

COLORADO INDEPENDENT AUTOMOBILE DEALERS ASSOCIATION

FRONTLINE

Q4 2022



**CIADA QUALITY
DEALER OF THE YEAR**

JIM REITZ

JFR & Associates



FRONT LINE MAGAZINE

The official digital magazine of the
**COLORADO INDEPENDENT
AUTOMOBILE DEALERS ASSOCIATION**
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Front Line magazine is published quarterly by the CIADA, representing quality independent automobile dealers since 1941. CIADA assists members in becoming more successful within the used motor vehicle industry by consistently bringing you industry education, valuable information, services and benefits designed to prepare members for an ever-changing marketplace.



CELEBRATING 81 YEARS STRONG

CIADA QUALITY DEALER OF THE YEAR

JFR & Associates was founded in 2001 by Jim Reitz to provide an opportunity for people to do what they love-sell cars and help people. He grew up in the automobile industry and served on the Colorado Motor Vehicle Dealer Board. Last year they delivered 2160 vehicles, which created jobs for 74 employees. Jim has been involved with ray of Hope Cancer Foundation organizing the hope invitational golf tournament for the last 17 years. Join us in congratulating Jim and the employees of JFR & Associates as we recognize them as the 2022 CIADA Quality Dealer of the Year!



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Close cross-border deals with ease.

Inventory shortages continue and that means more buyers are crossing state lines to find vehicles. In fact, the average buying radius for shoppers has nearly doubled over the past four years to more than 89 miles⁵. Out-of-state deals can be confusing with state-specific requirements, taxes, and fees. There's a lot to keep track of, which can slow down the back office and negatively affect the customer experience.

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¹ Based on average industry timeframe for vehicle title release and vehicle payoff process of 18+ days, as determined by 2021 Dealertrack data.

² Data based on user input and calculations using Dealertrack's Accelerated Title Savings Calculator as of July 2021 and are not a guarantee of actual savings.

³ Based on Dealertrack DMS configurations

⁴ Dealertrack User Timing report through Google Analytics 9/30/21 to 9/30/22.

⁵ Cox Automotive 2021 Car Buyer Journey research

Used-Vehicle Values Skyrocket

BY NANCY DUNHAM

As inventory shortages drag on for some automakers, many dealers are counting on used-car acquisitions to maintain their profitability.

And a recent iSeeCars study shows that might not be as difficult as predicted. For the first time in recent history, a number of cars have appreciated in value or at least depreciated much less than expected. iSeeCars credits high demand and low vehicle supply with turning some vehicles into appreciating assets or resulting in slower-than-usual depreciation.

“This is unprecedented in used-vehicle pricing,” says Karl Brauer, executive analyst at iSeeCars. “Finding multiple three-year-old used models worth more than their new MSRP is something we’ve not seen before.”

That’s welcome news for dealers. Dealership respondents to a recent Wards Intelligence survey appear hungry for profitable used-car sales. Almost half (42.5%) of all respondents expect used-vehicle sales to increase their dealerships’ revenues in the next 12 months. That compares with 34.4% who expect new-car sales to increase revenue.

The majority (58.8%) of survey respondents report inventory shortages had the greatest negative impact on their businesses in the past 12 months. More than half (53.2%) believe inventory shortages will have the greatest negative impact for their stores in the next 12 months.

It’s doubtful that acquiring the specific models that have risen in value or marginally depreciated will overhaul a store’s lack of inventory, but it may well make up for some profits lost by shortages. Still, dealers can expect sizable profits from sales of vehicles that appreciate.

And Brauer says depreciation may slow even more, opening new opportunities for profitable acquisitions.

“As we get further and further into a post-pandemic world where prices are very high for both new and used, we’re going to see dropping depreciation,” Brauer tells Wards. “Depreciation after three years is normally about 35%. Last year, it was 23%. This year it’s 16.9%. That’s a huge drop again. So what’s really surprising is that there are cars that are worth more when they are three years old than they were new.”

That’s especially welcome news considering the recent Manheim Market Report (MMR) indicates larger-than-normal declines in its Three-Year-Old Index that measures pricing trends in the used car market. Adding to dealers’ used-vehicle quandaries is the challenge of forecasting the market price and the expense of reconditioning.

Yet there are plentiful positives in the used-car market beyond the appreciating models. MMR reports used-vehicle prices have not seen significant declines and retail demand is stable.

The iSeeCars report shows three of the models that increased in value over sticker price are the same as the top three models with the lowest five-year depreciation: the Porsche 911, Jeep Wrangler and Jeep Wrangler Unlimited. The other models include another Porsche model, the Porsche 718 Cayman, as well as the Toyota RAV4 Hybrid.

“What we’re saying to dealers is that if you can acquire any of these cars for a decent price, you’re probably going to do quite well when you resell them,” says Brauer. “Plus, there are opportunities for F&I, parts and even accessories that will add to (dealerships’) profits.” ■

iSeeCars Study shows some three-year-old cars are worth more than they were new.



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