



# USED VEHICLE REPORT

THE CAR COMEBACK | CY 2019

# Used vehicle sales hit an all-time record

## USED VEHICLES SALES SUMMARY

Year	Total sales	Franchise used	CPO sales
2014	36,241,800	11,178,073	2,340,348
2015	37,254,854	11,400,111	2,553,663
2016	38,602,466	11,600,597	2,641,900
2017	39,203,694	11,461,515	2,644,422
2018	40,232,959	11,882,637	2,700,394
2019	40,806,579	12,405,959	2,811,872

Source: Edmunds

## EXECUTIVE SUMMARY

Used vehicle sales enjoyed a record year in 2019 with total, franchise and certified pre-owned sales hitting all-time highs. Transaction prices escalated to their highest point ever, while the used vehicles sold were closer to new than ever for a calendar year. While these records were merely a continuation of an existing trend, one vehicle type experienced a reversal in trends: the non-luxury passenger car. The following occurred:

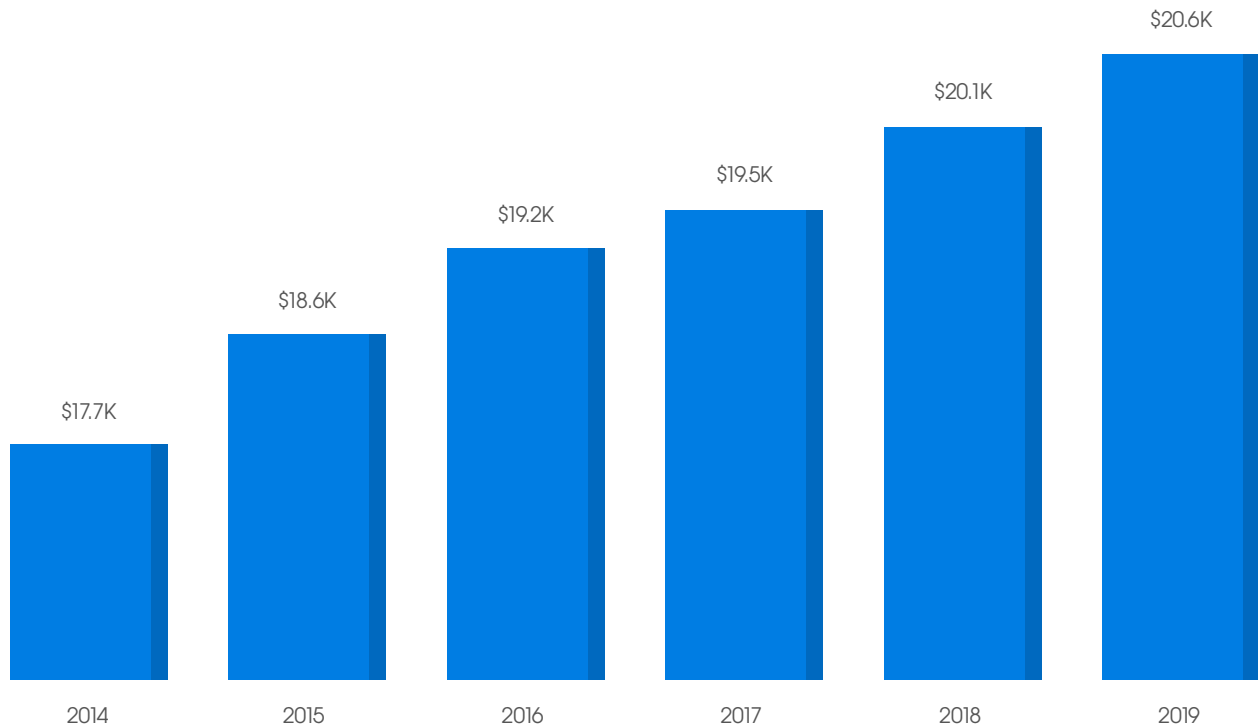
- **Scarcity in the market:** Falling sales of new passenger cars to both retail and fleet consumers over the past few years led to a decline in the number of near-new used cars on the market. As a result, the average age of used passenger cars climbed while vehicle ages in other segments fell.
- **Uptick in value:** Residual values for used non-luxury passenger cars have bounced back to 2014 levels while values in other used segments trended down or were flat. Luxury cars diverged from their non-luxe counterparts, with values falling further in 2019.
- **Short time on the lot:** Non-luxury cars sold the quickest of all vehicle types — 37.6 days on average in 2019.

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# Used car prices hit another record high in 2019

AVERAGE TRANSACTION PRICE



Source: Edmunds

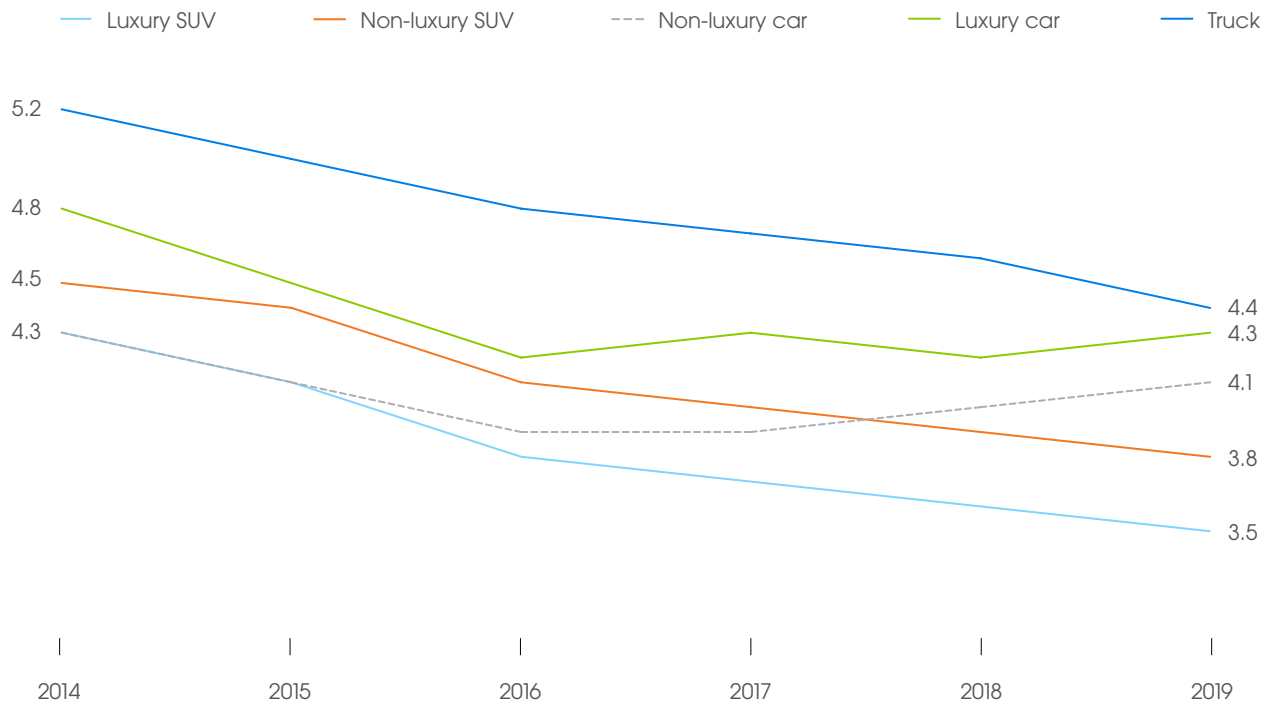
In 2020, the average transaction price for used vehicles will surpass

**\$21K**

The average transaction price in 2019 hit an all-time record high of \$20,618. While the year-over-year increase of \$538 is slightly lower than 2018's increase of \$617, the bump in average transaction price is still a notable shift upward. It's likely the average transaction price for used vehicles will surpass \$21,000 in 2020.

# Near-new inventory for passenger cars is waning

AVERAGE VEHICLE AGE BY TYPE



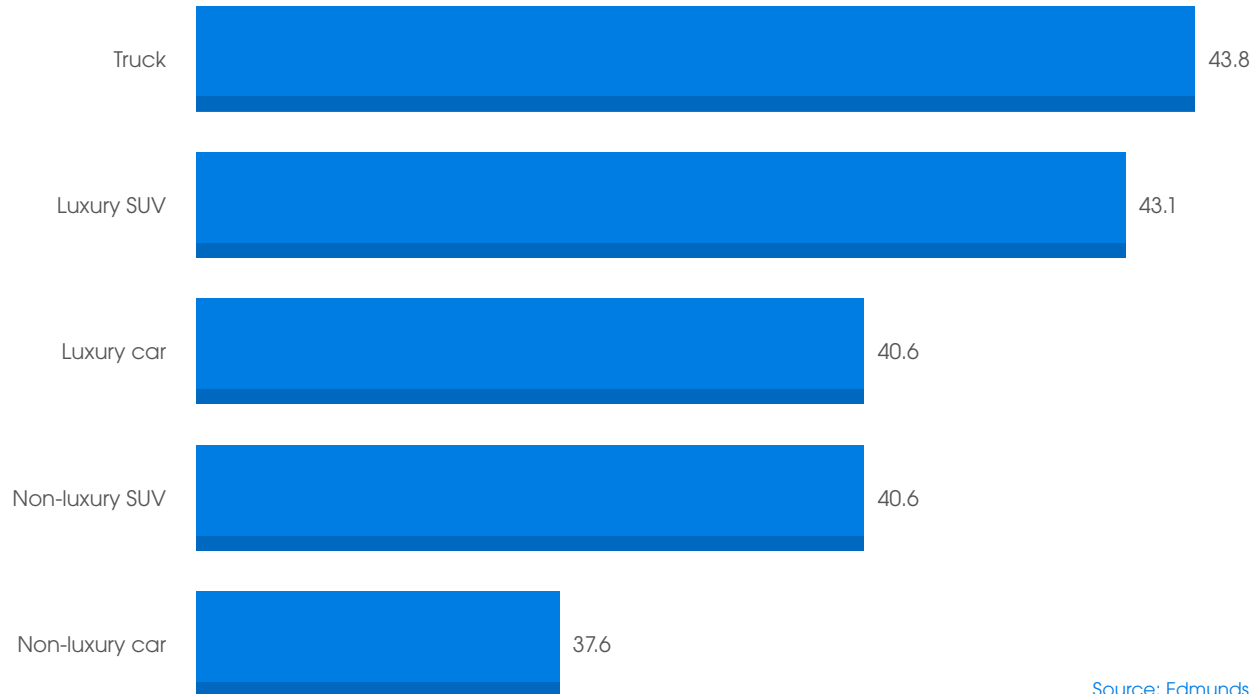
Source: Edmunds

The average age of used vehicles has been on a steady decline, but the plunge in new car sales over the past few years is leading to a bucking of this trend. The once steady supply of cars into the used market has begun to shrink, causing the average age to begin climbing. This increase in the average age of used non-luxe cars sold is going to make it harder for both dealers and consumers to find affordable late-model, low-mileage options. SUVs — both luxury and non-luxury — continue to make up the highest concentration of newer used inventory.



# Non-luxury cars are racing off dealer lots

DAYS TO TURN FOR 3-YEAR-OLD VEHICLES



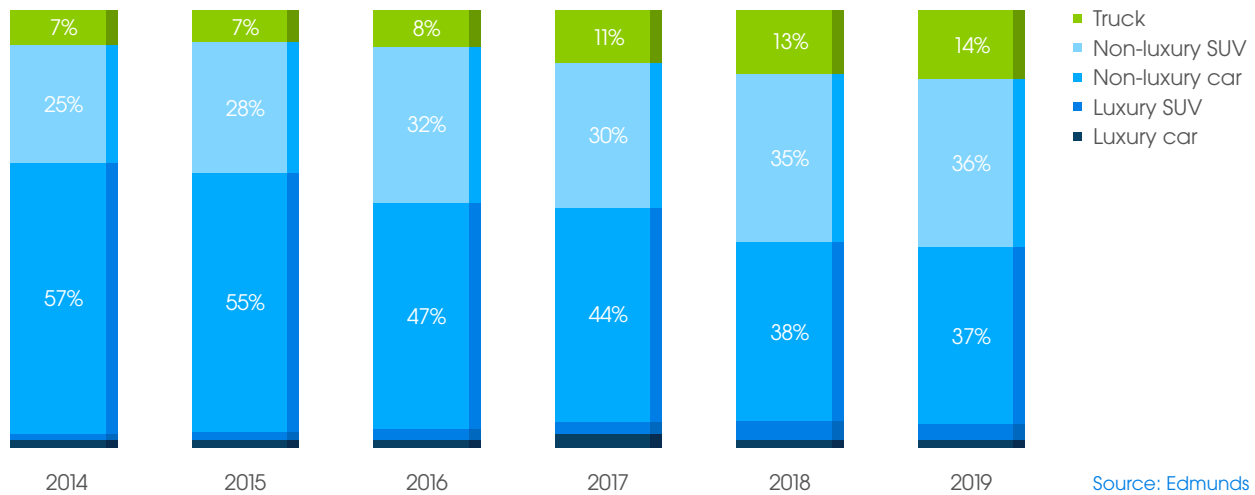
Source: Edmunds

Falling inventories have, to an extent, caused a scarcity in the market, and as a result, non-luxury cars sold the quickest of any vehicle type in 2019. While lower-priced vehicles and fewer days to turn are correlated, there is clearly still a segment of consumers willing to purchase cars despite the prevailing demand for SUVs and trucks.



# Supply-side constraints for non-luxury used cars

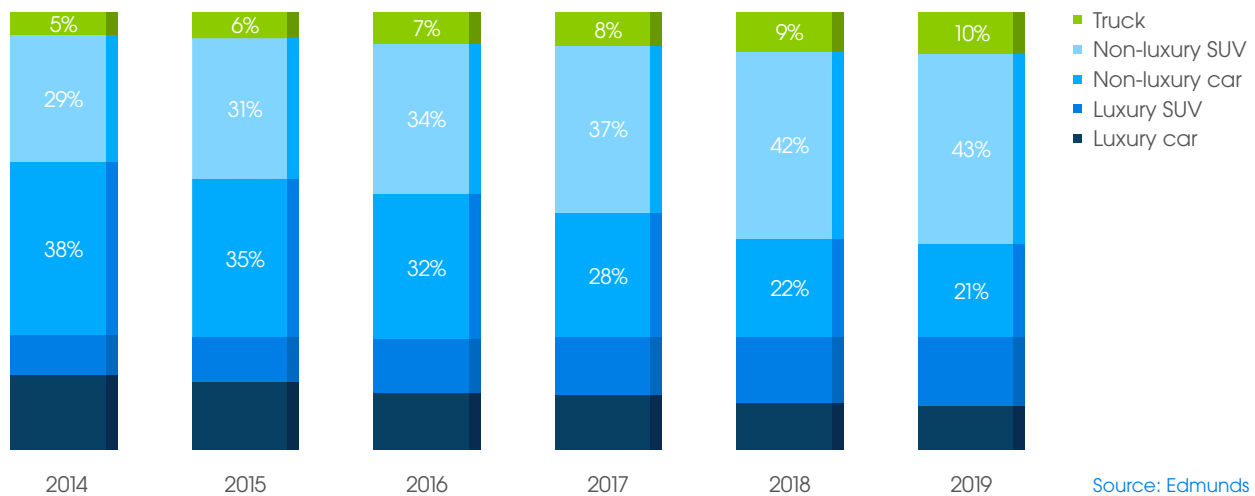
RENTAL SALES COMPOSITION BY YEAR



As rental car agencies fight for long-term relevance amid the ride-hailing boom, they have modified fleets to include vehicles that better reflect consumer tastes — namely, trucks and SUVs. In the past five

years, there has been a 20% reduction in non-luxury passenger cars in rental fleets, which has minimized a significant source of very near-new inventory for used-car shoppers.

LEASE SALES COMPOSITION BY YEAR



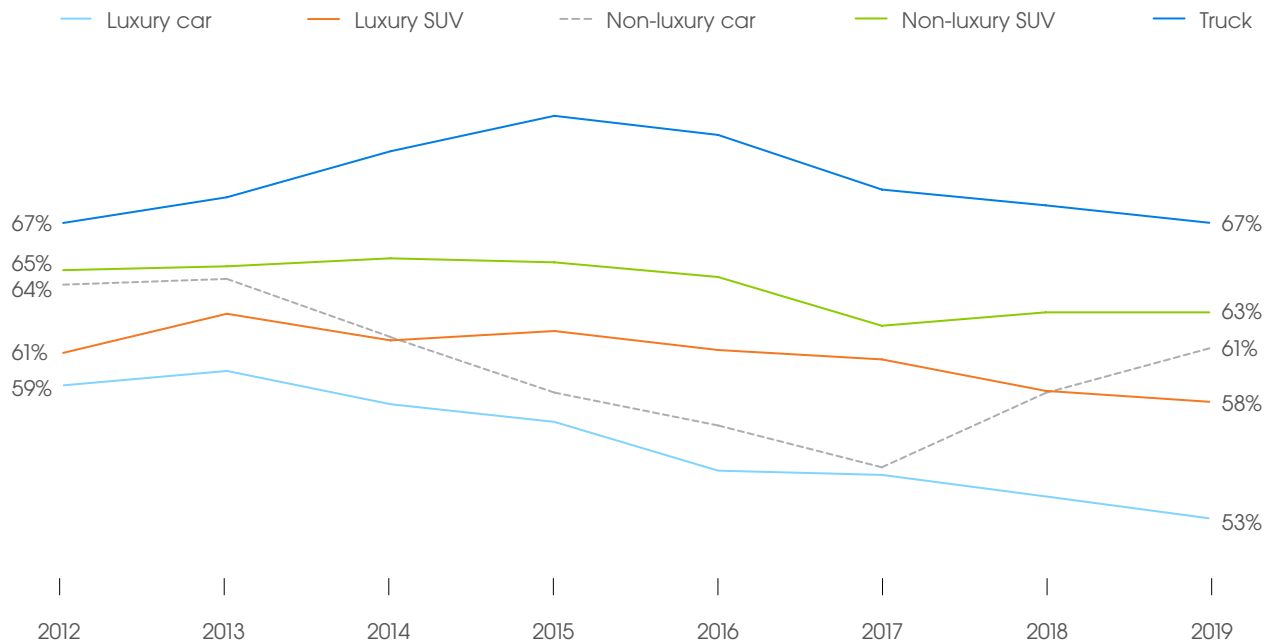
Lease returns of cars, both luxury and non-luxury, have also declined, blunting another important source of used inventory. Five years ago, cars made up 55% of the lease market; last year, that figure dropped to 31%. The prior decade stood as a golden era for cheap car lease deals as consumer

demand declined but production had not yet been curbed, leaving a bloated supply that needed to be discounted to sell. The era didn't last long as automakers not only cut car production but a few also shuttered car lines. The dip in car inventory led to the evaporation of outstanding lease deals.



# Luxury car values spiral downward while non-luxury car values rebound

## 3-YEAR-OLD RESIDUAL VALUES



Source: Edmunds

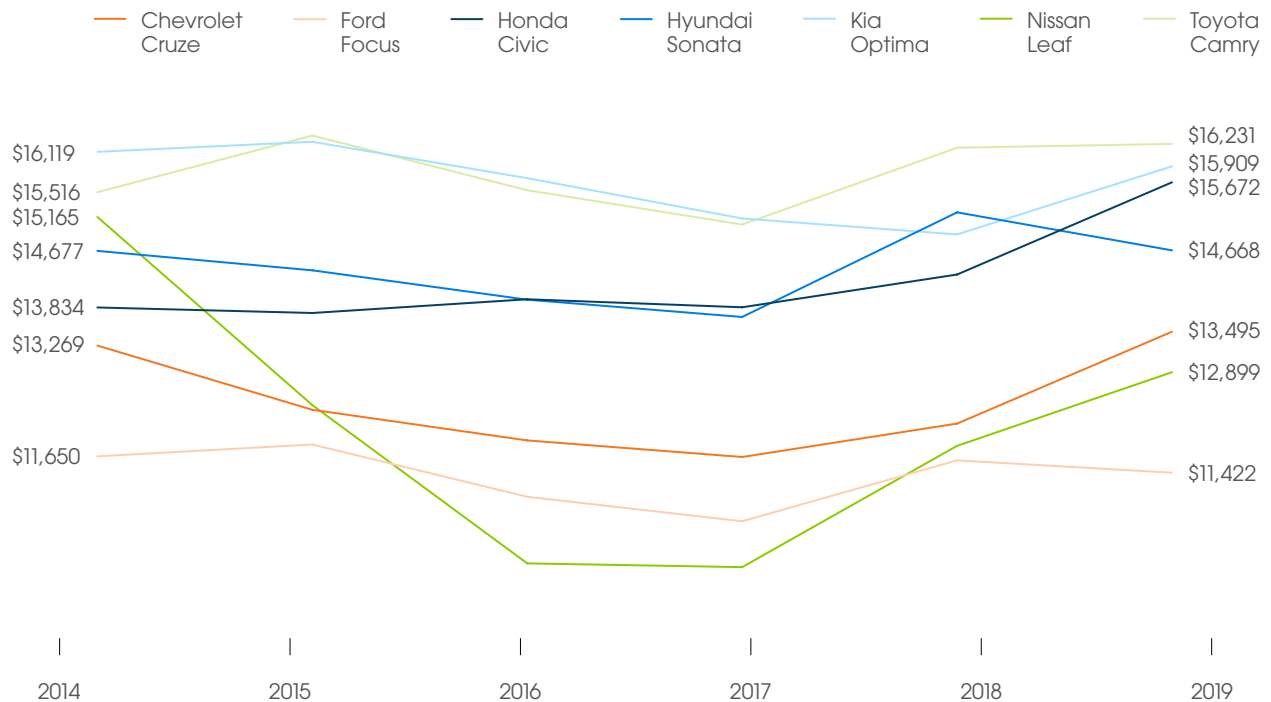
With a shortage of near-new inventory and a segment of used-car buyers still demanding affordable cars, we've started to see increased values for non-luxury cars after years of decline. This trend runs counter to the reality in most other used vehicle segments and the messaging by automakers that removed cars from their lineups.

Luxury cars are still struggling, and the gap between their residual values and those for the rest of the market has further widened. As the market moved to favor trucks and SUVs, luxury cars have had a tough time. Unlike their non-luxury counterparts, they don't offer a value proposition as low-priced transportation.



# Looking ahead: car futures look brighter

## 3-YEAR-OLD PRICES



Source: Edmunds

Looking at a sampling of 3-year-old car prices reveals that, while not all have returned to prior highs, they are moving up and away from the low point in 2017. While outside factors such as fuel prices and vehicle redesigns play a role, the upward movement in

prices combined with a low days to turn shows that there is some life in the passenger car market. If the trends of 2019 continue in 2020, current car owners will find themselves in a position of positive equity sooner than anticipated.





