

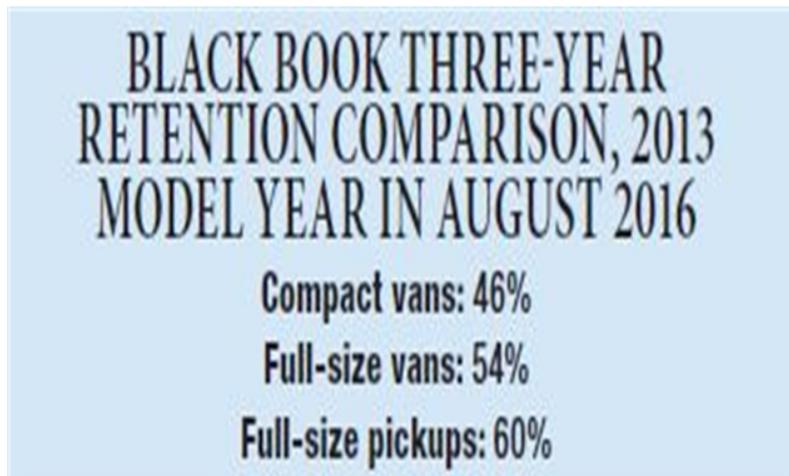
AUTO FOCUS

The Truth Behind Compact Van Depreciation

WHY ARE LARGE VAN VALUES HOLDING UP BETTER THAN THEIR COMPACT COUNTERPARTS, AND WILL IT LAST?

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The numbers from Black Book are eye-opening: Compact vans are among the worst depreciating segments, with annual depreciation for a two- to- six-year-old van at more than 23%. On the other hand, depreciation for full-size vans in this time period is less than 13%. Pickup trucks have fared even better.



While strong value retention for pickups is well known, it's worth digging into the reasons behind compact vans' recent poor performance. For analysis, we turn to Jeb Lopez, owner of Wheelz Up, an auto parts delivery service in the D.C. metro area, and Brad Jacobs, director of strategic consulting for Merchants Fleet Management.

Wheelz Up, which puts 30,000 miles on its vans in a year, runs both the larger Ford Transit and Nissan NV models as well as the Transit Connect and NV200 compact vans. Lopez says selling larger vans is easier than the compact ones because the large vans are in high demand, particularly by construction companies and contractors.

While the larger vans cost \$5,000 to \$10,000 more than their compact counterparts out of the gate, the monthly cost differential on a lease or finance is about \$100 to \$150. By moving up to a larger van, that \$150 buys you more than double the payload capacity and cargo volume.

As well, the myriad of configurations in the large vans — roof heights, door configurations, engines, storage options, and weight ratings — play a factor. "A lot of people have been gravitating to the Euro-style vans that might have used a pickup truck in the past simply because they are more versatile," Jacobs says.

Fuel economy does make a difference: Wheelz Up is averaging about 13 to 14 mpg on the larger vans and 17 mpg

on the smaller ones. That's a noticeable chasm, though the recent trend to low fuel prices has softened the blow. Moreover, Lopez says that his smaller vans have seen higher maintenance costs with brake and tire wear. "We don't get that on the (larger) cargo vans," he says.

Jacobs agrees that lower fuel prices haven't helped residuals for the compact vans, though he maintains that wear and tear on any vehicle is utilization and application specific.

In terms of spec'ing for the application, no one wants to use a larger van at half capacity, and Lopez has been caught in this circumstance before. He then switched to a smaller van for the same run. "However, we noticed that we were helping to build (this client's) business, and after six to eight months, they were buying more from us — and we were switching back to the bigger cargo vans," he says. This ability to scale upward seems to play into the hands of larger vans as well.

Nonetheless, Lopez believes that the compact van's place in the market is solid: "They're easier to drive, they get better fuel economy, and parking in the city is more forgiving," he says.

Jacobs concurs, saying that there are plenty of applications in which adding payload and capacity don't make sense, because the company's product needs fit the smaller vans. And these new van models have given fleets the flexibility to right-size. "Where they were using a pickup truck, they can now spec a compact utility van," he says.

This portends another trend. "Over time, we'll see an impact to light trucks with service bodies," Jacobs says, adding that the new cargo vans have racks and bin packages that serve traditional service body applications. Spec'ing a van in this way is cheaper than a truck with a service body, and it's more resale friendly.

Jacobs points out another factor that works in small van's favor: In 2013, the only compact van was the Ford Transit Connect, so the market today essentially offers only one used compact van choice.

Moreover, the Transit Connect was redesigned for the 2014 model year, offering two wheelbase choices, a passenger wagon version, and a more powerful engine that maintains good fuel economy.

New model choices, such as the Nissan NV200, Chevrolet City Express, and Ram ProMaster City, along with a redesigned Transit Connect, should boost pricing in auction lanes in coming years.

Tags: Cargo VansFord Transit ConnectNissan NV200Nissan NVFord TransitCompact VansChevrolet City ExpressRam ProMaster City

Author: Chris Brown | Posted @ Tuesday, September 6, 2016 11:26 AM