YEAR-END 2024 DEALER DIRECTION SURVEY

The Presidio Year-End 2024 Dealer Direction Survey highlights stabilization as the story heading into 2025. Many dealers view the worst of the drop-off from pandemic profit highs as being behind them. Their outlook about the future of auto retailing is broadly more optimistic following the conclusion of the 2024 election. And they expect parts and service to be the biggest driver of profitability for their businesses in 2025.

About 65% of dealers expect profitability to stay the same or improve in 2025. By contrast, just 37% of survey takers in Presidio's midyear 2024 survey had the same expectation for the following 12 months. Respondents' three-year outlook on profitability in the year-end survey was more optimistic than both their current 12-month view and their three-year view from the prior survey.

A similar pivot occurred around dealership valuations. Nearly two-thirds of dealers now expect values to stay the same or improve over the next year, up from less than half in last summer's survey. Views on valuation over the next three years similarly improved.

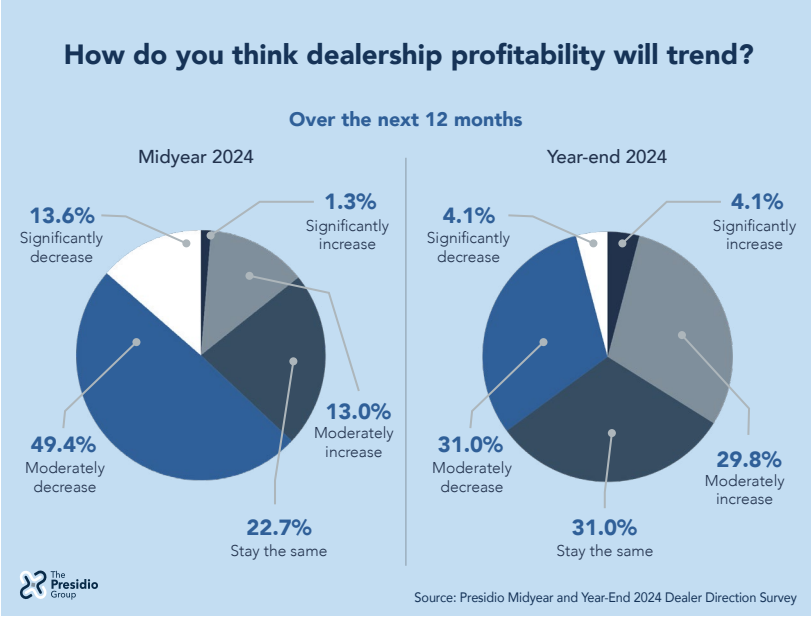
"There will always be more buyers than sellers for the right brands in the right markets," one dealer wrote.

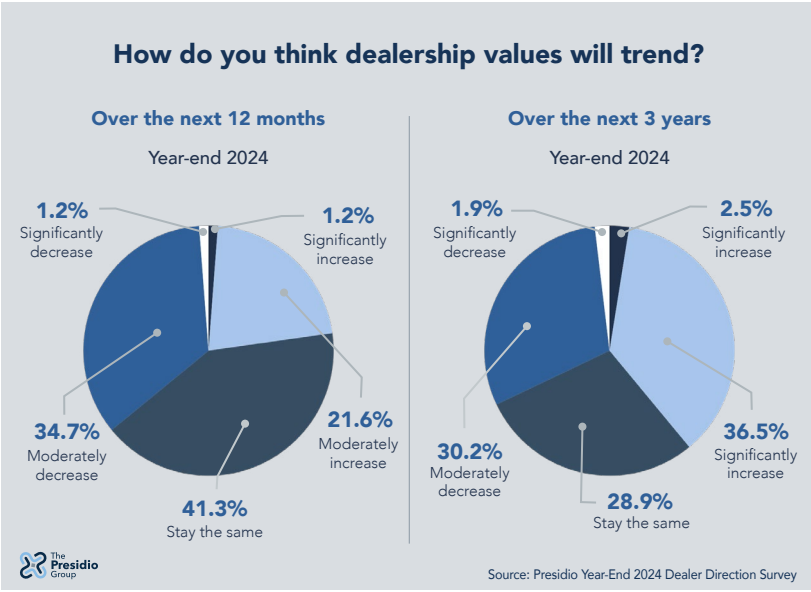
That taps into a key tenet the Presidio team is seeing in the marketplace: Brand and geography are more important than ever as the industry normalizes post-pandemic. The profitability and value of dealerships representing top-ranking brands in great locations continues to be strong, while dealerships representing struggling brands and located in less desirable markets have largely experienced bigger declines in operational performance and value.

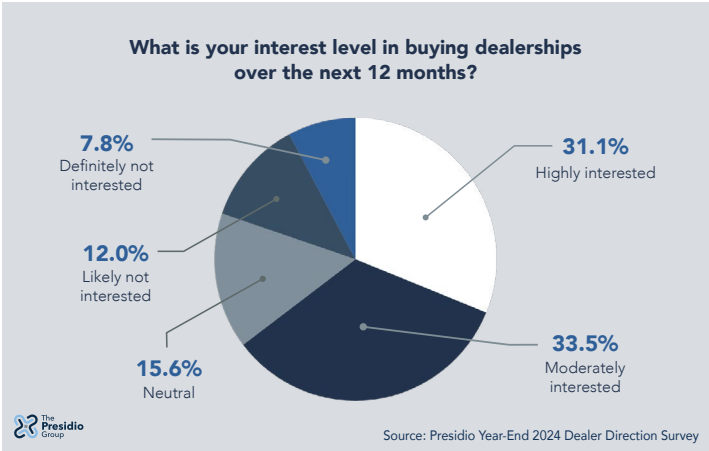
"With three different franchises, I have three different expectations," a respondent wrote.

The Presidio Dealer Direction Survey is conducted twice a year to provide a view into dealers' outlook on profitability, valuations and the buy-sell market. The latest survey ran from Nov. 15 through Dec. 31 and aggregated responses from 175 dealers and top dealership group executives representing nearly 3,000 franchised stores. We also queried survey takers on the current and future operating environment and asked them to rate the most desirable brands to represent.

The results correspond with trends seen in the Presidio-NCM Average Dealership Performance Benchmark and with what dealers are personally telling our team. Normalization of profits from pandemic highs could be approaching a tail end, and the new normal looks like it will be higher for many than pre-2020.



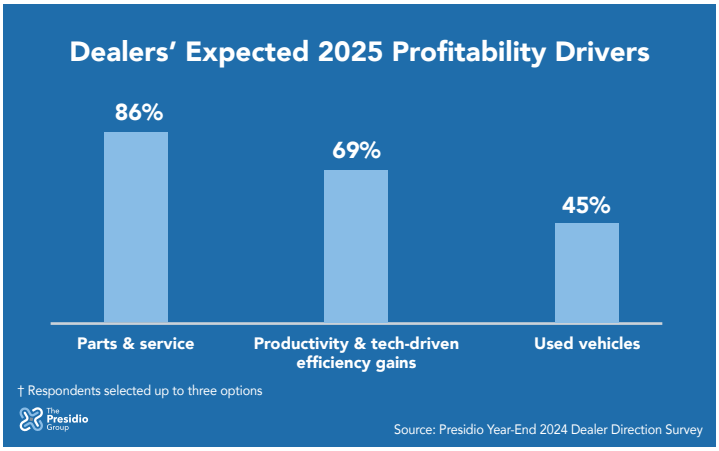


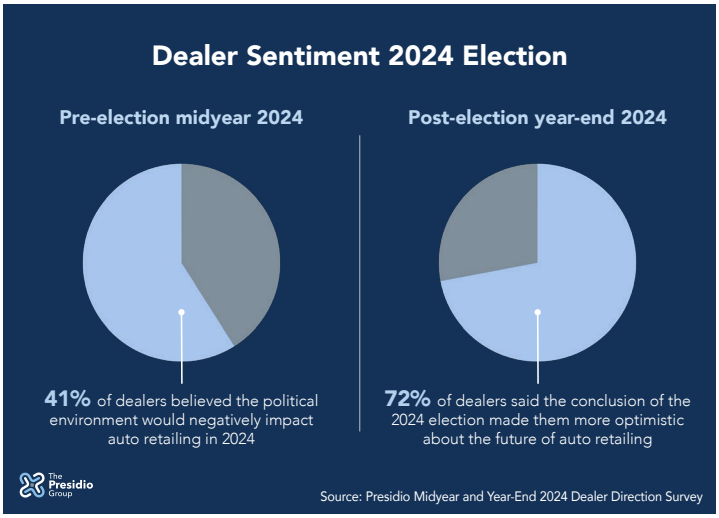


About 85 percent of dealers selected parts and service as one of the biggest drivers of business expected for 2025. Repair volume and industry labor rates are up across the industry in recent years, and several survey takers reported expanding their parts-and-service businesses with expectations for further gains. "We are preparing to grow our shops," one dealer wrote.

Dealers could choose up to three factors expected to drive results. Productivity and technology-driven efficiency gains were selected by 69%. Used vehicles, selected by 45%, came in as the third most popular driver.

Dealers' concern about inflation, interest rates, regulatory scrutiny and the chance of recession have eased post-election. Just over 72% said they are more optimistic in the wake of the election. The presidential administration change is expected to produce a more business-friendly climate, and dealers already have seen interest rate easing by the Federal Reserve. That leaves them more focused on vehicle affordability and the electric vehicle transition as key near-term challenges.





"New-vehicle pricing has become astronomical," one respondent wrote.

"Brands that bet wrong on EVs have a huge price to pay, and they will no doubt pass as much of their mistakes on to the dealer body as [they] can absorb," another wrote.

Sentiment around buying and selling dealerships shifted slightly, with 65% now interested in buying compared with 69% in the summer. The share interested in selling rose, from 9% in the summer to 13% now. Dealers appear to be taking a more strategic, selective approach to M&A rather than pursuing growth for growth's sake. The Presidio team expects robust buy-sell activity in 2025 as consolidators continue to seek scale and dealers indicate they want to clean up their portfolios and shed stores with challenging results or representing less-desirable brands.

While the survey data reveals growing optimism, dealers will continue to adapt their strategies as the industry normalizes in order to remain competitive and capitalize on emerging opportunities.

YEAR-END 2024 BRAND DESIRABILITY RANKING

Perennial leaders Toyota and Lexus again topped the Presidio Brand Desirability Ranking, but Subaru, a rising mass-market Japanese brand, entered the top echelon for the first time, jumping three positions to the No. 3 spot on the list and pushing Honda down to No. 4. German luxury brands Porsche, BMW and Mercedes-Benz followed, and Kia, Hyundai and Chevrolet rounded out the top 10.

"Seven brands have consistently led our ranking since we began surveying dealers in 2023," said George Karolis, president of The Presidio Group. "These Magnificent Seven brands have maintained their dominance, even as the overall market has seen significant changes."

The ranking is based on responses to the Presidio Dealer Direction survey, which asks dealers to rate the desirability of owning dealerships representing specific brands. We included most brands sold in the U.S. as options and presented some as clusters of brands commonly found under one roof — Chrysler-Dodge-Jeep-Ram or Jaguar-Land Rover, for instance. We also gave an option for ultraluxury brands (such as Aston Martin, Ferrari and McLaren) grouped collectively.

The most recent ranking by Presidio reinforced many of the dynamics our dealership buy-sell team is seeing in the market and underscores how important brand is when it comes to both performance and demand among buyers. Top-tier Japanese makes are most desired by dealers, followed by elite German luxury brands and then South Korean brands. Stronger domestic brands such as Chevrolet and Ford rank near the middle of the pack.

In addition to continued strength by Toyota and Lexus, the improvement by Subaru and the steadiness of Mercedes-Benz corresponds with interest levels among potential buyers observed by the Presidio team. Subaru's ranking jump was the biggest among all brands. Dealers' views of Nissan, Chrysler-Dodge-Jeep-Ram and Infiniti remain broadly negative, and these brands unsurprisingly occupy the bottom of the desirability list. But sentiment around Nissan and the Stellantis brands may have bottomed out: The Presidio team is hearing more neutrality and even the occasional positive outlook on these brands. Nissan's possible tie-up with Honda and recent leadership changes at Stellantis could be explanations.

As dealers consider retirement or divestitures to finetune their portfolios, they should expect buyers to be more selective than ever regarding brands and locations. Some dealers are clearly making a flight toward quality, shedding less-desirable franchises or operationally difficult stores and telling us they no longer want to deal with the challenges that can accompany such assets.

The Presidio Group Magnificent Seven

These seven brands have topped Presidio's ranking across four surveys in 2023 and 2024 with dealers rating them as highly desirable.

TOYOTA | LEXUS | SUBARU | HONDA

PORSCHE | BMW | Mercedes-Benz

Source: Presidio Year-End 2024 Dealer Direction Survey

Brand Ranking

Dealers responding to a Presidio survey ranked the desirability of owning stores representing the following brands:

1	Toyota	9.27
2	Lexus	9.00
3	Subaru	8.13
4	Honda	8.12
5	Porsche	7.93
6	BMW	7.65
7	Mercedes-Benz	7.58
8	Kia	6.75
9	Hyundai	6.32
10	Chevrolet	5.75
11	Audi	5.73
12	Ford	5.55
13	Mazda	5.10
14	Jaguar-Land Rover	4.64
15	Genesis	4.61
16	Buick-GMC	4.37
17	Ultraluxury	4.14
18	Volkswagen	4.08
19	Cadillac	3.69
20	Acura	3.66
21	Volvo	3.27
22	Lincoln	3.17
23	Nissan	2.90
24	CDJR	2.76
25	Infiniti	2.34

Source: Presidio Year-End 2024 Dealer Direction Survey