

Record used car prices pressure dealers

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By [Chris Woodyard](#), USA TODAY

With used car prices at record highs, auto dealers are trying harder to get customers to trade in their old cars for new ones.

AutoNation, the largest U.S. new car dealer chain, plans to hang tags from the mirrors of late-model, fuel-efficient cars brought in for service telling customers they can get top dollar if they trade that car for a new one. "We are clearly able to provide more to our customers in trade-in value," says [Mike Maroone](#), the chain's president. "There are a lot of people (still making payments) who don't know they have equity in their cars."

Driving the quest for trade-ins is that prices of used cars hit a record in April, with the greatest demand for smaller, fuel-thrifty cars, two price trackers report. The price run-up adds to the woes of an auto industry already beset by looming shortages of new cars in the wake of the Japanese disaster. Many plants both in Japan and the U.S. are running well below capacity because of shortages of Japan-sourced parts. Japanese makers are predicting a shortfall that could last through the summer. That adds price pressure to new and used cars alike. At the same time, the supply of used cars also is short, thanks to the recession that depressed new car sales and, thus, the number of trade-ins.

Also driving up demand is a recovering economy and, in the case of fuel-thrifty used cars, gas prices exceeding \$4-a-gallon in many states.

Used car prices have run up 20% since January after falling for much of 2009 and 2010, researcher [Kelley Blue Book](#) said Monday. And Manheim Consulting, an arm of one of the nation's largest wholesale used car auction companies, says prices are being bid higher than at any time since it started keeping track in 1995.

For example, a 3-year-old [Ford Explorer](#) sold for twice as much last month — \$14,200 — as a 3-year-old Explorer sold for in 2007, Kelley Blue Book says.

For dealers, getting hold of good used cars is an increasing challenge. "It's tougher to find cars for people who are ready to buy than a year ago," says Jerry Seiner, who has [General Motors](#), Kia and Nissan dealerships in the [Salt Lake City](#) area.

Auto dealers face a "mixed bag" in coping with higher used car prices, says Efraim Levy, analyst for Standard & Poor's Equity Research. They sell them for more to customers, but paid more for them at auction or as trade-ins, so "the overall profit is pretty much the same."