

*Capstone knows...*

**Dealerships**



# Dealerships



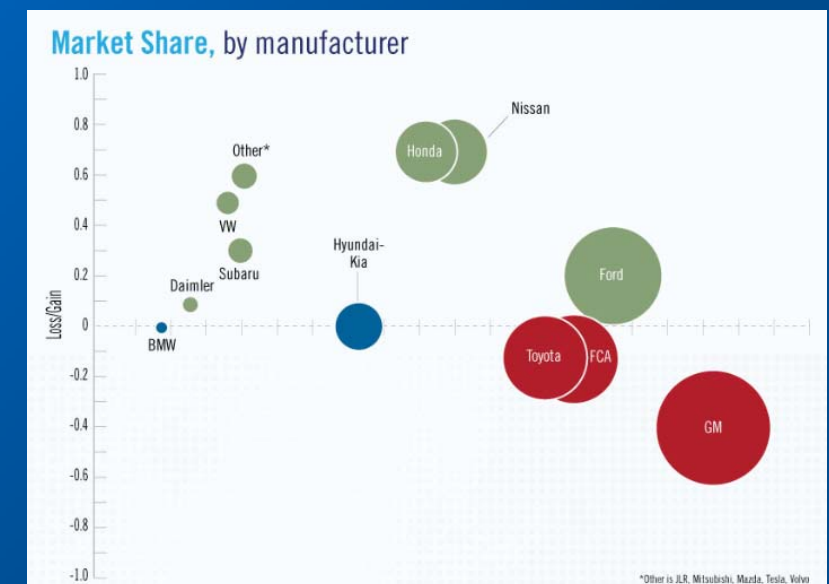
## Auto sales softening...

- Dealership sales volumes have plateaued
- Domestic brands continue to lose market share
- Re-imaging investments at dealerships across the country are driving up occupancy costs
- Lenders will need to be highly conscious of CRE occupancy costs going forward
- Ride-sharing along with self-driving vehicles could alter the car buying landscape in the future

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## Domestics losing share...



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## Occupancy costs...

- Dealerships notoriously high-volume, low-margin business
- Lenders must be aware of unit sales for their collateral and the surrounding market
- With this information an occupancy cost ratio for the subject can be developed
- Capstone appraisals develop an occupancy cost analysis for the collateral under the current operator scenario, and under alternative scenarios with alt operators/users

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## Recent dealership appraisals...

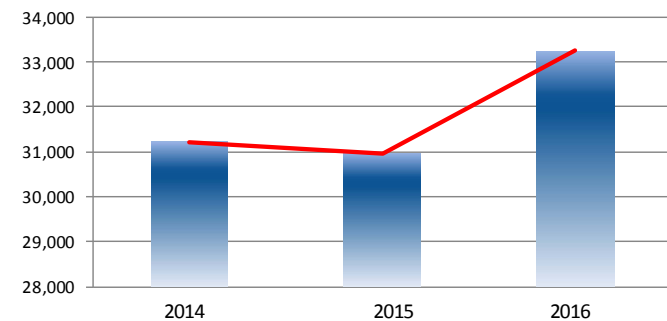
- Capstone appraised over 35 dealerships in 2016
- Asset locations included: Orlando, Gainesville, Panama City, Jacksonville, Tampa, Ocala, New Smyrna Beach, Melbourne, Naples and Miami
- Other vehicle-related appraisals includes numerous collision centers and motor-cycle dealerships
- Capstone has access to new and used vehicle sales volumes across the country
- Our Market Analysis contains critical information about the performance of dealerships in the subject's immediate competitive area

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PALM BEACH COUNTY'S TOP TEN DEALERSHIPS (2016)

Rank	Dealership	City	Avg/MO.	Annual
1	DELRAY TOYOTA	DELRAY BEACH	330	3,961
2	ARRIGO DODGE CHRYSLER JEEP	WEST PALM BEACH	310	3,715
3	LEXUS OF PALM BEACH	WEST PALM BEACH	309	3,703
4	EARL STEWART TOYOTA	WEST PALM BEACH	258	3,101
5	BRAMAN MOTORCARS	WEST PALM BEACH	258	3,100
6	BRAMAN HONDA - PALM BEACH	LAKE WORTH	238	2,854
7	DELRAY HONDA	DELRAY BEACH	219	2,623
8	SCHUMACHER AUTOMOTIVE	WEST PALM BEACH	217	2,605
9	PALM BEACH TOYOTA	WEST PALM BEACH	198	2,380
10	MERCEDES BENZ OF PALM BEACH	WEST PALM BEACH	183	2,196
<b>33</b>	<b>SUBJECT PROPERTY</b>	<b>WEST PALM BEACH</b>	<b>82</b>	<b>978</b>

Source: Capstone



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## Why it matters (case study)...

- Capstone recently completed a 35,000 SF luxury dealership in an affluent location with an estimated value >\$350 PSF
- Implied occupancy costs based on operator's in-place sales were 2.2% of gross sales and 14.6% of gross profit
- Both figures exceeded the industry-accepted range for the asset type, suggesting the valuation may not be supportable
- However, based on the unit and dollar sales volume of other luxury dealers in the surrounding area, it was ascertained that the issue was specific to the operator and not the asset or the market
- As such, our opinion was that the valuation was reasonable for the asset in this specific market—but the lender was cautioned that the existing operator would need to improve sales in order to remain soundly profitable



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## About us...

- Capstone Valuation Advisors provides appraisal services throughout Florida, as well as the Southeastern and Midwestern United States
- We enable our clients to make sound financial decisions by providing well-researched information in conjunction with meaningful analysis
- Capstone's talented personnel and top-of-the-line technology presents our clients with a new standard in appraisal services

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## Markets we serve...

