

Q3 dealership profit falls against 2025's EV tax-credit boost as vehicle margins shrink and costs rise

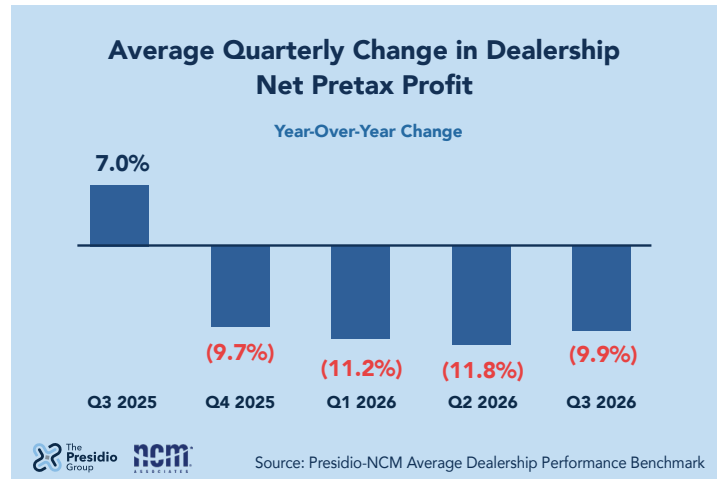
Average dealership profitability remained under pressure in the third quarter of 2026 as revenue increased but unit sales and per-vehicle margins declined while operating expenses rose, according to the latest Presidio-NCM Average Dealership Performance Benchmark. New-vehicle volume fell against a tough comparison to last year's third quarter when consumers rushed to purchase electric vehicles before federal tax credits expired. Gains in finance-and-insurance and fixed operations continued to provide support, but not enough to prevent another year-over-year decline in net pretax profit as higher operating costs weighed on dealership profitability.

- **New-vehicle volume** dropped **1.8%** year over year, while **used-vehicle volume** declined **0.7%**.
- **Gross profit per new vehicle** retailed fell **10.5%** year over year to **\$1,741**.
- **Gross profit per used vehicle** declined **4.5%** year over year to **\$1,286**.
- **F&I income** per vehicle retailed increased **3.5%** year over year to **\$1,738**.
- **Fixed-operations gross profit** increased **5.0%** year over year, generating **54.2%** of total dealership gross profit.

Average dealership profitability declined in the third quarter of 2026 as dealers sold fewer vehicles, per-vehicle margins tumbled and operating costs rose, according to the Presidio-NCM Average Dealership Performance Benchmark.

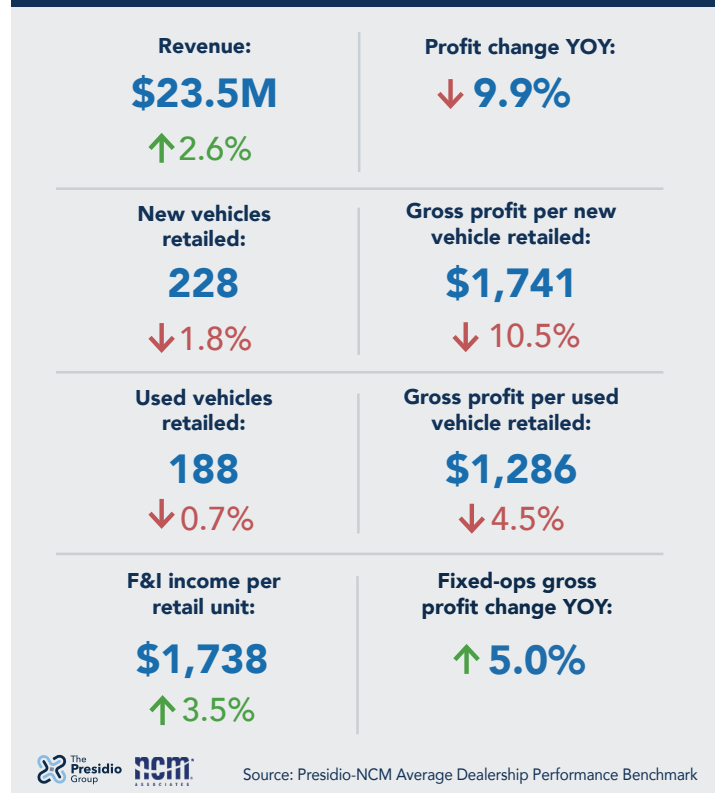
Net pretax profit for the average U.S. franchised dealership declined 9.9% year over year. That was the narrowest drop of 2026, after declines of 11.2% in the first quarter and 11.8% in the second quarter.

Interpreting third-quarter results requires some context. Much of 2025 was shaped first by tariff-related pull-ahead demand and then by federal electric vehicle tax credits that expired Sept. 30. Those policy-driven catalysts created periods of unusually strong and uneven sales, particularly for brands with high EV exposure. In 2025's third quarter, the average dealership posted a 7.0% increase in net pretax



Current Snapshot

Here's a quick look at the average dealership performance for Q3 2026 compared with Q3 2025:



† Automaker bonuses/incentives from adds and deducts are included in departmental gross; PVR only includes retail units; net profit is pre-LIFO

profit, a tough comparison for this year's third quarter. The 2026 market has largely returned to an organic supply-demand environment.

"The industry is currently in a more traditional market than we've seen in some time," said Keith Style, COO and managing director of The Presidio Group. "Gross profit per new vehicle retailed has now declined for five straight quarters, underscoring the challenge of balancing volume and profitability in a more normalized market."

The Presidio-NCM Average Dealership Performance Benchmark is based on aggregated financial results of more than 4,000 U.S. franchised dealerships of all brands and sizes that work with NCM Associates. The contributing outlets represent nearly a quarter of the 18,000-plus franchised dealerships in the U.S., offering a broad snapshot of industry performance.

"The third quarter underscores the importance of having multiple profit centers across the dealership," said Paul Faletti, CEO of NCM Associates. "Retaining customers throughout the ownership cycle becomes even more important in a lower-margin environment. Whether in the service lane or the vehicle purchase process, dealerships that consistently earn repeat business put themselves in a stronger position to protect profitability."

Revenue for the average dealership climbed 2.6% to \$23.5 million in the third quarter, even as new-vehicle volume fell 1.8% and used-vehicle volume slipped 0.7%. Dealers spent more to find buyers and got less for it. Advertising expense rose 5.0%, and advertising cost per vehicle retailed climbed 6.3% to about \$411. More promotion and discounting were not enough to match 2025's third-quarter new-vehicle volume, which spiked as buyers rushed to qualify for the federal EV tax credit expiring that Sept. 30.



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Gross profit per new vehicle retailed declined 10.5% to \$1,741 from \$1,944 in the year-earlier quarter. Gross profit per used vehicle slipped 4.5% to \$1,286 from \$1,347.

F&I continued to provide meaningful support. F&I income per retail unit rose 3.5% year over year to approximately \$1,738, while total F&I income increased 2.2% as higher per-unit income offset slightly lower sales volume.

Per-vehicle profitability also weakened from the second quarter. Gross profit per new vehicle fell 2.7% sequentially, its fifth straight quarterly decline, a sign that the industry's long-running margin reset may not be complete. Unit profitability for used vehicles and F&I, which had both improved sequentially in the second quarter, gave back ground, falling 7.5% on the used side and 1.4% for F&I.

"A notable development in the quarter is that dealers spent more to sell and still sold fewer vehicles," said Kevin Tynan, director of research at The Presidio Group. "Discounting, incentives and advertising are no longer buying volume the way they were. While fixed operations continues to support dealership profitability, the gains in the service drive were not enough to fully compensate for declining margins in vehicle sales."

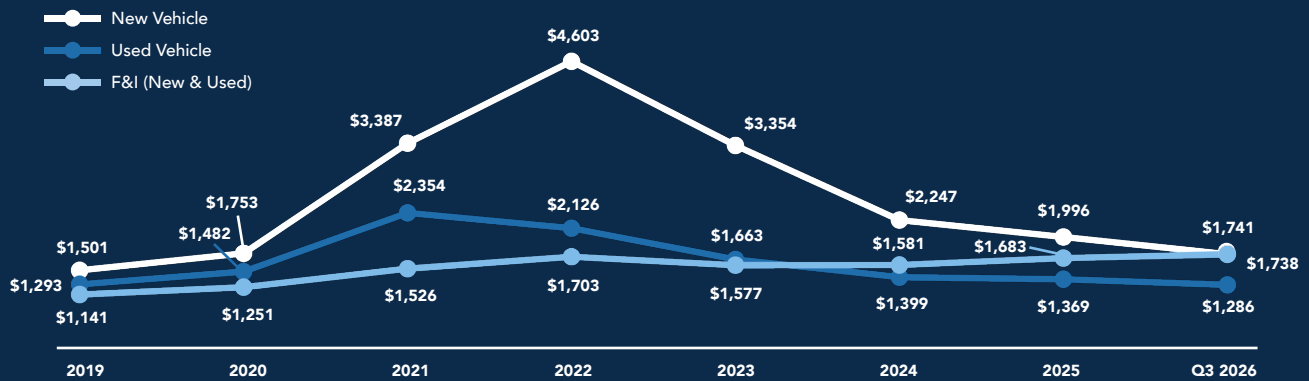
Results varied sharply by brand segment. Domestic-brand stores were hit hardest, with new-vehicle gross profit per unit dropping 18.8% to \$1,281. At import-brand stores, new-vehicle gross per unit declined 11.3% to \$1,363. Luxury-brand dealerships were the exception, with new-vehicle gross profit per unit improving 4.4% to \$5,193, against a weak year-earlier quarter, when luxury margins dipped.

Fixed operations was the quarter's clearest bright spot. Gross profit from the department rose 5.0% year over year and generated 54.2% of total dealership gross profit, up from 52.0% a year earlier.

Warranty work helped drive the gain, with warranty repair orders up 20.5% year over year. Warranty repair orders rose in every brand segment. Customer-pay repair orders

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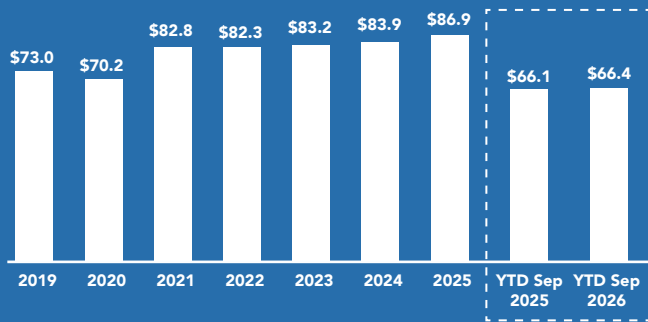
Average Dealership Gross Profit Per-Vehicle Metrics



Source: Presidio-NCM Average Dealership Performance Benchmark

Average Dealership Revenues

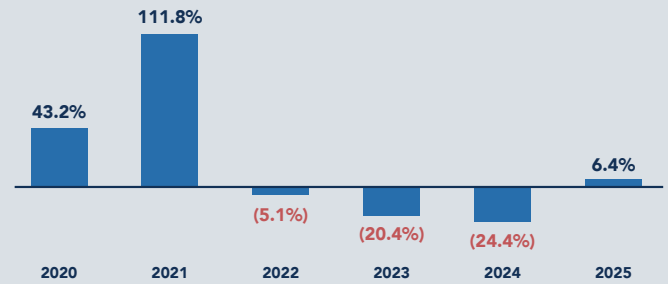
(\$ in millions)



Source: Presidio-NCM Average Dealership Performance Benchmark

Average Annual Change in Dealership Net Pretax Profit

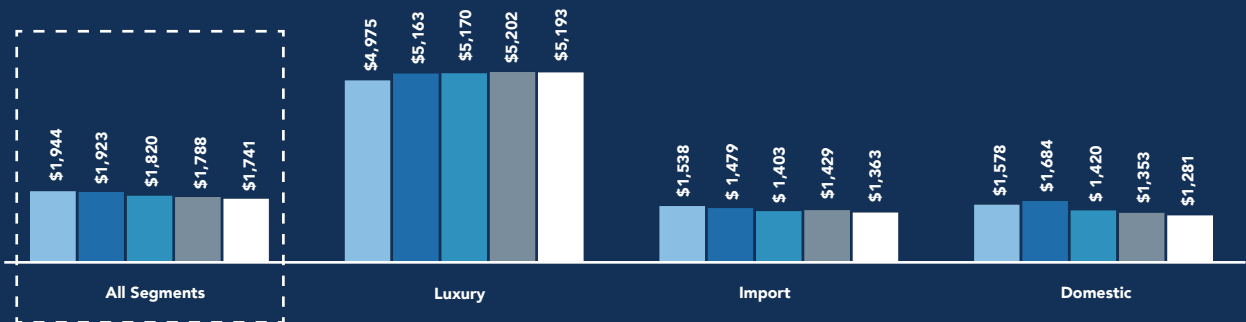
Year-Over-Year Change



Source: Presidio-NCM Average Dealership Performance Benchmark

Average New-Vehicle Gross Profit by Brand Segment

Q3 2025 Q4 2025 Q1 2026 Q2 2026 Q3 2026



* Prior-period figures have been recast to conform to the current-period presentation

Source: Presidio-NCM Average Dealership Performance Benchmark

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dipped 1.0%, but revenue per customer-pay repair order rose 7.1%.

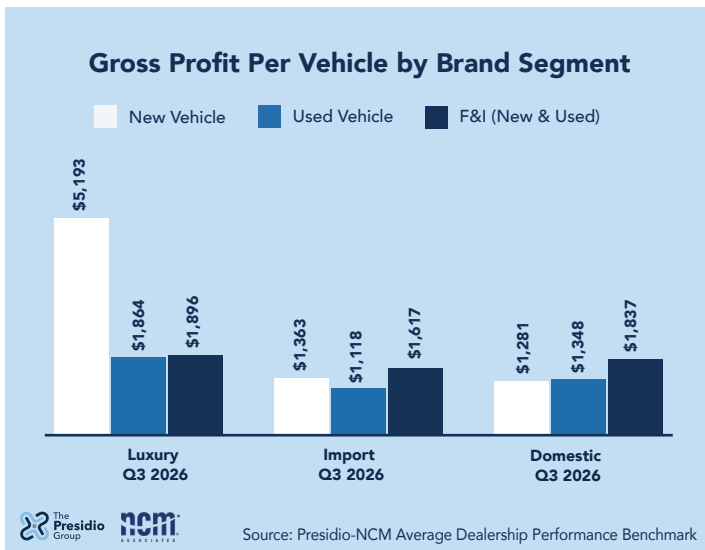
"Fixed operations has been a source of strength this year," Style said. "The question going forward is how sustainable those trends prove to be and whether dealers can continue building on that momentum through customer retention and service-lane engagement."

Expenses remained a challenge. Personnel expense increased 2.2% year over year, and advertising expense rose 5.0%. Dealers are spending more to sell vehicles, but in the third quarter that extra spending did not produce more sales.

Floorplan interest expense declined 35.8% year over year as lower interest rates and improved inventory turns reduced carrying costs. That positive may begin to moderate following the Federal Reserve's September interest rate increase and the possibility of additional rate hikes before year-end.

Despite the third-quarter decline, average dealership profitability remains materially above pre-pandemic levels.

Looking ahead to the fourth quarter, the comparison becomes more favorable. Last year's policy-driven catalysts pulled vehicle demand forward into the first three quarters of 2025, and net pretax profit for the average dealership



fell 9.7% in that year's fourth quarter. That gives dealers an easier comparison in 2026's final quarter.

Even so, the industry's ongoing profitability trajectory will depend heavily on whether dealers can rein in expenses and build sales momentum without sacrificing additional front-end gross profit. If they can accomplish both of those, per-vehicle profitability may have a chance to stabilize again and finally establish a lasting floor.

Disclosures:

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What the Q3 Data Is *Really* Telling Dealers

A live breakdown of Q3 dealership performance and M&A trends.

From expert analysis by our research team to the most timely dealership performance data from NCM, The Presidio Group leads the conversation about "what's next?"

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Expert guest diving into M&A
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