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2026 MARKET OUTLOOK REPORT

H2 U.S. Automotive Retail Mid-Year Update

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INTRODUCTION

The Dave Cantin Group (DCG) is a leading Automotive M&A advisory firm with access to specific, informed transactional and market data. Through a partnership with The Martec Group, DCG enables automotive leaders and influencers to make smarter decisions in a continuously changing environment. This report is based on online surveys of dealers and consumers, in addition to expert interviews and secondary research.

Each year, the complete DCG Market Outlook Report is published the week of NADA. That report provides a complete, forward-looking overview of the macro themes that will drive the automotive industry for the year ahead. This mid-year update hones in on the specific stories that have emerged as gamechangers for the remainder of 2026.

EXECUTIVE SUMMARY

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Reluctant Consumer Power Grab: Consumer affordability concerns, not any single OEM or macro-economic shock, are the consistent thread in this report. Financial pressures are driving not only consumer behaviors but also are combining with new access to research and negotiation leverage from AI tools that outpace dealers' own capabilities. Leverage is shifting to consumers who are weaponizing choice to make selections on their terms across vehicle type, purchase journey, loan terms, and service destinations. This leaves dealers wrestling with the new reality of a consumer-centric future.

Product Becomes the Story: In addition to the tariff upheaval wrought on supply chains, manufacturing economics, and product pipelines, consumer affordability pressures are reshaping OEMs' product strategies. Together, transaction prices near $50,000, the disappearance of the sub-$25,000 new vehicle, and an EV pullback caused by collapsing incentives are pushing OEMs toward producing hybrids and adopting tighter, demand-led production.

Complexity in Automotive Retailing: The dealership operating landscape has grown more complex and more capital-intensive. New-vehicle margins are compressing toward pre-COVID levels rather than collapsing, but tariffs, advertising and warranty compliance, cyber risk, and tightening OEM control over selection of digital vendors are all compounding simultaneously. Meanwhile, mainstream vehicle quality has reached rough parity across brands, pushing competition toward styling and price, and giving consumers fewer reasons to stay loyal. Finally, a persistent technician shortage keeps raising the capital and labor bar for dealers to compete successfully on service.

Evolving China Dynamics: In China, western OEMs continue to lose market share, disrupting their business models and forcing tough decisions on manufacturing product strategies — all of which directly impact U.S. dealers. Chinese OEMs are gaining share in Europe far faster than Japanese or Korean brands did in the U.S.

M&A in 2026: In the midst of this upheaval in the automotive industry, M&A acceleration continues and is driven by record demand driving strong valuations, generational succession, more aggressive buy-side growth strategies, and more sophisticated approaches for platform optimization that have growing dealer groups selling as often as they are buying.

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CHAPTER 01.

CONSUMER AI TOOLS & DEMAND FOR SERVICE CONVENIENCE

Summary: Affordability pressures are shaping the purchase journey

- Consumers are gaining power via
    - AI-assisted, digital-first shopping
    - Demand for service convenience
    - Greater price transparency

- Affordability pressures may even influence manufacturer product strategy

1.1 Consumer AI Tools and Demand for Service Convenience

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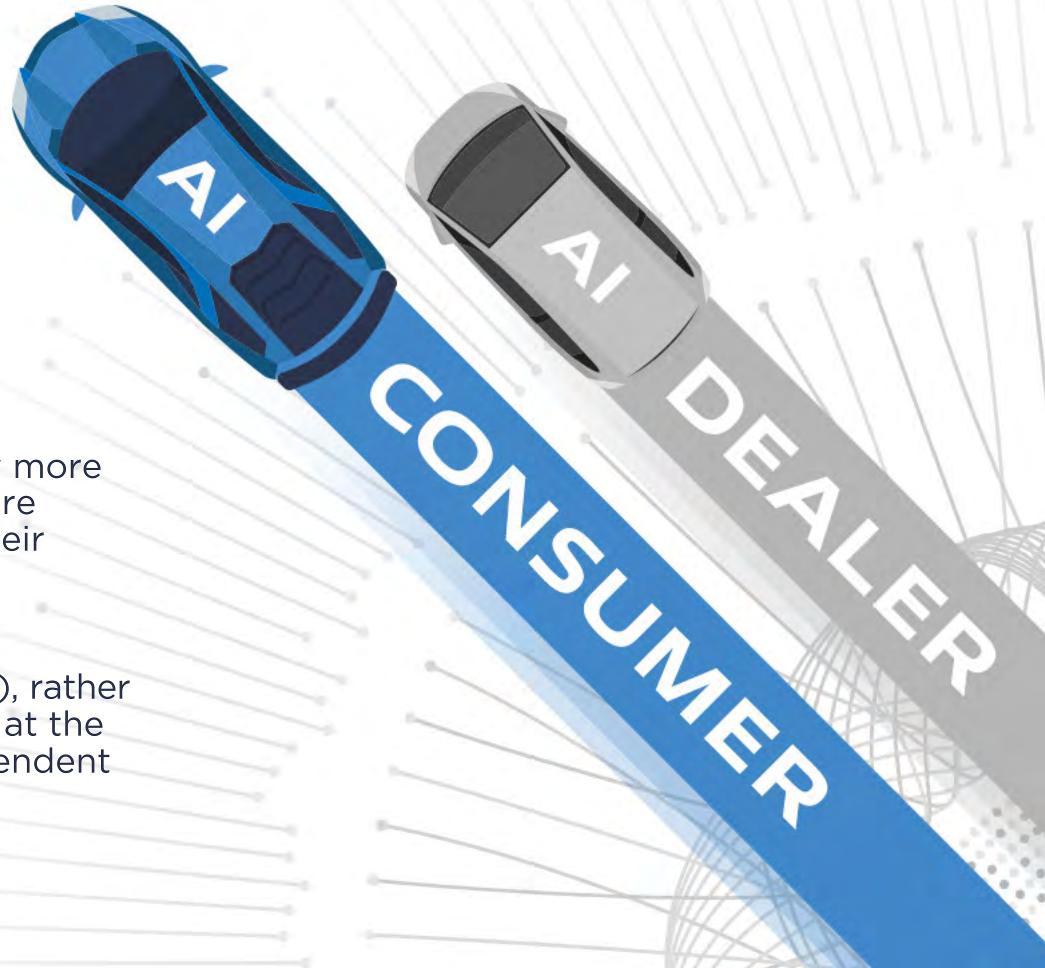
KEY FINDINGS

- **Consumer-facing AI is running well ahead of dealer-facing AI.** Two dealers described the same near-term development: third-party AI shopper agents that take a buyer's exact specification and canvass every franchised dealer in a market for the best price.

- AI tools now lead as the most **important** source of research for consumers, even though the dealership remains their single **largest** research source.

- **Use of AI means that the advantage shifts to the buyer.** Dealers used to know more than the consumer across the table. Now, the shopper's AI agent is running more comparisons than any human could run. This means that dealers get one shot: their opening price and trade valuation are what they're graded on.

- **Convenient, Lower-Cost Service Options.** Consumers increasingly consider independents as their go-to source for service (from 20% in 2020 to 42% today), rather than the dealership, (54% in 2020 vs. 36% today). One reason: price. Last year, at the dealership, consumers paid ~$522 per service transaction vs. ~$271 at an independent servicer. (**Sources:** Drucker Carlisle, Cox Automotive)



WHAT THE EXPERTS ARE SAYING

"The consumer's AI tools are way ahead of the dealer's AI tools … the dealers, they feel like a need to catch up."
— State dealer association executive

"Come to my website, tell me exactly what vehicle you want, and we'll shop every Chevy dealer in town to find you the best deal … that type of stuff's coming."
— Group COO, multi-brand group (Midwest)

"Service options are another way that affordability concerns are affecting consumers' decisions."
— President & COO, multi-brand group (Southeast)

Source of Importance in Vehicle Research

(Rating of 6 or 7 on a 7-point scale)

AI tools	59%
Friends/Family	57%
Dealer	55%
Social Media	51%
Print Media	42%

Vehicle research source impact, top-2-box % (share rating a source 6 or 7 on a 7-point scale) **Source:** Consumer Survey (n=421)

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WHAT THE EXPERTS ARE SAYING

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"Now most of the advertising looks pretty similar from dealer to dealer. So, they don't have the same ability to distinguish themselves by their marketing prices."
— Dealer/franchise and M&A attorney

"No one ever looked at advertising closely before and used that in their valuation analysis. Now this has come up."
— Dealer/franchise and M&A attorney

"Kind of like football. The refs are calling it tight ... So, everyone's kind of waiting to see if the FTC is actually going to do something."
— Dealer/franchise and M&A attorney

1.2 Affordability Is Reshaping OEM Strategy

KEY FINDINGS

- **Affordability has become the dominant OEM concern.** Product launches, presentations, and concepts increasingly reflect consumer affordability concerns, not just manufacturing priorities.

- **The affordability gap is widening.** Average transaction prices have climbed to $50K+ from roughly $30K, while monthly average vehicle payments have nearly doubled over five years. The sub-$25K new vehicle has largely disappeared, pushing demand into the used market.

- **Dealers want products built around consumer payments, not OEM margins.** Retailers are urging manufacturers to prioritize what buyers can afford monthly, but many feel that message has not been heard.

- **Product strategy has amplified the problem.** Heavy investment in EVs that did not meet demand reduced the supply of compelling gas-powered vehicles, leaving consumers paying more each month for vehicles that feel only incrementally different.

AVERAGE TRANSACTION PRICES HAVE CLIMBED TO

$50K+

FROM

$30K+

JUST FIVE YEARS AGO

! Affordability has become the dominant OEM focus.

WHAT THE EXPERTS ARE SAYING

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"OEMs are hyperfocused on affordability. Every presentation they give, every vehicle they launch, every concept they're coming up with is always, we have to get better affordability for our customers."

— OEM and industry strategy expert

"Dealers want their OEMs to build the vehicle the consumer is actually asking for: one that fits their lifestyle and fits their monthly payment."

— Tax partner, national accounting firm (dealership practice)

"OEMs have invested a lot of money in EVs that people will never buy… I think we're in a real trough of ingenuity and originality in car products."

— Dealer principal, multi-brand group (Northeast)

CHAPTER 02.

RETAIL GOT REAL COMPLICATED ... REAL QUICK

Summary: In 2026, running a dealership is both challenging and capital-intensive. Dealers confront thinning margins, rising advertising compliance and regulatory burdens. Greater capital intensity requires deeper pockets to compete.

2.1 Margin Compression: Real And Brand-Specific

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The Range of Margins is

WIDE

One operator's BMW store is running 15%–20% behind last year.

An accounting practice covering about 450 rooftops puts the average decline near 15%.

A Michigan group heavy on GM said profits were up slightly.

Toyota and Lexus dealers were consistently described as flat.

KEY FINDINGS

- **Profitability is down from COVID peaks,** but how far down depends entirely on the brand and the region. There's no single industry number; interviewees who offered one immediately added "but it depends on the brand."
- **The better word is normalization, not deterioration.** New vehicles are back to being a loss leader that drives used, F&I, and service: the pre-COVID model. Profits are down, but still well above 2019.
- **Public dealer groups continue to invest in fixed-ops and captive financing.** In the most recent earnings roundup, the publics referred to fixed-ops investments as recession-resilient and high margin. Lithia and AutoNation are both scaling their owned lending operations and describing them as durable, high-growth profit centers.

WHAT THE EXPERTS ARE SAYING

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"It's totally brand dependent ... For me, at BMW, I'm about 15%-20% lower than where I was this time last year. Mostly due to the margin compression on the new car side."
— Dealer principal, multi-brand group (Northeast)

"Profitability seems to be actually up a little bit from last year... It's certainly not COVID levels."
— Group COO, multi-brand group (Midwest)

"The new car department is a loss leader for everything else ... that's how the business was for 20 years before COVID, and that's how it is again now."
— Dealer principal, multi-brand group (Northeast)

Dealer-Rated Brand Attractiveness Mean as % of Scale

Brand divergence: aspiration vs. reality. While Toyota and Honda are acquisition targets for all dealers (#1 and #3, respectively), the scarcity and cost of acquiring brands like Lexus (#9) contrast with availability and 'reasonable' market value for brands like Ford and Chevy (#2 and #4, respectively).

Dealer-rated attractiveness of owning each brand franchise
Source: *Dealer Survey (n=76)*

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2.2 Tariffs Squeezing OEMs First, With Second-Order Effects Reaching Dealers

KEY FINDINGS

- **One German brand expects its profit margin to fall from roughly 7%–8% to about 3% this year,** mostly because of the roughly 15% import tariff.
- **Dealers feel it sideways, not as a price increase.** One dealer believes his automaker is pushing extra cars onto dealer lots partly to book the revenue and cover its own tariff losses. He's sitting on 275 units with nowhere to park them.
- **Suppliers have been sounding the alarm for roughly 18 months.** The open question is USMCA (U.S.-Mexico-Canada Agreement) and whether bringing production to the U.S. will offset the negative impacts of tariffs.

WHAT THE EXPERTS ARE SAYING

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"BMW in particular is going to go from, like, 7%-8% profit margin to, like, 3% this year… They're paying about 15% more on the cars that they're importing here from Germany."

— Dealer principal, multi-brand group (Northeast)

"… part of the reason BMW is sending us so many cars is so that they can book revenue … Would I have 275 cars on the ground if they didn't have to be paying the tariffs? Maybe, maybe not."

— Dealer principal, multi-brand group (Northeast)

"It's not an independent issue. It's baked into the numbers."

— Dealer/franchise and M&A attorney

2.3 Compliance and Regulatory Burdens Continue to Climb

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KEY FINDINGS

- **Regulation is removing pricing opacity as a competitive advantage.** FTC advertising and junk-fee rules are forcing dealers toward clearer pricing, making market messaging more consistent across stores.
- **Uneven compliance is reshaping competition.** Larger groups moved first following FTC notices, while some dealers remain out of compliance, creating traffic advantages for stores that have not yet adjusted.
- **Transparency is now an M&A consideration.** Buyers are reviewing recent advertising performance to determine whether post-compliance traffic and financial results represent the new operating baseline.
- **Enforcement will determine permanence.** Until significant action is taken, industry skepticism remains, and some dealers continue to attribute traffic declines to uncertainty around the rules.

2.4 OEMs Quietly Tightening Control Over Dealer Economics

KEY FINDINGS

- **OEM control used to mean dictating physical things —** floor tile, office furniture, chairs, paint. Now it means dictating which digital vendors and platforms dealers use and which programs they must enroll in.
- **Dealer money is tied to going along with OEM dictates.** Saying no is technically allowed but it costs dealers margin, so few are willing to say no. Interviewees described being nudged rather than ordered.
- **State dealer associations are pushing back.** Association executives around the country are going back to their legislatures to update facility laws, written decades ago to cover paint, floor tile, and office furniture, so that they also cover digital vendor requirements.

WHAT THE EXPERTS ARE SAYING

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"Trying to exert more and more control in subtle ways … tying more of the profit margin towards achievement of certain objectives that the OEM wants … You do it because it wouldn't make sense not to do it."
— Dealer principal, multi-brand group (Northeast)

"Where OEMs used to say, hey, we want this type of chair and this type of office furniture … now you're seeing them say, we want you to use this particular electronic digital service provider."
— State dealer association executive

"They're trying to push dealers economically into an agency model, whether you call it that or not … They're essentially controlling everything."
— Dealer/franchise and M&A attorney

"Almost every brand now has some level of volume-based incentive to chase ... even those that weren't chasing volume: the dealer body was a 15-day supply forever. Now one brand has volume-based monthly bonuses at multiple tiers, and the hoops aren't just sales volume but also training, management positions filled, CSI."
— President & COO, multi-brand group (Southeast)

2.5 Business Keeps Getting More Capital- and Labor-Intensive

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THE TECHNICIAN SHORTAGE

IS STRUCTURAL, NOT CYCLICAL

And is not improving despite the fact that many technicians are earning annually **between $140,000–$150,000** and some **above $300,000.** The constraint is the trades pipeline generally, not dealership pay.

KEY FINDINGS

- **Repair complexity is inflating cost on both sides of the P&L:** rising loss ratios and payouts on dealer-owned extended-service-contract and reinsurance programs, and collision total-loss rates reportedly moving from roughly three in ten vehicles, to seven in ten vehicles.
- **Compliance is expensive.** OEMs are structuring incentives around dealer investments in image compliance, increased service capacity, and more. For some dealers, this is a tough trade-off.
- **One group described diversifying on purpose.** Their reasoning is because this is a capital-intensive business regardless of franchise, and it takes the same time, energy, and headaches to run either way, so their preference is to have capital deployed where the return is highest. That's what drives the premium on Toyota, Lexus, Honda, and Subaru.
- **Readiness for a more technology-dependent operating model is uneven.** No dealer group claims to have AI figured out, and AI exposure (or total lack thereof) concentrates among smaller groups without deep executive bench strength.

WHAT THE EXPERTS ARE SAYING

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"You just don't have kids coming out of high school saying, hey, I'm going to go be a technician ... It's not getting better."
— Group COO, multi-brand group (Midwest)

"It's like seven out of ten that get drug in here anymore are totaled."
— Group COO, multi-brand group (Midwest)

"There's not a single dealer group that has told me, oh yeah, we have it figured out."
— Tax partner, national accounting firm (dealership practice)

"74% of dealers are concerned about accuracy and errors when it comes to AI."
— DCG, AI in the Dealership

"It's (service ops) almost all of our profit at this point. Even though gross profits improved year over year, so have expenses ... without the strength of fixed operations right now, we'd be in trouble."
— President & COO, multi-brand group (Southeast)

CHAPTER 03.

PRODUCT HAS BECOME THE STORY

Summary: Dealers increasingly need the right product mix to compete and meet consumers where they are. Manufacturers are becoming more specific and more divergent from each other with their product strategies. Additionally, the powertrain has evolved from a separate story into a core product-planning variable, with growth in hybrid vehicles as the clearest emerging sub-plot.

3.1 The EV Collapse and Hybrid Strength Are Now Visible in Real Operating Numbers

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KEY FINDINGS

- **The EV pullback is documented at store level, not just in forecasts.** A GM dealership that was the number one GM EV store in the country for three consecutive years went from a couple hundred EVs a month to roughly a dozen, once subsidies lapsed and lease payments moved from about $240 to about $800.

- **The diagnosis is unanimous:** Demand was incentive-created, not product-created. BEV share is expected to plateau in the mid-single digits to roughly 10%, with California's hard ceiling near 28% under maximum incentives cited as the practical upper bound for a best-case market.

3.1 The EV Collapse and Hybrid Strength Are Now Visible in Real Operating Numbers

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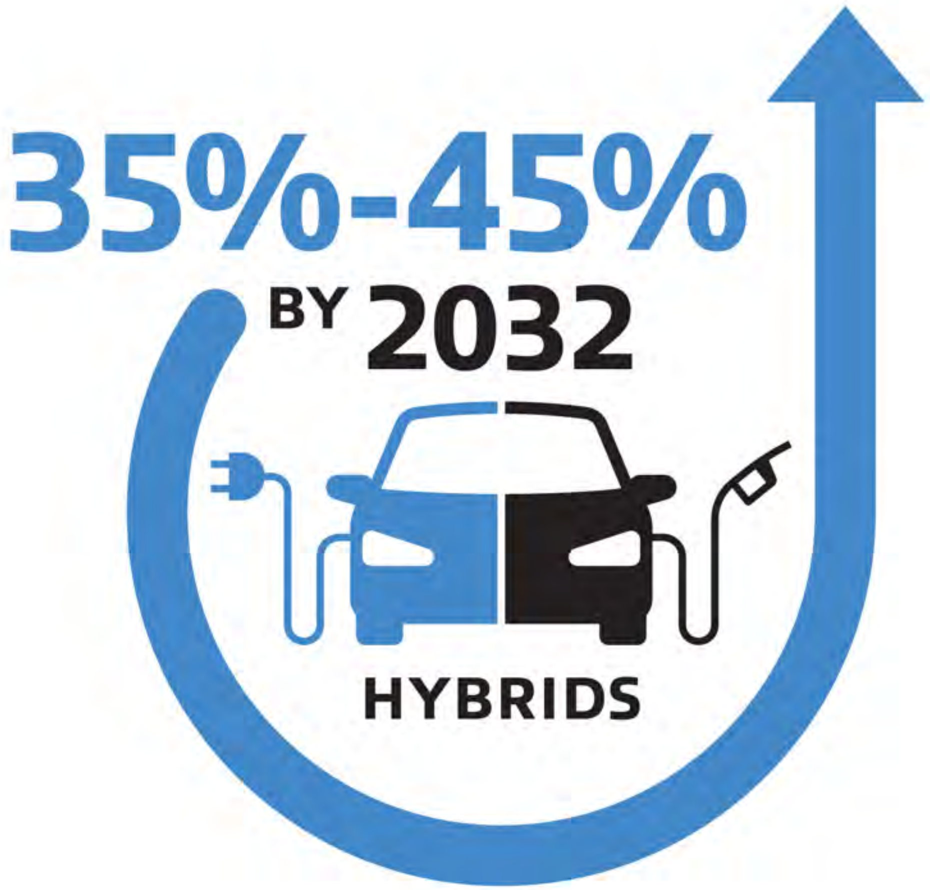

KEY FINDINGS (CONT.)

- **Hybrids are absorbing the shift, and the trajectory is steep:** roughly 2% share in 2016, to approximately 11%–14% last year, to a projected 35–45% by 2032. One brand posted a 57% month-over-month uptick in hybrid registrations following the EV credit's repeal, and essentially every manufacturer is now following the same hybrid playbook.
- **Who the buyer is matters more than whether or not the technology works.** Luxury buyers can absorb the EV premium and will adapt (home charger, planning around range). Dealers selling mid-priced brands want as few EVs on the lot as possible: They're hard to move and don't make enough on the front end. The gap nobody has filled is plug-in hybrids with real electric range; most give you around 40 miles before the gas engine takes over, and one executive argued 80 or 90 miles would cover nearly every trip people actually take.

WHAT THE EXPERTS ARE SAYING

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“We were the number one General Motors EV store in the country for three years in a row… doing a couple hundred EVs a month. Now we’re doing a dozen.”
— Group COO, multi-brand group (Midwest)

“You went from $240 lease payments to $800 lease payments … it just shows you how much false demand was out there.”
— Group COO, multi-brand group (Midwest)

"A year ago, we made a very intentional decision to stop accepting more of our BEV allocation … BEV registrations are around 5% of the market now, down from about 12% a year ago."
— President & COO, multi-brand group (Southeast)

“Essentially every manufacturer is following Toyota’s playbook. No surprise. Toyota was right again.”
— OEM and industry strategy expert

“Dealers would rather have as few [EVs] as possible because they’re so hard to move.”
— Tax partner, national accounting firm (dealership practice)

3.2 OEMs Are Exercising New Production Discipline — Partly Strategic, Partly Policy-Driven

KEY FINDINGS

- **There is a general shift away from the old push model** (build, build, build, then incentivize to move metal) toward building vehicles closer to observed demand. Incentive spend sits toward the lower end of its historical range, which several study respondents read as a sign of health rather than restraint.

- **The sharpest example is policy-adjacent:** One domestic OEM halted Canadian, Mexican, and Korean imports and committed billions to U.S. production and retooling, in apparent alignment with the current administration’s onshoring push. Some of this OEM's stores now carry under 20 days’ supply, which is described as unheard of, and brand-specific rather than systemic.

- **Moving to a unified platform strategy.** While the Japanese OEMs have practiced this approach for many years, other OEMs are moving in this direction. Example: Stellantis and its new STLA1 platform. A big bet for the company, but the downstream production efficiencies could be significant.

3.2 OEMs Are Exercising New Production Discipline, Partly Strategic, Partly Policy-Driven

KEY FINDINGS (CONT.)

- **Dealer-level inventory experience is uneven and in places contradicts the discipline narrative outright.** For example, certain import and domestic brands are experiencing oversupply and are capacity constrained, with one brand showing notably more restraint. Where a brand is oversupplying, tariff-driven revenue-booking is a suspected factor (see 2.2).
- **The control mechanism has therefore shifted.** Where OEMs once levered dealers by flooding them with inventory or rationing it, normalized-but-mismatched supply means allocation of hot product is now the lever; most dealers have inventory, but not the mix they (and consumers) want.

WHAT THE EXPERTS ARE SAYING

"The old push model of just building, building, building and then incentivizing and pushing them out there doesn't work ... they're building more to what they see as the actual demand."
— Group COO, multi-brand group (Midwest)

"You've got stores under 20-day supply of cars, which is sort of unheard of ... that's not systemic across the industry."
— Group COO, multi-brand group (Midwest)

"BMW is just really wholesaling a [large volume] of cars to us. I don't have any room to park getting cars in my BMW store ... Subaru is okay so far. So, they have a little bit more discipline."
— Dealer principal, multi-brand group (Northeast)

"Most of the dealers I talk to will say they have inventory, but if they could change it a little, they would."
— State dealer association executive

3.3 Quality Parity Is Shifting Competition Toward Design and Price, Not Reliability

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KEY FINDINGS

- **Mainstream vehicle quality is described as at parity, with early quality issues appearing across brands at similar rates.** One brand was named as an acknowledged outlier, having openly conceded more quality problems than its peers.

- **With durability neutralized as a differentiator,** competition shifts to styling, product appeal, and transaction price, what one dealer summed up as "the car being the star."

- **Parity in quality and durability considerably raise the stakes in the affordability gap.** With consistently high quality and durability, consumers are incentivized to hold onto their vehicles for longer, making it harder for OEMs and dealers to entice consumers to buy new cars.

- **Country-of-origin resistance has largely dissolved.** The historical pattern (e.g., new Japanese, then Korean entrants dismissed initially on quality and then later embraced), is being cited explicitly as a caution against repeating the same misread in today's climate.

WHAT THE EXPERTS ARE SAYING

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"The quality of these vehicles is on par across the board … the days of, oh, I'm going to buy a Honda because it'll run forever: that's 20 years ago."
— Group COO, multi-brand group (Midwest)

"It's always the car's the star. The product is what wins at retail. That's just tried and true."
— Group COO, multi-brand group (Midwest)

"Product and affordability drive consumer behavior."
— Dealership practice leader, national accounting firm

CHAPTER 04.

THE EVOLVING CHINA STORY

Summary: Plummeting Western OEM sales in China are having spillover effects throughout the world, especially acute for European luxury brands. Inevitably, Western OEMs' worsening financials in China will impact U.S. dealers, as OEMs struggle to maintain sales volume in China, or find those sales elsewhere. That "elsewhere," of course, is the U.S., where dealers will bear the brunt of impacted OEM margins, product choices, etc.

Meanwhile, China's domestic market dominance on global (non-Chinese) manufacturers' business models is occurring worldwide, and also putting downstream pressure on U.S. automotive OEM and retailers.

4.1 Chinese OEM Momentum Outside the U.S. Is Now Observable, Not Forecast

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KEY FINDINGS

- **An operator returning from two weeks in Europe described being shocked by the volume of Chinese vehicles on the road,** which was predicted in this year's MOR.
- **The speed of European brands' implosion in China is remarkable.** European vehicle sales in China have collapsed, down between 20% - 37% in just the last two quarters.
- **Canada is characterized as China's North American test bed, with roughly 20 BYD dealerships planned, a capped import volume,** and a stated intent to spend about three years learning North American preferences, before China embarks on a broader continental push.
- **Subsidy scale is the core grievance of dealers, rather than product quality.** Figures as high as roughly 70% state subsidy of vehicles were cited, with the operative question being how a domestic OEM competes against a nation's balance sheet. Legacy-OEM multi-billion-dollar EV write-offs are tied to this global competitive pressure, not solely to weak U.S. demand.

WHAT THE EXPERTS ARE SAYING

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"I just got back from two weeks in Europe ... and I was really shocked to see the number of Chinese cars over there."
— Group COO, multi-brand group (Midwest)

"It took Hyundai 20 years to get to 10%. And it took the Japanese 20 years ... And it took the Chinese four."
— OEM and industry strategy expert

"I don't think consumers have a tremendous care where things are built anymore. Price guides a lot of that, along with content ... as cars become more software-based, the consumer's ability to tell where the software even came from becomes very masked."
— President & COO, multi-brand group (Southeast)

"How does General Motors, Ford, or Stellantis compete with a BYD ... when the government, I mean, upwards of 70% subsidized?"
— Group COO, multi-brand group (Midwest)

4.2 Consumer Indifference to National Origin — With an Important Dissent

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KEY FINDINGS

- **There is broad agreement that "buy-American" sentiment has largely dissolved,** evidenced by Korean brand share growth in the Detroit market itself (among the toughest markets in the country for foreign vehicle adoption). Consumers expect to buy on price and product regardless of origin, with tolerance of Chinese-made consumer goods and apparel cited as the precedent.

- **The residual stigma specific to Chinese brands (e.g., data security, surveillance concerns, geopolitics)** is acknowledged as somewhat greater, as compared to Japanese or Korean brands but not a significant deterrent to consumer sentiment.

- **Dealers don't want Chinese brands in the U.S. at all** but their objection isn't about the brands' origin, it's about the terms by which the Chinese operate. One large group put it concretely: a Chinese automaker can retail a car around $20,000 while the cheapest new vehicle he can buy from his own OEM is $29,000. That price gap lands on dealers. What dealers are asking for is a level playing field, not a permanent ban on Chinese imports.

- **Dealer dissent is normative rather than predictive.** One dealer agrees that consumers will buy on price but argues that consumer preference should not dictate policy on what is framed as a national and geopolitical decision. Separately, another dealer questions whether Chinese product durability and residual values will hold up over a three-year cycle.

WHAT THE EXPERTS ARE SAYING

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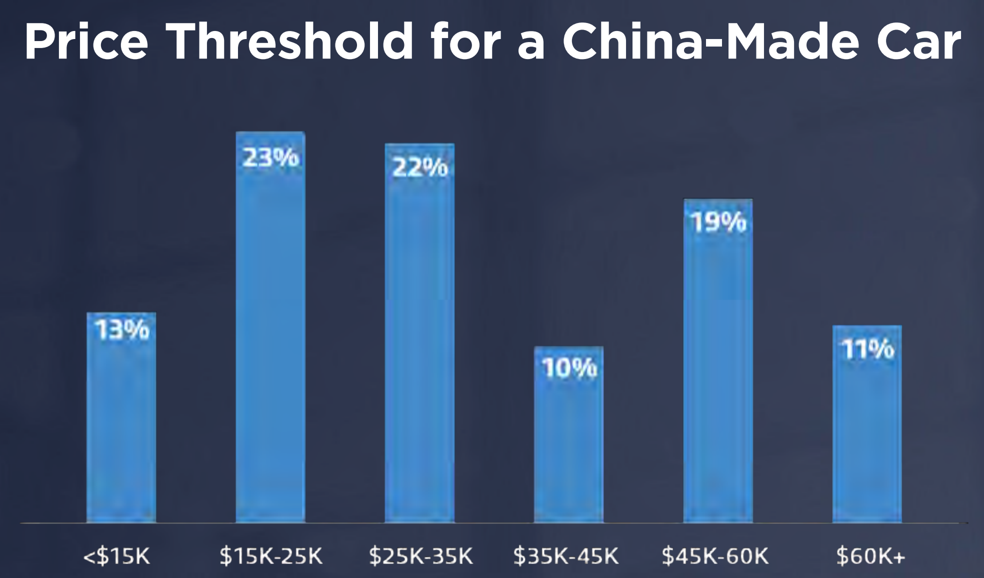
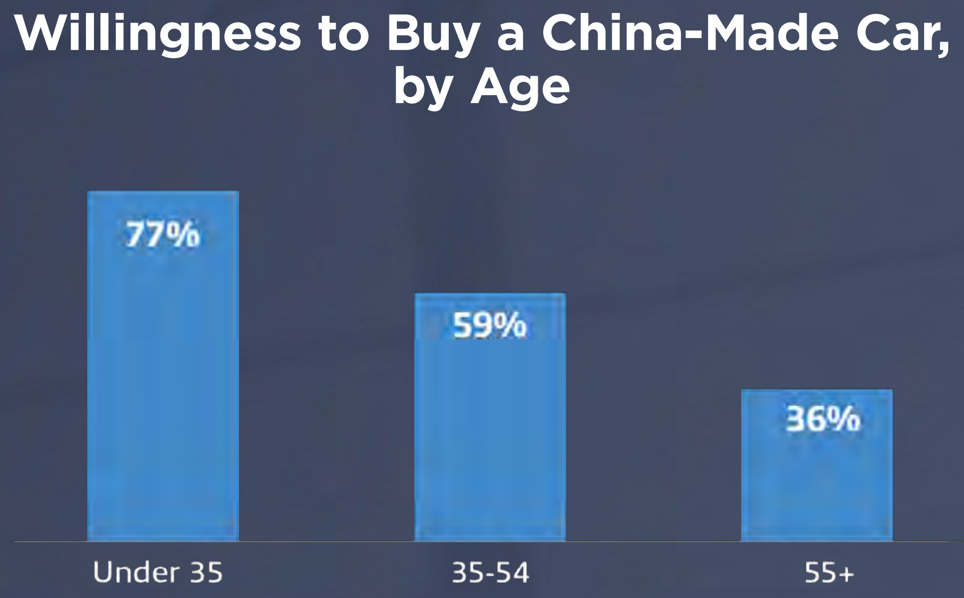
“The days of, oh, only buy American, those are gone … There’s probably a little bit more of that out there [toward Chinese brands], but I wouldn’t say that’s the overwhelming majority.”
— Group COO, multi-brand group (Midwest)

“All the dealers would tell you that they don’t want Chinese vehicles here in the US. I also think that if Chinese vehicles came here, the line of dealers to try to obtain one of these franchises would be out the door around the corner.”
— State dealer association executive

“Most of the dealers know that the Chinese are not to be trusted … Does the product last three years? Is it worth any trade-in value?”
— Dealer principal, multi-brand group (Northeast)



Source: Consumer Survey (n=421)



Source: Consumer Survey (n=421)

- **Industry anxiety outpaces consumer resistance:** 63% of dealers are very or somewhat concerned about Chinese automakers entering the U.S. market, versus 51% of consumers who say they would consider a China-made car.
- **Consumer willingness isn't purely a bargain-hunter story:** nearly 30% of consumers who'd consider a China-made car set their price threshold at $45,000 or higher, which is broader latitude than the “buy on price alone” framing above implies.
- **The residual stigma described above is real but concentrated by age:** 77% of under-35 consumers would consider a China-made car, versus 59% of 35–54-year-olds and just 36% of consumers 55 and older, a cleaner generational gradient than the qualitative impression suggested.

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CHAPTER 05.

M&A ACTIVITY

Summary: M&A acceleration is being driven by three factors

1. Generational family-business transition
2. Buy-side M&A as a primary growth strategy
3. A maturing asset-management mindset for dealership platforms

5.1 M&A in 2026 and Beyond

KEY FINDINGS

- **Post-COVID retail reality.** Owners who put off succession decisions during the COVID boom now must make them, dealers are tired of spending on EV infrastructure, dealers are tired of managing increasing business complexity, expanding capital costs, and intensifying competition driven by consolidation.

- **M&A is accelerating and changing.** Valuations are at all-time highs. But buyers are basing their bets on future opportunity, not past performance.

WHAT THE EXPERTS ARE SAYING

DAVE CANTIN GROUP

"Activity is probably as robust as I've seen it in years … there are more deals right now out there being shopped around, or stores available, than I've seen in years."
— Group COO, multi-brand group (Midwest)

"I'd say it's probably half of what we look at that's age-driven; no next generation, or no desire from them. The other half is market exits: people realigning their geography or their portfolio."
— President & COO, multi-brand group (Southeast)

"Certainly, AI is now the thing … they just don't want to evolve, so it's time to sell."
— Group COO, multi-brand group (Midwest)

DEALER 12-MONTH M&A OUTLOOK

- 64% of dealers expect M&A activity to increase over the next 12 months **(18% significantly, 46% modestly),** versus only 12% expecting a decrease.

Source: Dealer Survey (n=76)

5.2 Buy-Side Growth Strategy and a Maturing Mindset Regarding Platforms

KEY FINDINGS

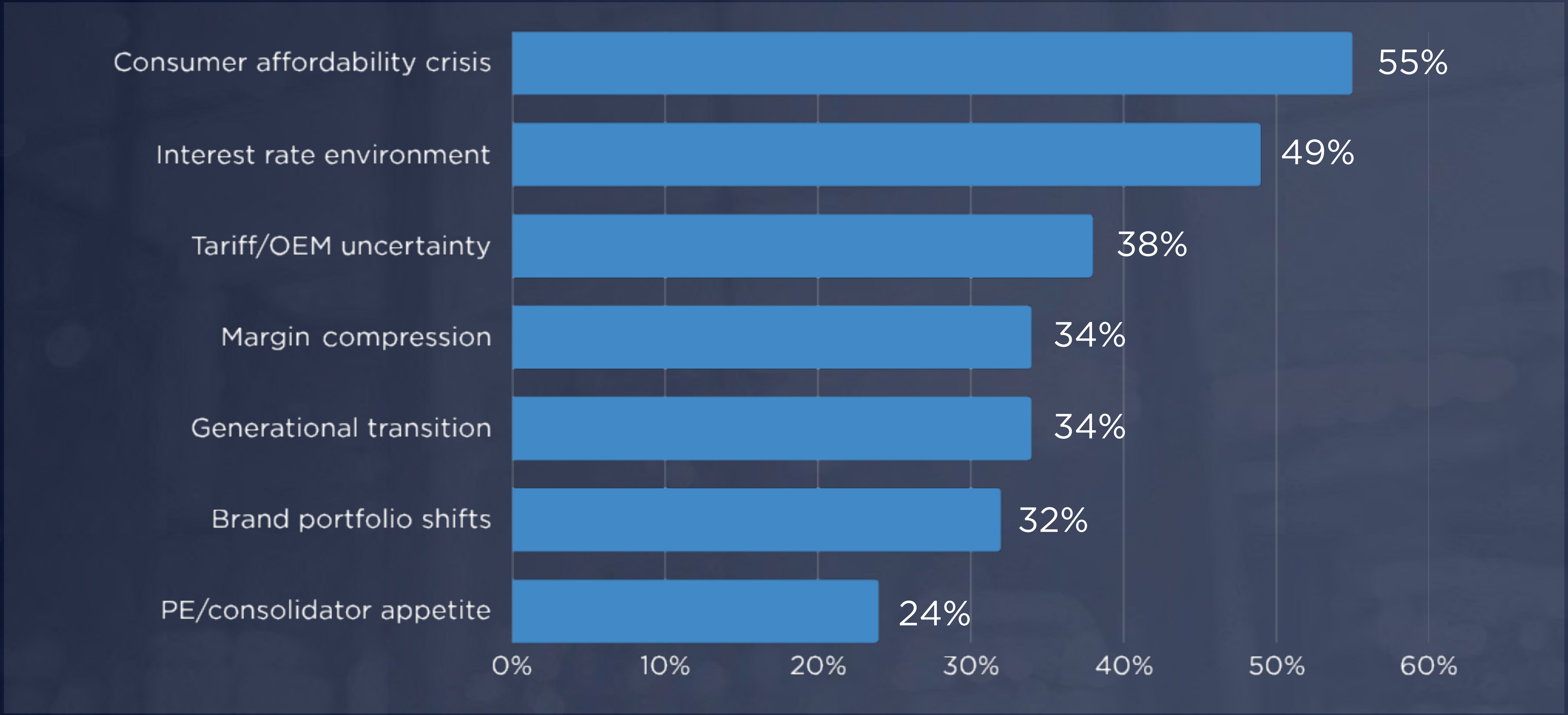
- **Consolidation isn't only about getting bigger.** Buyers argue they can take a store's existing revenue and earn more from them by installing their own processes and technology; the return comes from running someone else's revenue better, not from adding revenue.

- **Which brands a group owns drive its worth.** One large group heavily concentrated in one domestic brand has been deliberately diversifying; its latest deal was driven by the Honda and Toyota franchises, with Chevrolet and Stellantis stores coming along in the package, and it's now weighing whether to sell the Stellantis points. Across the market, big groups are shedding their weakest Stellantis, Nissan, and Ford stores.

- **Platforms are paramount.** Dealer groups are optimizing their platforms, which means continuous attention to selling some stores, while investing in others to achieve best results.

- **Buyers have gotten choosy and aggressive.** They're looking at cash flow quality, understanding and rewarding the underlying dynamics of the store's revenue mix, customer base, and market demographics. They're also not waiting to see which dealerships come on the market: off-market transactions are at a record high in 2026. Dealer groups are proactively working with advisors to approach stores that are not for sale.

Top Factors Expected to Drive M&A Activity



Source: Dealer Survey (n=76)

WHAT THE EXPERTS ARE SAYING

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“The driver of that acquisition was Honda and Toyota … We’re considering peeling off some Stellantis stores. They’ve been a very frustrating partner over the last three years.”
— Group COO, multi-brand group (Midwest)

“You almost have to consolidate to inject these really efficient models … so that you can take somebody else’s sales number but generate a higher bottom line profit.”
— Tax partner, national accounting firm (dealership practice)

“There’s no longer a frenzy to get the deal. It’s now a frenzy to get the right deal.”
— Dealer/franchise and M&A attorney

“If you’re going to go pick up a small store, you better have a GM with equity in the deal.”
— State dealer association executive

“Everybody’s got a war chest right now, waiting to re-enter the market. I’m hearing more guys talk about the Northeast, which I haven’t heard in a long time … Nobody wants to be in California, even when manufacturers come asking.”
— President & COO, multi-brand group (Southeast)

5.3 Valuation Metrics: Fixed-Ops Absorption Emerges as a Key Priority

KEY FINDINGS

- **Fixed-ops absorption is the metric buyers care about when considering a dealership purchase;** that's whether parts and service revenue alone covers most of the store's operating expenses. With thin new-vehicle margins, a store with poor fixed-ops absorption won't be very profitable (and won't be considered an attractive acquisition target) no matter how many cars it sells.

- **How these buyers 'do the M&A math' is changing.** Instead of starting with a multiple of the seller's earnings, today's valuations start with total revenue and determine what the store would produce under the buyer's own cost structure and processes. As one buyer framed it: don't underwrite someone else's EBITDA; underwrite the revenue base and what you can do with it.

- **Non-financial and forward-looking measures are now standard aspects of valuation.** These include: service capability, F&I penetration, used-vehicle volume, customer satisfaction and loyalty, local population growth and demographics, and where the brand is headed.

WHAT THE EXPERTS ARE SAYING

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"Fixed absorption is the number one most important metric for profitability at a store."
— Dealer principal, multi-brand group (Northeast)

"Maybe we should just look at sales overall and … insert all of our efficiencies to generate the EBITDA we want and not look at somebody else's EBITDA."
— Tax partner, national accounting firm (dealership practice)

"It's not like these published industry multiples; it's like I got to outbid my friend next door."
— Tax partner, national accounting firm (dealership practice)

"Paying an eight-digit number for a store that's been consistently losing money for the last couple years … I don't know how that math works."
— Dealer/franchise and M&A attorney

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ABOUT DAVE CANTIN GROUP

Dave Cantin Group is a leading automotive M&A advisory firm specializing in acquisitions, divestitures, platform management, business evaluations, and other corporate development services. The new retail reality requires automotive dealers to seek DCG's collective best thinking, deep experience and extensive industry relationships to effectively leverage M&A as a core business strategy. Clients choose DCG because the firm is a trusted advisor focusing on long-term relationships, investing in data and research, and engaging its entire team on every client project. Clients benefit from DCG's industry-leading market intelligence – its Market Outlook Report – and JumpIQ, DCG's proprietary AI-enabled platform delivering unprecedented visibility into automotive retail. The firm's nonprofit initiative, DCG Giving, funds child and adolescent cancer research and treatment across the United States and supports other charitable causes important to the automotive retail community. To learn more, visit davecantingroup.com.

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