Volume 115, No. 23 November 19, 2018

Used-car payments hit record $400 a month as prices top $20,000

Americans are spending more than ever for used cars.

The average price of a used vehicle hit an all-time high for the third quarter of 2018, according to car-buying advice site Edmunds. At $20,084, the average price was up 3.5 percent from the same period a year earlier and up nearly 19 percent from five years earlier.

And rising interest rates are driving costs even higher.

The average American used-car buyer is now paying a record high of $400 per month — with loans averaging 66.9 months, according to Edmunds. That's the longest ever.

"We're still seeing prices ratchet up," said Ivan Drury, Edmunds' senior manager of industry analysis. "It's definitely changing the landscape of the used-vehicle market."

A shift in preferences toward larger vehicles — namely, SUVs and pickups — is one reason why average prices are moving higher. Passenger cars, which are falling out of favor, typically are sold for lower prices.

Monthly payments on a used Ford F-150 pickup average $492, while monthly payments on a used Toyota Corolla sedan average $295.

But cheap used vehicles are getting harder to find.

Five years ago, about one in four used vehicles were sold for less than $10,000. Today, the numbers are about one in six, according to Edmunds.

Consumers looking for a deal have the most success buying a passenger car, such as a compact sedan.

"If you really do want to save yourself some money, that is definitely some advice I would give," Drury said.

Despite the increased costs of used vehicles, new vehicles are still much more expensive. Americans paid an average of $37,007 for a new vehicle in October, according to Cox Automotive.

Dealers pick Exchange topics for NADA Show

Members of the National Automobile Dealers Association and other attendees each year at NADA Show get to weigh in on which topics they would like to discuss in the peer-to-peer learning sessions named The Exchange.

The popular roundtable discussions feature problem-solving and idea-sharing among auto industry peers. Each Exchange session is based on timely topics selected by the attendees when they register.

Exchange topics to be covered in January at NADA Show 2019 include:

• Align Your Digital Image with Your

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Despite strong consumer sentiment, will interest rates weigh down auto sector?

Comerica Bank's chief economist expects that the U.S. economy could be headed for a "fiscal cliff" by 2020. Despite a somewhat confident consumer segment, Robert Dye said the weight of interest rates on the auto industry will soon take effect.

Dye said that when it comes to consumers, "It is the best of times and the worst of times."

He said: "There is a strong job market, a very high consumer confidence, building equity in homes and 401k, and consumers are adding savings. But there are key consumer sectors where I think there are some risk factors. My sense is we're past the peak in the auto cycle."

Macroeconomic factors also will shape how the auto industry performs.

"As we all know, the Federal Reserve is engaged in a monetary tightening cycle, which means they're increasing interest rates gradually," he

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Where cars are most likely to be stolen

Motor vehicle theft in the U.S. in 2017 remained effectively unchanged from 2016, when the rate increased by nearly 7 percent. Last year, there were 773,139 motor vehicle thefts across the country, a rate of 237.4 per 100,000 residents.

Of course, where one lives can greatly increase or decrease the chances of a car getting stolen. 24/7 Wall Street determined the city in every state where cars are most likely to be stolen, based on data from the National Insurance Crime Bureau.

The city with the highest rate of car thefts in a state is not necessarily the city with the poorest community or the biggest crime problems. The majority of the 50 cities have lower poverty rates, higher education levels, and higher household incomes than their respective statewide figures.

Illinois experienced 24,254 vehicle thefts in 2017, an average of 254.4 cars per 100,000 residents. The Dodge Caravan proved the most stolen model. The metro area with the most car thefts was, natch, Chicago.

Indianans saw 7,484 vehicle thefts, an average of 368.9 thefts per 100,000 residents. The state's most stolen vehicle was a full-size Ford pickup, and Indianapolis proved to be the metro area with the most thefts.

Auto thefts in the U.S. are often carefully planned, highly lucrative schemes for those who are able to evade capture. According to the NICB, many cars are stolen by large organized crime rings running sizable operations. Often, the rings operate out of certain major cities.

Some cars are much more likely to be stolen than others. While expensive exotic cars might seem to be the most efficient way to a large payout for a criminal, common cars such as Honda's Accord and Civic, and Chevrolet and Ford pickup trucks are by far the most stolen vehicles in America. That is especially true of older models without modern security features.

In a state with only one metropolitan area — New Hampshire, for example — the Manchester-Nashua metro area by default has the highest rate of car theft. However, Nashua has a car theft rate of just 62.7 for every 100,000 residents, which is one of the lowest of any metro area. The same goes for Providence, Rhode Island.

In Maine, just 88 cars were reported stolen in 2017, an average of 57.9 vehicles per 100,000 residents.

Congressional committee heads to change, as Dems will lead House in 2019

With control of the U.S. House changing to Democrats, the automobile industry will see new faces in leadership in the various committees that oversee it. Republicans increased their majority in the Senate.

In the House, Rep. Frank Pallone, D-N.J., is expected to become the next chairman of the House Energy and Commerce Committee; Congresswoman Maxine Waters, D-Calif., is slated to become chairwoman of the Financial Services Committee; and Rep. Richard Neal, D-Mass., will helm the powerful Ways and Means Committee. Congressman Peter DeFazio, D-Ore., will take over as chairman of the House Transportation and Infrastructure Committee. These House panels have jurisdiction over the auto industry, financial services issues, and tax and trade policy.

In the Senate, retirements, election results and leadership changes will result in important changes to key committees. Sen. Roger Wicker, R-Miss., will likely take over the Senate Commerce, Science, and Transportation Committee. The leader of the Senate Finance Committee, which oversees tax and trade policy, is likely to be Sen. Charles Grassley, R-Iowa.

In all, nearly 90 new federal legislators will be sworn in on Jan. 3. Notably, one of those new members will be Carol Miller, R-W.Va., whose family owns and operates multiple dealerships in the state.

Congratulations!

Audi Westmont finished No. 14 among Automotive News' 2018 ranking of the Best Dealerships to Work For.

Fox Valley Auto Group, with Volkswagen dealerships in Schaumburg and St. Charles and a Buick-GMC store in St. Charles, is one of six area businesses to receive the 2018 BBB Torch Award for Marketplace Ethics, for exemplifying marketplace trust and excellence. It is the Better Business Bureau's most prestigious honor.

Friendly Ford's (Roselle) Matthew Yockey and Michael Yockey are October 2018 graduates of the NADA Academy.

The CATA Bulletin is produced by the
Chicago Automobile Trade Association
18W200 Butterfield Rd. Oakbrook Terrace, IL 60181-4810

The CATA Bulletin is distributed via blast email every other Friday except during the Chicago Auto Show, when it is not produced.
Listings of items for sale are subject to the approval of the CATA. Candidates for employment must submit a full resume to the Editor.
Review past editions dating to 1998 or search by subject at www.cata.info/publication/bulletins.

David E. Sloan — President, Publisher
Erik K. Higgins — Editor, Director of Dealer Affairs

Preparing for a subscription economy

Rapid changes are taking place in the way people buy things. The U.S. is moving toward a subscription-based economy, driving companies to focus less on individual sales, and more on gaining recurring customers. This trend is seen across industries, in companies such as Netflix, Blue Apron, Spotify, Amazon, and now BMW, Mercedes, and Audi.

But how big is this market, and who is signing up for these subscriptions? More important, how does this subscription-based economy impact the retail automotive industry and the lenders who support it?

E-commerce subscribers are most likely to be 25 to 44 years old, to have incomes from $50,000 to $100,000, and to live in urban environments in the Northeast U.S. Women account for 60 percent of subscriptions. But men are more likely to have three or more active subscriptions, suggesting that men value automated purchasing to save time. These numbers track well with the potential prime auto loan customers lenders crave, and they are reflective of the coveted millennial consumer base.

Nearly 60 percent of millennials would prefer to rent a home than buy one. They also are the leading proponents of the share-economy (e.g., Uber), thanks to their financial position. Aside from record amounts of student debt, millennials earn an average 20 percent less than Baby Boomers did at the same stage of life, according to the Federal Reserve. This disparity is the driving force for why millennials did not run out and buy vehicles and homes as soon as they graduated high school and college.

Lender Leverage

Lenders are undoubtedly familiar with subscription models. Credit cards could be considered the ultimate subscription. However, transitioning this thinking to auto loans is a new model.

So how can a dealer plug in? Just as lenders include protection products for their credit cards, the same should be included for auto subscription services. The same trends that could affect a person's ability to make an auto loan payment could change her subscription payment.

Offering consumer protection products, such as a vehicle service contract or vehicle return protection, on an auto subscription service can further insulate a dealership from risk while also creating an additional revenue stream.

Sources: After trade meeting, US to hold off on Trump's car tariffs

The Trump administration will hold off for now on imposing new tariffs on automobile imports as top officials weigh revisions to a report on the national security implications, according to two people familiar with the matter.

President Donald Trump met with his top trade advisers on Nov. 13 at the White House to discuss a draft report on a Commerce Department investigation into the impact of car imports. The people, who spoke on condition of anonymity because the meeting wasn't publicly announced, said the administration wasn't ready to act on tariffs and that the report would be subject to further changes.

The Commerce probe, which began in May under section 232 of the Trade Expansion Act, covers imports of automobiles, including SUVs, vans and light trucks, as well as auto parts.

Commerce Secretary Wilbur Ross has until February to deliver his findings to the president, who has final say on any tariffs. Trump has threatened tariffs of as much as 25 percent on foreign-made vehicles.

Companies and governments from Europe to Asia have warned Trump that tariffs on car imports would hurt the U.S. economy and disrupt the global auto industry.

An auto trade war would deal a blow to carmakers from General Motors to Toyota, which have built their supply chains to take advantage of countries with low duties. The National Automobile Dealers Association estimates that the tariffs would add as much as $2,270 to the cost of U.S.-built cars and $6,875 to the cost of imported cars and trucks.

Shares of Japanese carmakers such as Toyota and Honda rallied Nov. 14 in Tokyo trading. North America is the biggest sales region for the two carmakers. Toyota jumped as much as 2 percent while Honda rose as much as 2.6 percent. Subaru Corp. rallied 4.1 percent while Mazda Motor Corp. gained 2 percent and Nissan Motor Co. 1.9 percent.

Restrict imports

Trump has 90 days after officially receiving the report to decide whether to act should the department conclude that auto imports are a security threat. Commerce could recommend a variety of options to restrict imports, including implementing tariffs and quotas. The president then has 15 days to act after announcing he will move forward with measures.

Trump has agreed not to impose auto tariffs on Europe while the two sides work on a trade deal, and Canada and Mexico negotiated side letters to the new U.S.-Mexico-Canada Agreement that spares them from new U.S. duties on cars, subject to a cap.

Generation Z women want their trucks muddy, dirty, ready for fun: SEMA

Young men are drawn to exotic sports cars such as Ferraris and Lamborghinis, but young women prefer trucks and SUVs designed for adventure. They like Jeeps and Land Rovers.

That's according to a new study from the Specialty Equipment Market Association, the largest U.S. trade organization for automotive accessories and gear.

Researchers found that men pine for fast engines and bright colors, while women want trucks and SUVs that help them pursue hobbies and explore the outdoors.

The study, the SEMA Young Accessorizers Report, interviewed more than 2,000 participants ages 16-24. The report came as the group this month hosted its annual SEMA Show, focusing on auto accessories and trends, in Las Vegas.

It found that both men and women customize trucks and SUVs, but "women are especially drawn to them because of their versatility for outdoor activities."

While young men are motivated by the idea of winning races, showing off their cars and "getting the girl," young women envision dream vehicles that allow them to take vacations, see the outdoors and haul equipment.

"There's a general perception about guys and trucks," said Gavin Knapp, head of market research at SEMA. "But men were motivated by the process of modifying a vehicle, where women were more motivated by the outcome, having something really cool and usable at the end."

Adventure vehicles of all kinds are growing in popularity. Through the first nine months of 2018, sales of pickup trucks increased by 4.4 percent compared with the same period last year, according to data gathered by Trucks.com. Light trucks, a category that includes pickups, SUVs and crossovers, account for more than two-thirds of all U.S. auto sales.

The rise of light trucks has a ripple effect on the aftermarket industry. Owners of these types of vehicles are more likely to customize them than are owners of smaller cars, according to an earlier SEMA study.

The practice of taking four-wheel-drive vehicles adventuring for long periods of time, known as overlanding, has experienced rapid growth in recent years.

Young people also are finding a variety of ways to enjoy off-roading. Arielle Shipe, a 27-year-old yoga instructor and health blogger in Aspen, Colorado, found that her customized 2015 Ford Transit Connect van allows her to visit national parks without breaking the bank.

"It made a lot of sense to get a smaller van with better gas mileage," Shipe said. "If we wake up and want to go somewhere, we can close the doors and go."

Shipe uses the van to support her passions for hiking, biking, rock climbing and paddleboarding. She said the next modification she hopes to add is a 2-inch suspension lift for off-road driving.

That aligns with the SEMA findings. The study indicated that women view modifications as an opportunity to make their vehicles more capable and rugged. They dream about adding accessories such as bike racks, larger tires and armored bumpers.

And the market for women customizers could continue to grow. Many women are taking on modification projects despite less technical know-how.

"There's an opportunity for companies," Knapp said, "to hit that other half of the market that's maybe been left behind."

Interest

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said. "This means a 25-basis point increase of Fed funds rates every other meeting. That will push up short-term interest rates, and auto funding interest rates as well."

The three federal interest rates increased proposed will be felt in the form of a lower number of units sold. "I'm expecting to see a bit of tail off, when we get into the 16-million units sales range," he said. "We're vulnerable to a steeper tail off, we're not there yet but that's what I'm looking for."

Positive consumer sentiment and higher savings may not be enough to cushion the auto industry in the anticipated downturn. "Two key areas [auto and home] of consumer spending are not looking as strong as we would expect," said Dye.

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Dealership's Image

- Attract Talented People to the Retail Car Business
- Attracting and Hiring Technicians
- Compensation Plans for Millennials
- Control Your New-car Inventory and Expenses
- Differentiate Your Dealership from the Competition
- Digital Campaigns That Work
- Digital Marketing and Web Development for a Mobile Market
- Increase Used-vehicle Sales
- Seven Steps to Reduce Dealership Expenses
- The Dynamics of a Family-owned Dealership
- Used-car Strategies, from Acquisition to Increased Turn Rates

NADA Show 2019 is Jan. 24-27 in San Francisco.