

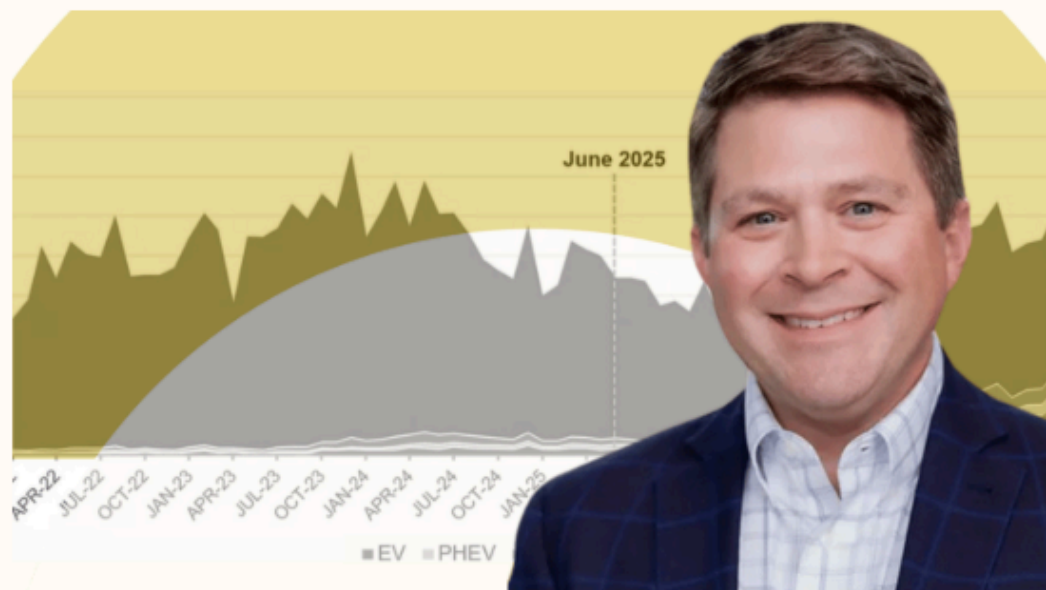
COX AUTO'S JEREMY ROBB: USED CAR SUPPLY WILL 'CHANGE DRAMATICALLY' OVER NEXT FEW YEARS



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Lease penetration fell to just 16% in late 2022 before climbing back to 25% today. But the new leases are heavily weighted toward EVs. (3 min. ...)

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Right now, over 90% of lease returns are gas-powered vehicles. By 2027, that number drops to 72%. Jeremy Robb from Cox Automotive laid out the math behind this massive shift in used car supply (and what it means for dealers who depend on lease returns for inventory) in [Cox Automotive's 2025 Mid-Year Review](#) presentation held on Wednesday, June 25.

Why it matters: Lease returns are a major source of used inventory for dealers. And a shift from 90% ICE to 72% will fundamentally change what's available on wholesale lots and what customers will be shopping for.

How it works: Typically, vehicle leases mature after 36 months. But when vehicle production got hammered in 2021 and 2022, OEMs pulled back on leasing because vehicles were outright selling (over MSRP in many cases).

- Lease penetration fell to just 16% in late 2022 before climbing back to 25% today. But the new leases are heavily weighted toward EVs.

"When we get to 2027, the mix of units coming back to the market will change dramatically," Robb said.

By the numbers (2027):

- EVs will make up 16% of lease returns
- Plug-in hybrids add another 5%
- Traditional hybrids account for 6%
- ICE vehicles drop to just 72% of returns

Follow the money: The economics of lease returns depend on residual values. Most leases are "underwater" by about \$1,500 at maturity.

- When vehicles are worth more than their residual value, dealers or lessees buy them out rather than return them. When they're underwater, they typically come back to wholesale.
- ICE and hybrid vehicles often hold their value well enough that many get bought out.

But EVs have been weaker. "Virtually all of these units that will come back off lease will return to the used market," Robb said.

Worth noting: Lease maturities will hit bottom in late 2025 or early 2026 before starting to recover. That's when this new mix of vehicles (heavy on EVs and light on traditional ICE) starts flowing back to dealers.

Bottom line: The used car supply that dealers have relied on for years is about to look completely different. More electric vehicles, fewer gas cars, and a wholesale market that will need to adapt to serving customers who want this new mix of technology.