



Protect Your Dealership from a Lease Return Drop in 2025

In the first half of 2025, lease returns in the US are projected to decline by a staggering 1 million units, presenting a significant challenge for dealerships.

This drop can be traced back to the automotive retail climate from three years ago, particularly the first half of 2022. The world was still grappling with the COVID-19 pandemic, and vehicle inventory was low, due in large part to the semiconductor shortage.

Why Did Fewer People Choose to Lease Again in 2022?

Many people returning their vehicles in the first half of 2022 decided to buy a vehicle instead of leasing again. The reasons for this decision are twofold:

- With consumer demand outpacing supply, OEMs did not have to run incentives, which tend to have a bigger impact on leases because they're spread over fewer monthly payments. Customers returning their leases therefore did not see the same incentives to lease again.
- Due to vehicle depreciation and the ability to negotiate longer payment terms, customers saw monthly financing payments that were closer to their monthly lease payments, which made financing more tempting.

This has led to the shortage we're seeing today, when people would otherwise be returning their 2022 leases.

Leasing Remains an Important Revenue Source for Dealerships

In H1 2025, the lack of returning leases is a major concern for dealers. However, in the current industry climate, dealers also have new opportunities to rebuild their leasing pipeline.

According to data from S&P Global Mobility's [AutoCreditInsight™](#), in partnership with TransUnion, the average manufacturer's suggested retail price (MSRP) was \$43,587.30 for a financed vehicle in November 2024.

Leasing can be an appealing choice for both customers and dealerships. Leasing offers a more affordable alternative in a market where higher finance payments are again the norm. Customers who lease typically have a lower monthly payment, and their vehicles remain under warranty for the duration of their lease.

Leased vehicles also have technology and safety features that are just a few years old at most. Even many finance customers itch for a new vehicle before their terms are up – [AutoCreditInsight™](#) data shows that new loan customers who were in a contract longer than 60 months returned to market to buy a new car after just 43 months.

For dealerships, leases build a strong portfolio as customers are required to return the vehicle and will likely make another lease or finance decision when they turn in their keys. The vehicles they return are typically under three years old and provide a strong Certified Pre-Owned and used vehicle inventory to dealerships.

Leasing peaked in February 2020, with lease penetration at 31.4 percent of the US market. It then trended downward, reaching a low of 16.6 percent in September 2022, the lowest rate over the last five years.

4 Strategies to Manage a Drop in Lease Returns

To overcome challenges caused by the 2025 lease return drop, dealerships should consider these four strategies.

1. Promote lease return programs.

To mitigate the impact of declining auto lease returns, dealers and lenders must actively promote their lease return programs. This means reaching out to customers before their leases end and providing them with clear incentives to lease again.

If there is an increase in the monthly payment amount, it's essential to clearly communicate this and provide an explanation for the cost – even if the increase is simply related to the price of the vehicle.

This is also an opportunity to provide the customer with any knowledge available about competitor pricing. Helping customers understand that price increases are happening across the board saves them the time and trouble of comparing prices. S&P Global Mobility's Market Impact tool enables dealers to view vehicles and prices at competing dealerships, down to the zip-code and trim levels.

It's important to emphasize that customers have options at the end of their lease terms and provide accurate, comprehensive information on financing and lease options when they return to the dealership. Above all else, transparency builds customer loyalty.

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2. Focus on customer education to build used vehicle inventory.

Many customers are not aware of the benefits of leasing or their equity position. Dealerships that provide education to their customers build trust and loyalty.

Dealers must communicate the benefits of leasing and financing as well as any incentives available to customers. However, with leasing being the less popular option despite its benefits, this is also the time to dispel any misconceptions about leasing, especially surrounding mileage or lease structure.

These perceived limitations can easily be adjusted by using Market Scan's mDesking platform to find a lease deal that meets customers' budgets and lifestyles.

For those returning a lease, reiterating the benefits of leasing while providing information on all buying options builds rapport. However, many dealerships are missing an opportunity to build used vehicle inventory by overlooking the finance customers in their portfolios.

These customers may not be aware of their equity position. With a low supply of used vehicles, many customers who are financing could sell their vehicles for the same amount or more than what they owe on them. This is especially appealing for customers who want a new vehicle, are out of warranty or stand to gain by selling. It also helps dealerships build their used vehicle inventory.

3. Leverage data to target potential lessees.

It's easy for dealerships to keep track of their lessees and provide them with new vehicle information before the end of their lease terms. However, more advanced data can help dealerships identify lessees who are most likely to return to the leasing market as well as finance customers who may be interested in leasing.

Dealerships can use Polk Auto Direct to find and target relevant customers. The tool enables dealerships to choose the audience and platform that makes the most sense for each campaign activation, such as those looking for leases or those with a strong equity position.

Once in dealership, the sales team should have the tools available to show customers a wide variety of options available to them, including many different down payment and term length choices. Market Scan's mDesking tool does just that by showing offers from lenders across the country. Prioritizing transparency and customer choice builds loyalty.

If a dealership wants to create a pipeline of returned leases to build a strong used vehicle inventory, every member of the sales team must be comfortable communicating the benefits of leases and providing them. Often, dealerships only have a couple of sales advisors who are comfortable working lease deals.

4. Offer creative financing and lease options.

As vehicle prices remain high, offering flexible financing and leasing options can be crucial to convince consumers to stick with or return to leasing. This can mean using mDesking to find a wide range of offerings, including those with custom or odd-term lease and finance options. For loyal customers or those with excellent credit, this may mean making small exceptions to in-dealership rules.

Additionally, any program dealerships can offer to make payments more manageable, such as deferred payment options or trade-in programs, will help them gain and keep customers.

Even when customers return their lease and want to lease again, dealers must consistently provide information for all finance and leasing options to build customer loyalty and get business through referrals.

Finally, remember that customers' financial situations change over time; there is no one-size-fits-all approach when it comes to committing to a new vehicle. Dealerships that acknowledge this each and every time a customer comes in, even to repeat customers, will build rapport and loyalty.

There is no quick solution to a projected decrease in lease returns in H1 2025. However, dealerships can encourage customers to lease or continue leasing, build used vehicle inventory by looking into finance customers' equity and build trust and transparency to remain strong through the challenges ahead.

To learn more about how S&P Global Mobility solutions deliver for dealers and accelerate sales, [book a demo today](#).

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