



# USED VEHICLE REPORT

Q3 2019

# Used vehicles sales summary

Year	Total Sales	Franchise Used	CPO Sales
Q3 2014	9,221,601	2,931,736	610,905
Q3 2015	9,448,857	3,014,637	653,286
Q3 2016	9,671,500	3,004,156	675,551
Q3 2017	9,728,450	2,912,983	678,960
Q3 2018	10,300,520	2,981,892	670,796
Q3 2019	10,368,918	3,236,061	702,102

Source: Edmunds

## EXECUTIVE SUMMARY

Today's shoppers have more options than ever when it comes to their next auto purchase. The car market has seen a massive increase of safety and infotainment technology as well as propulsion systems with varying degrees of electrification. And while differences between vehicle body types have never been so blurred, one question remains largely the same: Should I buy new or used? While the question remains the same, the dynamics of both the new and used markets have evolved. In this report, we'll explore how these two are both similar and dissimilar.

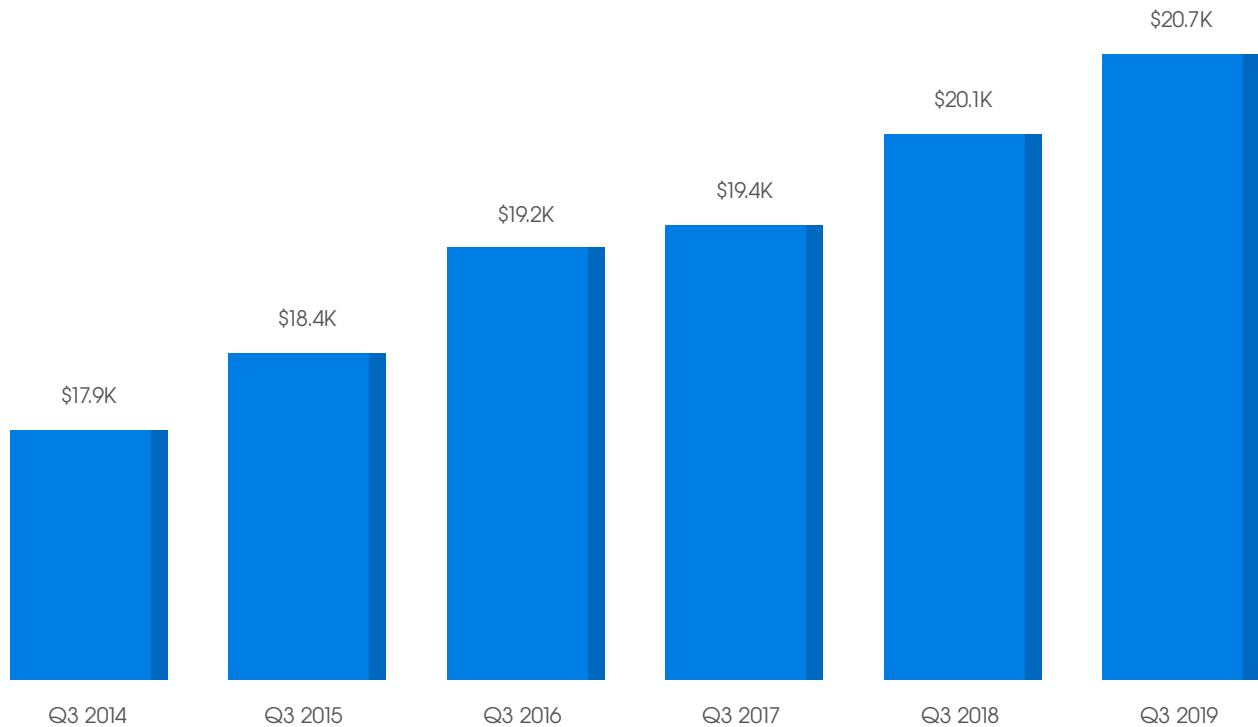
- The average Q3 2019 used car price of \$20,683 is the highest on record for any quarter.
- Off-lease vehicles are entering the used market in sustained high numbers, reflecting new-car buyers' preferences for SUVs
- New-car shoppers are opting for more "fully loaded" vehicles, which don't hold their value and contribute to the widening gap between new and used values.
- Categories of 3-year-old used vehicles are beginning to significantly overlap with one another in price.

New vehicle sales have been floating at near record levels for years, but with the influx of newer used vehicles an increasingly attractive value proposition, more shoppers will have a harder time deciding between new and used.



# Used car prices steadily increase

AVERAGE TRANSACTION PRICE



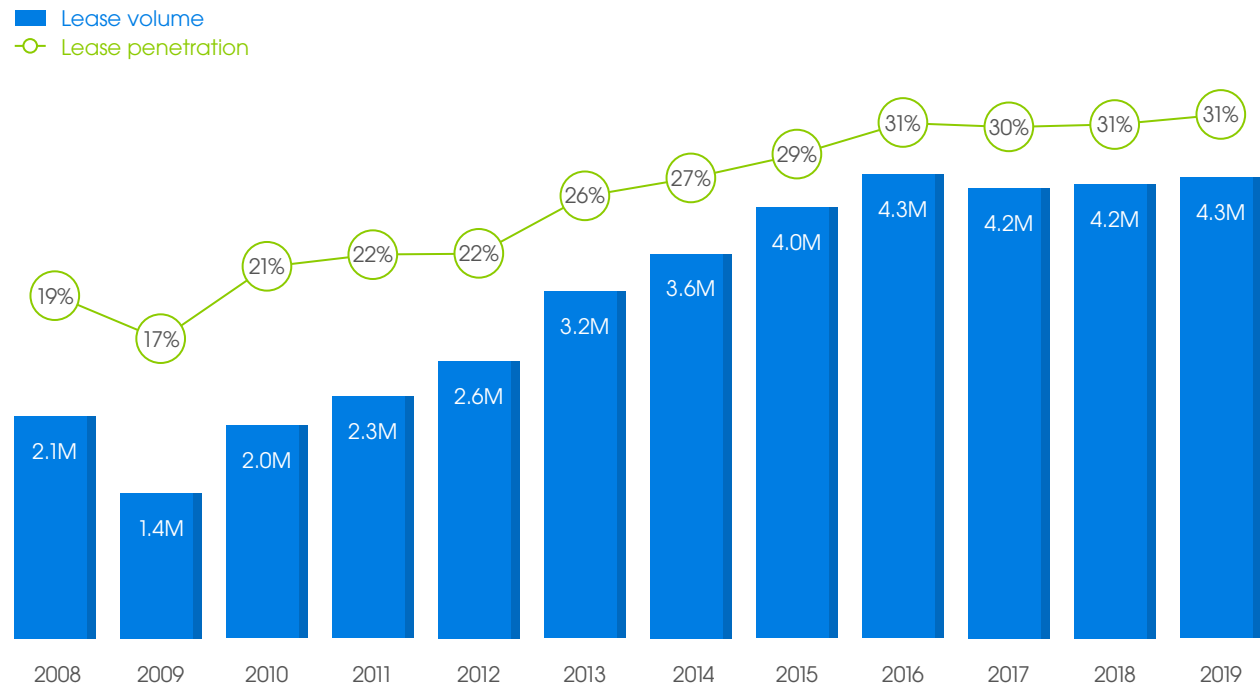
Source: Edmunds

**68%**  
of sales derived from  
the sale of used vehicles  
4 years old or newer

The average transaction price in Q3 2019 hit an all-time record of \$20,683. This stems from a very high portion, 68%, of sales derived from the sale of used vehicles 4 years old or newer. The increased presence of SUVs and trucks with their higher price points has also bolstered the overall used market price.

# Off-lease supplies for years to come

## LEASE VOLUME AND SHARE



Source: Edmunds

2019 is shaping up  
to be a year of

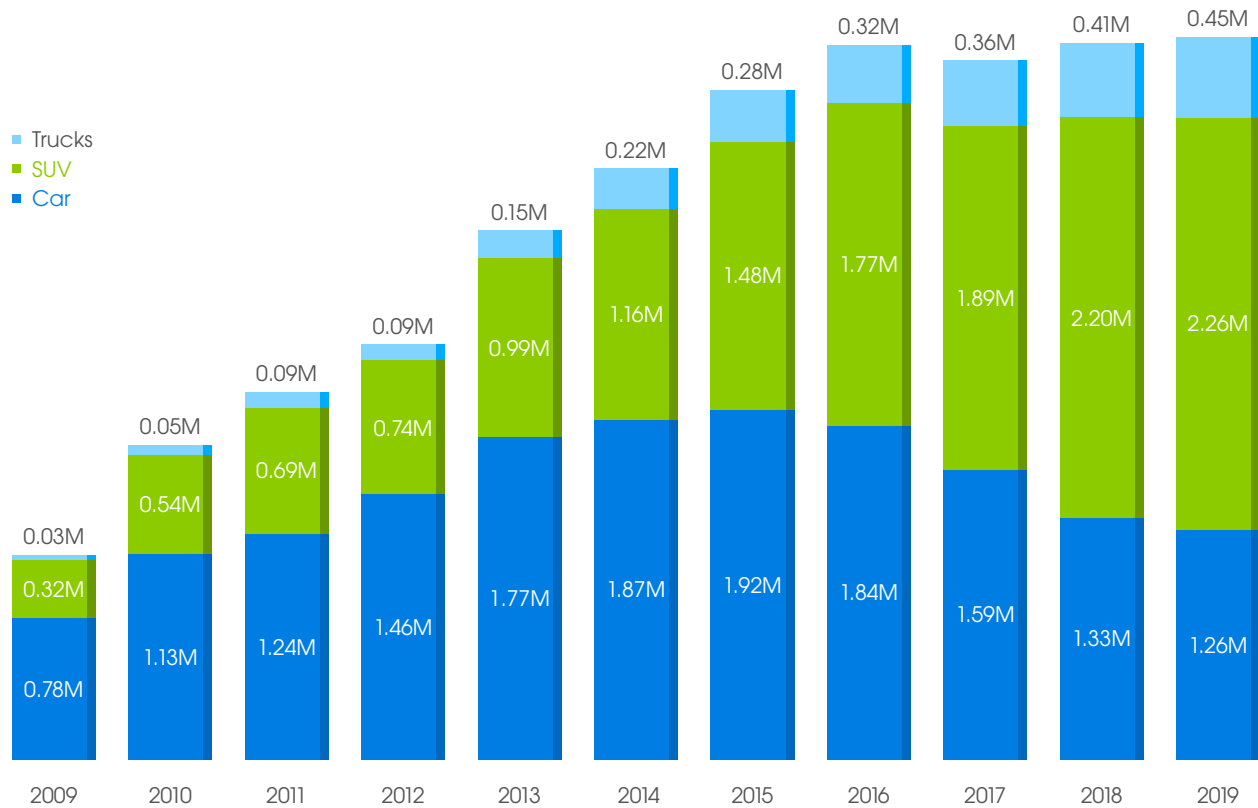
**4M+**

in retail lease sales

Nearly all new cars become used inventory at some point during their lifetime, but with off-lease vehicles, the number hitting the market is predictable. This consistently high volume of newer used vehicles doesn't have an end in sight as 2019 is shaping up to be a year of 4 million-plus in retail lease sales.

# Off-lease providing more SUVs and trucks

LEASE VOLUME BY VEHICLE TYPE



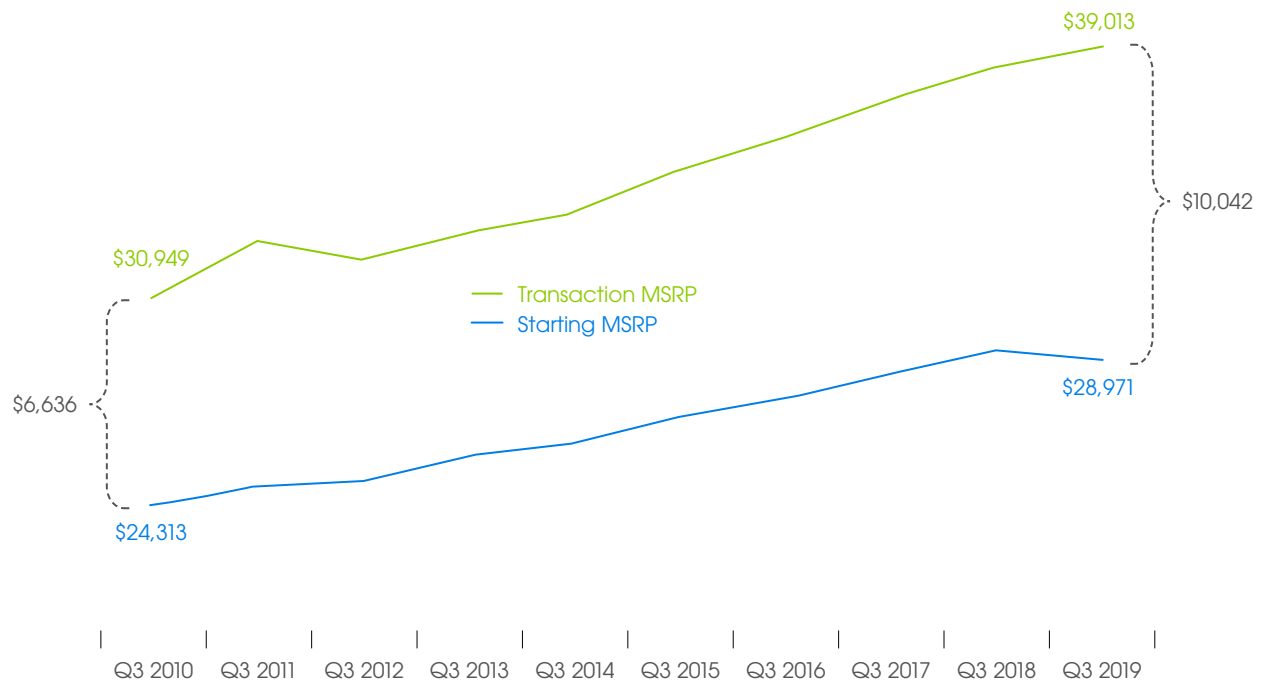
Source: Edmunds

2019 is the first year that SUVs and trucks combined to outnumber cars in vehicles returning to the market off-lease. 2020 will further the trend with enough off-lease SUVs alone to exceed cars. The influx of off-lease vehicles into the used market is reflective of new-car shopper preferences for SUVs and trucks, better positioning used vehicles as a viable alternative to new. But the large quantity of these vehicles is beginning to soften values in these segments that have held strong for years.



## More content, lower residuals

MSRPS



Source: Edmunds

The trend of new-car buyers electing more options has profoundly affected the average transaction MSRP compared to the starting price. These add-ons — in the selection of higher trim levels and more options in the form of packages or à la carte — have increased the average vehicle price by 35%. And in newer vehicles, so much of the added content is technology-based. By nature, tech-based features are susceptible to higher depreciation because of their propensity to become obsolete more quickly than traditional features. This trend is sure to continue, contributing to further depression of residual values.

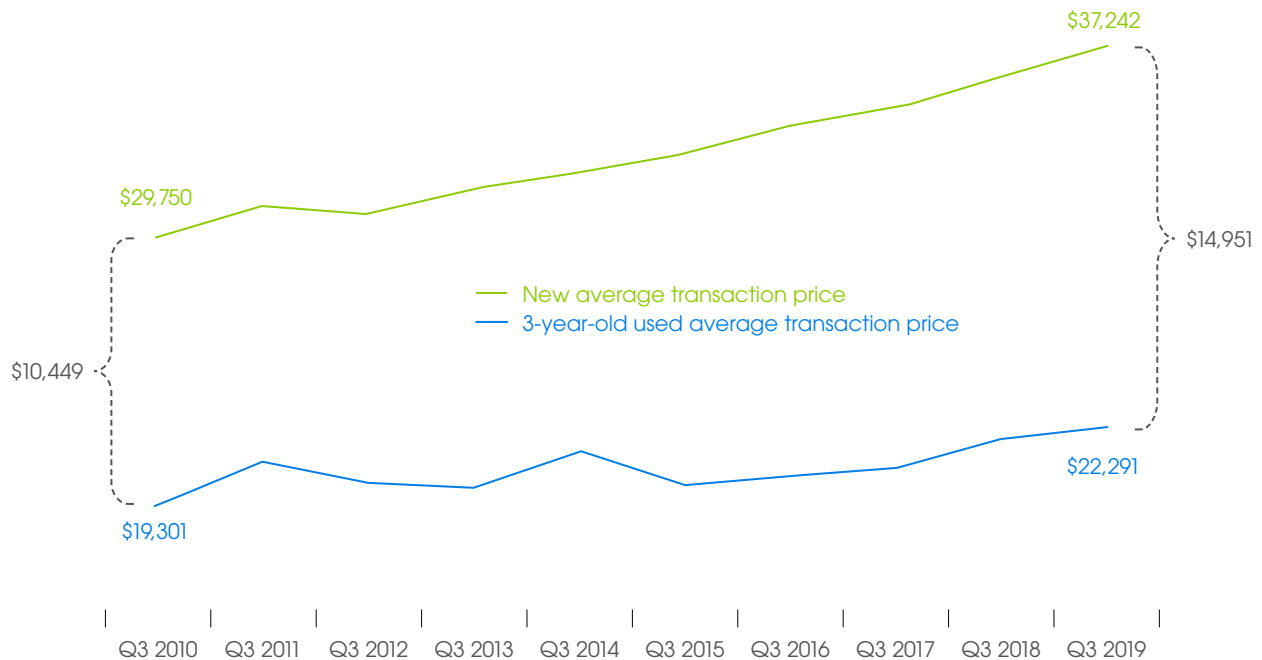
Add-ons have increased the average vehicle price by

**35%**



# The pricing gap widens

NEW VS. NEAR NEW



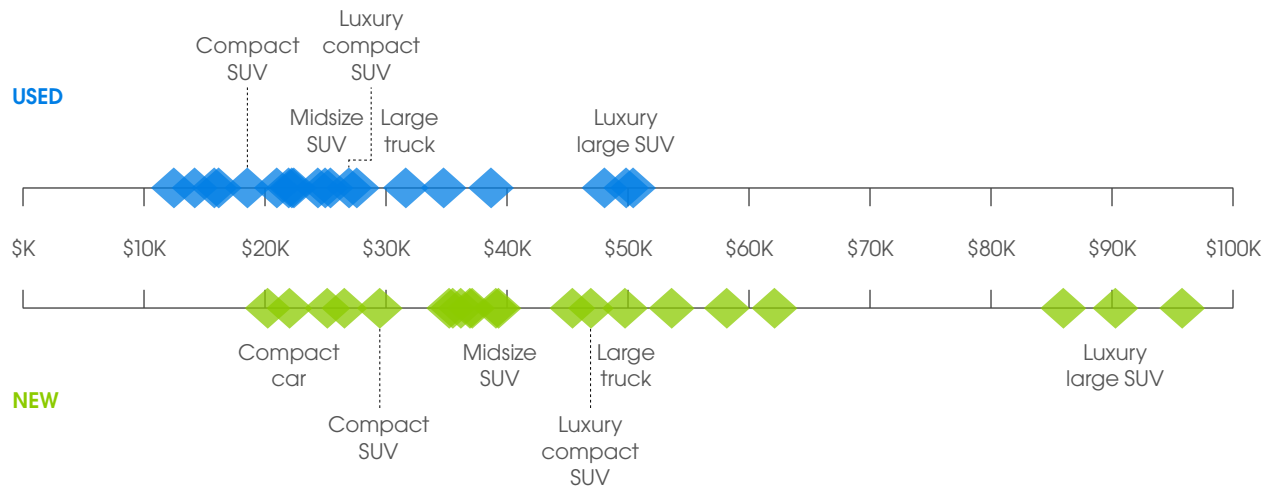
Source: Edmunds

As the divide in average transaction prices for new vehicles versus near new grows, the merits of a new car purchase will come into question more often, especially for new vehicles that have not had a significant redesign. And while transaction prices for both segments are at an all-time high, near new vehicles still represent a bargain because residual values have not kept up with transaction prices of newer vehicles.



# Same price range, many options

## NEW VS. 3-YEAR-OLD USED - CATEGORY PRICING



Source: Edmunds

We've begun to see a lot of pricing compression and overlap among categories of 3-year-old vehicles. By comparison, the new vehicle market has much less overlap in pricing and more defined vehicle categories by price. This contrast in market dynamics shows that for the new vehicle average price of \$37K, a shopper could afford 95% of what's on sale in the near new market. In the new market, that same \$37K could cover a selection of 53% of all vehicles on sale.

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used market



# What does \$25K buy you?

NEW VS. 3-YEAR-OLD USED

USED	Make Model	\$20K-25K
	Toyota RAV4	\$20,241
	Honda Odyssey	\$23,718
	BMW 3 Series	\$23,237
	Ford Edge	\$22,508
	Chevrolet Traverse	\$22,150
	Toyota Sienna	\$24,578
	Chevrolet Colorado	\$24,779
	Subaru Outback	\$21,081
	GMC Acadia	\$24,699
	Ford Mustang	\$22,036
	Lexus IS 200t	\$24,842
	Nissan Murano	\$23,008
	Dodge Charger	\$24,021
	Acura TLX	\$21,146
	Nissan Maxima	\$20,836
	Toyota RAV4 Hybrid	\$23,380
	Buick Enclave	\$24,978
	Nissan Pathfinder	\$21,935
	Nissan Frontier	\$20,473
	Hyundai Genesis	\$24,854

NEW	Make Model	\$20K-25K
	Honda Civic	\$21,830
	Toyota Corolla	\$21,212
	Hyundai Elantra	\$20,169
	Chevrolet Trax	\$23,862
	Volkswagen Jetta	\$21,142
	Kia Forte	\$20,225
	Honda HR-V	\$23,826
	Kia Soul	\$21,678
	Hyundai Sonata	\$24,594
	Subaru Impreza	\$22,091
	Nissan Kicks	\$21,417
	Hyundai Kona	\$24,234
	Ford EcoSport	\$24,106
	Mazda 3	\$24,758
	Toyota C-HR	\$23,528
	Toyota Corolla Hatchback	\$22,399
	Mitsubishi Outlander Sport	\$24,272
	Honda Insight	\$24,315
	Chevrolet Cruze	\$21,999
	Toyota Corolla Hybrid	\$23,033

Source: Edmunds

Drilling down to the model level further highlights the vastly different vehicles that shoppers will encounter during their search. Each list is a sampling of vehicles in the same price range, sorted from high to low in regard to volume. On the new side, shoppers are confined to mainstream brands, compact cars or subcompact SUVs, while on the used side, luxury brands become an option, and the number of vehicle categories more than doubles.





## Looking ahead

Many factors indicate the pricing gap between new and near new vehicles will continue to grow, and the saturation of the used vehicle market and pricing compression between brands and categories don't appear to have an end in sight. As new car sales

are slated for a downturn in 2020, the used market, if anything, may see more buyers come to the table. The value proposition for used is already here. The only question is how many consumers are sitting on the fence between the new and used market and what will persuade them to take the leap and buy used.

