

February 2015

NADA Used Car Guide

# PERSPECTIVE

## 2015 Used Vehicle Supply Outlook

NADA Used Car Guide | [nada.com/b2b](http://nada.com/b2b)



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## 2015 Used Vehicle Supply Outlook

Last year marked another banner year for used vehicle prices. Compared to 2013, prices of vehicles up to eight years in age grew by 1.1%. The occurrence capped off a run in which prices grew by an incredible 18% since 2007.

Strong demand for used vehicles clearly played a role in the rise of used vehicle prices since the end of the Great Recession. Possibly of greater importance, however, has been the decline in used vehicle supply that resulted from new vehicle sales dropping from an annual average over 16 million units before the recession, to a low point of 10.4 million in 2009. Now that new vehicle sales have returned to pre-recession levels, used vehicle supply — especially off-lease supply — is quickly recovering.

In this month’s edition of Perspective, we review how new vehicle sales and ownership cycles are dictating used vehicle supply growth, and what the increase in volume means for used prices in 2015 and beyond.

### Led by Leasing, New Vehicle Deliveries Bounce Back

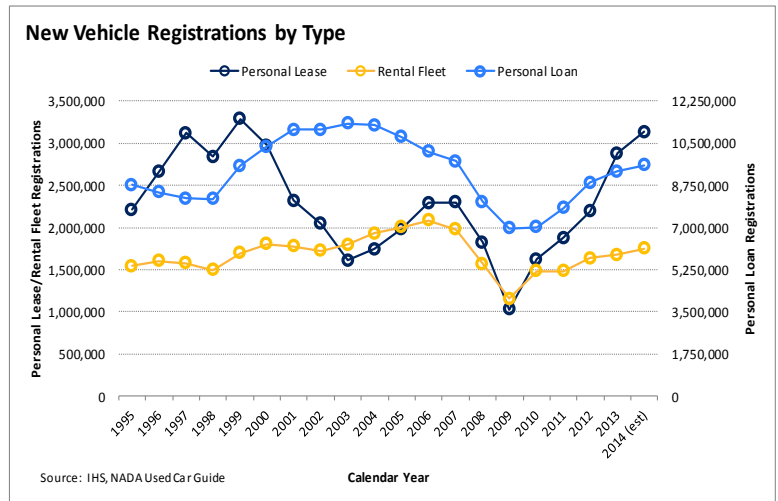
The year 2014 marked the first time since 2006 that new vehicle sales surpassed the 16 million unit mark. With a tally of 16.44 million vehicles, 2014 was within striking distance of the 16.8 to 17 million unit average recorded back in the early 2000s.

Diving into new vehicle registration data sourced from IHS, we see the recovery in new deliveries has been spearheaded by exceptional growth in consumer leases. Since 2011, personal lease registrations have improved by an annual average of roughly 18% (leases soared by 31% in 2013). By comparison, personal loan registrations grew by a lessor 8% over the period.

From a share standpoint, leasing comprised approximately 25% of new vehicle deliveries to consumers in 2014, up more than a percentage point from 2013's 23.6% figure. The percentage is just a few points shy of 1997's all-time high share of 27.6%.

We estimate that personal lease volume improved by approximately 9% to 3.14 million units in 2014 (commercial leases added another 500,000-plus units), which is the highest figure recorded since 1999's record high of 3.3 million units. Given the growing appetite for leasing, it's a safe bet that the number of personal leases booked in 2015 will surpass this figure by landing somewhere in the 3.3 to 3.4 million range.

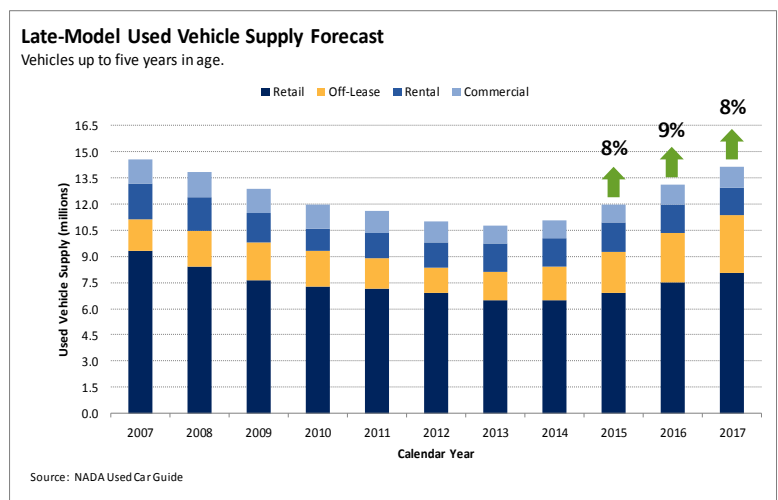
As far as rental fleet deliveries are concerned, annual growth over the past two years has been similar to what has been recorded for consumer purchases, with sales growing by roughly 4% in 2014 to 1.7 million units. For historical context, rental registrations reached a high point of nearly 2.1 million units back in 2006.



### Off-Lease Supply Up Sharply, Retail Not So Much

The recovery in new vehicle sales means more used supply will be become available as time progresses. In addition, the rapid rise in leasing combined with the program's shorter holding cycle means that volume growth for younger models will rise more dramatically than it will for older vehicles.

Considering this, NADA estimates late model supply (up to five years in age) will grow by more than 900,000 units to 11.97 million in 2015—an increase of more than 8%. Off-lease volume is expected to rise by 20% to 2.35 million, while retail supply is forecast to jump by a more modest 7%, reaching 6.94 million units. Mirroring new registration trends, off-rental supply should tick up by 1% this year to 1.65 million units. Reflecting overall economic and business growth since the end of the recession, commercial volume is forecast to rise by 4.4% to just over 1 million units.



Late model supply is expected to rise by an additional 1 million-plus units per year in both 2016 and 2017, to reach 14.1 million units by the end of the period. This would place supply within striking distance of 2007's 14.6 million units. Viewed another way, it

will have taken more than 10 years for late model supply to approach pre-recession levels.

Overall, we estimate that late model retail supply will grow 25%—about 1.6 million units—from 2014 to 2017. Off-lease supply will be up more than 67%, which is equivalent to about 1.3 million vehicles. Totals for each are forecast to reach 8.1 and 3.3 million, respectively.

As far as older model supply (six to eight years in age) is concerned, the Great Recession’s legacy will continue to push volume lower on a like-age basis for a few more years to come. In fact, supply for the group won’t begin to rise until 2019 and it will be even longer before volume returns to pre-recession levels.

### Segment Growth Led by Compact Utilities and Compact Cars

Given the exceptional growth in new compact utility sales over the past few years (luxury or otherwise), it shouldn’t be surprising to see used supply for the group increasing in similar fashion. For 2015, NADA estimates the pool of late model mainstream and luxury compact utilities will expand by 13% and 32%, respectively, placing volume for both at record highs.

Likewise, the subcompact car segment—where new sales ballooned by 67% from 2007 to 2012—will experience a substantial 24% increase in used supply in 2015. Late model supply growth for other segments will be not as impressive. Luxury large car volume is expected to rise by 12%, but despite the increase, total supply will remain below pre-recession levels. On the other hand, the expected 10% hike in luxury mid-size utility supply would push volume for the segment above its high-water mark set back in 2009.

Mainstream mid-size utility and large pickup supply is scheduled to climb by 11% in 2015; however, volume for the two will still be 30% below pre-recession levels. At the opposite end of the spectrum, late model supply for mid-size pickups and large cars is expected to fall by 3% and 11%, respectively. Volume for remaining segments should increase anywhere from 2% to 8%.

### Brand and Model Highlights

Brands that have enjoyed more substantial new sales growth over the past few years will realize the largest increases in used supply in 2015. Falling into this category are Land Rover, Kia, Audi, Subaru and Jeep, where late model supply will be up between 17% to 23% (in that order). Supply for Fiat, which returned to U.S. shores in 2011, is expected to rise by nearly 60% this year.

**Late-Model Used Vehicle Supply Forecast**  
Vehicles up to five years in age.

Segment	CY2014	CY2015	^ Change	% Change
Luxury Compact Utility	103,000	136,000	33,000	32%
Subcompact Car	360,000	448,000	88,000	24%
Compact Utility	1,400,000	1,578,000	178,000	13%
Luxury Large Car	25,000	28,000	3,000	12%
Mid-Size Utility	1,135,000	1,265,000	130,000	11%
Large Pickup	1,163,000	1,286,000	123,000	11%
Luxury Mid-Size Utility	328,000	361,000	33,000	10%
Luxury Compact Car	420,000	453,000	33,000	8%
Compact Car	1,715,000	1,846,000	131,000	8%
Luxury Mid-Size Car	199,000	214,000	15,000	8%
Mid-Size Car	1,837,000	1,920,000	83,000	5%
Luxury Large Utility	92,000	95,000	3,000	3%
Mid-Size Van	423,000	435,000	12,000	3%
Large Utility	221,000	225,000	4,000	2%
Mid-Size Pickup	221,000	215,000	(6,000)	-3%
Large Car	398,000	355,000	(43,000)	-11%

Source: NADA Used Car Guide

For these brands, cultivating a stronger certified pre-owned presence will be especially critical, particularly those working to take major strides in advancing their overall brand image.

Supply for German brands Mercedes-Benz, Porsche, BMW and Volkswagen is forecast to grow by an average of 13%, and volume for GMC and Nissan by an average of 11%. Late model volume for remaining brands should be up between 5% to 9%, excluding Chrysler, Lincoln, Scion, Smart and Jaguar, where supply will either be flat or down compared to 2014.

As for models, there will be two-plus times as many used Jeep Cherokee, Mazda CX5, Buick Verano and Dodge Dart vehicles available this year, while volume for compact and mid-size cars Honda Civic, Ford Focus, Honda Accord, Toyota Camry and Nissan Altima should rise by just 5% to 7%.

## Impact to Used Vehicle Prices

There are multiple factors that will help support strong used vehicle prices in 2015. A growing economy, lower unemployment, higher home prices, and drastically reduced pump prices are just some of the supporting factors. Even so, these tailwinds won't be quite strong enough to offset the negatives associated with less favorable credit conditions, new market pricing pressure—and most importantly—an expanding pool of used vehicles.

As a collective, NADA's forecast for the year has prices of used vehicles up to eight years in age dropping by 2% to 2.5% compared to 2014. Later model year vehicles will see an additional 1% to 2% shaved off their prices. Subcompact, compact and mid-size car prices will suffer most this year, due to lower gas prices and supply levels that will be close to if not higher than pre-recession levels. Truck prices *will* get a lift from lower gas prices and will be less burdened by rising supply.

Looking further ahead, used price movement will be determined by a variety of factors, some of which will be harder to predict than others. Automaker production and incentive actions are just two factoring examples. However, we can pinpoint used supply growth with far greater accuracy and can state with confidence that the additional volume will pressure down prices even more in the coming years. Recognizing this, lenders, automakers and others with longer-term investments in used vehicles can better prepare for the challenges that lie ahead.

# AT NADA USED CAR GUIDE

## What's New

The NADA Appraisal Suite is launched! Tired of the back and forth? Turn your entire appraisal process into something your customers can truly understand. Select NADA Appraisal, starting at \$99/month with an annual subscription, or upgrade to NADA AppraisalPRO to include additional market data from trusted industry sources. Both provide you with an official appraisal document, backed by NADA, which gives customers the confidence to sign. Learn more at [nada.com/appraisal](http://nada.com/appraisal) or call 866.974.6232.



## On the Road

### March Events:

Join Larry Dixon at the Conference of Auto Remarketing, March 18, in Las Vegas.

Jonathan Banks and Steve Stafford are attending the Consumer Bankers Association Conference, CBA Live 2015, in Orlando, March 23-25. Stop by our booth and meet Dan Ruddy, who will explain the various services NADA Used Car Guide provides to support your business needs.

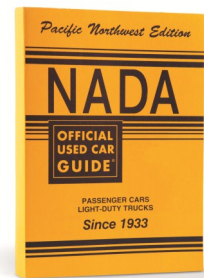
Mike Stanton, Jonathan Banks and Ryan Morris will participate in the Automotive Forum hosted by J.D. Power and NADA in conjunction with the New York International Automobile Show, March 31.

### April Events:

NADA Used Car Guide staff will attend the New York International Automobile Show April 1-2.

## About NADA Used Car Guide

Since 1933, NADA Used Car Guide has earned its reputation as the leading provider of vehicle valuation products, services and information to businesses throughout the United States and worldwide. NADA's team collects and analyzes over one million combined automotive and truck wholesale and retail transactions per month. Its guidebooks, auction data, analysis and data solutions offer automotive/truck, finance, insurance and government professionals, the timely information and reliable solutions they need to make better business decisions. Visit [nada.com/b2b](http://nada.com/b2b) to learn more about solutions for your business and [nada.com/usedcar](http://nada.com/usedcar) to stay abreast of the latest used and new vehicle market trends.



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## NADA CONSULTING SERVICES

NADA’s market intelligence team leverages a database of nearly 200 million automotive transactions and more than 100 economic and automotive market-related series to describe the factors driving current trends to help industry stakeholders make more informed decisions. Analyzing data at both wholesale and retail levels, the team continuously provides content that is both useful and usable to the automotive industry, financial institutions, businesses and consumers.

Complemented by NADA’s analytics team, which maintains and advances NADA’s internal forecasting models and develops customized forecasting solutions for automotive clients, the market intelligence team is responsible for publishing white papers, special reports and the Used Car & Truck Blog. Throughout every piece of content, the team strives to go beyond what is happening in the automotive industry to confidently answer why it is happening and how it will impact the market in the future.

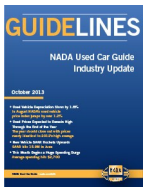
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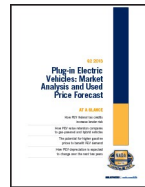
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## ADDITIONAL RESOURCES



### Guidelines

Updated monthly with a robust data set from various industry sources and NADA’s own proprietary analytical tool, *Guidelines* provides the insight needed to make decisions in today’s market.



### White Papers

NADA’s white papers and special reports aim to inform industry stakeholders on current and expected used vehicle price movement to better maximize today’s opportunities and manage tomorrow’s risk.



### NADA Perspective

Leveraging data from various industry sources and NADA’s analysts, *NADA Perspective* takes a deep dive into a range of industry trends to determine why they are happening and what to expect in the future.



### Used Car & Truck Blog

Written and managed by the Market Intelligence team, the Used Car & Truck Blog analyzes market data, lends insight into industry trends and highlights relevant events.

### Connect with NADA



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