

CAR DEALER INSIDER

Profit Making Secrets for the Competitive Dealer

Home

Search Articles

Topical Index

Past Issues

Print Current Issue

PDF Issue Archive

Conferences

Activate E-access

Subscribe Now

Privacy Policy

About Us

Contact Us

Issue Date: February 28, 2005

Used vehicle leasing: Short-lived trend or growing market?

Factory CPO programs expected to offer more payment-based programs

More franchised dealers are taking an interest in used vehicle leasing as a way to help move late model inventory and offer deals with payments competitive to what customers might get under factory incentive programs for new vehicles.

"I'm seeing more of those deals," affirms **Gil Van Over**, president of gvo3 & Associates, Schererville, Ind. He notes a recent compliance-focused review of deals for one of his clients showed a handful of used vehicle leasing deal, which he said had been rare occurrences before.

"I've been leasing used vehicles for nearly six years," says Jeff Harmon, finance manager for Gerhart Chevrolet, Denville, N.J. "It's a great way to get more car for a customer for less money."

"We think we'll see more franchised dealers using leases as a way to finance used cars," says Tarry Shebasta, president of Automobile Consumer Services, Inc., a firm that offers several leasing programs through Web sites like www.doalease.com and www.leasecompare.com (See sidebar, this page.)

He and others believe dealer interest in used vehicle leasing will follow factory moves to add leases as a financing option to purchase vehicles under their certified pre-owned programs. Dealers report that Honda is contemplating the move and they believe other factories will follow suit.

"Factories should be offering it," Harmon says. "It's a natural extension of certified pre-owned programs."

Background: High-line makes like BMW, Lexus and Mercedes have long offered used vehicle leasing as a component of their certified pre-owned programs. In addition, the practice has been common among independent used vehicle dealers who use leasing as a means to offer payments that are competitive with what franchised dealers offer on new vehicles that carry hefty factory incentives.

Used vehicle leasing currently accounts for about 2 percent of the overall used vehicle market, says Art Spinella, head of CNW Marketing Research, Bandon, Ore. He adds that he's seeing more lease deals on one to three-year-old vehicles flow from franchised dealers - in part to satisfy the needs of customers who want a status vehicle but cannot afford or choose not to purchase one outright.

He agrees that conditions are right for used vehicle leasing to play a larger role at franchised stores. Lenders have taken a renewed interest in leasing, and consumer awareness about leasing (which runs about 14 percent) could grow as factories and dealers tout the programs.

Increase Profits & Ensure Compliance

AUDIO CONFERENCE

NOW AVAILABLE ON CD!

But Spinella adds that growth in this arena will depend largely on how much factories continue to tout lease deals on new vehicles. Indeed, Spinella notes a customer could lease a new Toyota Camry for \$199 per month—a figure that's would be hard to match on any used vehicle lease. (Harmon says he's stopped advertising lease deals on used vehicles recently due to rich factory incentives.)

Another factor: Franchised dealers, by and large, are reluctant to explore used vehicle leasing because it's a different type of deal than they're accustomed to handling. "Leasing has always been consumer driven," Spinella says. "Dealers wanted nothing to do with leasing until their customers started asking for it." Shebasta says his company will be promoting used vehicle leasing more aggressively through online advertising campaigns in the coming year.

"I don't want other dealers to find out about it," says Harmon, who does a handful of used vehicle leases each month. "I've got a niche business all to myself."

Categories: [Used Cars](#)

© 2005 [UCG](#). All rights reserved.

Do not duplicate or redistribute in any form.

Car Dealer Insider is available for internal use only by authorized users.

Car Dealer Insider

11300 Rockville Pike, Suite 1100, Rockville, MD 20852.

Phone: 888/287/2223 Fax: 301/816-8945 Email: cdicustomer@ucg.com