

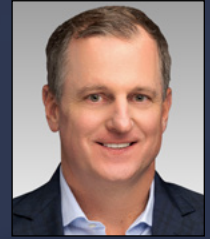
CONSUMER AFFORDABILITY CONCERNS ON STEROIDS

How dealers can respond with creativity

Soaring gasoline prices are just the latest development continuing to constrain consumer purchasing power. Consumer affordability and its impact on dealers is a key theme in **Dave Cantin Group's** (DCG) 2026 **Market Outlook Report** (MOR), produced in collaboration with The Martec Group. While affordability concerns and other negative economic news can affect consumer sentiment, dealers have some solid opportunities in the form of solution selling and customer conquest from competitors.

Consumer confidence is at historic lows; young people are struggling to find jobs; and consumer prices remain stubbornly high — in the grocery store, on utility bills and in the housing market. Among consumers who have chosen not to buy a car, 38% cited uncertainty about the economy as a primary reason, up from 26% a year ago. In fact, nearly 60% of consumers say the higher cost of living is the main factor contributing to difficulty making auto loan payments.

It's why today's car shoppers are entering the dealership with a monthly payment in mind, said Brian Gordon, president of DCG, a leading automotive M&A advisory company. And to meet that monthly number, they're more willing to trade brands, consider different models, swap trim levels and even consider pre-owned.



Brian Gordon

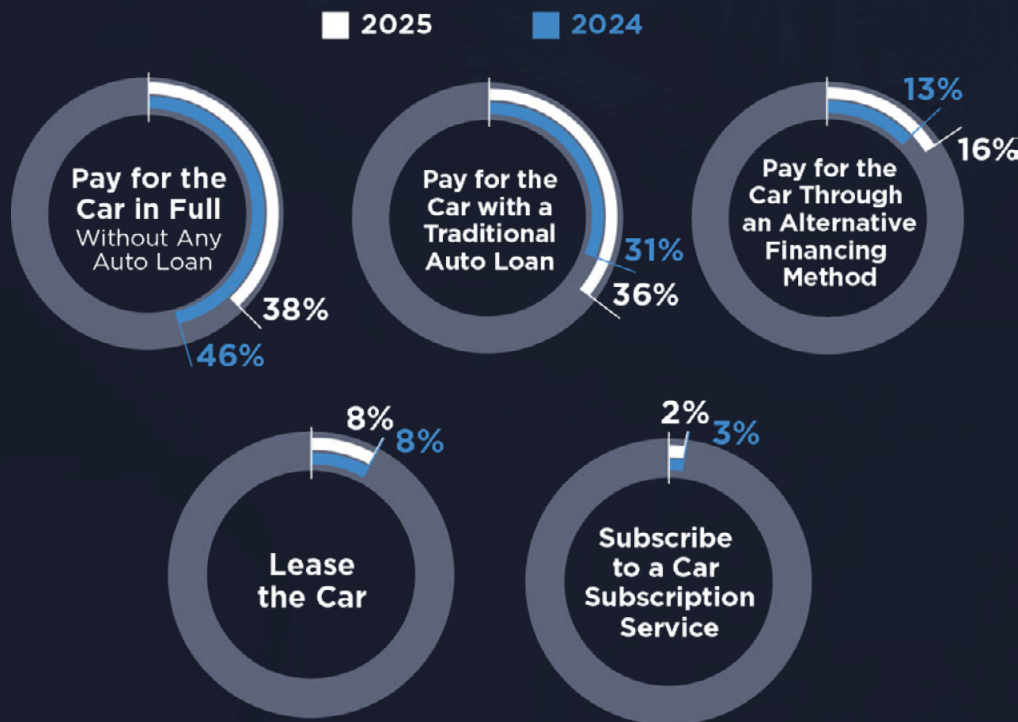
"Consumers keep adjusting their mindset around affordability," said Gordon. "The silver lining for dealers is that consumers have come to accept the fact that high prices are here to stay. The more challenging news is that high vehicle prices, combined with soaring gas prices, are affecting consumer choices around vehicle types and vehicle loans terms. To win, dealers need to meet the consumer with flexible options."

Another eye-opening trend is how consumers are thinking about paying for their purchase. The number of car buyers

continued on next page

CONSUMERS ARE INCREASINGLY FINANCING VEHICLES RATHER THAN PAYING OUTRIGHT

SHARE OF BUYERS BY VEHICLE PAYMENT METHOD



Rising vehicle prices and affordability pressures are driving a clear shift away from paying outright, with more consumers relying on loans and alternative financing options to make purchases feasible.

Source: Source: Dave Cantin Group, 2026 Market Outlook Report, produced in collaboration with The Martec Group

opting to finance their new vehicle rather than purchase it outright has increased significantly, according to exclusive research revealed in the MOR report: 52% of car buyers said they would pay for their purchase with either a traditional auto loan or an alternative financing method like a home equity line of credit. That's up from 44% a year ago. "The data tell us that the structure of loans and the amount being borrowed have changed significantly," said Gordon.

For better or worse, consumers today are willing to take on more debt to purchase a vehicle. Americans' total outstanding auto debt has increased more than 60% in the past decade, according to Federal Reserve Bank of New York data. In Q4 2025, it was about \$1.67 trillion. Partly that reflects the surge in the average cost of a new vehicle — which is hovering near \$50,000, an all-time high, according to **Cloud Theory**.

Car buyers are increasingly relying on financing to buy their next vehicle and adopting longer loan periods to offset higher vehicle costs and rising interest rates. For example,

84-month loans accounted for about 22% of all car loans in 2025, up from only 15% five years earlier. And the average monthly payment for a new vehicle rose to \$748 in 2025 from \$576 at the end of 2020, according to Experian data.

"While car buyers are showing a new level of flexibility on the specific vehicle they'll consider, they're also showing a willingness to take on more creative financing and higher loan payments to get the car that will meet their needs," Gordon said.

The industry is also asking: Is the seven-year auto loan the new normal? "I don't know that I would call it the norm, but it's becoming increasingly popular," said Keith Miller, director of **The Martec Group**. "Consider the average term is now up to 72-75 months."



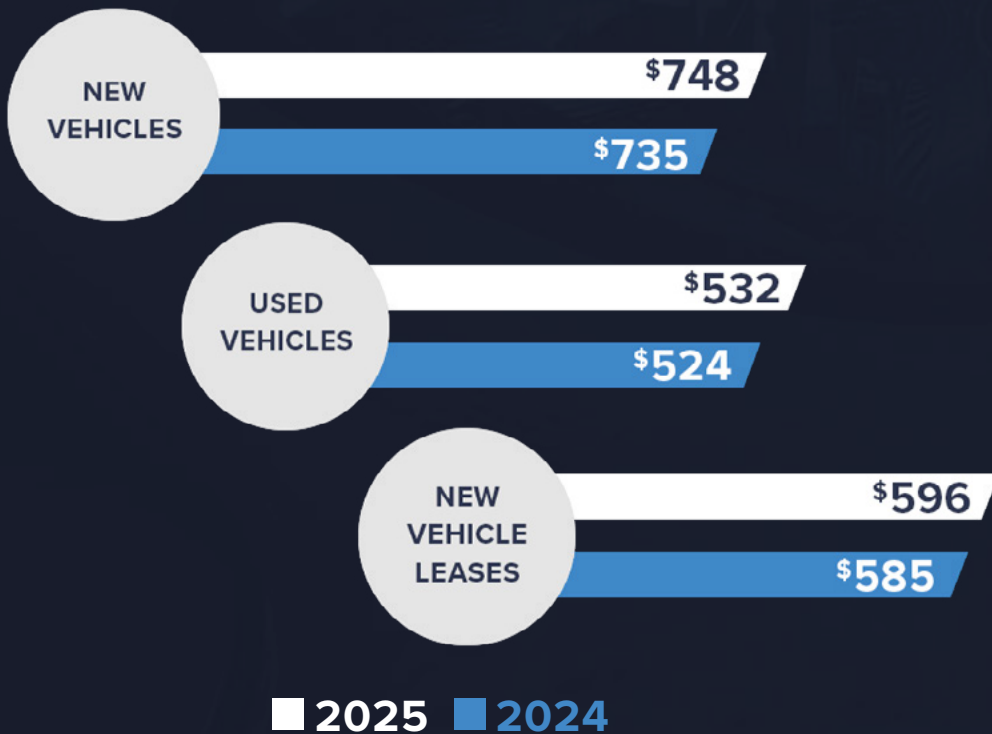
Keith Miller

Dealers are assessing the impact of those long-term financing deals on their operations. In a much-discussed social media post, one dealer suggested

continued on next page

MONTHLY PAYMENTS REMAIN ELEVATED ACROSS BOTH NEW AND USED VEHICLES

AVERAGE MONTHLY PAYMENT BY VEHICLE TYPE

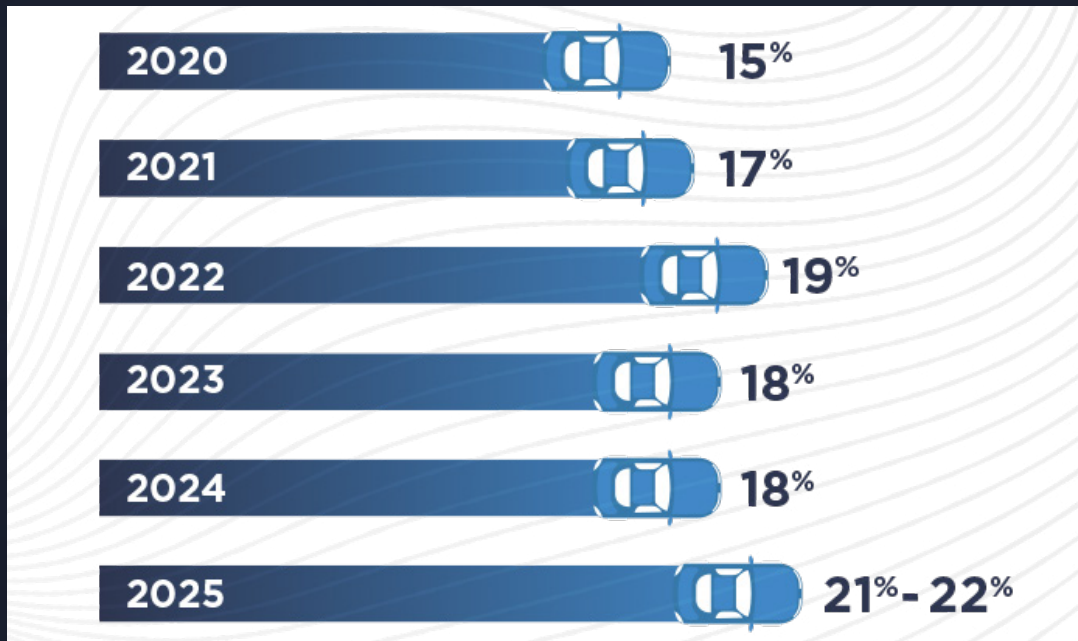


Monthly payments have risen significantly in recent years, driven by higher vehicle prices and longer loan terms that are reshaping how consumers evaluate affordability.

Source: Source: Dave Cantin Group, 2026 Market Outlook Report, produced in collaboration with The Martec Group

LONG-TERM AUTO LOANS ARE BECOMING INCREASINGLY COMMON

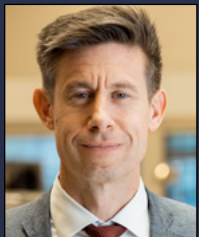
SHARE OF NEW-VEHICLE LOANS WITH 84-MONTH TERMS



A growing share of consumers are opting for extended loan terms as a way to lower monthly payments, even as it increases the total cost of ownership over time.

Sources: Mix of TransUnion, Experian and Edmunds data.

that long-term leases and financing are not necessarily a good business move for a dealership. For example, a seven-year lease means taking customers out of the typical three- or four-year purchase cycle.



Dennis Gingrich

Dennis Gingrich, sales and finance director for the Niello Co., said he sees an increasing number of customers choosing longer-term loans. “The percentage of 84-month-and-longer loans keeps creeping up,” Gingrich said. Even for Niello - which primarily sells luxury brands including BMW, Audi and Porsche - about 15% of the company’s loans are 84 months or longer. “The focus on affordability is a real thing,” Gingrich said, “but Americans still have a love affair with their cars.” People are willing to stretch out a loan term to get the car that they like. We share the numbers with them, and they decide if they want to buy the car or not.”

As for longer-term loans, he said: “Do I love doing 84-month loans? Not really. We’d love to do more leasing because we get to see the customer back in the dealership in three or four years.”

Another key part of affordability is that car shoppers are prioritizing reliable vehicles that offer the best value for their money. As long they’re well-maintained, modern vehicles will run for over 100,000 miles without major issues. So more than ever, consumers are open to buying a high-mileage used car. This is one of the reasons that they’re willing to swap brands. “We are seeing an evaporation of brand loyalty,” said Martec’s Miller. In fact, a study conducted by Deloitte found that 54% of U.S. consumers plan to switch brands when they buy their next vehicle.

Car shoppers are also willing to downsize on their next purchase to cut costs. “That can mean looking to the next step down in vehicle size or class, maybe moving away from the premium trim package or going with a smaller engine to help with affordability,” Miller said.

It can also mean turning away from the new-car showroom and toward the used-car lot. In 2025, the percentage of shoppers who said they would definitely buy a new vehicle dropped to 24% from 27% in 2024.

Gingrich said Niello’s 10 California dealerships were on track to sell half the number of new vehicles in March 2025 compared with March 2024. But used car sales have

continued on next page

trended the same or even higher, he said.

“Consumers are trying to find more affordable options, whether that comes in the form of a 72-month or 84-month loan or maybe looking at a used vehicle,” Gingrich said. “People are very aware of this affordability issue and are making buying decisions based on it.”



Jim Durkin

Said Jim Durkin, founding partner at The Martec Group: “The consumer is forced to make trade-offs in their spending decisions. They’re asking: What’s the down payment going to be? What’s the loan length going to be? How do I arrange it so that every month I know I can pay that loan and buy that

car? Buying a car is a bigger decision than most purchases, but the same kind of trade-offs are being made whether you’re at the grocery store or at the automotive dealership.”

Gordon added: “Consumers are concerned about their pocketbooks. They are absolutely looking for ways to save

money, whether that’s a different type of new car, buying a used car or holding off altogether. That economic uncertainty will continue with higher gas prices as well as other political and economic uncertainty in 2026.”

While the automotive industry welcomes lower interest rates as a solution to sluggish new-car sales, the DCG report offers a reality check. More than 60% of consumers surveyed said current interest rates were a factor in preventing them from buying a car, and they indicated that an interest rate cut of between 1.5% and 2.5% would make a car loan more affordable. “Those kinds of cuts aren’t happening in 2026 and maybe not even by the end of 2027,” Gordon said.

Martec and DCG point out that a three-quarter-point reduction in the interest rate on a \$50,000 loan would save the car owner only about \$15 to \$18 on their monthly payment. The current pace of rate cuts by the Federal Reserve Board means that we’re still far away from achieving rate reductions that would be meaningful to vehicle buyers.

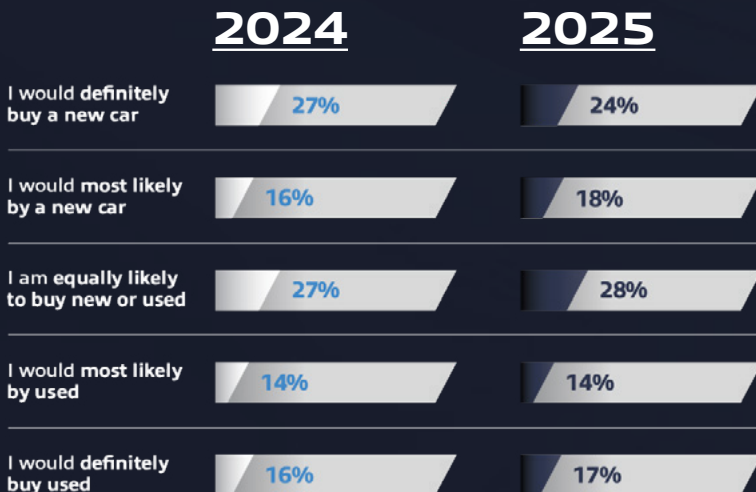
Dealers are feeling the pressure as new-car prices increase, margins are squeezed, and car shoppers are heavily

continued on next page

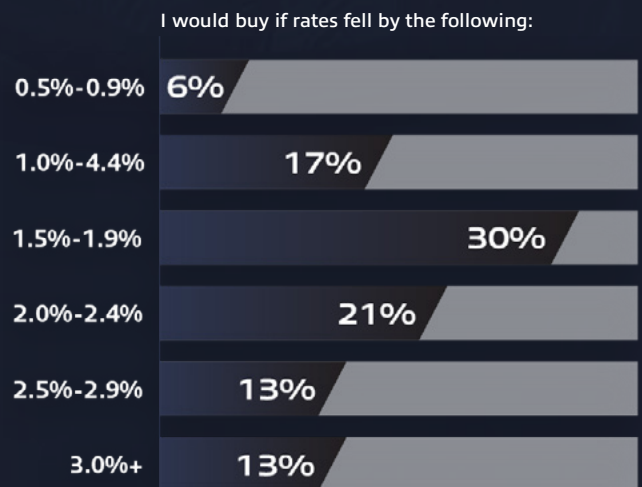
AFFORDABILITY PRESSURE IS RESHAPING BOTH BEHAVIOR AND INTENT

As affordability pressures rise, consumers are shifting away from new vehicles — and say it would take significant interest rate cuts to bring them back.

CONSUMERS ARE SHIFTING AWAY FROM NEW-VEHICLE PURCHASES



IT WILL TAKE MEANINGFUL RATE CUTS TO BRING BUYERS BACK



Source: Dave Cantin Group, 2026 Market Outlook Report, produced in collaboration with The Martec Group

focused on a vehicle they can afford. For dealers, the 2026 economy has created a fierce pricing environment, compressed profit margins, and brought renewed pressure to find and offer used inventory, according to the most recent Automotive News Auto Industry Confidence Index.

As more customers enter the dealership looking to save money by choosing a used vehicle, competition for inventory is intensifying. “We hear from more and more dealers that they need to be creative and go outside their region for used inventory,” Miller said.

When it comes to electric vehicles, conventional wisdom suggests that higher gas prices should boost demand for used EVs. However, the reality is more complex. According to Electrek, a surge of off-lease battery electric vehicles

(BEVs), expected to exceed 300,000 units in 2026, will increase supply. Yet while rapid depreciation has made many used BEVs more affordable, they’re less predictable in value. Concerns around battery life, range and older technology may limit demand, particularly for earlier-generation models.

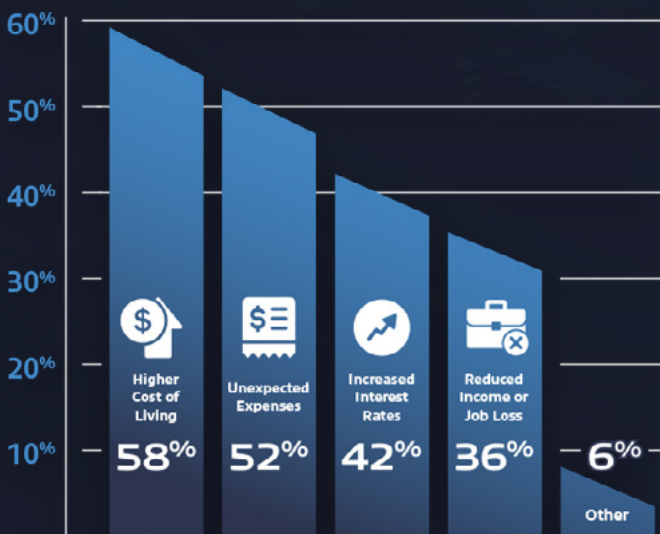
As a result, Gordon said, lenders will likely be cautious about providing loans for used BEVs, which could have higher rates or stricter terms. Pricing, financing terms and overall profitability could be impacted.

In fact, Gordon said, for every type of vehicle, dealers might see more customers interested in leasing as an affordable option and taking on longer loans with less money down. “However, playing around with the debt structure gets

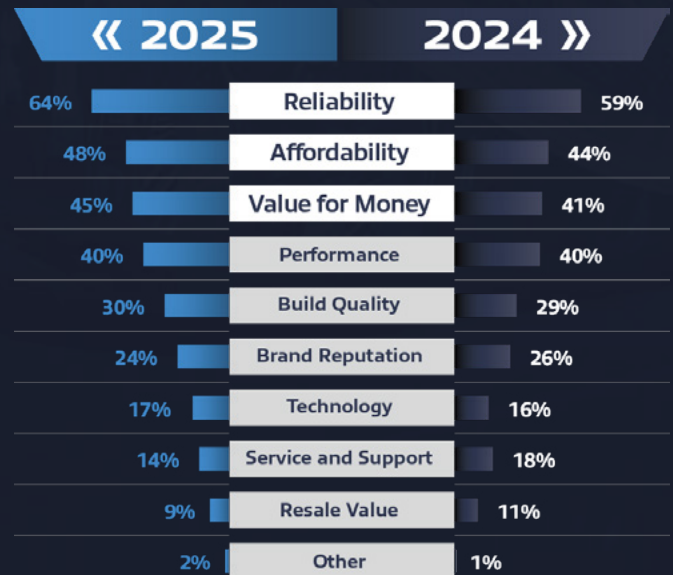
continued on next page

AFFORDABILITY PRESSURES ARE RESHAPING BOTH FINANCIAL CAPACITY AND PURCHASE PRIORITIES

WHAT’S LIMITING CONSUMERS’ ABILITY TO PAY



WHAT CONSUMERS PRIORITIZE WHEN CHOOSING A VEHICLE



Source: Dave Cantin Group, 2026 Market Outlook Report, produced in collaboration with The Martec Group

tricky down the road,” he said. “It’s coming home to roost with dealers because people are coming back years later and saying, ‘I want to trade out of this car.’ And the dealer has to tell them they’re in a negative equity position while still trying to keep the customer. The dealer has to figure out how to handle that.”

Gordon’s advice: “Dealers are in a unique position to serve as advisers to their customers and help them understand what the best choice is for them in this economy. The questions always are: What does the customer need, and what are all the different ways we can

solve that customer’s challenge — whether that’s trading brands, new versus used, leasing versus buying or different financing options?

“Solution selling is really hard to execute, particularly with dealerships that are siloed across their operations,” Gordon added. “But really understanding and taking care of the consumer is a huge part of the opportunity for dealers today. There has never been a better time to pry away a customer from a competitor simply by understanding their problem and providing the best solution.”

AUTO DEBT CONTINUES TO RISE AS CONSUMERS TAKE ON LARGER AND LONGER LOANS

TOTAL U.S. AUTO LOAN DEBT
(IN TRILLIONS)



Total outstanding auto debt has climbed steadily over the past decade, reflecting both rising vehicle prices and a growing reliance on longer-term financing to maintain affordability.

Source: The **original data source** for the auto loan debt figures is the Federal Reserve, Experian, TransUnion, and other sources.



ABOUT DAVE CANTIN GROUP

Dave Cantin Group (DCG) is a leading automotive M&A advisory company serving retail dealer groups and dealerships. We help our clients maximize platform value by leveraging M&A as a strategic instrument to grow and manage their dealership assets. DCG offers the most comprehensive suite of services in the industry including exclusive sell-side M&A representation, exclusive buy-side M&A representation, platform management, business evaluations, and other custom advisory work. With deep industry expertise and a client-centric approach, DCG helps clients build and protect the legacy of their businesses. Advisors. Advocates. Allies.

[Click here to get the Market Outlook Report.](#)