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Navigating a Tight Used Car Market Through 2027

A dealership guide for protecting gross and operating with more confidence.

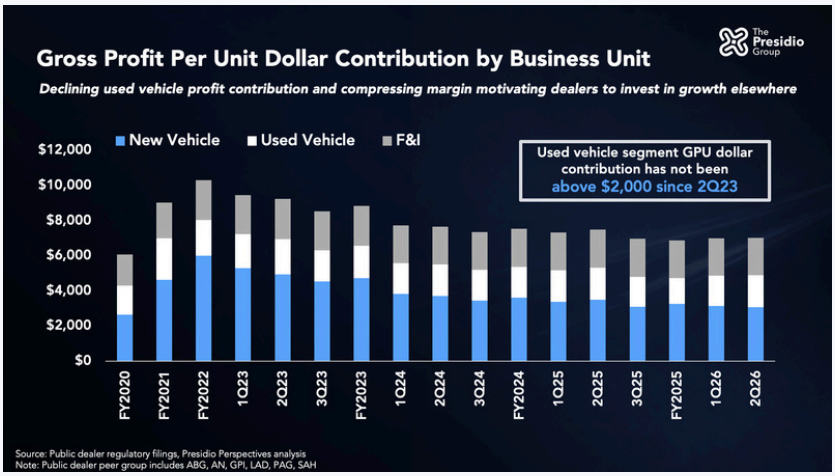


Historically, many car dealers have treated used-vehicle profit as something to protect on the sales floor, through pricing, negotiation, and merchandising. That approach may have worked when inventory was easier to replace and margins had more breathing room. But neither is true anymore.

Among the full-line public dealership groups tracked by The Presidio Group, same-store used-vehicle gross margin stood at 5.5% in the second quarter of 2026.

That was the second-lowest reading since at least 2018, according to director of research Kevin Tynan.

For dealers accustomed to relying on used cars as a strong source of gross, there is now much more pressure on every acquisition.

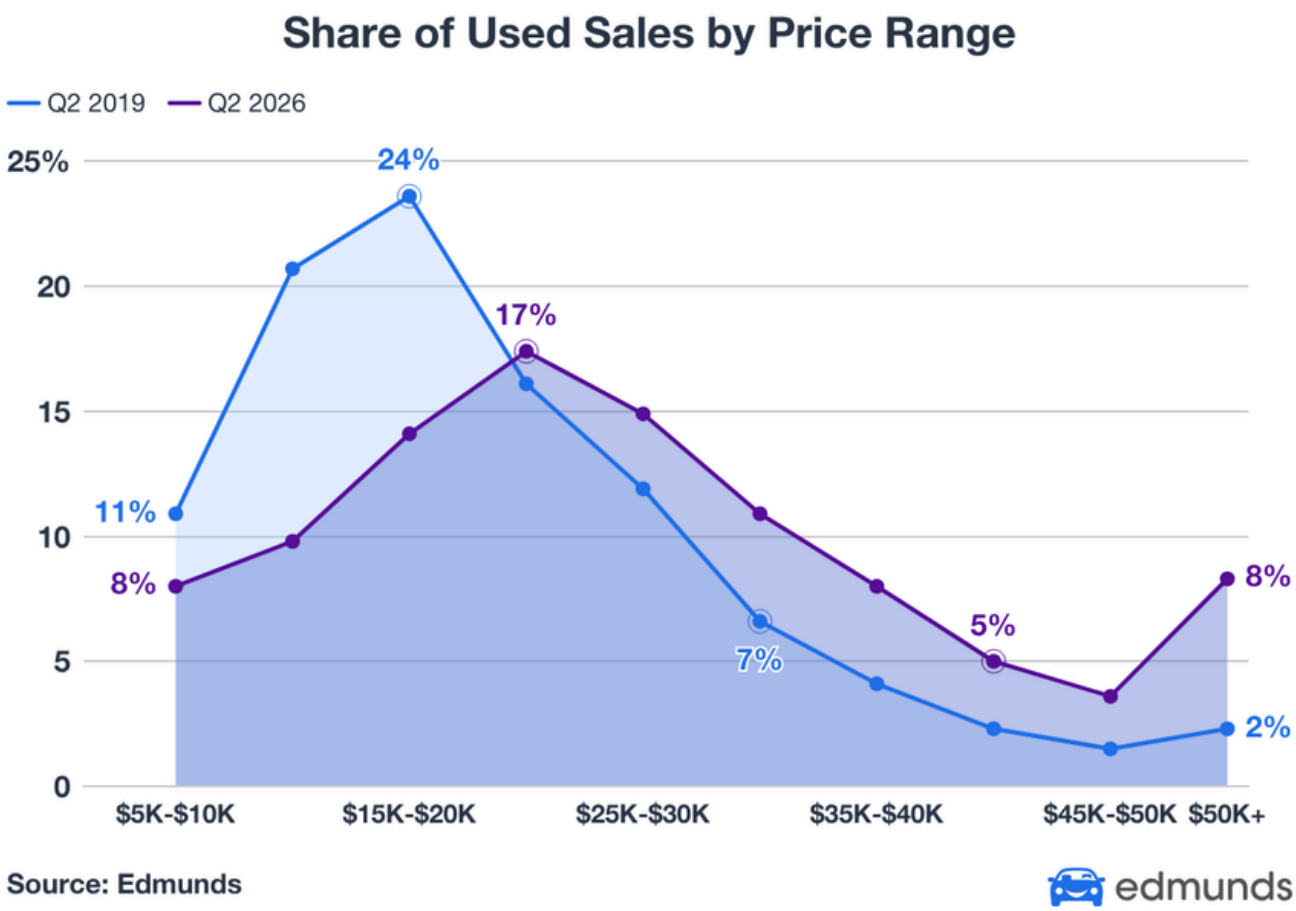


The supply shortage has a long tail

Today's sourcing challenges trace back to the vehicles automakers could not build during the pandemic. Factory shutdowns and semiconductor shortages cut new-car availability by the millions. And fewer new vehicles entering the market meant fewer units available to cycle back to the used market through trade-ins, off-lease, and wholesale channels. Production has since improved, but it can't replace those missing model-year cohorts. As a result, used car prices are sticky.

Edmunds reports that the average transaction price of a three-year-old used vehicle reached $32,461 in Q2 2026, a record for the second quarter and 15.5% higher than Q2 2021.

On top of that, vehicles under $20,000 represented 31.8% of used sales in Q2 2026, down from 55.2% in Q2 2019.



As for lease returns, there's limited incoming relief for overall supply levels. Tynan reports that lease penetration has fallen from an average of 30% in 2015–2019 to 21%, alongside a smaller annual vehicle market. He expects historically low lease returns through at least 2029, keeping pressure on a once-reliable source of late-model inventory.

For dealers planning through 2027, the implication is more expensive inventory and a thinner supply of affordable units.

Protect profit before committing to a vehicle

In a tight market, the pressure to replace sold inventory can pull used car buyers away from what their store actually needs. A vehicle might become attractive simply because it's available, even when buying it means stretching the appraisal or accepting a slower turn. Once the store owns it, the team has to deliver a retail result that justifies those assumptions.

Avoiding that trap requires a flexible sourcing strategy and a clear standard for what to buy. Trade-ins are valuable, but their timing and mix won't always match the store's needs. Auctions, digital marketplaces, service drives, and private-party sales give managers more ways to find suitable vehicles without depending on a single channel.

The source alone, however, says little about the return. An auction vehicle with added fees and transportation costs may still be a better purchase than a trade-in that ties up capital for weeks or months. The comparison depends on the total investment, the gross available at a realistic retail price, and how long the store expects to hold the unit.

This is where appraisal discipline needs more than a consistent process. Managers must connect the vehicle's condition and expected recon costs with current inventory, customer demand, and the risk of values changing before it sells.

Agile Auto brings dealership DMS and IMS data together with local market intelligence to make those relationships clearer.

Integrated Partners

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Know what truly belongs on your lot before you buy

Before assigning used car buyers additional units to find, managers need to know whether the store is overbought or underbought relative to its sales pace, and whether certain model years or price ranges are underperforming.



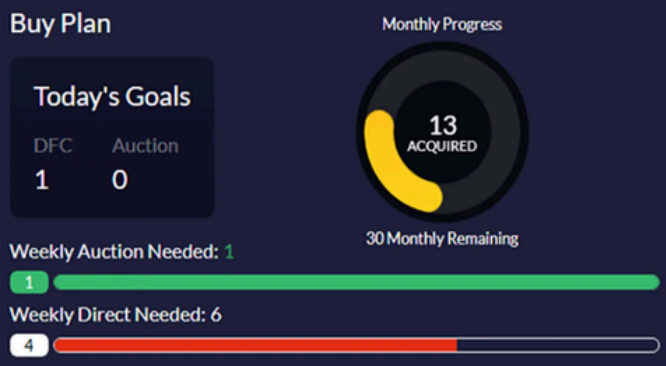
Agile Auto's Used Car Playbook gives managers that view.

Instead of reacting to past sales pace, our AI-driven platform analyzes seasonal shifts (like tax season) and local demand trends to generate a weekly preferred vehicle buy list with a clear reason to pursue each recommended unit.

Our platform also surfaces matching vehicles across auctions, wholesale sources, and marketplaces, helping buyers follow the assignment wherever suitable inventory is available.

Once a candidate turns up, making the move to acquire it must be a calculated decision. But often, there is information a buyer doesn't have in front of them while reviewing a listing, including local market values, projected wholesale values over the next 30, 60, or 90 days, and the acquisition risk at the asking price.

Agile Vehicle Analyst (AVA) connects those insights directly to supported listing pages, VIN by VIN, so buyers can weigh them alongside the vehicle's condition and expected recon costs before committing.

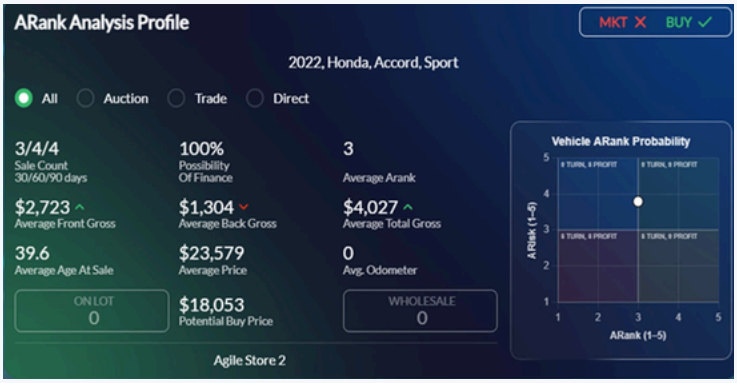


Carry the acquisition plan all the way through to the exit strategy

Once the store owns the vehicle, compare its progress with the assumptions behind the purchase. For example, recon delays shorten the available selling window. A higher repair bill changes the margin calculation. And weak shopper response may require a pricing or merchandising adjustment before the unit becomes an aging problem.

The sooner managers recognize that a vehicle is missing its targets, the more opportunity they have to respond before further costs accumulate. **A-Rank™ Analysis** tracks bought and sold inventory, highlighting pricing gaps and aging risks that warrant attention.

Meanwhile, our **Virtual Performance Coach** identifies pacing issues and recommends operational action. When used together, managers can identify at-risk units while there is still time to change the outcome.



At the end of the day, managers still make the judgment calls. But with Agile Auto, they'll do so with a consistent view of the store's needs.

Make the next acquisition a better decision

Dealers cannot control how many lease returns reach the market through 2027. However, they can control the standards behind their next purchase and how quickly their teams act on a suitable opportunity.

See how Agile Auto can help your team evaluate its used car strategy.

Click here to request a demo today