

# Transform Tomorrow's Off-Lease Overflow into Opportunity



**Jonathan Smoke**

*Chief Economist* | Cox Automotive | Atlanta, GA  
404-568-7260 | [jonathan.smoke@coxautoinc.com](mailto:jonathan.smoke@coxautoinc.com)

**@SmokeonCars**  
**#NADASHOW**

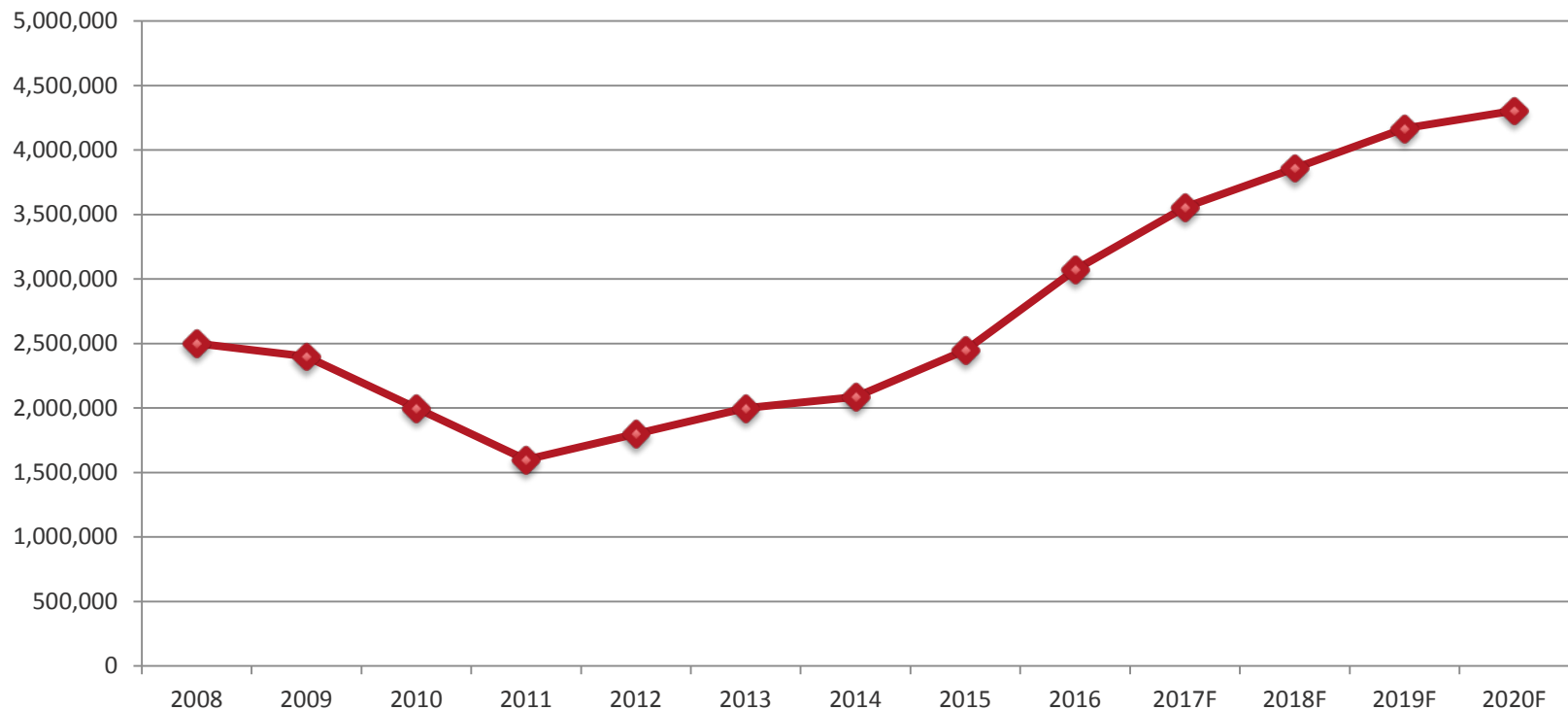
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# The Challenge

*The Off-lease “Tsunami” was feared for overwhelming supply*

**ESTIMATED OFF-LEASE MATURITIES**

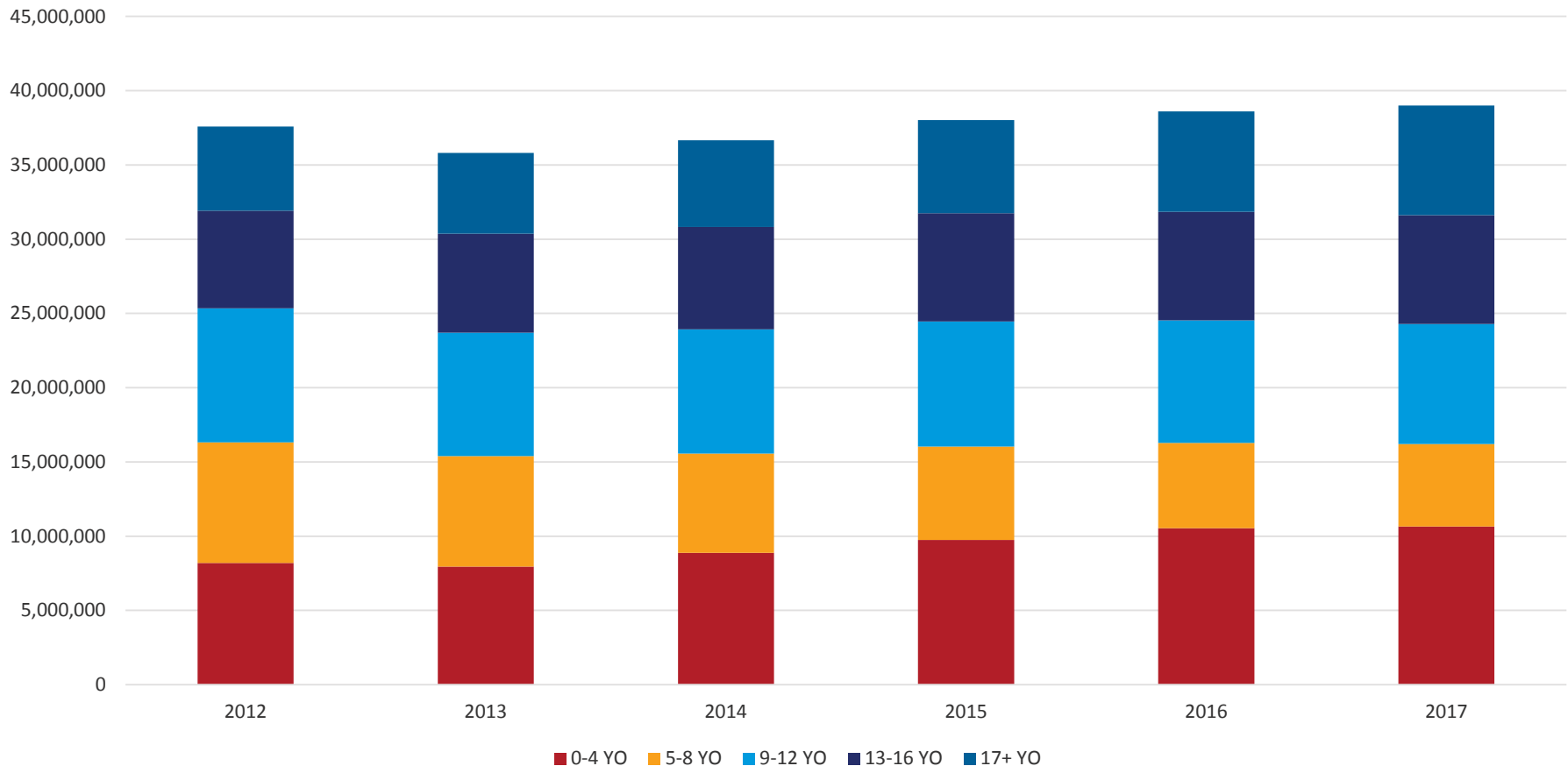


Source: Cox Automotive estimates

# The Challenge Becomes Opportunity

*Demand grew to match the supply*

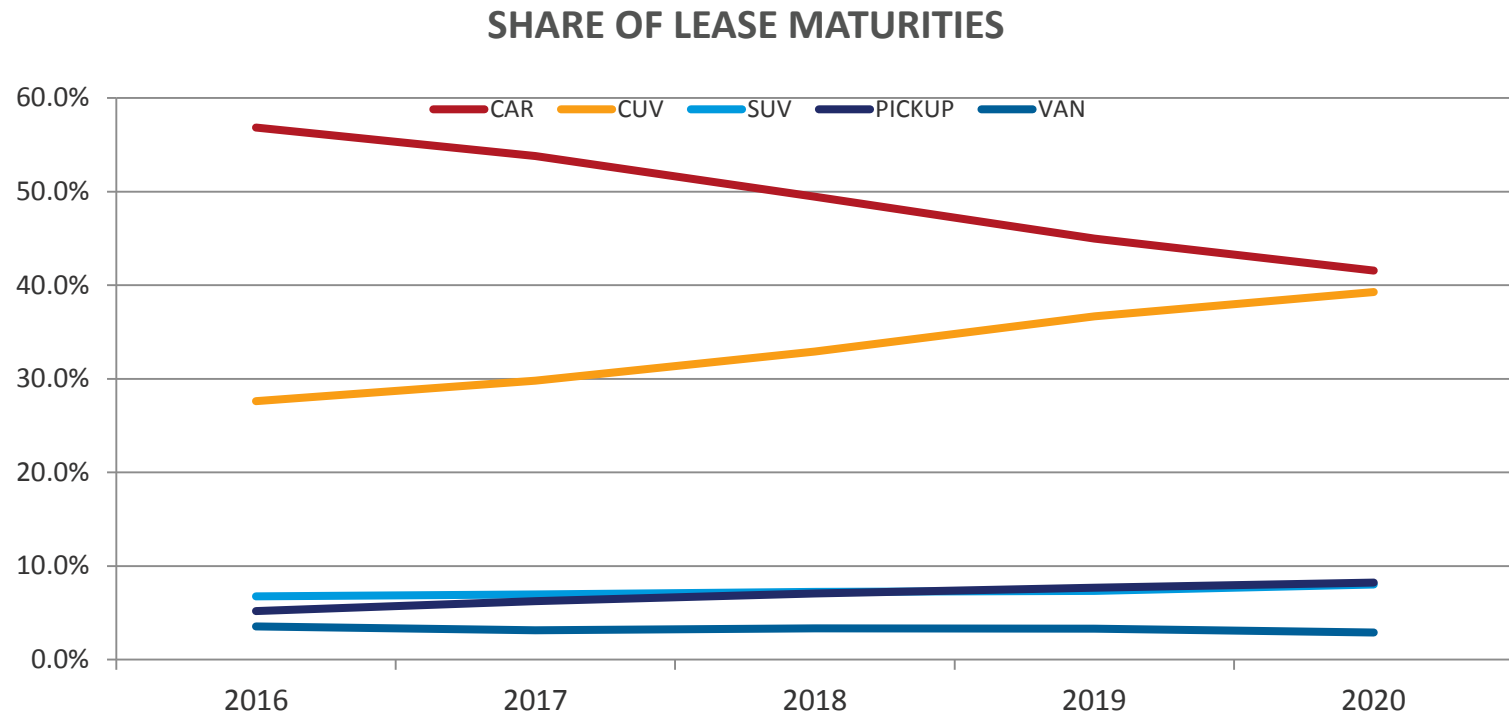
Annual Used Vehicle Sales by Age of Vehicle



Source: IHS Markit Polk Registrations, Cox Automotive estimates

# The Opportunity Improves

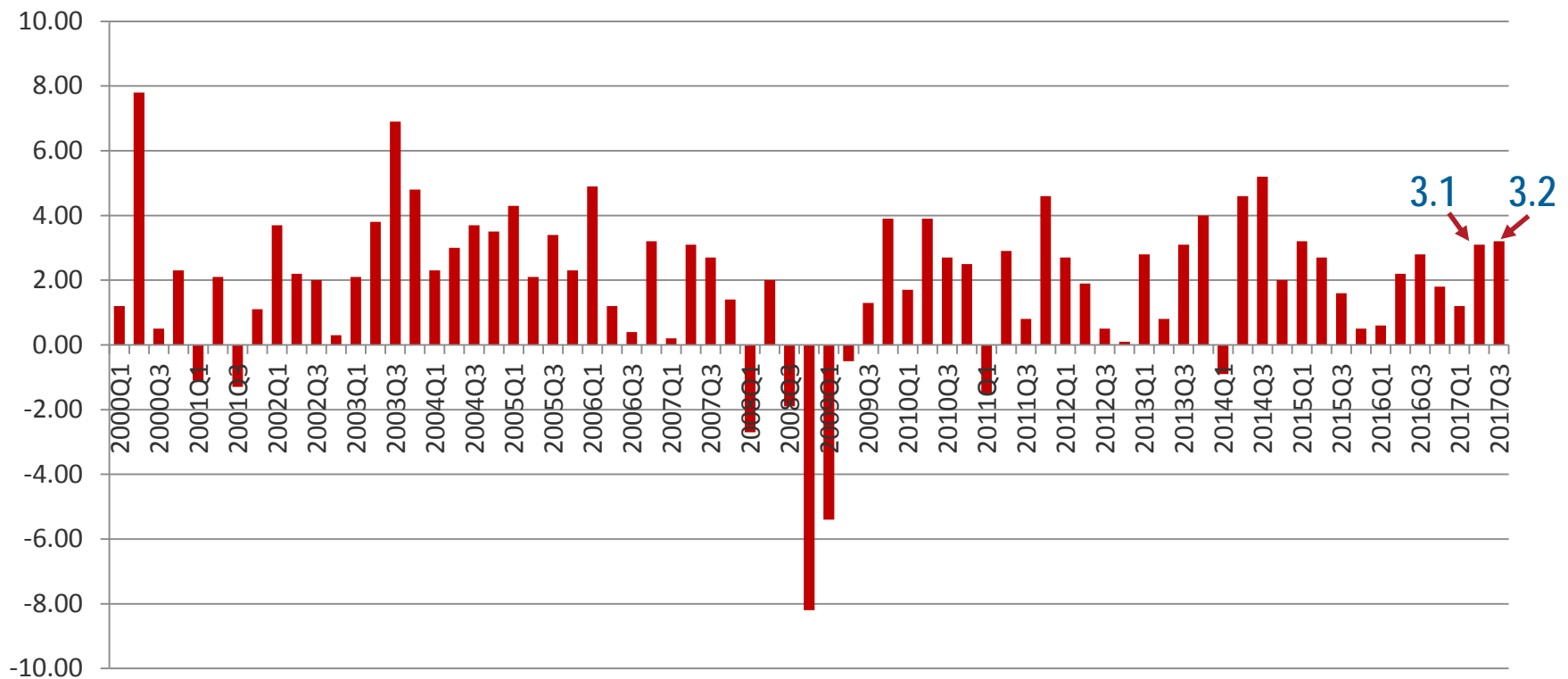
*Three more years of growth with improving mix*



Source: Cox Automotive estimates

# Backdrop: Economic Growth Accelerates

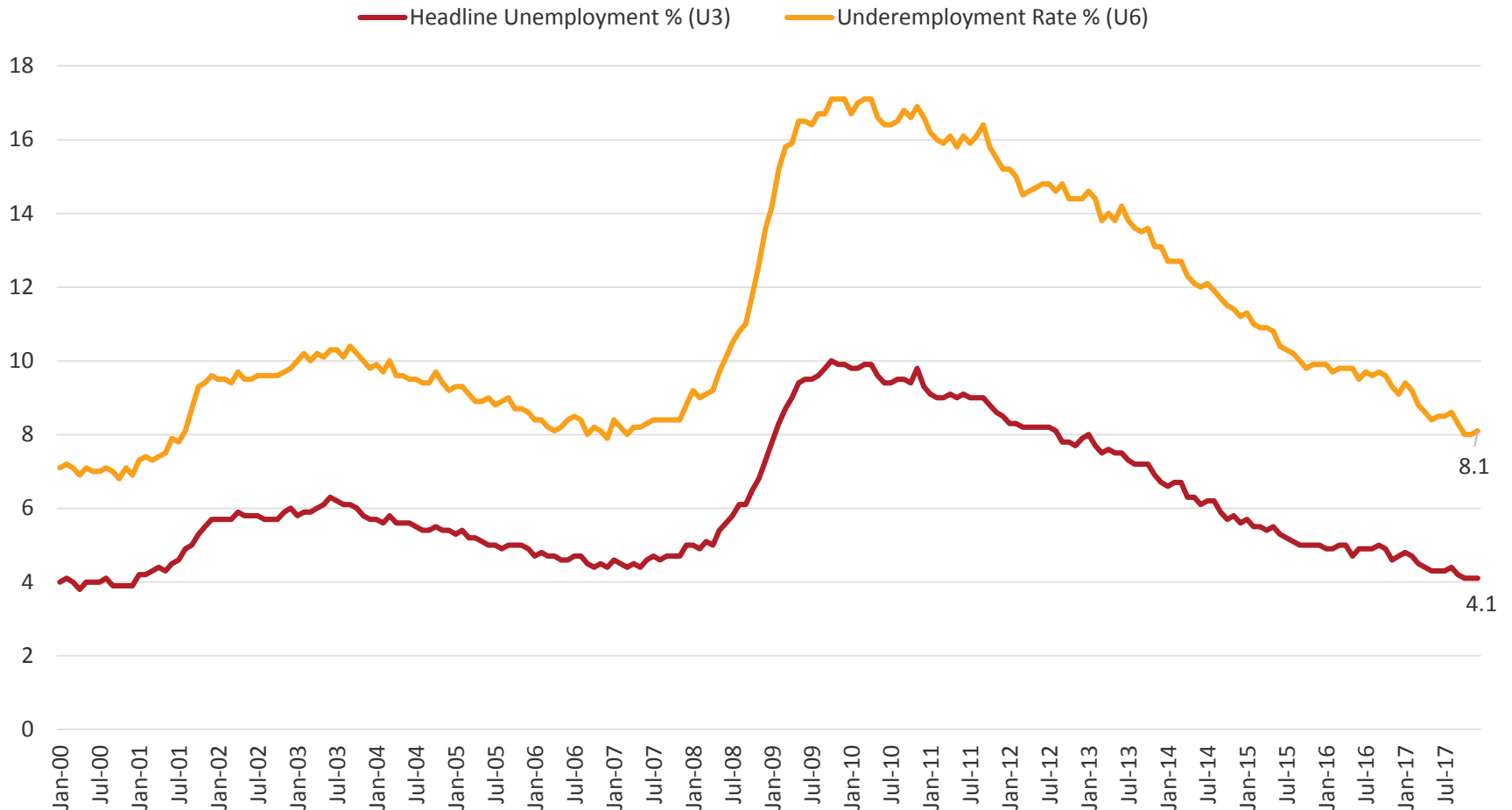
REAL GROSS DOMESTIC PRODUCT (SAAR) % GROWTH BY QUARTER



Source: United States Bureau of Economic Analysis

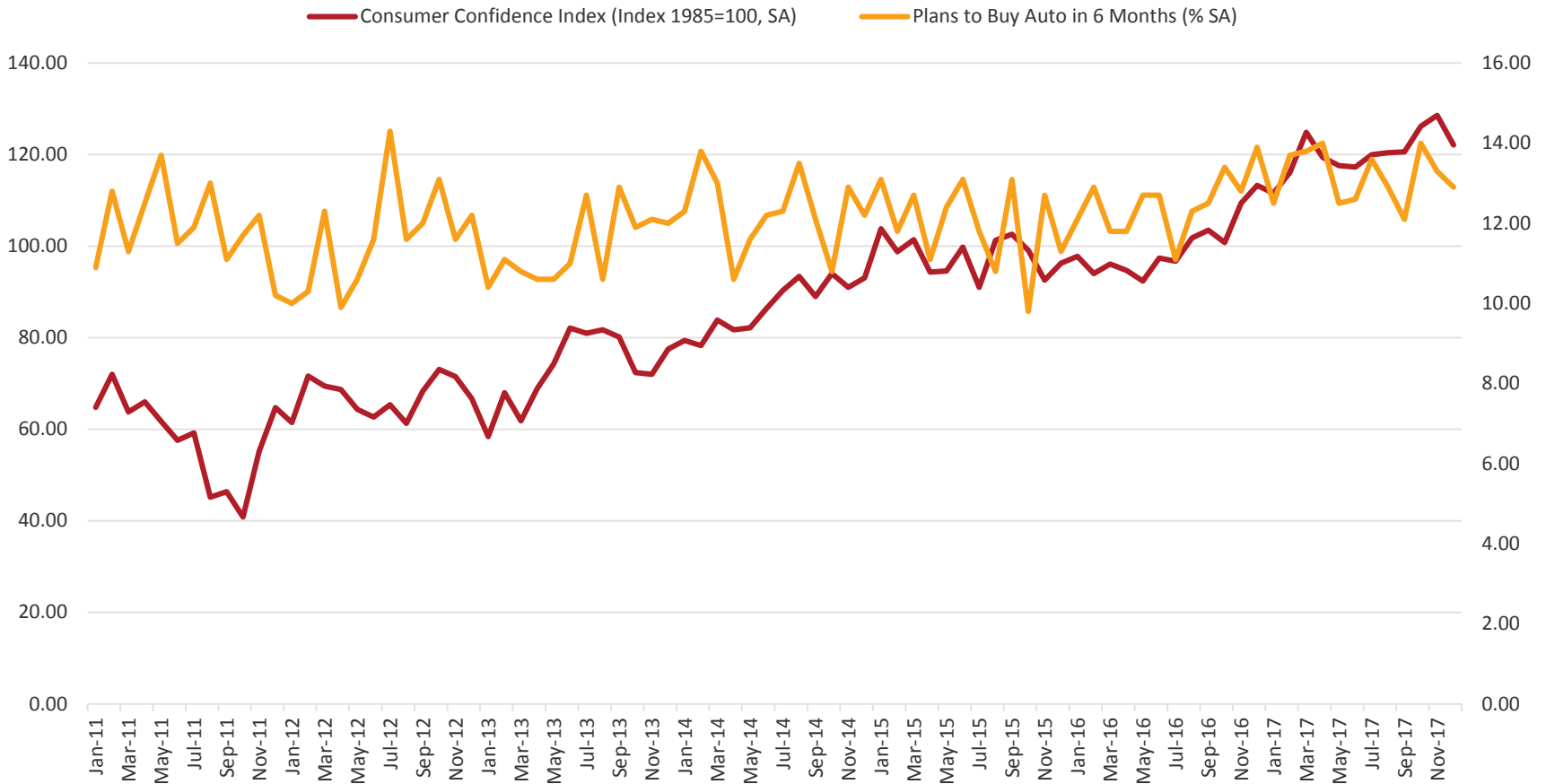
# Unemployment Continues to Fall

## UNEMPLOYMENT RATES



Source: United States Bureau of Labor Statistics

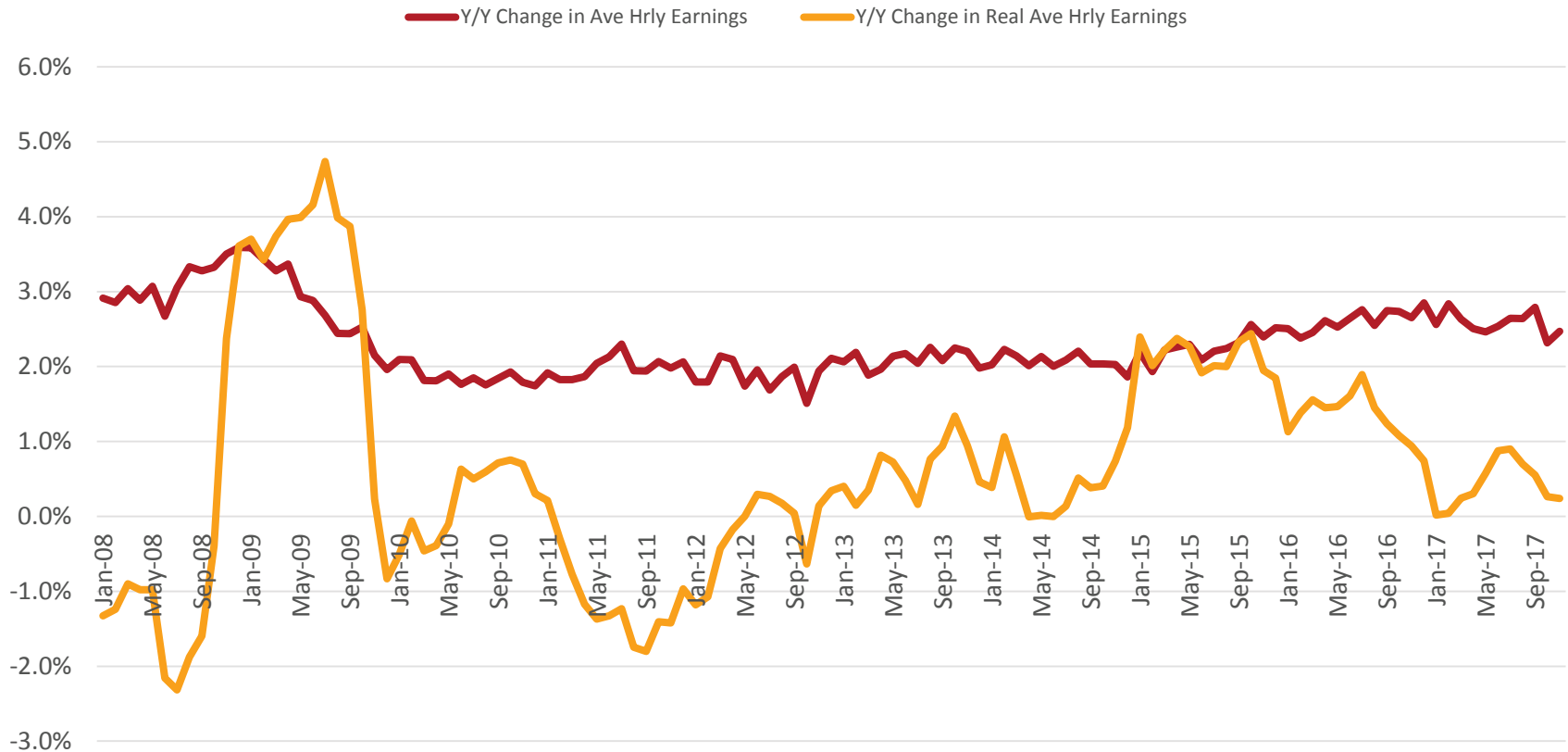
# Consumer Confidence Near 17-Year High



Source: The Conference Board

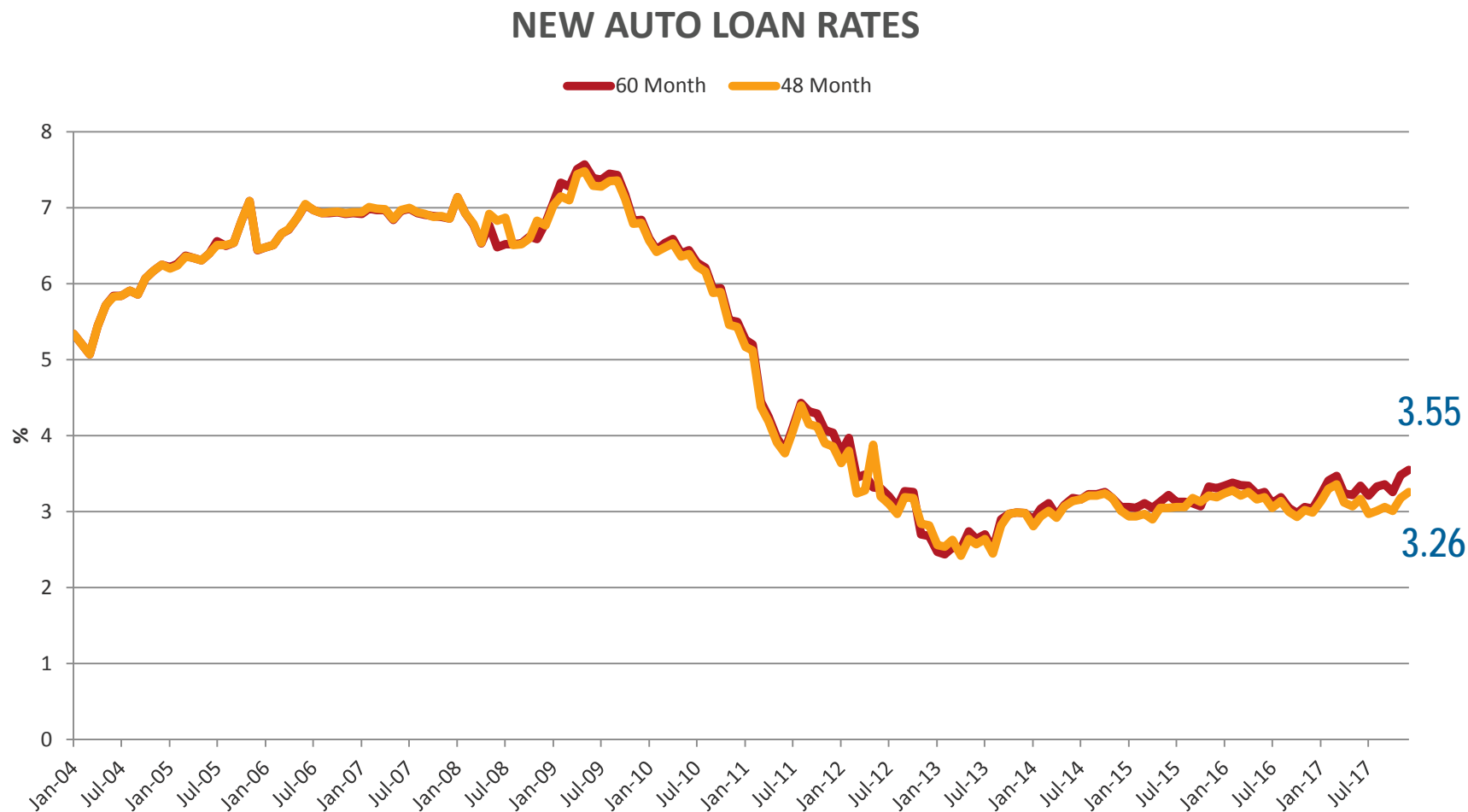


# Earnings Consistently Beating Inflation



Source: United States Bureau of Labor Statistics

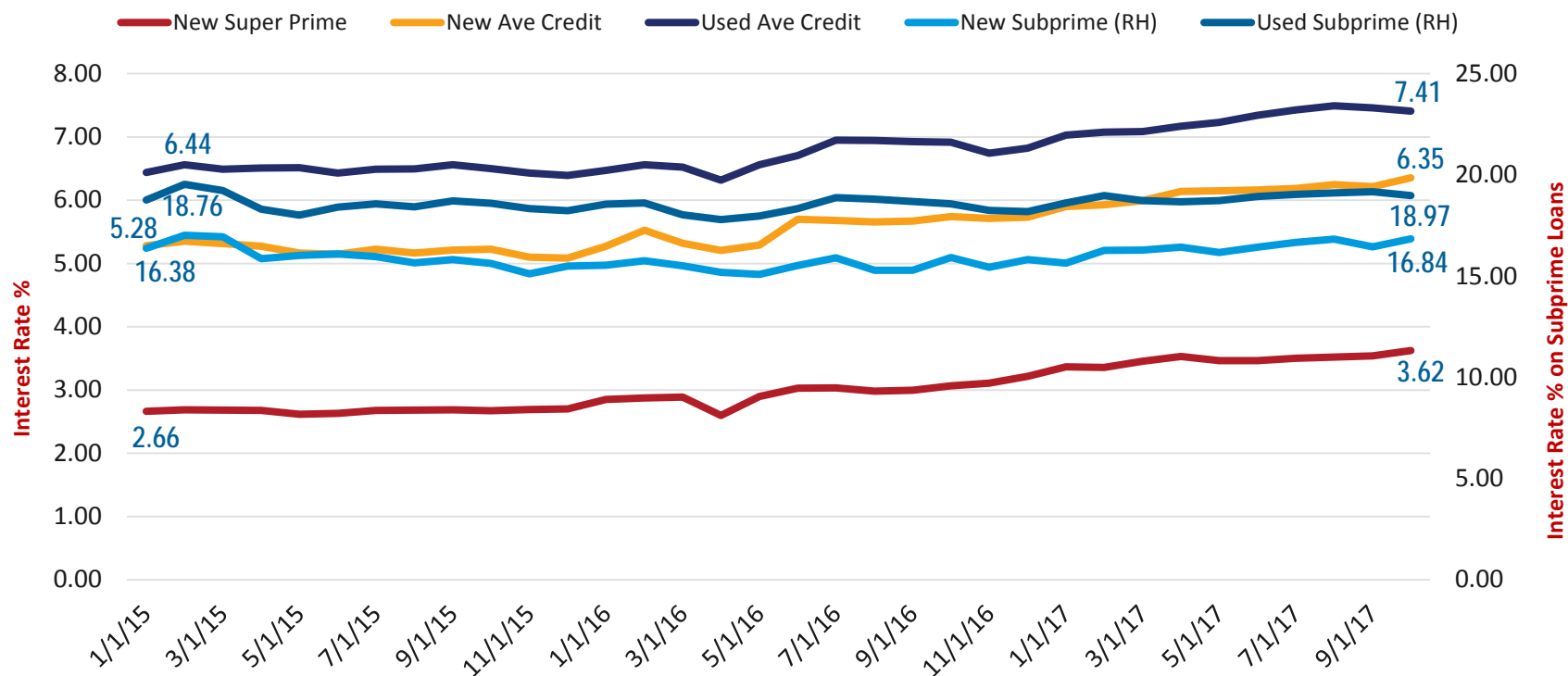
# Interest Rates Have Been Very Favorable



Source: Bankrate.com Auto Loan Rates via Bloomberg

# But Oh How Rates Vary

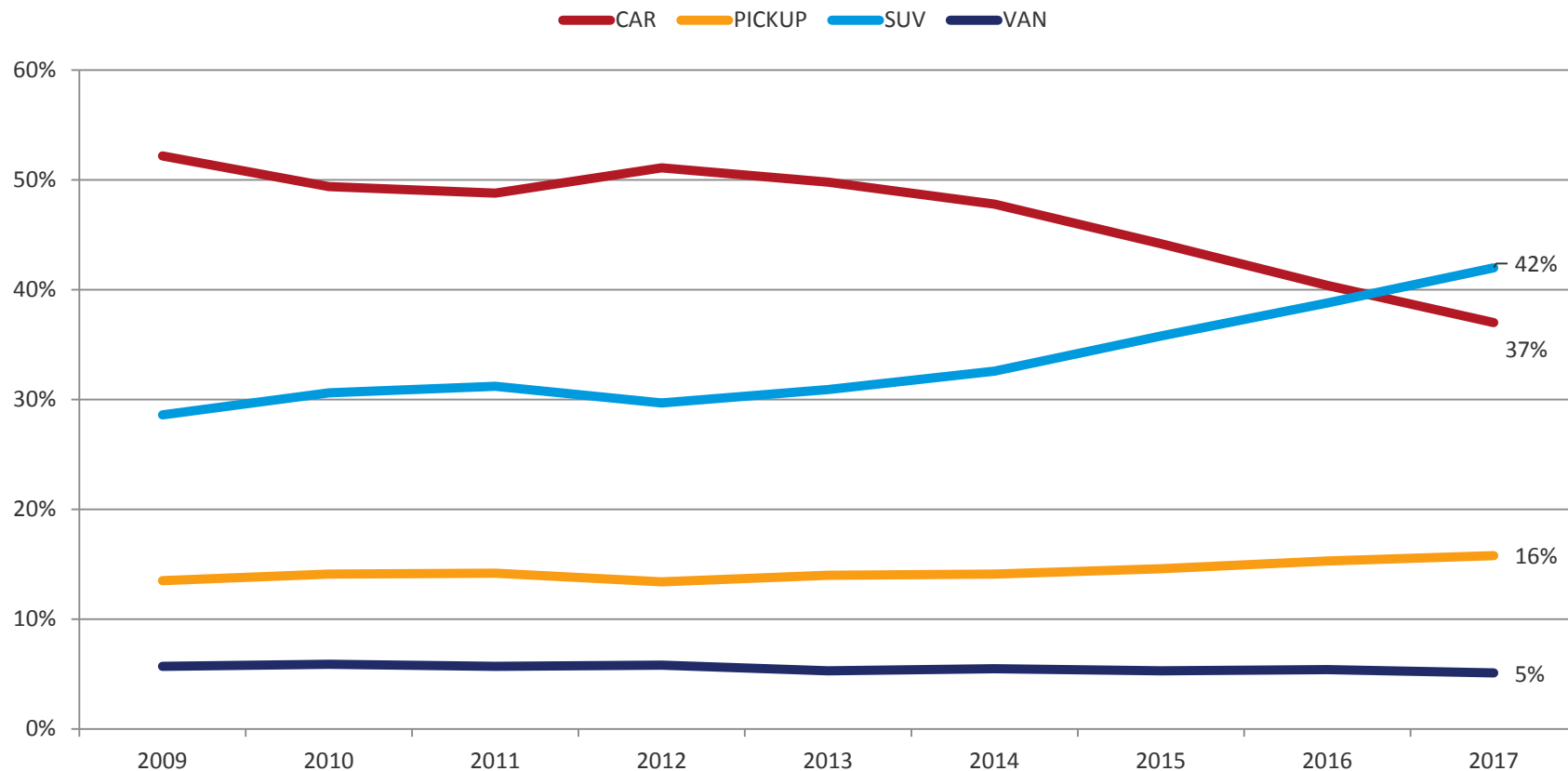
RATE SPREAD, NEW VS USED BY MAJOR CREDIT TIERS



Source: Dealertrack Credit Applications, Cox Automotive calculations

# Shifting Consumer Preferences in New

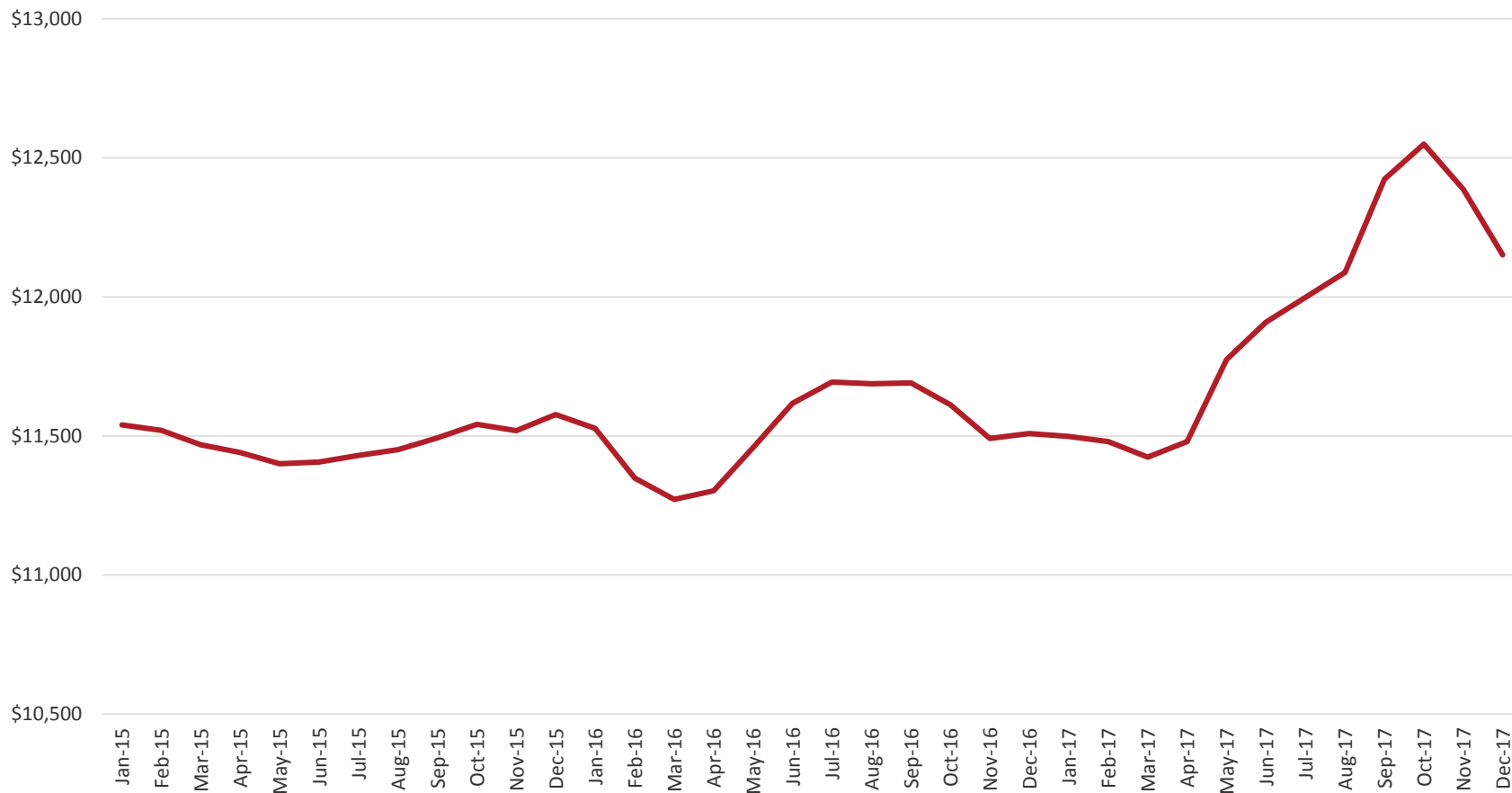
## NEW VEHICLE SALES BY CATEGORY



Source: Autodata new vehicle sales by segment, Cox Automotive calculations

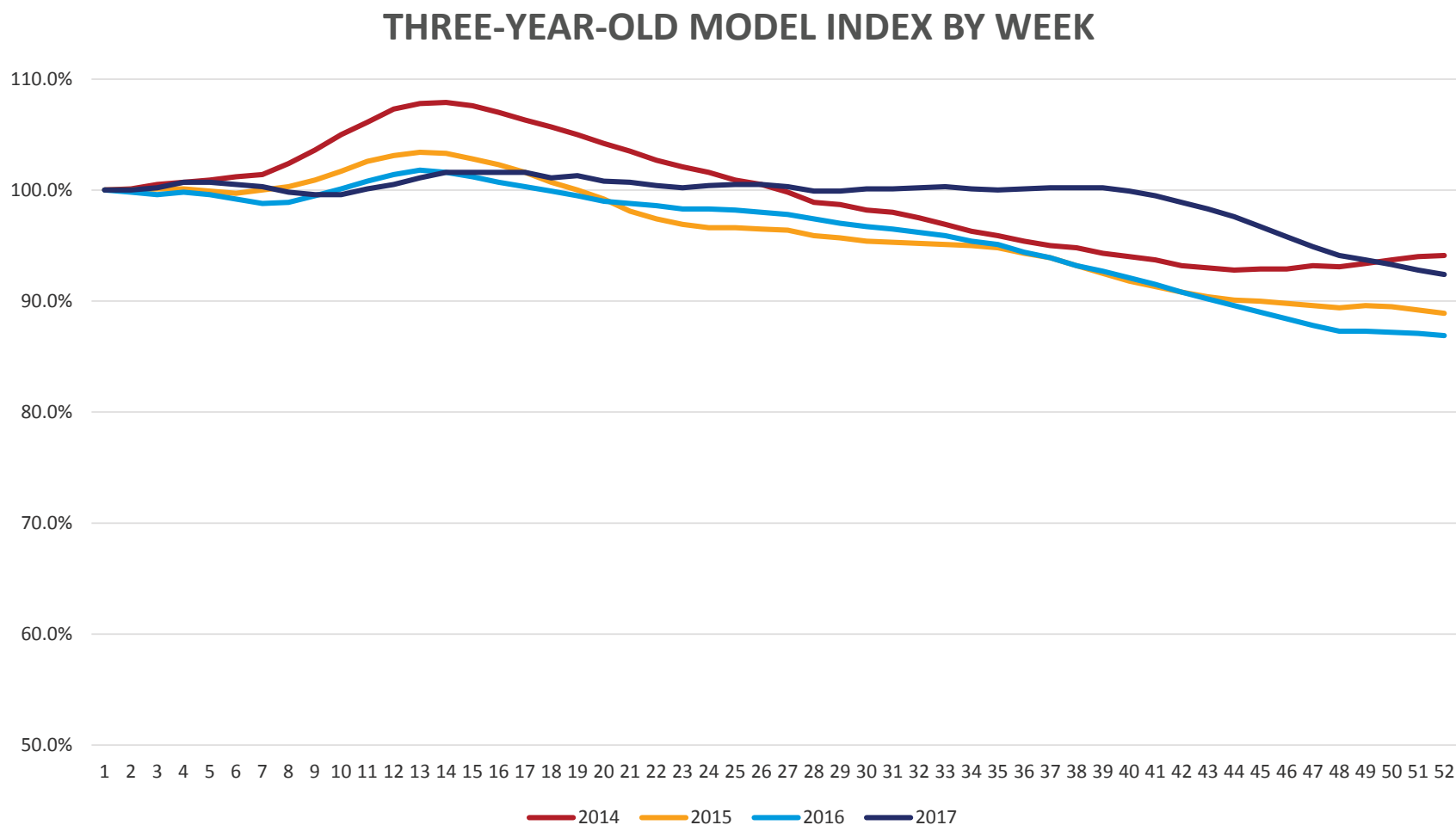
# Used Prices Had Distinct Cycles in 2016-2017

Manheim Used Vehicle Value Index (\$ SA) by Month 2015-2017



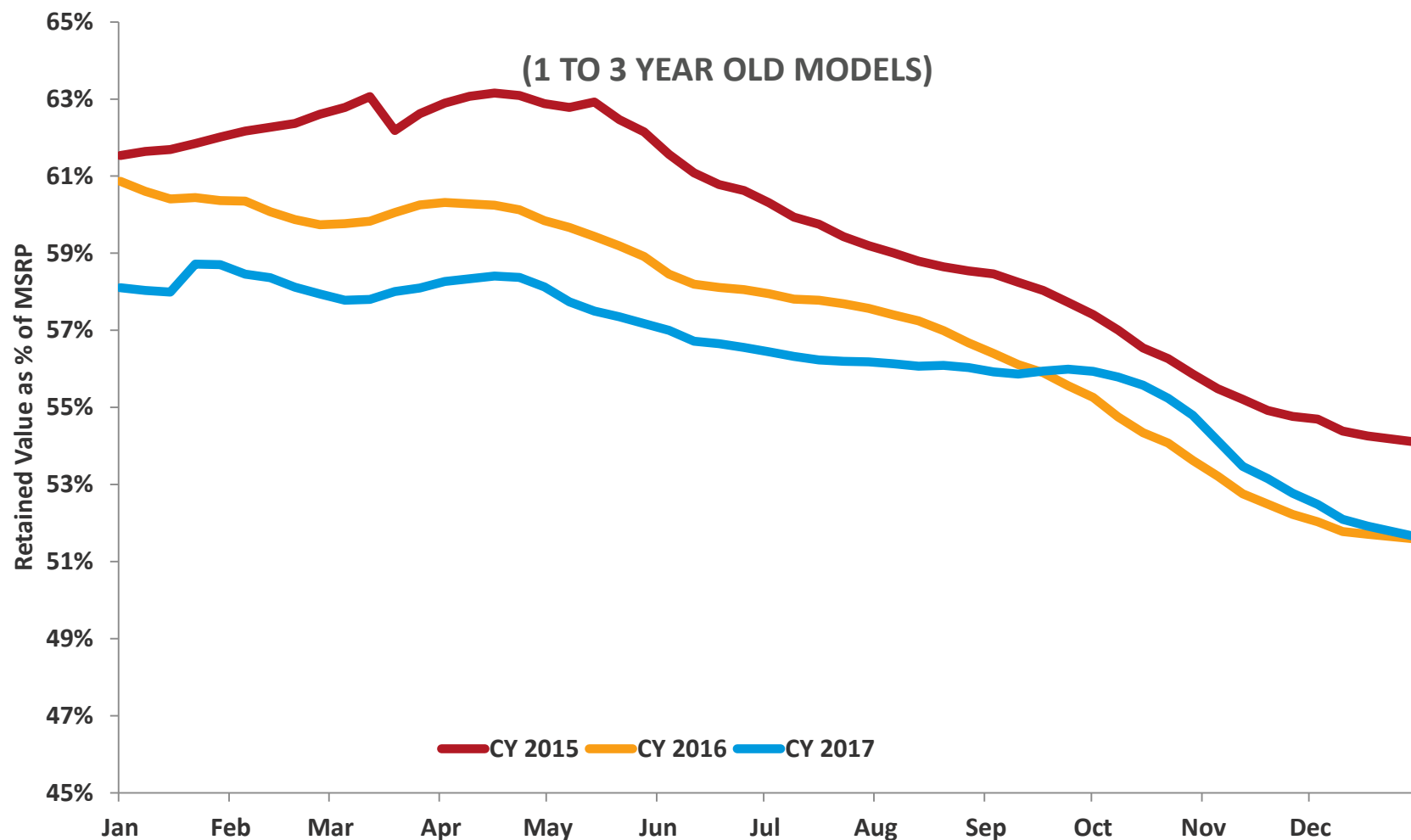
Source: Manheim Used Vehicle Value Index, Cox Automotive

# Abnormal Depreciation Pattern in 2017



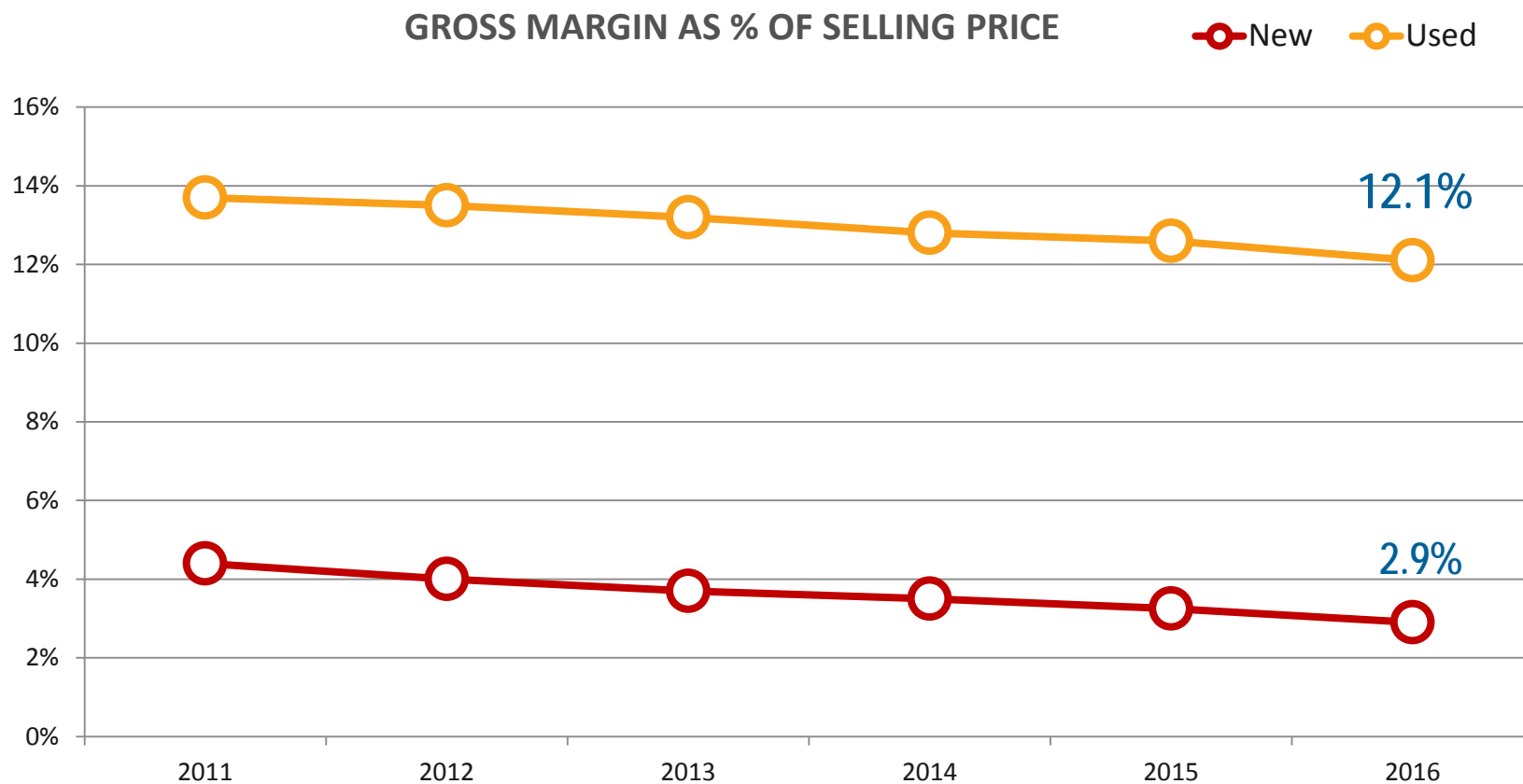
Source: Manheim, Cox Automotive

# Retention Values Also Saw Shift in Trend



Source: Kelley Blue Book, Cox Automotive

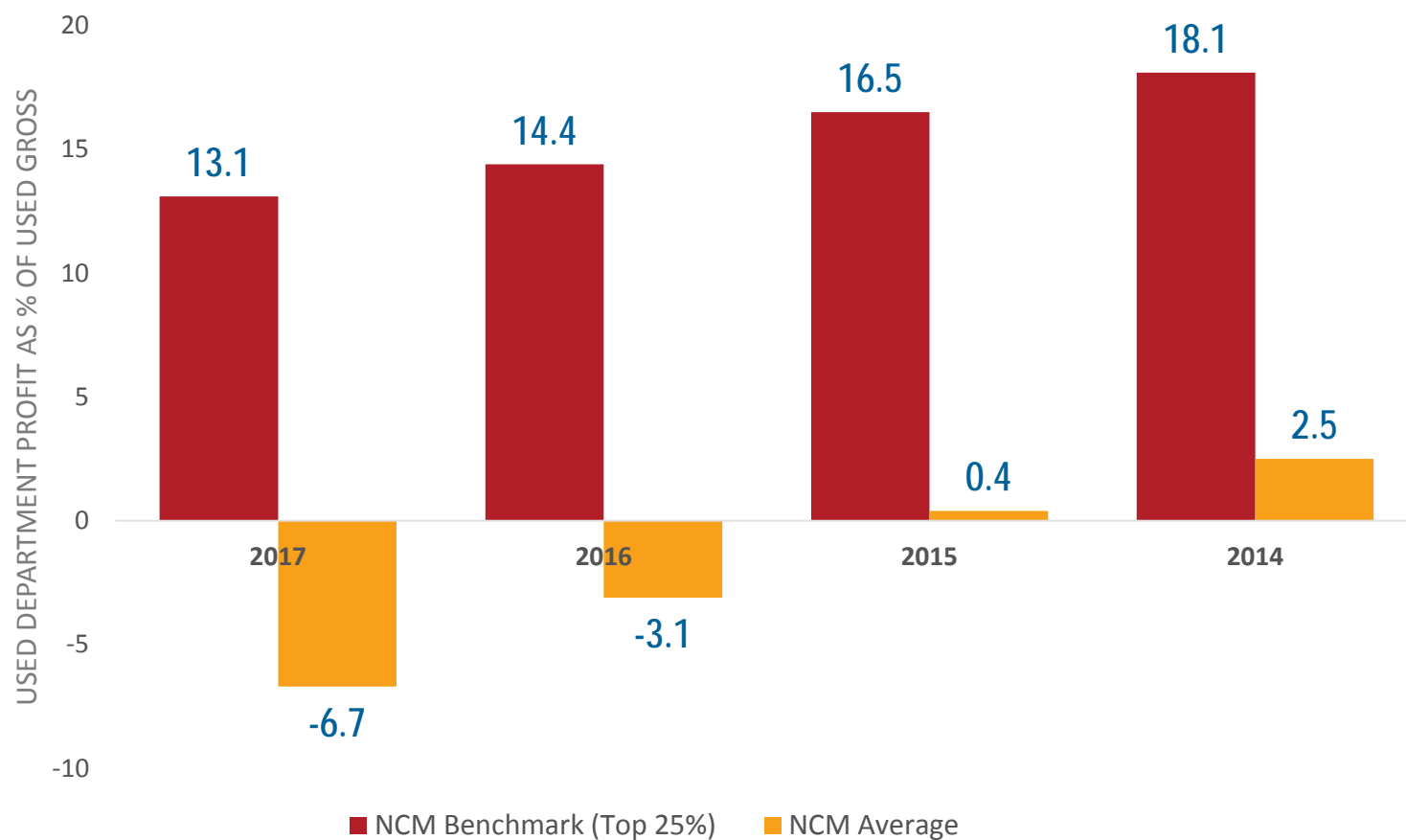
# Margins Continue to Decline



Source: NADA

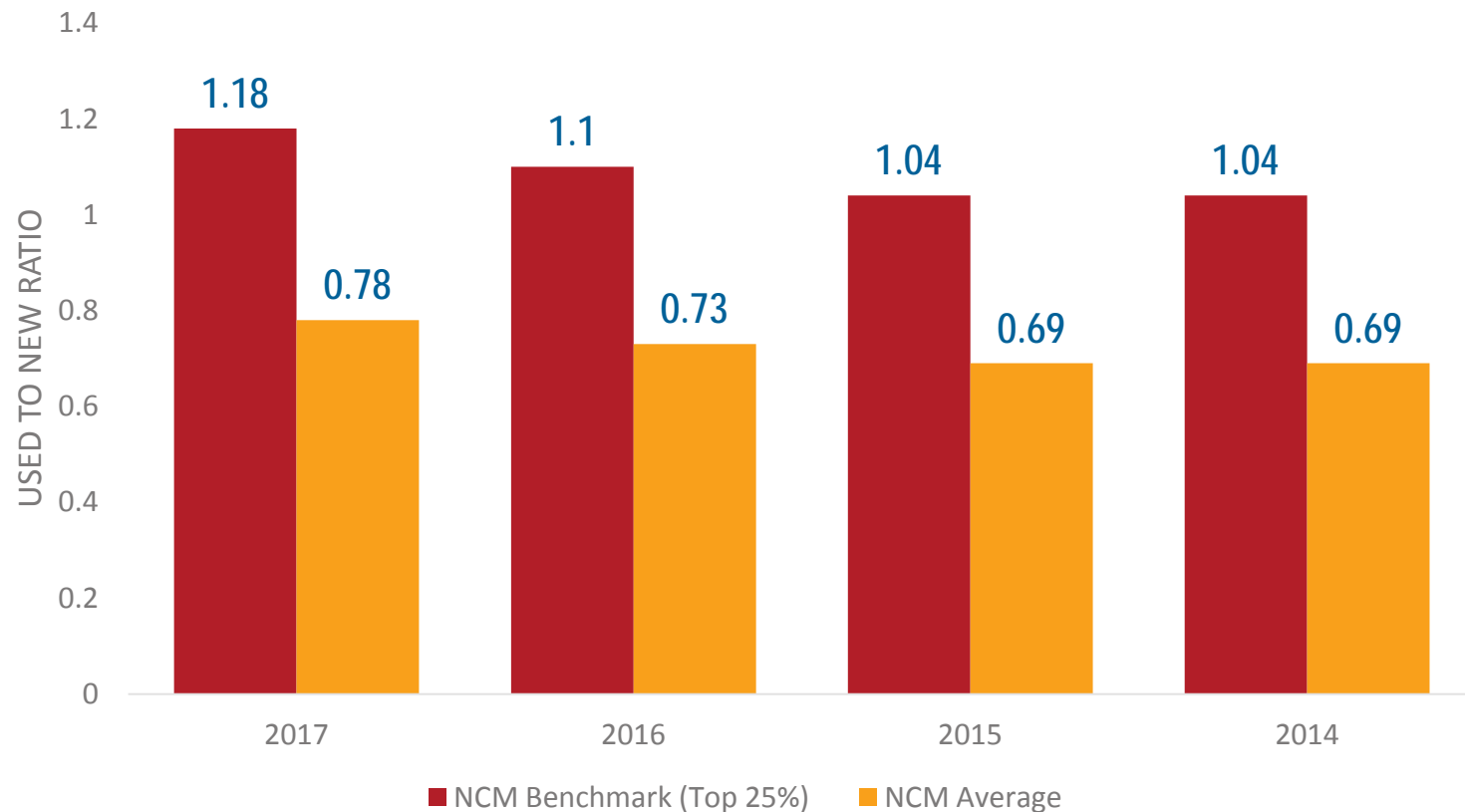


# Top Dealers Are Focusing on Used



Source: NCM Associates Benchmarks, All NCM Dealers, 2017 = YTD November

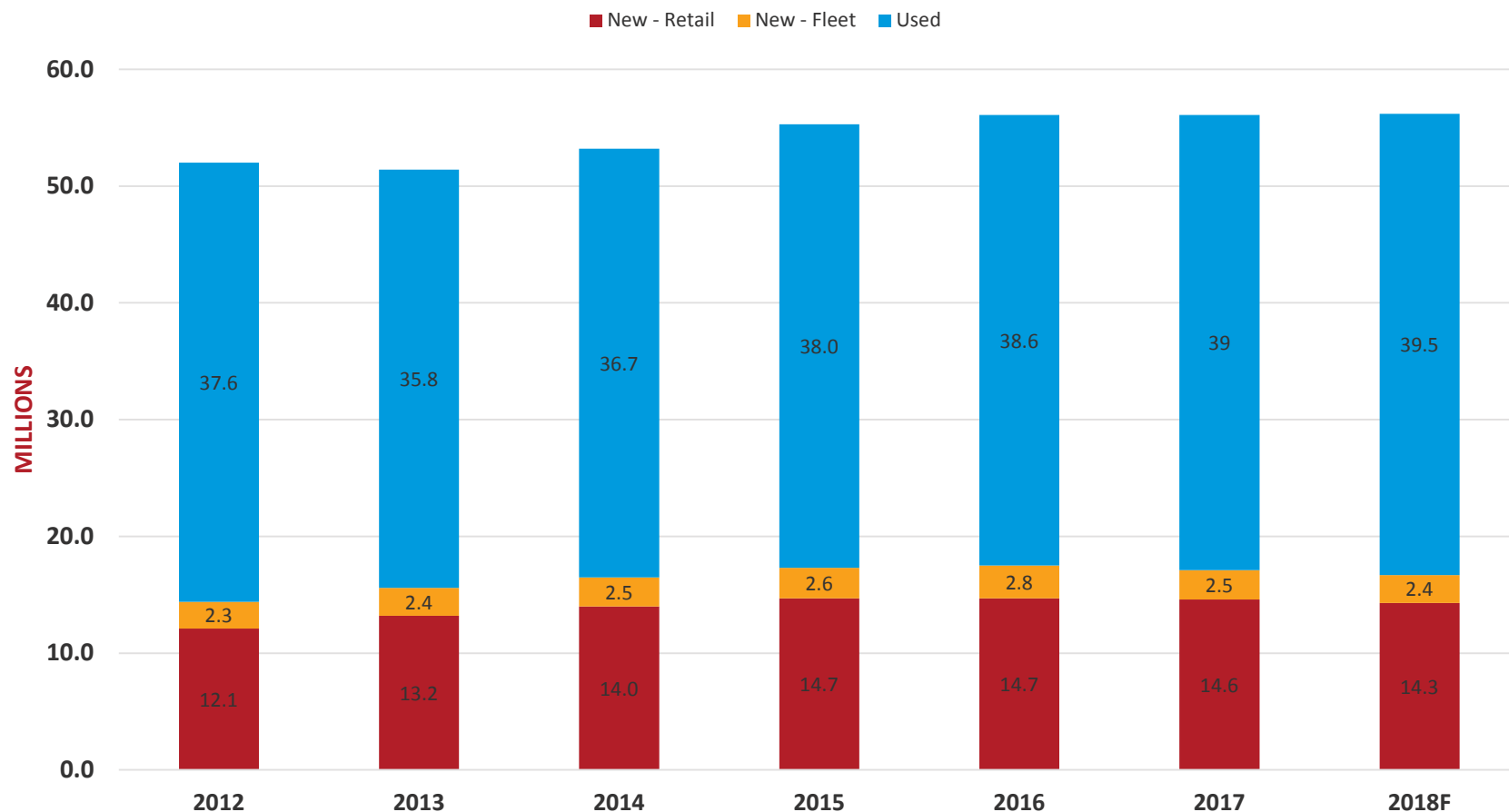
# Top Dealers Are Selling More Used



Source: NCM Associates Benchmarks, All NCM Dealers, 2017 = YTD November

# Forecast Sees Growth in Used, Not New

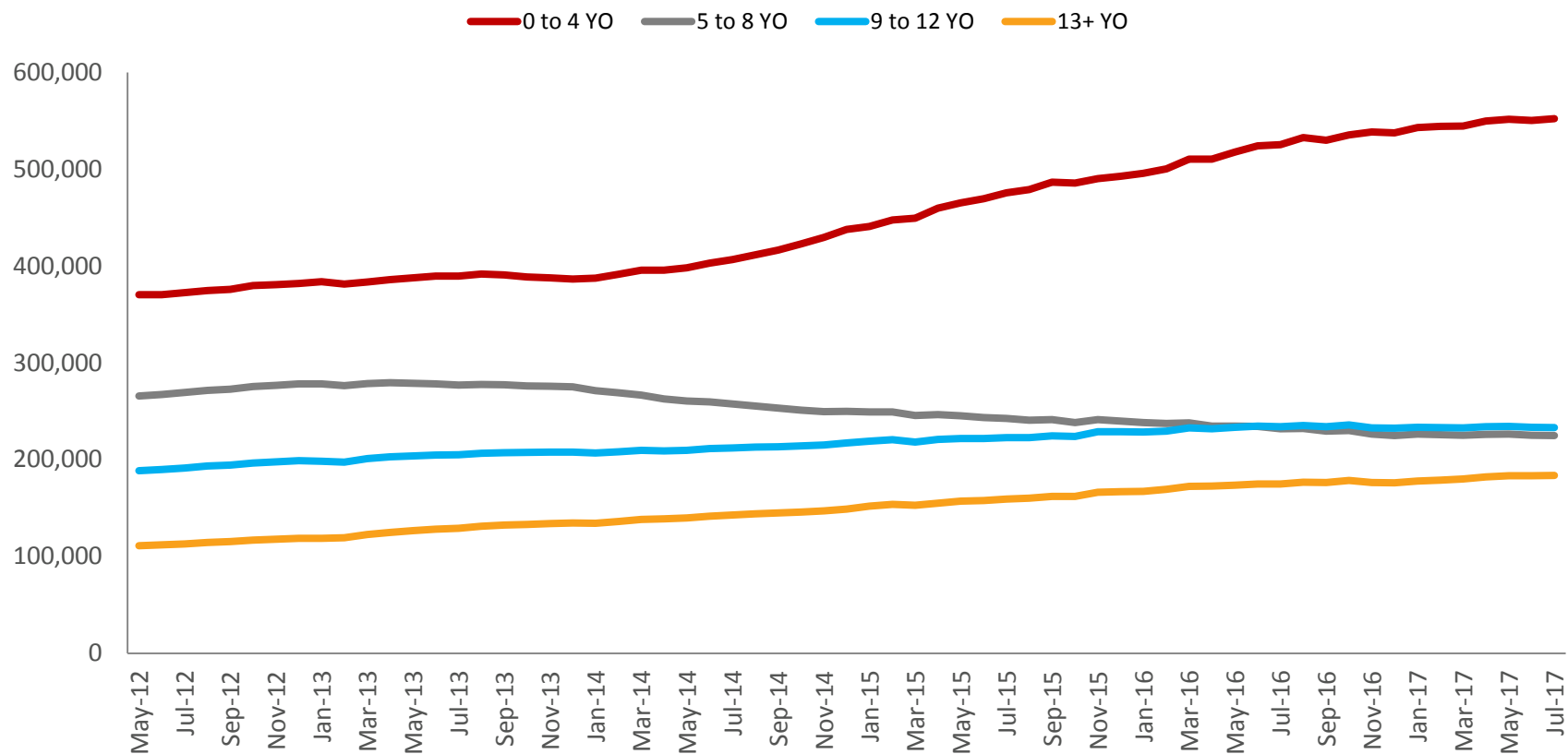
VEHICLE SALES BY YEAR AND TYPE, ACTUAL AND FORECAST



• Source: BEA New Vehicle Sales, Bobit Fleet Sales, and IHS Markit Registrations (history); Cox Automotive forecast

# <4 YO Vehicles Are the Source of Growth

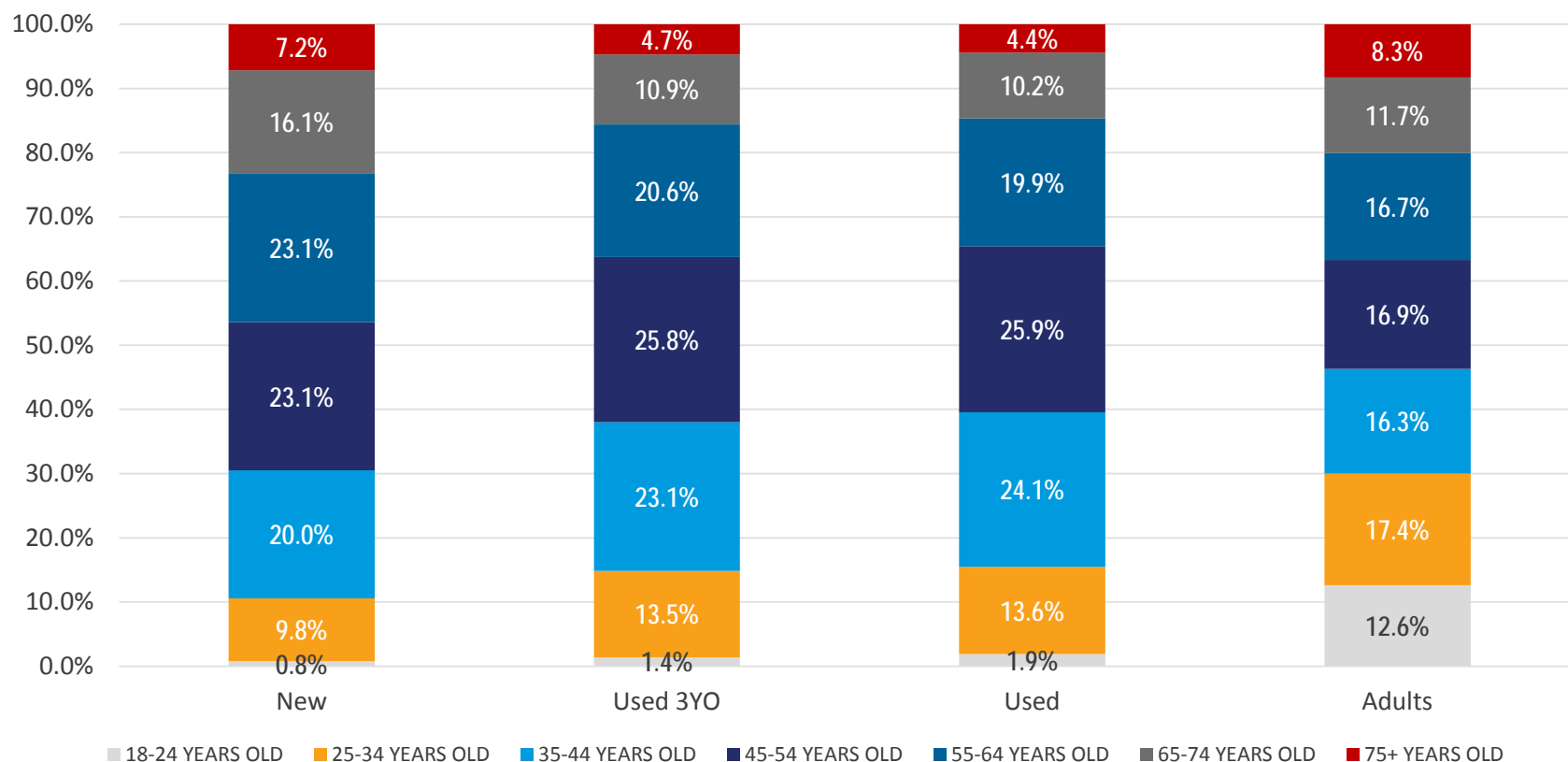
ANNUALIZED RETAIL USED VEHICLE SALES BY AGE OF VEHICLE



Source: IHS Markit Polk Registrations, Cox Automotive analysis

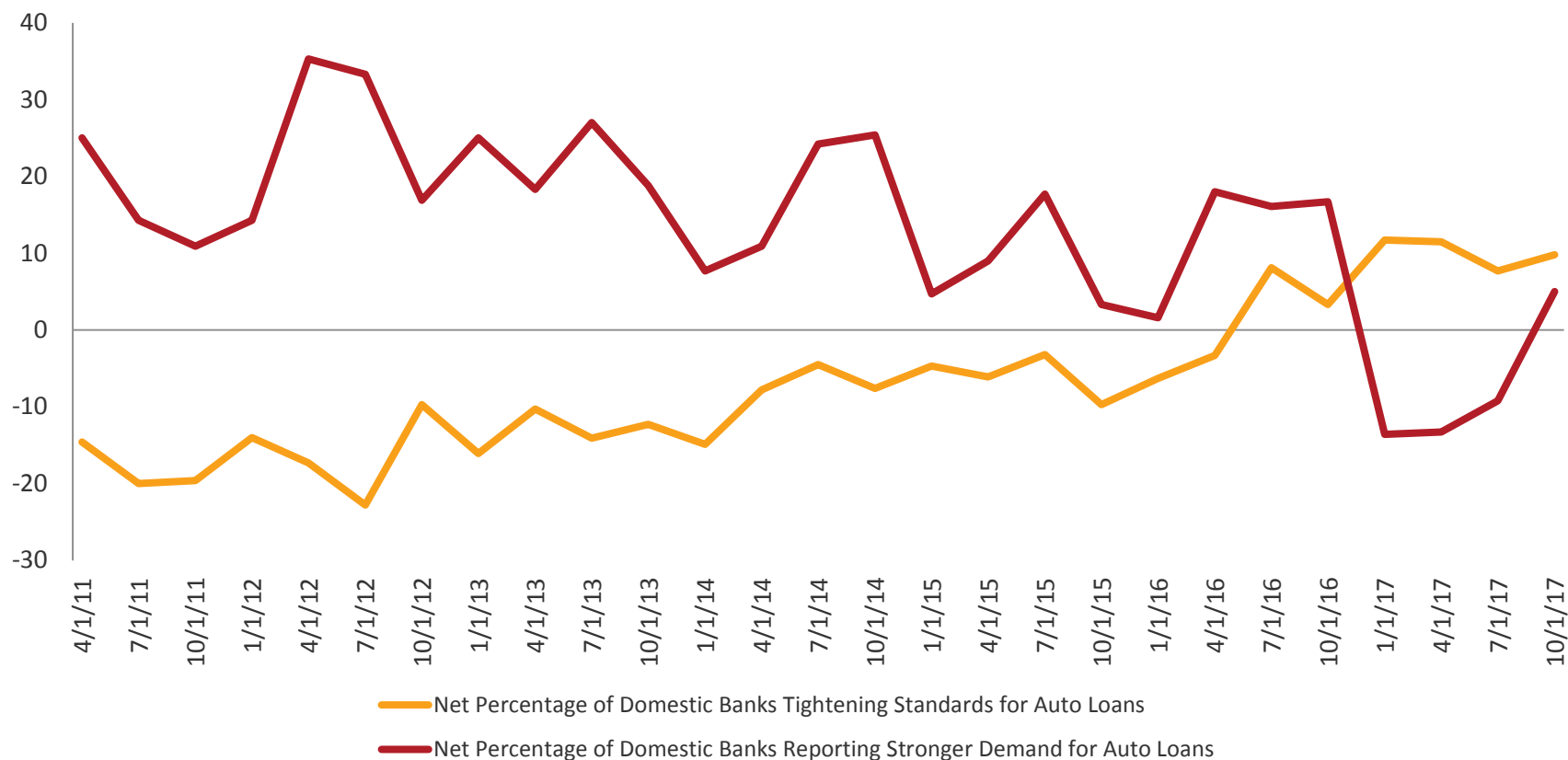
# Buyers of Used Vehicles Trend Younger

AGE DISTRIBUTION OF BUYERS, NEW VS. USED 3-YEAR-OLD, USED, AND ADULTS IN US



Source: IHS Markit Polk Registrations, Cox Automotive calculations, Claritas Pop-Demographics 2017 Population

# Credit Continues to Tighten



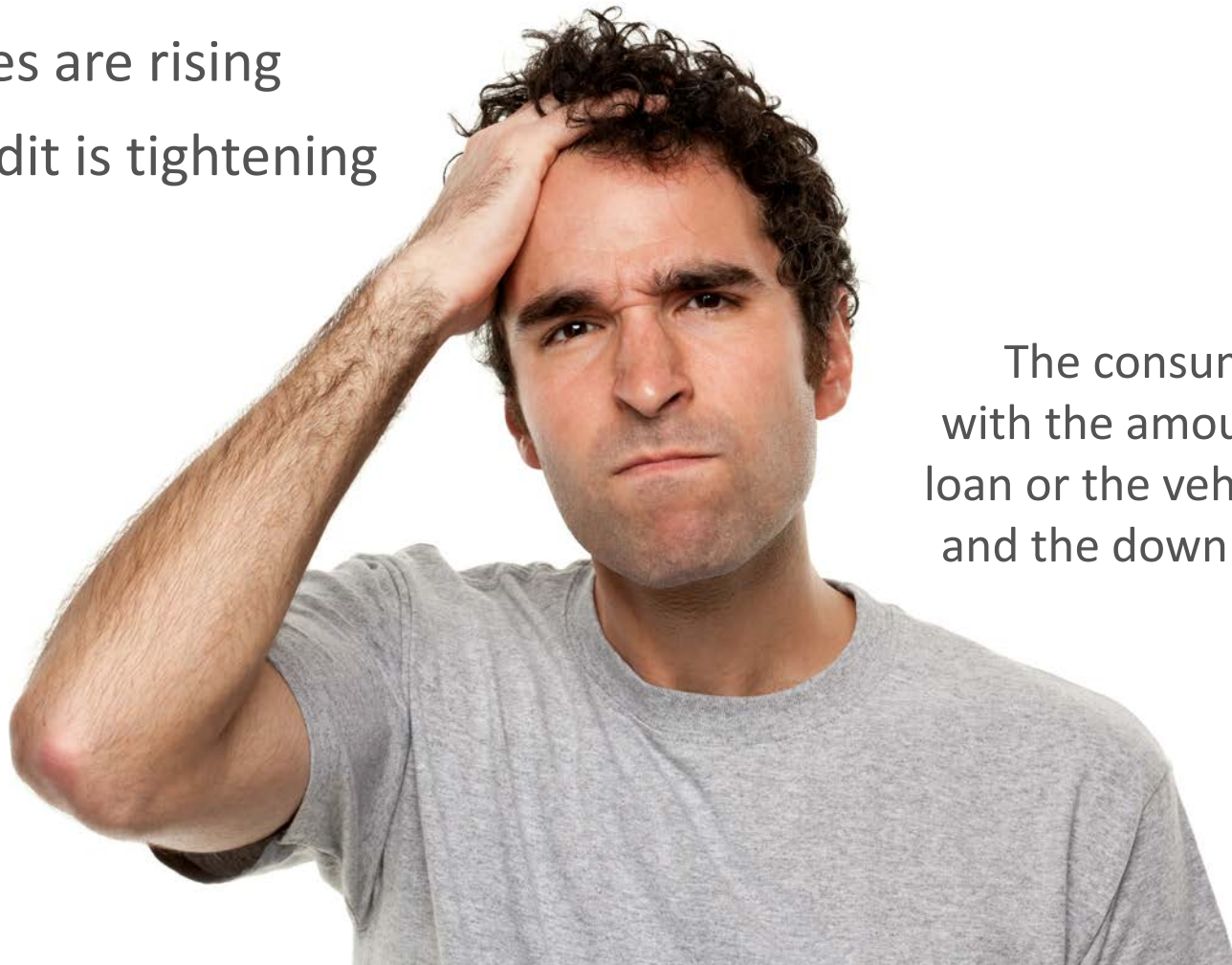
Source: Federal Reserve Bank Sr. Loan Officer Survey

# What Can a Consumer Control?

If prices are rising

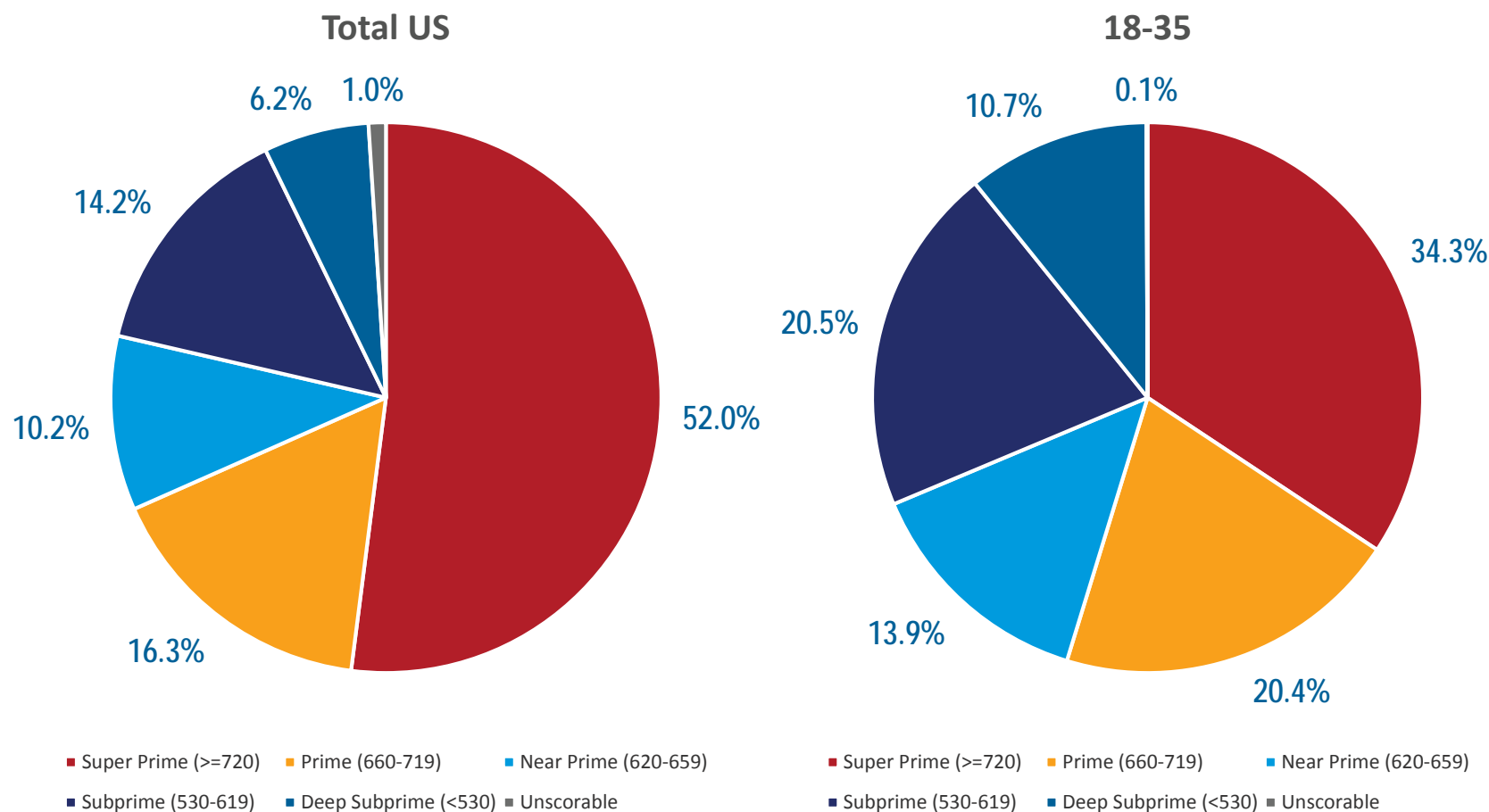
And rates are rising

And credit is tightening



The consumer is left  
with the amount of the  
loan or the vehicle price  
and the down payment

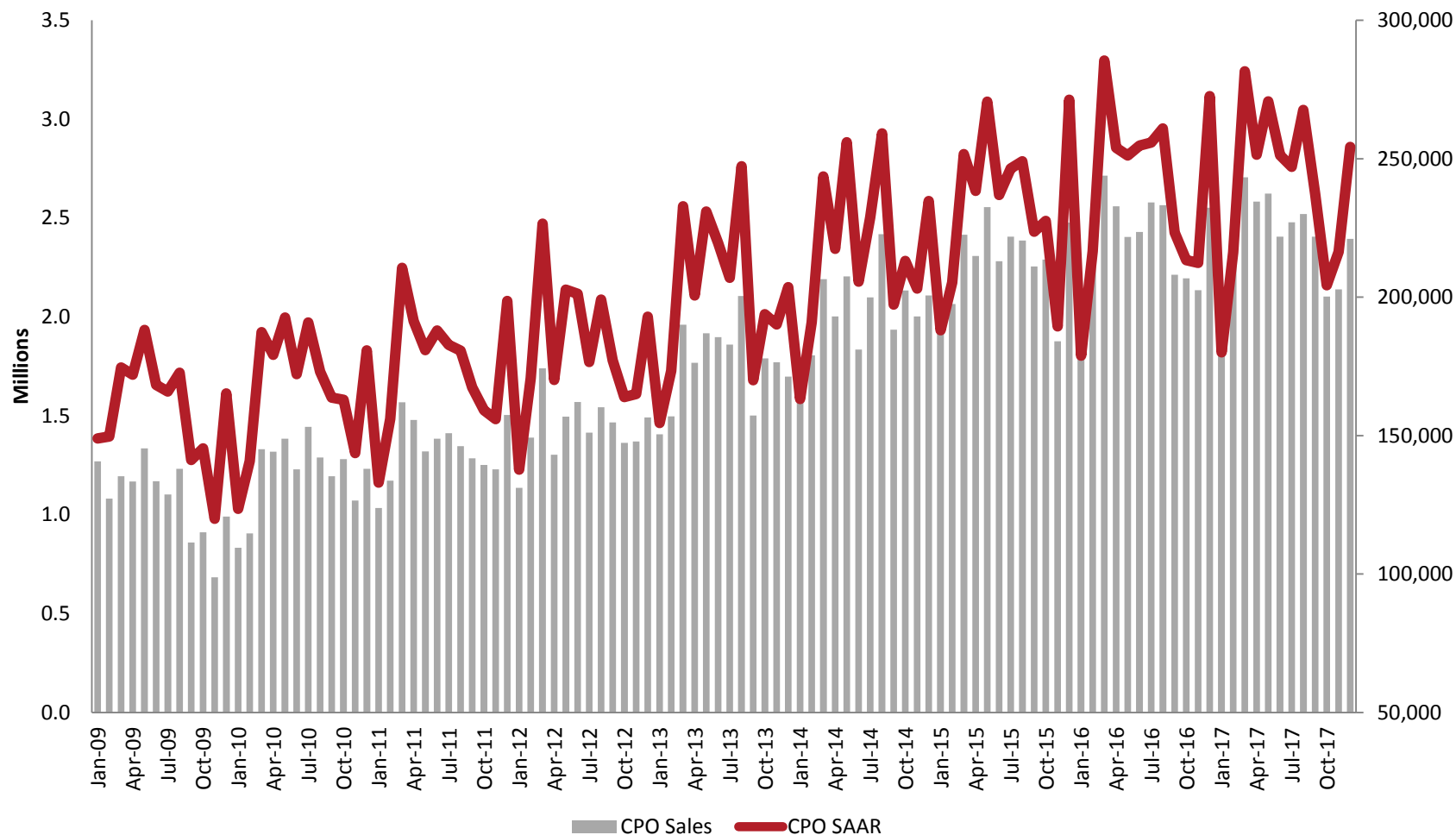
# Credit and Age Are Related



Source: Equifax Vantage Score Distribution of Active Credit Consumers, December 2017

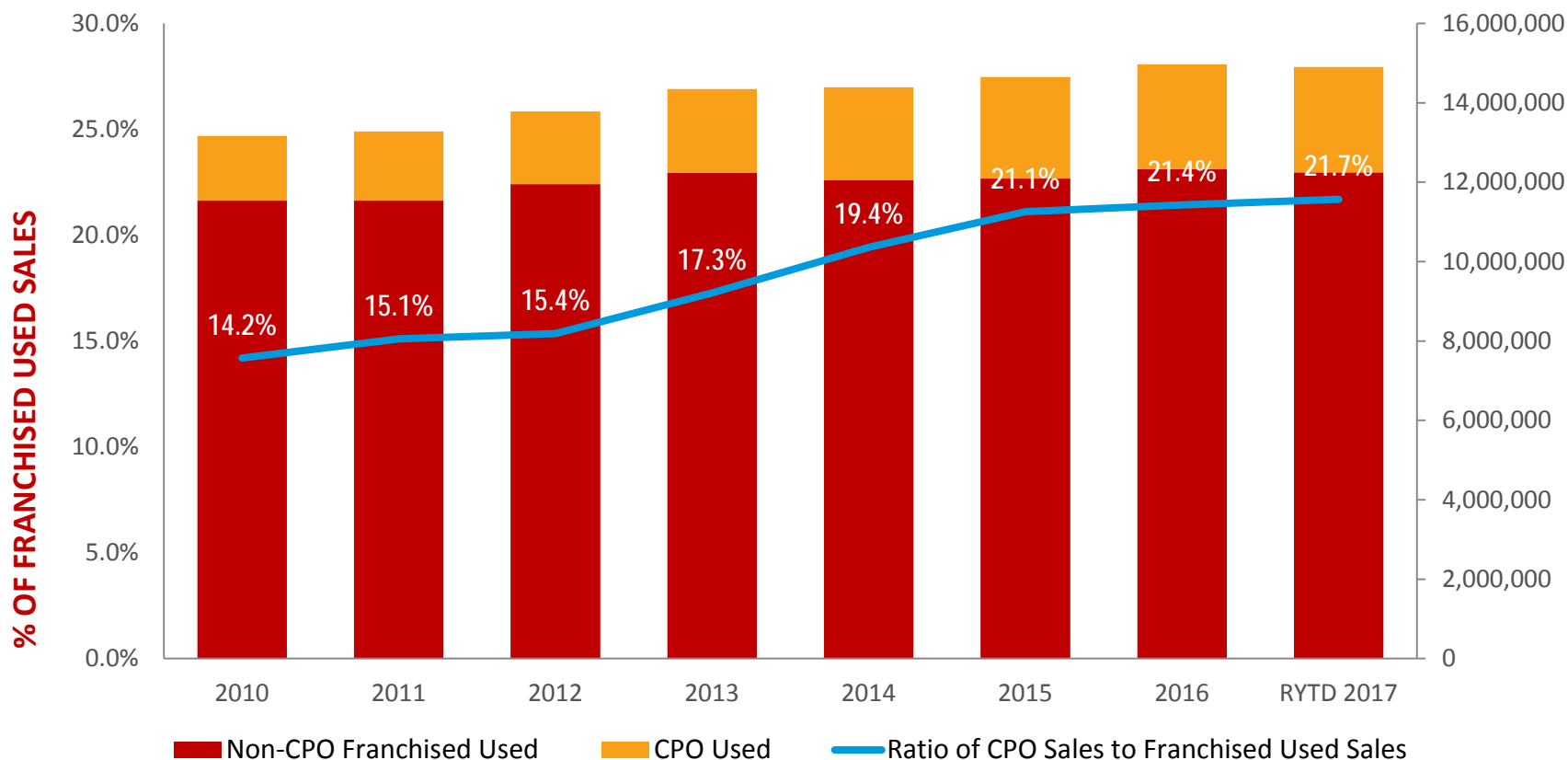


# Monthly CPO Sales and SAAR



Source: Autodata (CPO sales), BEA (SAAR factors), Cox Automotive calculations

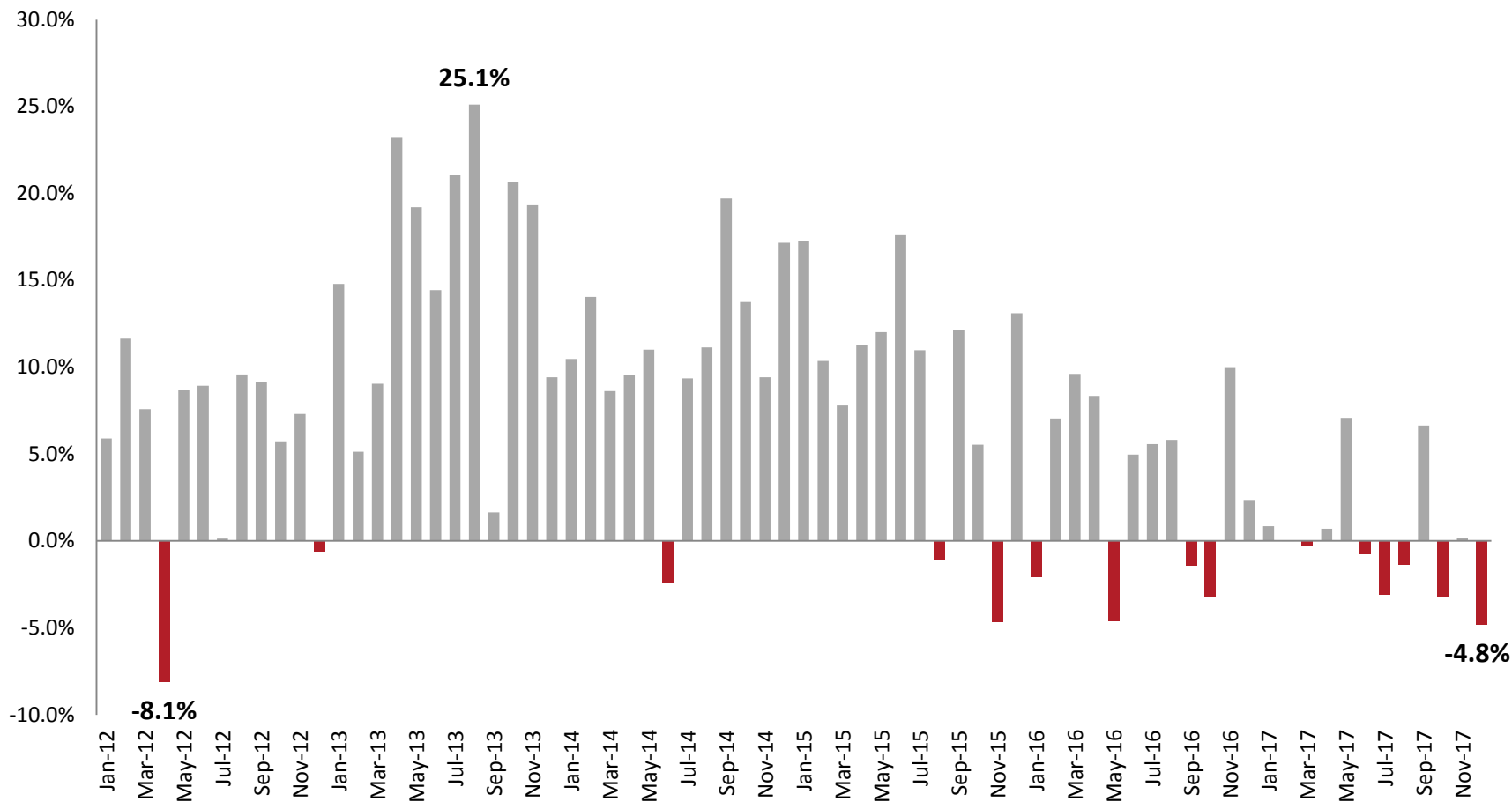
# Growing Share of CPO Sales



Source: NADA (YTD November Franchise Used Sales), Autodata (CPO Sales), Cox Automotive calculations

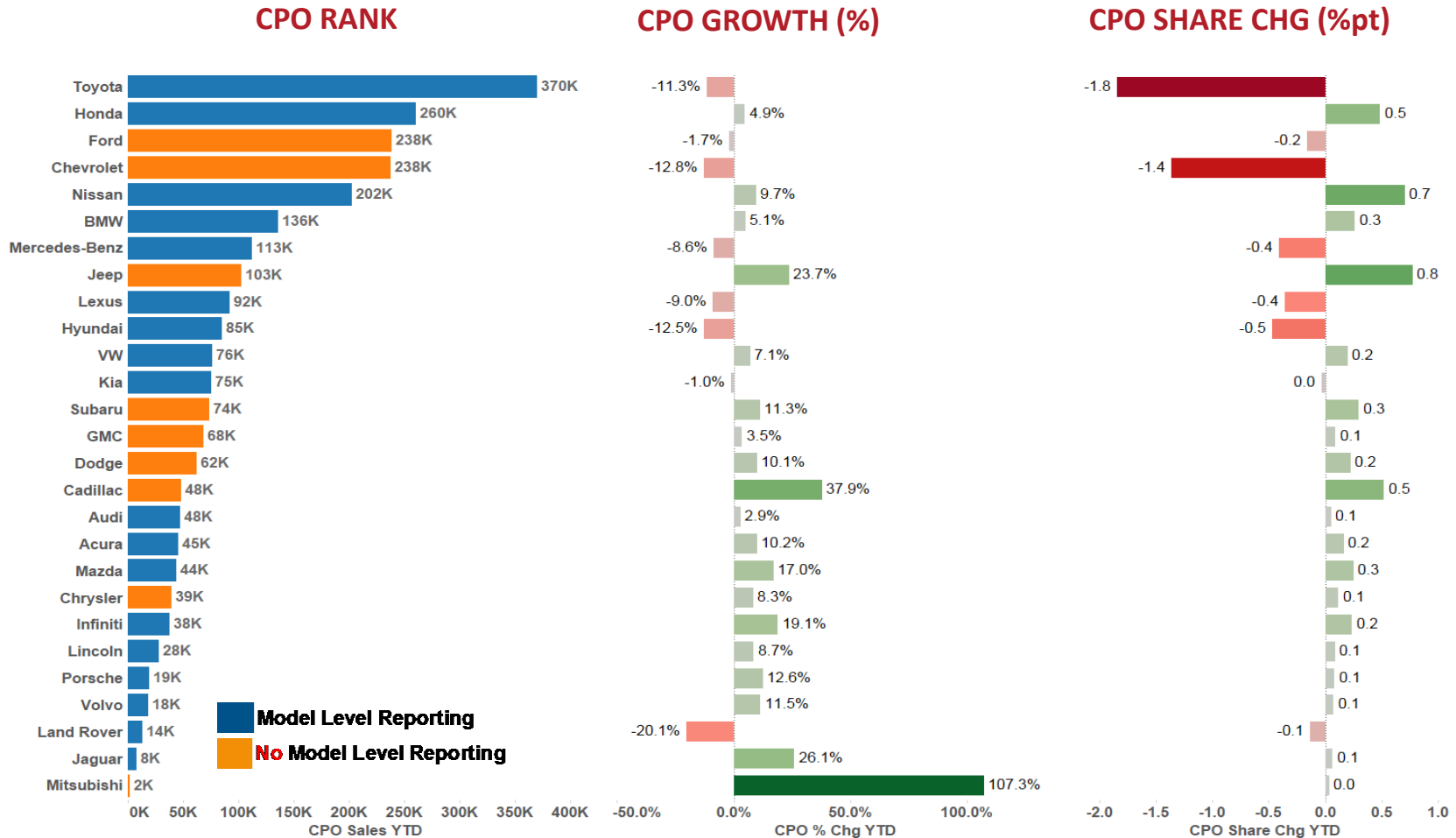
# Growth in CPO Sales Flattening Out

## CPO SALES % CHANGE YEAR-OVER-YEAR



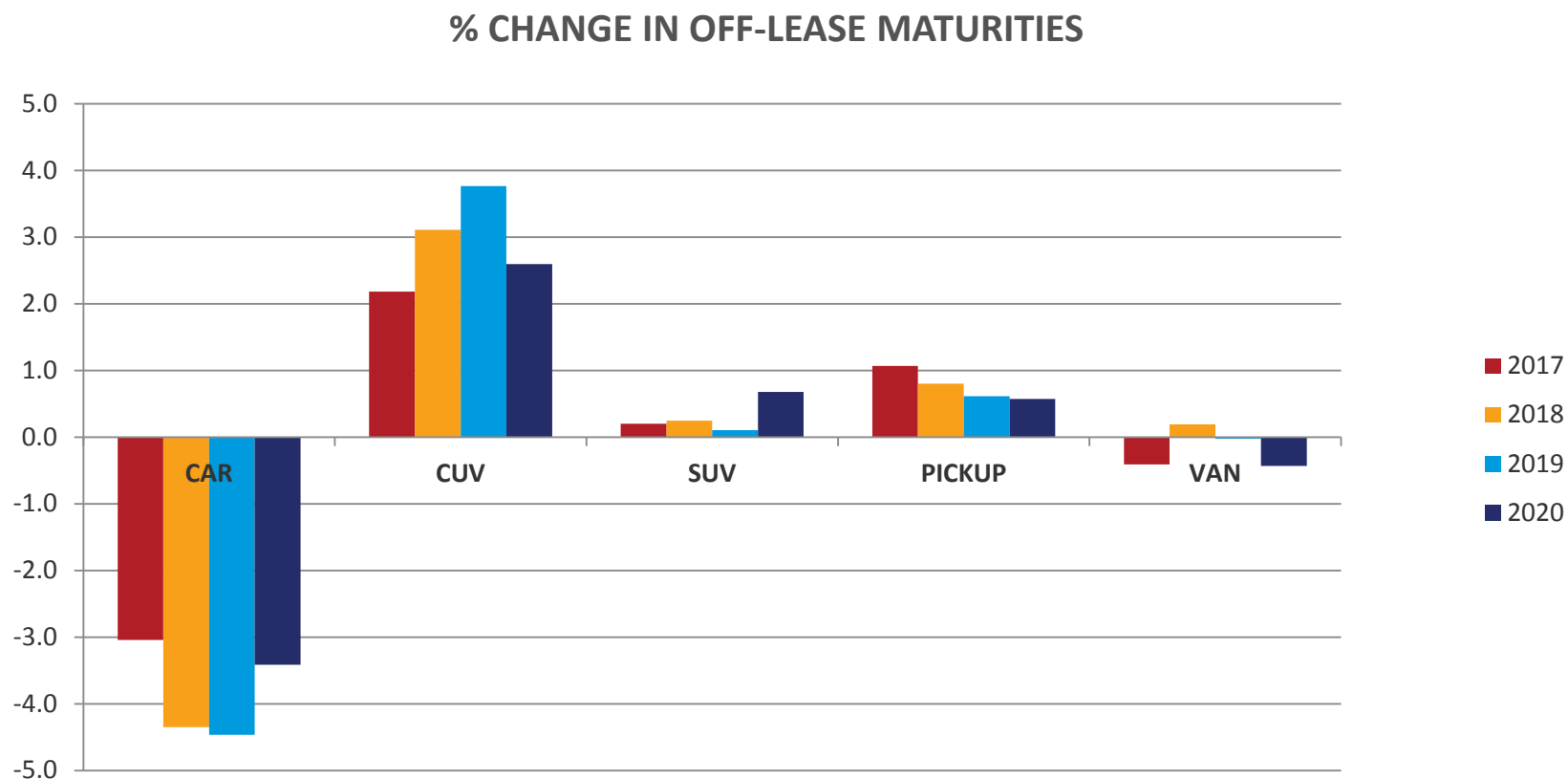
Source: Autodata

# Declining Shares in Non-Luxury Brands

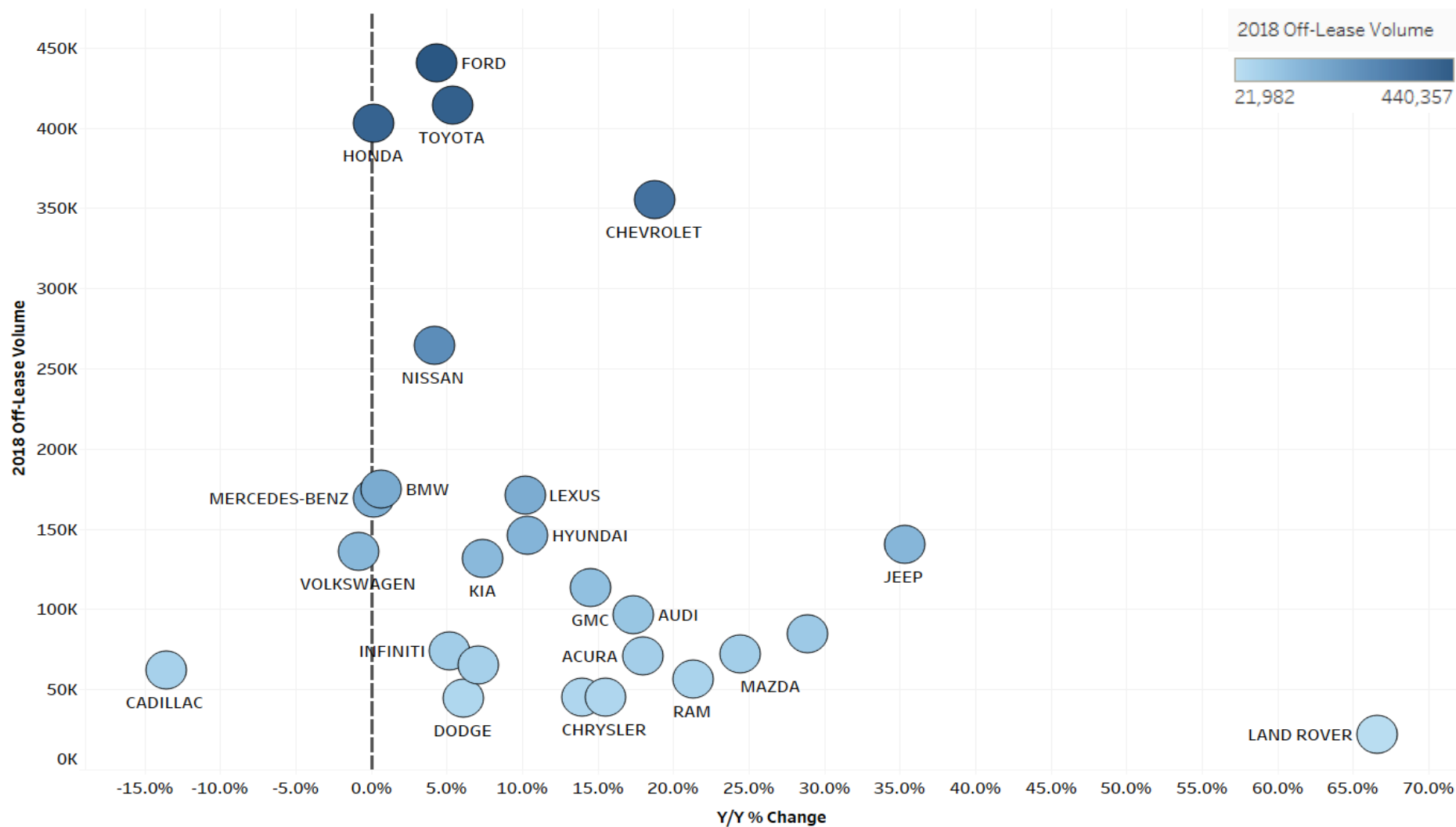


Source: Autodata (CPO sales), Cox Automotive calculations

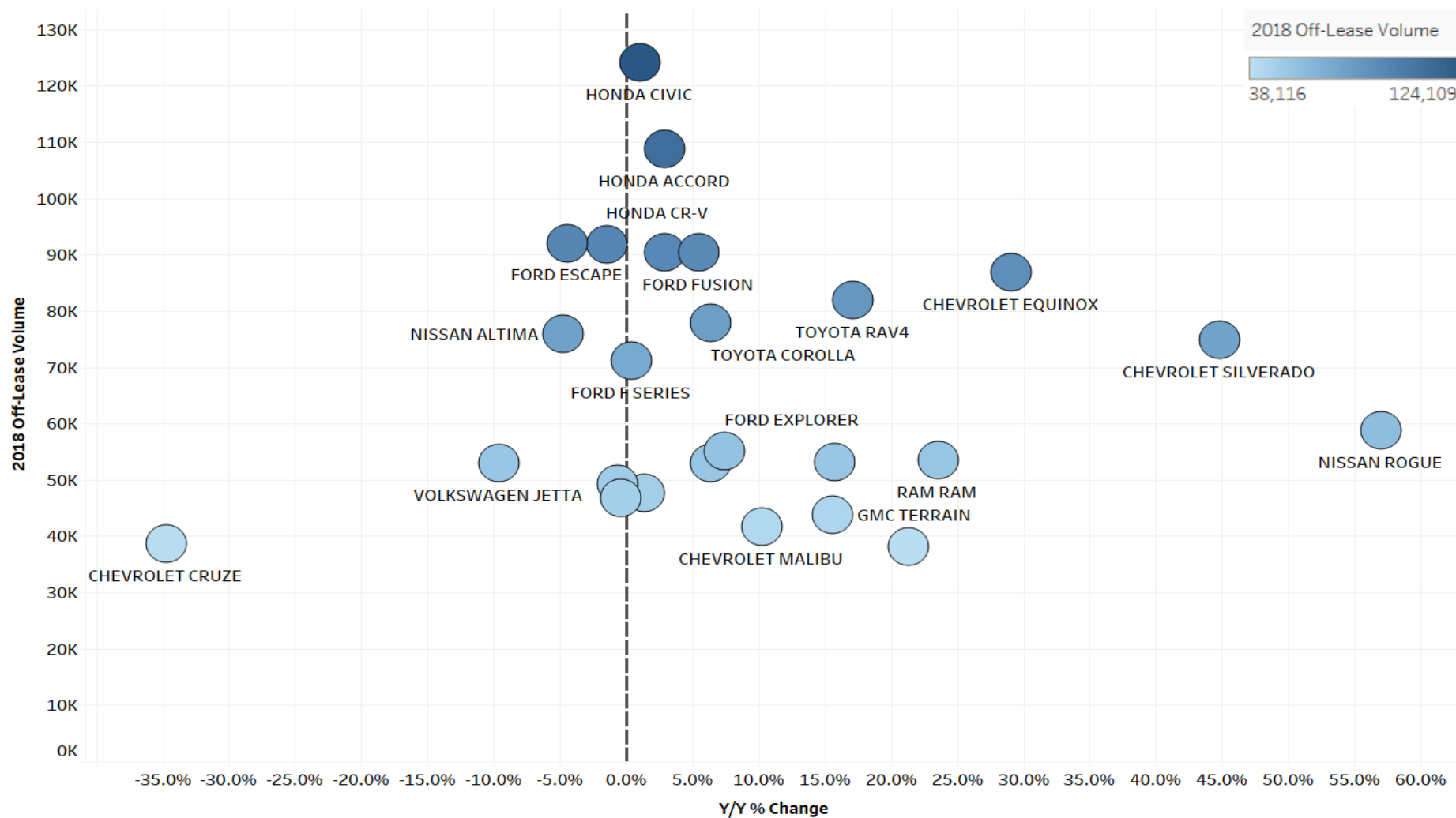
# Off-lease Mix Moves Away from Cars



# Off-lease Mix in 2018: Makes



# Off-lease Mix in 2018: Top Models



# Questions





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