U.S. Auto Sales Seen Rising on Post-Crisis Lease Renewals

Wolff Martin’s three-year lease on his Toyota RAV4 sport-utility vehicle expires in March, and he’s already shopping for a car — part of an army of 500,000 that will help boost U.S. sales this year.

It’s a loop of recent auto history. In 2009, with the economy in trouble, leases — which usually last for three years — dropped dramatically. They bounced back strongly the next year, and those leases are about to expire.

Automakers in 2012 managed to sell the most cars and light trucks in the U.S. in five years even with few customers like Martin heading to showrooms. This year, dealerships will see about a half-million more new-car customers who are replacing a vehicle because of an expiring lease, according to auto-market researcher Edmunds.com. In all, about 2 million leases expire this year.

Martin has already visited Toyota Motor Corp. (7203), Ford Motor Co. (F) and Nissan Motor Co. (7201) showrooms.

“I wouldn’t mind having a car that gets decent gas mileage, but also has some power,” said Martin, 36, who works for a foam-cup manufacturer in Mason, Michigan. “I’m probably going to stick with the Toyota family again.”

The phenomenon shows how the recession that ended in 2009 continues to have effects on corners of the auto market, a bright spot in the U.S. economy the past several years. Americans entered into about half as many new-vehicle leases in 2009 compared with two years earlier.

2010 Rebound

“You had a real dip of the people coming back into the market” in 2012, Lacey Plache, chief economist for Santa Monica, California-based Edmunds, said by telephone. “Starting in 2010, we really saw an increase in lease originations. We’re expecting to see them come back this year.”

More lease returners will boost automakers, including General Motors Co. (GM), Ford and Toyota, which analysts estimate will lead a U.S. auto market that expands for a fourth consecutive year. The average estimate of 18 analysts surveyed by Bloomberg is for 15.1 million vehicle sales this year, from 14.5 million in 2012.

GM shares have gained 44 percent over the past six months, as vehicle demand has returned, far outpacing the S&P 500’s 8.4 percent increase. Over the same period, Ford rose 42 percent and Toyota added 48 percent.

U.S. light-vehicle sales may begin the year with a 14 percent increase in January to 1.04 million, the average of nine analysts’ estimates. The annualized industry sales rate, which is adjusted for seasonal trends, may have been 15.2 million, the average of 17 analysts’ estimates.

Leasing Returns

Leasing returned to pre-recession conditions faster than the broader U.S. auto market's rebound from a 27-year low in 2009, according to data from researchers Experian Automotive and Edmunds.

Leasing's share of the new-vehicle sales that were financed in 2010 rebounded to 24 percent from 18 percent a year earlier, according to Experian. That share is higher than in any year since before 2006. Edmunds's data shows lease originations surged almost 46 percent in 2010 from a year earlier.

"Not only did we have the big collapse of new-vehicle sales, but the lease-penetration rate also fell substantially," Thomas Webb, chief economist for Manheim Consulting in Warrenton,Virginia, said in a telephone interview. "The lease penetration has actually gone up in the current sales cycle. The lease originations have picked up more than new-vehicle sales."

Toyota, Honda

Toyota and Honda Motor Co. (7267), whose captive finance units lead the new-vehicle leasing market, may post the biggest increases in U.S. sales for January. Deliveries probably rose 22 percent for Toyota City, Japan-based Toyota and 21 percent for Honda, the average of eight analysts' estimates.

"We do anticipate a substantial number of current Toyota lease customers returning to the market in 2013, resulting in increased showroom traffic," said Bill Fay, Toyota group vice president for U.S. sales.

Toyota and Tokyo-based Honda notched the biggest sales gains among top carmakers in 2012, recapturing much of the market share they gave up after Japan's tsunami a year earlier. Toyota boosted its market share by 1.5 percentage points to 14.4 percent, while Honda's rose 0.8 points to 9.8 percent.

GM, which ceded global auto sales leadership to Toyota last year, likely sold 13 percent more light vehicles in January than a year earlier, the average of 11 analysts' estimates. Dearborn, Michigan-based Ford and Chrysler Group LLC probably boosted deliveries by 17 percent and 15 percent, also the averages of 11 estimates.

Growth Forecasts

Ford and Detroit-based GM, the two largest automakers by U.S. sales, both have issued 2013 forecasts calling for the industry to exceed 15 million deliveries.

Ford Motor Credit Co., the automaker's finance unit, had just 17,000 returns from 36-month lease customers last year, according to a Jan. 29 investor presentation. Ford Credit had more than four times as many in 2010.

Chrysler, which was projected by analysts to lose market share in 2012, increased annual sales more than any major automaker other than

Toyota and Honda during the year. The Auburn Hills, Michigan-based automaker's market share rose to 11.4 percent from 10.7 percent a year earlier.

GM and Ford both lost market share in 2012, with GM's dropping 1.7 percentage points to 17.9 percent, an 88-year low, and Ford's declining 1.3 points to 15.5 percent.

Nissan, which owns a finance unit that closely follows Toyota and Honda in originating leases, probably sold 3.5 percent more vehicles in January than a year earlier. The automakers' respective finance units are American Honda Finance Corp., Toyota Financial Services Americas Corp. and Nissan Financial Services Co.

Targeted Offers

Analysts estimate that Seoul-based Hyundai Motor Co. (005380) and Kia Motors Corp. (000270)may combine to sell 7.4 percent more vehicles in January compared with a year earlier, the average of six estimates. Volkswagen AG (VOW) likely boosted deliveries of VW and Audi brand vehicles in January by 20 percent, the average of four estimates.

Automakers and their finance units probably will boost their use of marketing promotions that are intended to lure owners with deals such as lease pull-ahead offers, Manheim's Webb said. Vehicle owners are offered early lease expirations in an effort to entice them to buy a new car.

"The automakers and the captives work those end-of-term programs very hard to maintain their customers," he said. "There are a lot of early-termination programs, which are very beneficial to the customer, the dealer and the lessor. The dealer is able to keep the customer within the same brand."

Toyota Financial's promotions may be enough to convince Martin, the RAV4 owner, to stick with the same brand. He's leaning toward replacing his SUV with a new Prius v wagon after receiving offers for as much as $1,000 off his next purchase, plus the option to turn in his current vehicle early by as many as six months.

"They definitely want us to come back in and try to keep us in the family," Martin said. "Any money off is a good thing. If I can get closer to what I want and there's some money on the table, that makes it all the more enticing."

The following table shows estimates for car and light-truck sales in the U.S. Estimates for companies are a percentage change from January 2012. Forecasts for the seasonally adjusted annualized rate, or SAAR, are in millions of light vehicles.