

# AUTO FINANCE 2021 SUMMIT

## RISK & COMPLIANCE TRACK

### SESSION 8 PANEL

Residual values in 2022  
and beyond

SPONSORED BY



**MODERATOR:**

**Joey Pizzolato**  
Editor  
*Auto Finance News*



**Eric Ibara**

Director of Residual Value Consulting  
*Kelley Blue Book*



**Kristin Lanzavecchia**

Senior Manager, Industry Insights  
*JD Power*



**Alex Yurchenko**

Vice President of Data Science  
*Black Book*

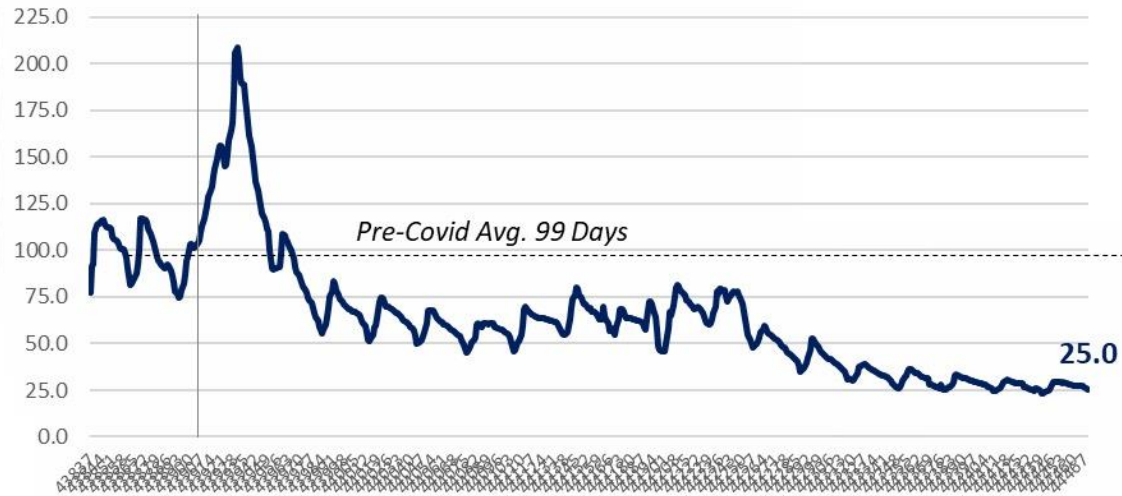
# Squeezed Inventories Raised Used Car Values

Inventories Will Eventually Return to Normal But the Timing is Undetermined



Kelley Blue Book

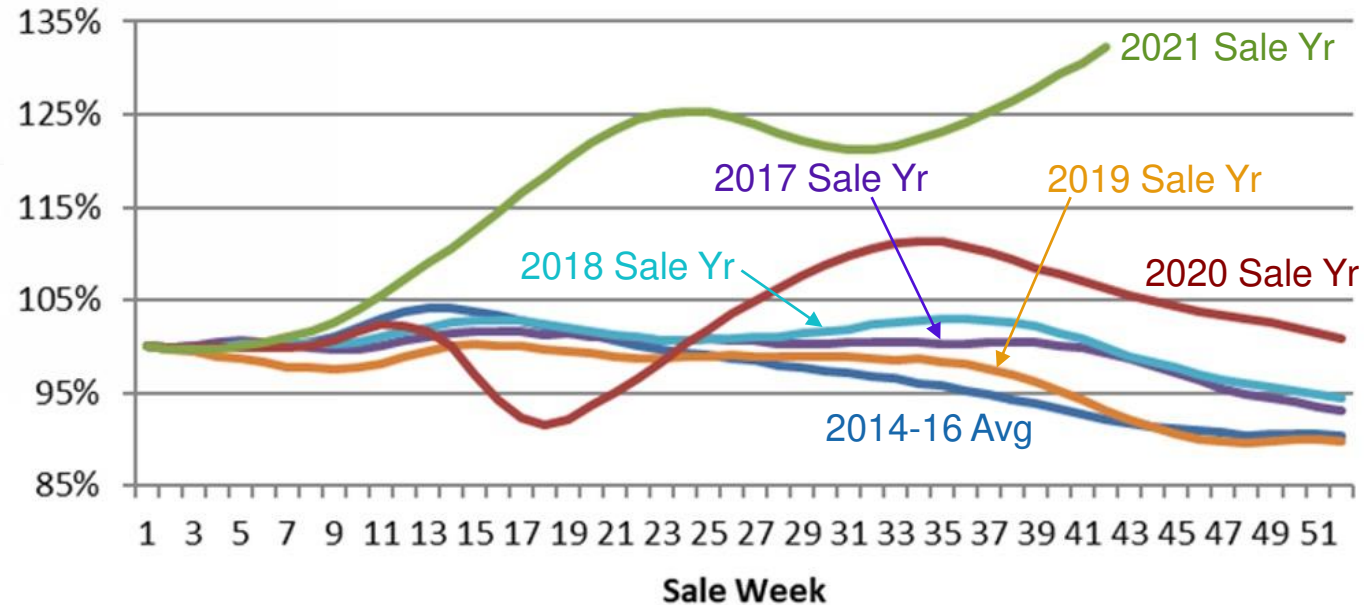
### New Days Supply Trend



Source: vAuto dealers; Total Market D-S is ~5 days higher

Source: Manheim Consulting

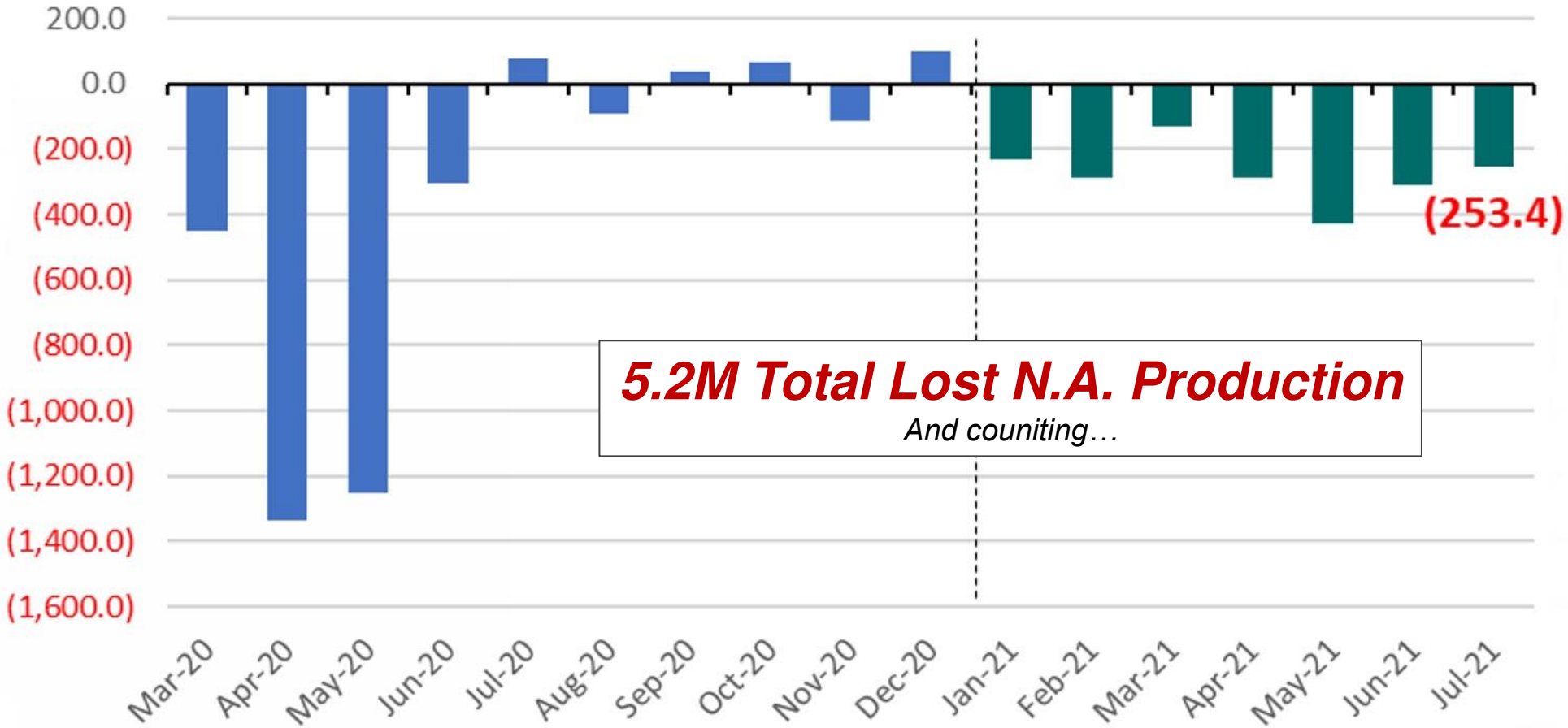
### 3 Year-Old Model Index



# Production “Hole” is Going to Ripple Through the Used Vehicle Industry for Years to Come...



**Lost N.A. Light Vehicle Production vs. 2019**



*Based on OEM comments, we don't expect New Supplies to improve measurably until mid-to-late 2022... maybe longer*

Source: Manheim Consulting

# Thank You!



Kelley Blue Book

## **Eric Ibara**

Director Residual Values & Cost to Own

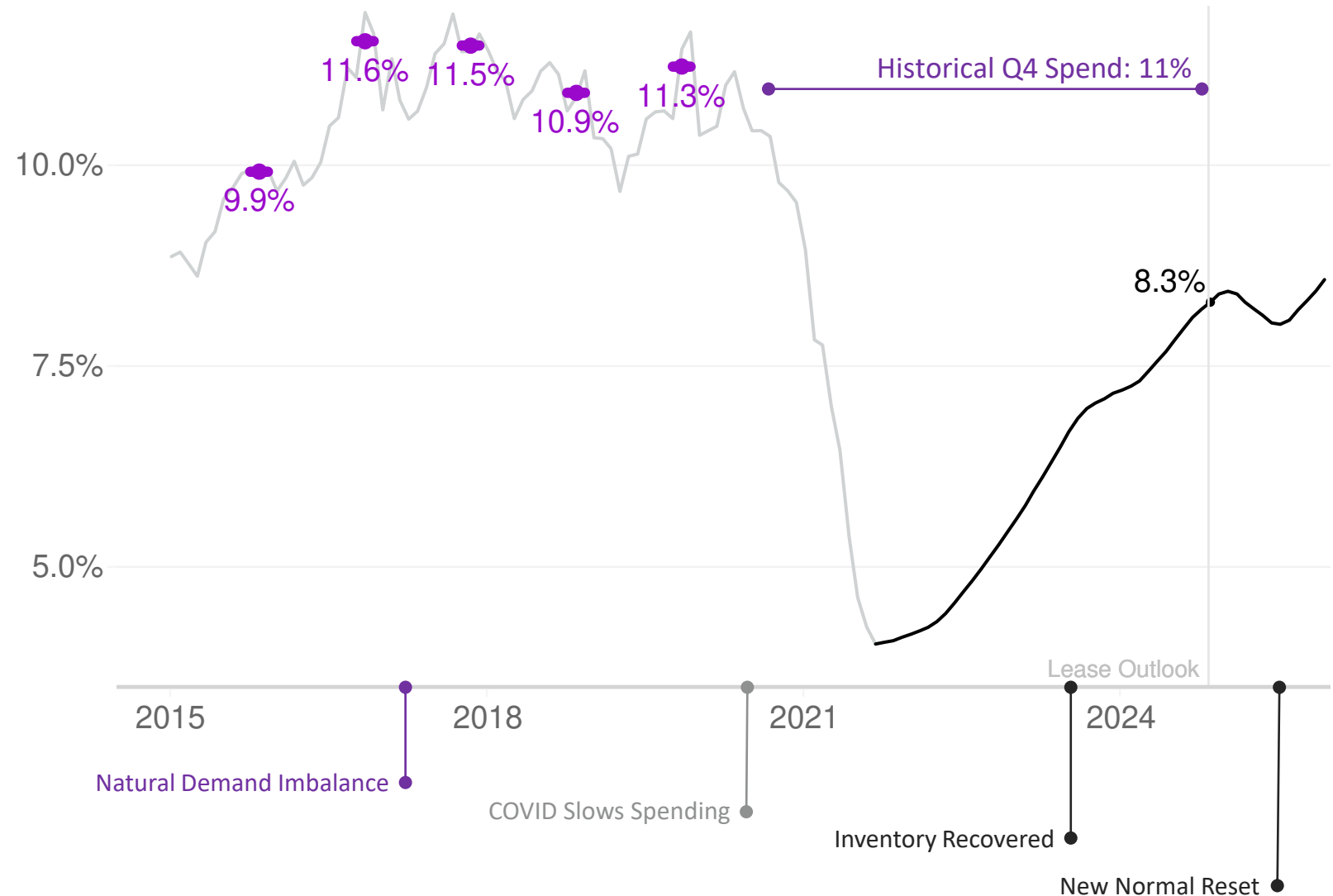
Kelley Blue Book – Cox Automotive

(209) 209-8258

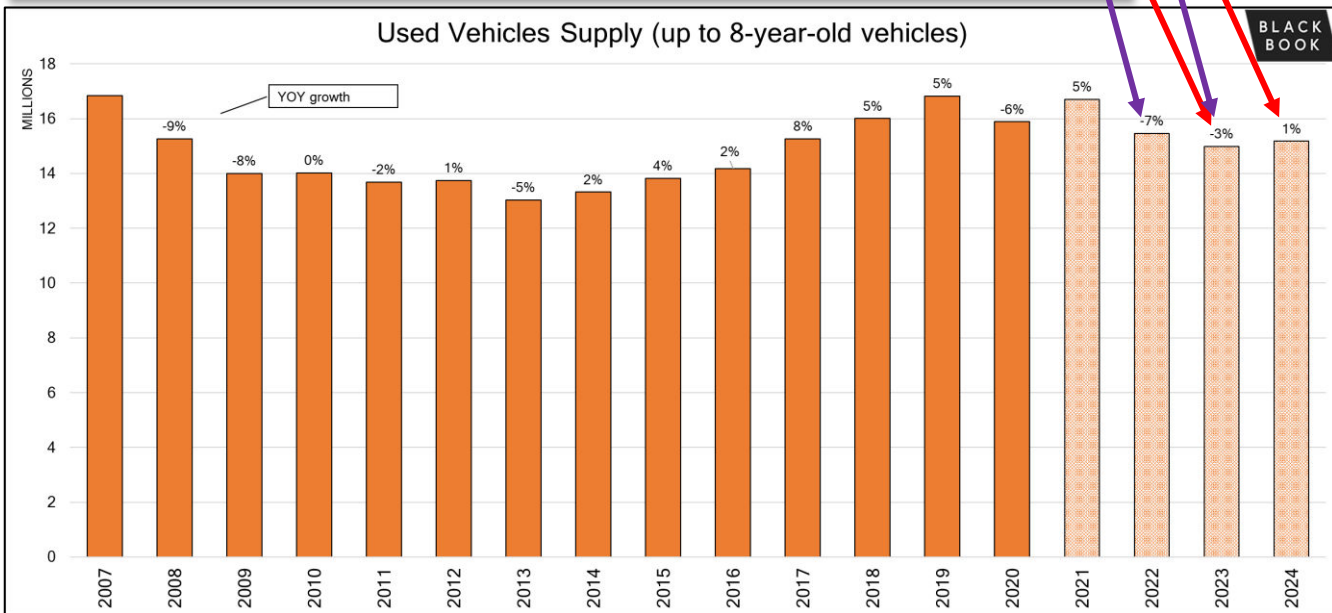
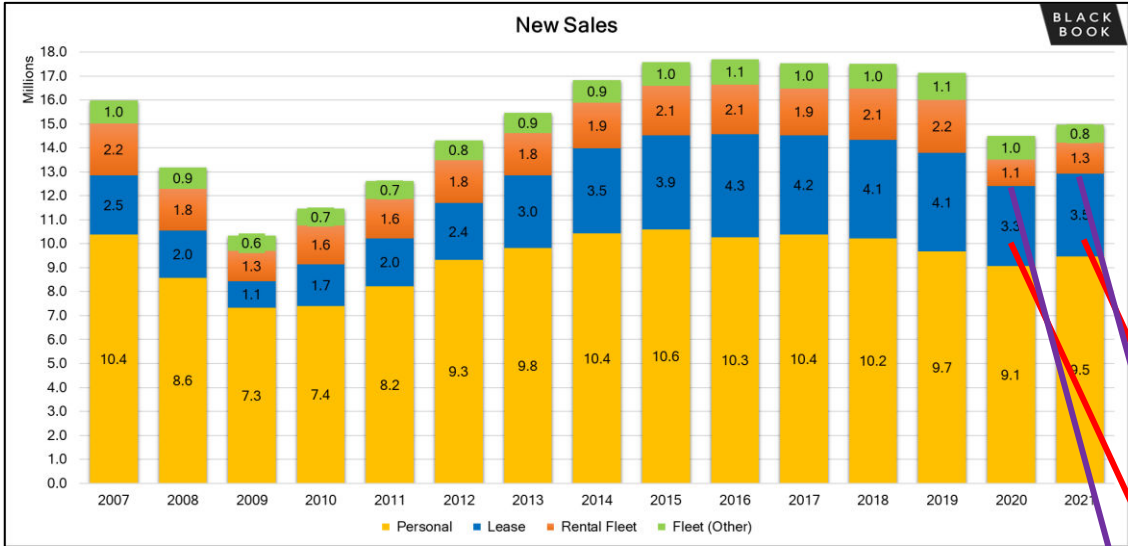
[Eric.Ibara@CoxAutoInc.com](mailto:Eric.Ibara@CoxAutoInc.com)

- Spend forecast to remain **below 7%** through **2022**
- The **ALG Natural Demand** forecast indicates incentives can stay **below ~9% of MSRP** long term
- **2021 is a perfect storm** for low incentive spend and levels will increase with inventory
- Recent **low inventory and spend** are proving long term **profit potential**
- Longer term outlooks are **down ~30% from** the highs observed at the **end of the 2010s**

Historical Incentive Spend and **Outlook**



# Drop in New Sales (Retail and Fleet) in 2020-2022 Will Have a Lasting Effect on Available Used Vehicles Supply



- In 2020 and 2021 we lost
  - about 1.5 mm leased vehicles
  - About 2.0 mm daily rental sales
- There are more potential sales losses in 2022
- Note that the distribution of these loses is not uniform:
  - Strong 2020 Q1 , 2020 Q4, 2021 Q1-2 but
  - Weak 2020Q2-3, 2021 Q3-4
- Expect uneven patterns of returns in 2022 - 2024