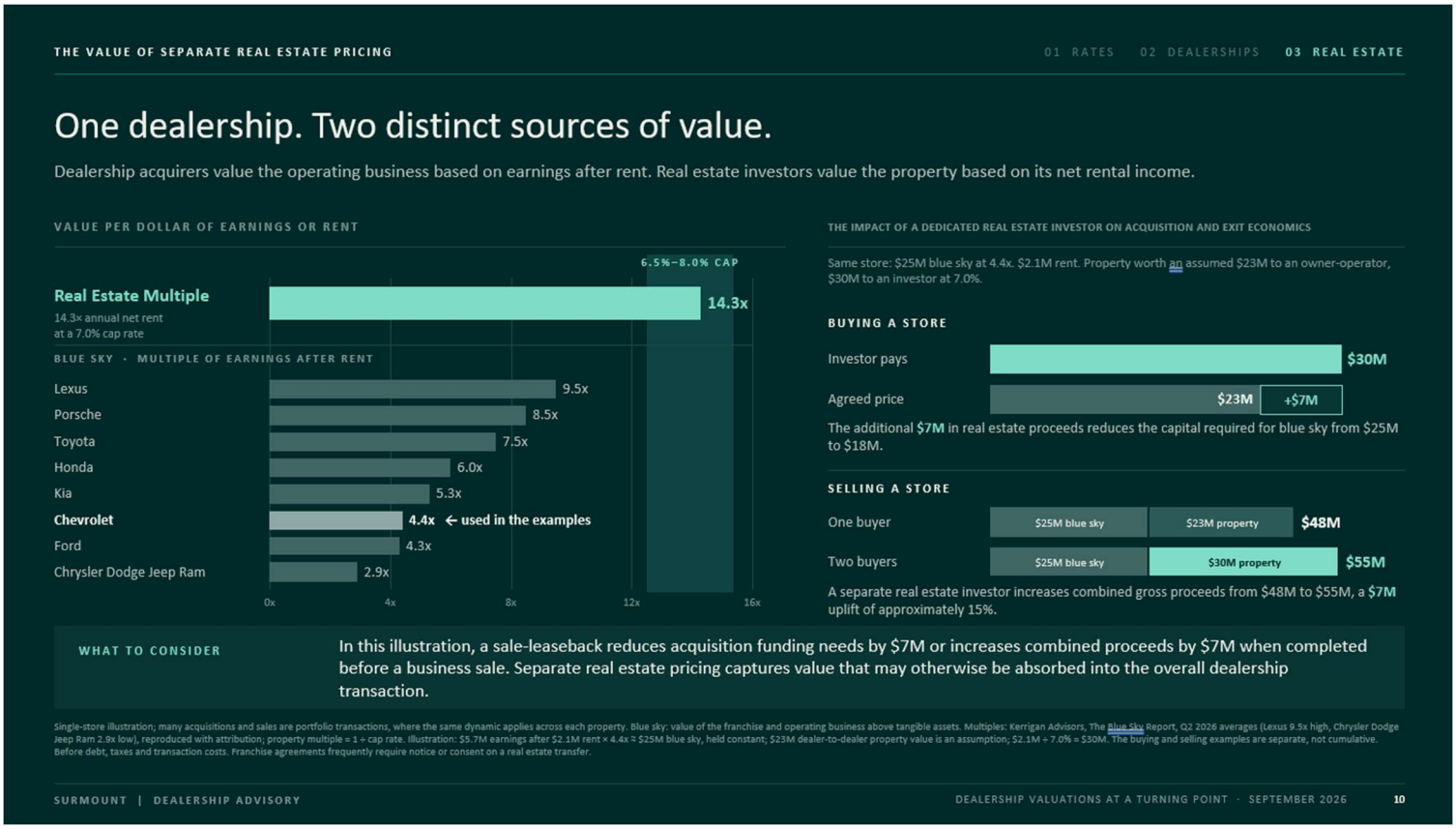
Real estate can offer a way to generate that liquidity while preserving business ownership, operational control, and the dealership's legacy.

Still, monetizing real estate is not always the right answer.

In some situations, a different debt structure may better serve the dealer and for others, retaining ownership of the property may be the strongest choice.

Ned emphasizes that recommendations should follow the dealer's priorities.

His firm works through these questions with dealer clients, comparing available options and determining how each could support growth, financial stability, personal liquidity, or long-term ownership goals.



Where can dealers find additional value?

This slide compares dealership earnings multiples across franchises, from CDJR to Lexus, and provide a framework for the discussion.

Buyers, sellers, and M&A advisers use these multiples to help determine the value of a dealership business, although actual multiples vary by dealership and transaction,.

Ned explains that financially sophisticated dealer groups also examine the relationship between business earnings multiples and real estate multiples.

For example, a 7% capitalization rate translates to a real estate valuation of approximately 14.3 times annual rental income.

Ned describes 7% as a competitive rate for the market in this example.

Premium dealership groups may attract lower cap rates, while others may face higher rates.

By comparison, the highest dealership earnings multiple shown on the slide is approximately 9.5 times.

That creates a potential valuation advantage:.

A dollar of annual income attributed to rent could support approximately $14.30 in real estate value, compared with $9.50 in business value at the top of the illustrated range.

The difference between the two is approximately $4.80 in value per dollar of annual income.

While this looks attractive, both sides of the transaction must be evaluated together because allocating more income to rent also reduces dealership earnings.

This relationship can create opportunities for dealers who are acquiring stores and for those preparing to sell.

These are possibilities to evaluate, rather than outcomes that apply to every transaction.

Consider the acquisition example on the slide.

A buyer acquires a dealership with $23 million allocated to the underlying real estate.

If a real estate investor purchases that property through a sale-leaseback for $30 million, the transaction generates an additional $7 million that can be applied toward the business acquisition.

That can reduce the buyer’s effective investment in the operating business and the amount of capital needed to complete the purchase.

Depending on the lease terms and resulting operating costs, it may also improve investment returns and support further growth.

Ned emphasizes that this is a capital-efficiency strategy.

Even well-capitalized groups may use it to make their acquisition dollars go further.

The same principle can apply when selling a dealership.

In the slide’s example, a conventional transaction produces $25 million in blue sky value and $23 million for the property, for a combined $48 million.

If a separate real estate transaction increases the property proceeds to $30 million, and the seller can achieve approximately the same blue sky value, the combined proceeds rise to $55 million.

That is an additional $7 million, or roughly 15% more than the original total.

The key assumption is that the blue sky value remains virtually unchanged.

Because rent affects dealership earnings, the lease terms and their impact on business value must be considered when assessing the overall benefit.

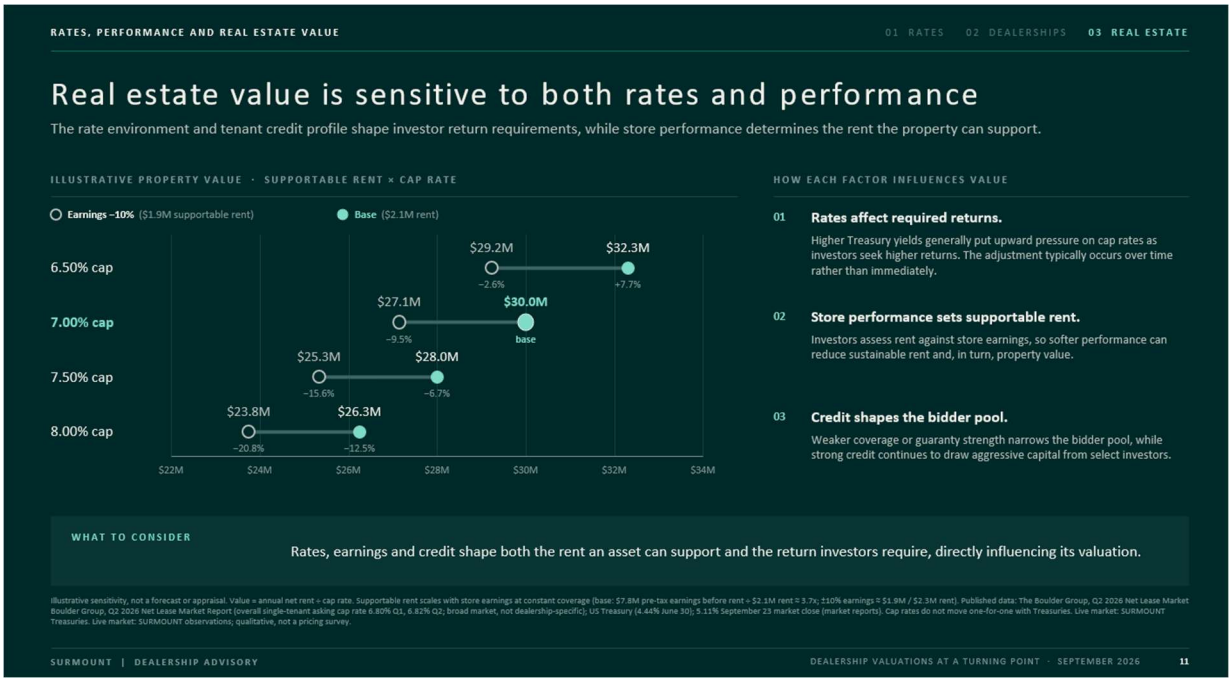
Ned’s broader point is that evaluating the business and real estate separately can help dealers identify opportunities to increase their combined value.

In his experience, dealership real estate generally commands a higher income multiple than the operating business, making this comparison worth exploring.

Whether a dealer is buying a single store, acquiring a larger platform, or planning an exit, the same questions apply:

- ? How should the business and property be valued?
- ? How can the transaction be structured efficiently?
- ? And what approach produces the strongest overall result?

For Ned, this example brings the discussion back to capital readiness, understanding the available options and using them to support growth, liquidity, and long-term value.



Interest rates are rising, dealership profitability is declining, and acquisition values remain near their peaks.

At the same time, Ned expects attractive acquisition opportunities to emerge over the next 12 months as financial pressure forces some dealers to sell.

Some of those businesses may even become available at a discount.

However, the same conditions creating opportunities for buyers can also reduce a dealer’s ability to raise capital.

As earnings decline and interest rates rise, the amount of capital available through real estate monetization or other financing strategies may shrink.

Ned notes that increases in interest rates, including movements in the 10-year Treasury yield and the previous week’s rate increase, have not yet been fully reflected in real estate cap rates.

The investment market has adjusted somewhat, but the full impact may take several months to emerge.

That lag may provide an opportunity for dealers to explore their options while strong historical earnings and current real estate valuations still support favorable outcomes.

The example on the slide illustrates how declining earnings and rising cap rates can reduce value.

Higher interest rates, weaker credit quality, and reduced investor appetite can all contribute to that shift.

A property’s value at the beginning of one year could look substantially different by the beginning of the next.

The example is illustrative, not a prediction.

Values can also rise when market conditions move in the opposite direction.

But given the trends, declining profitability and rising rates, Ned believes the greater risk is a reduction in the capital dealers can unlock from their real estate.

That makes it important to understand what you own, what it is worth, and how changing conditions could affect its value.

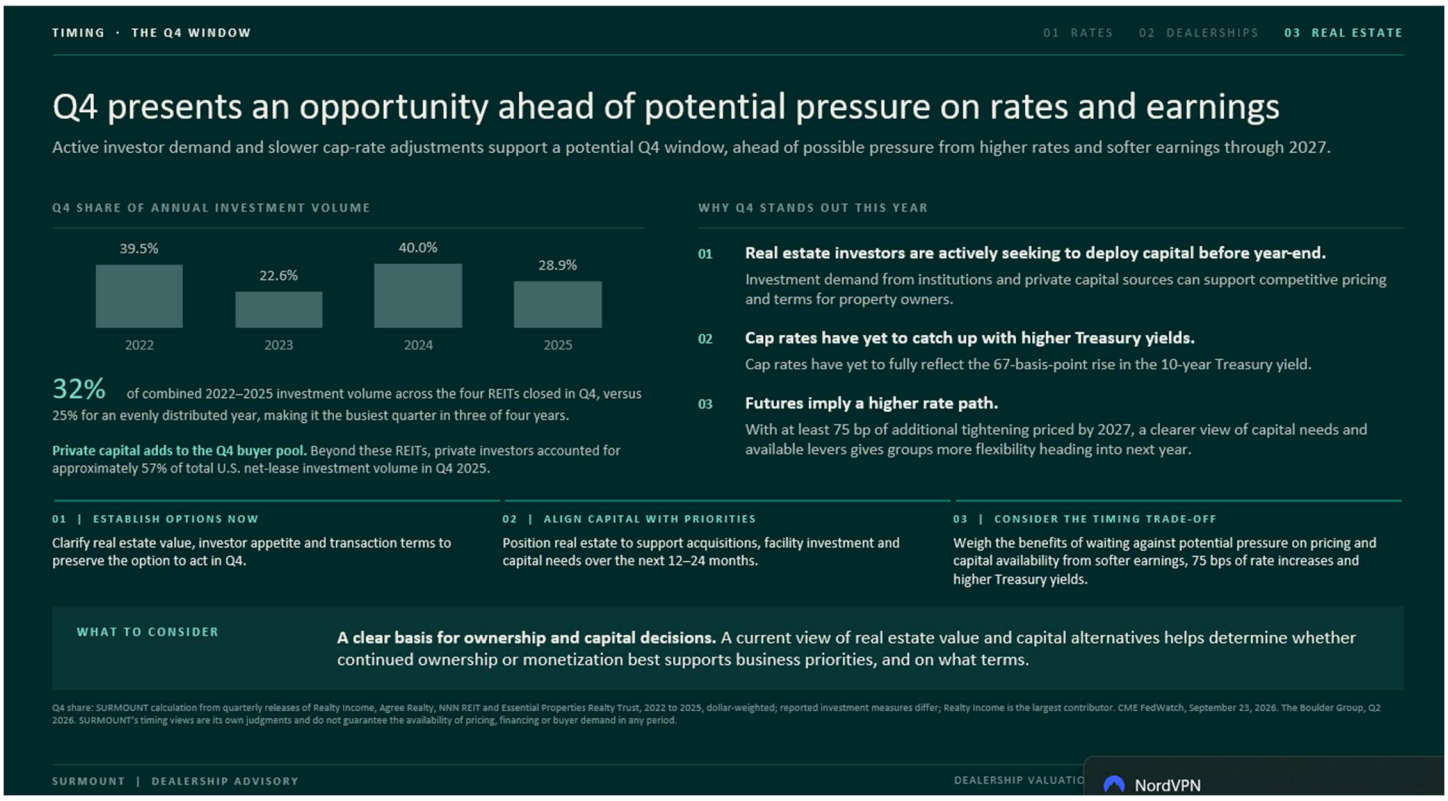
Evaluating those questions now may reveal options that become less attractive or less accessible later.

Ned is not suggesting that every dealer should immediately pursue a transaction, rather, he believes the possibility of a meaningful decline is enough to justify a closer look today.

No one has a crystal ball.

Still, gaining clarity now puts dealers in a stronger position to make informed decisions, whether they choose to act or hold their assets.

It also reduces the likelihood of having to scramble for a solution after financial pressure has already narrowed their options.



Ned believes that the fourth quarter presents a unique opportunity for dealers to consider real estate as a source of capital.

Q4 typically attracts a substantial concentration of investment as institutional buyers work to meet their year-end allocation goals.

According to Ned, these buyers represent roughly half, or slightly less, of the net lease market.

Activity from 1031 exchange buyers and other private investors adds to that demand.

As buyers work to complete transactions before year-end, the resulting competition can create favorable conditions for property owners seeking real estate capital.

That seasonal advantage is particularly relevant when interest rates are rising, and dealership performance is declining.

At a minimum, Ned believes dealers should evaluate whether Q4 demand could benefit them.

He expects investment activity to slow in the first and second quarters of the following year as buyers reassess their strategies.

Interest rates, business performance, and the broader investment outlook will influence where and how aggressively they deploy capital.

For the year discussed, Ned expects the greatest concentration of investment activity to occur during the final three months.

That makes Q4 an important window for dealers to understand their real estate options.

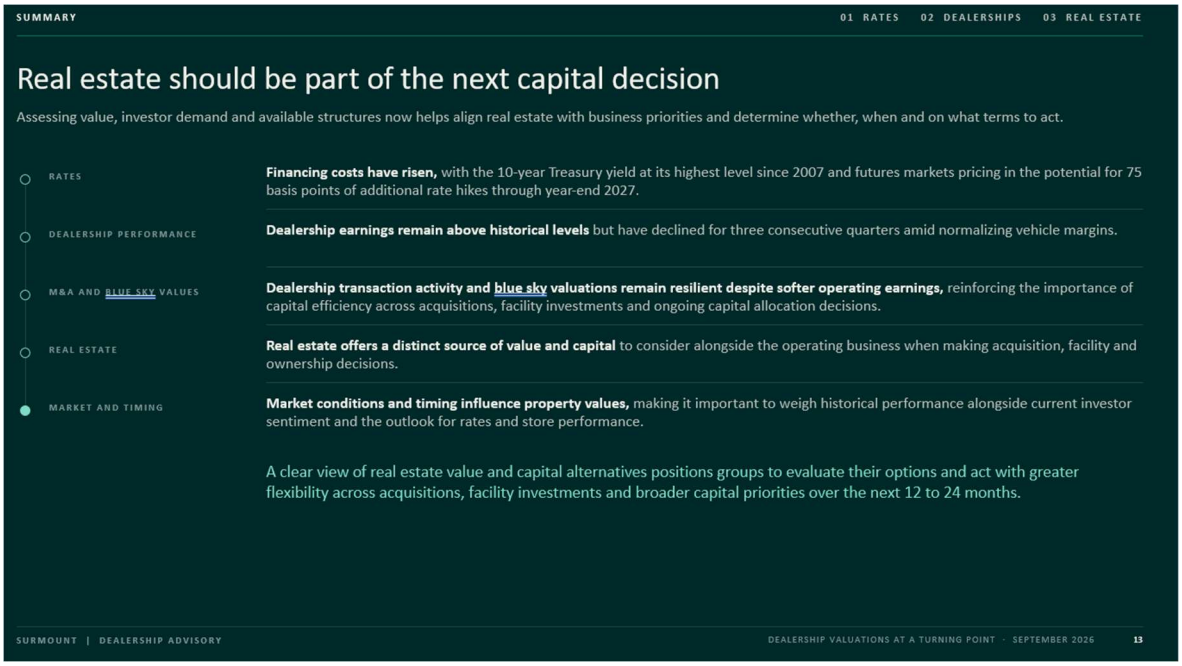
Surmount is having as many conversations as ever with dealers and clients, reviewing developments over the past three years, changes during the current year, and the outlook for interest rates, investor demand, and dealership performance.

The goal is to lay out the available options and help clients make informed decisions.

That does not mean every dealer needs to pursue a transaction immediately.

Ned's emphasis is on understanding the choices because evaluating them is as important as ever.

For dealers considering real estate as a source of capital, he views Q4 as a potentially favorable time to assess value, explore investor interest, and determine whether a transaction supports their goals.



CONCLUSION

Financing costs have risen.

The 10-year Treasury yield, a key benchmark for real estate financing, has increased by almost 100 basis points this year, reaching its highest level since 2007.

And Futures markets are pricing in another 75 basis points of rate increases through the end of 2027.

Ned expects the market to look different a year from now, and he believes conditions are likely to be less favorable.

That could affect dealers, consumers financing vehicle purchases, borrowers refinancing maturing debt, and owners seeking to raise capital through their real estate.

His message is not that dealers should rush into a transaction or make a decision that does not fit their goals.

Rather, they should understand what these changes mean for their businesses: how rising rates affect financing costs, borrowing capacity, and access to capital when they need it?

Meanwhile, business demands and opportunities continue regardless of market conditions.

Dealership acquisitions are still taking place, including opportunities that may not become available again for decades.

Those could involve a premium dealership platform or an attractively priced distressed business.

Facility requirements, capital expenditures, and newly awarded dealership locations also continue to require funding.

For dealers, the priority should be understanding their capital options and how to fund both planned investments and unexpected opportunities.

Real estate represents a distinct source of value and potential capital.

As dealers enter Q4 and look ahead to 2027, Ned encourages them to evaluate how that value could support their goals while monitoring changes in interest rates, dealership performance, and the broader market.

