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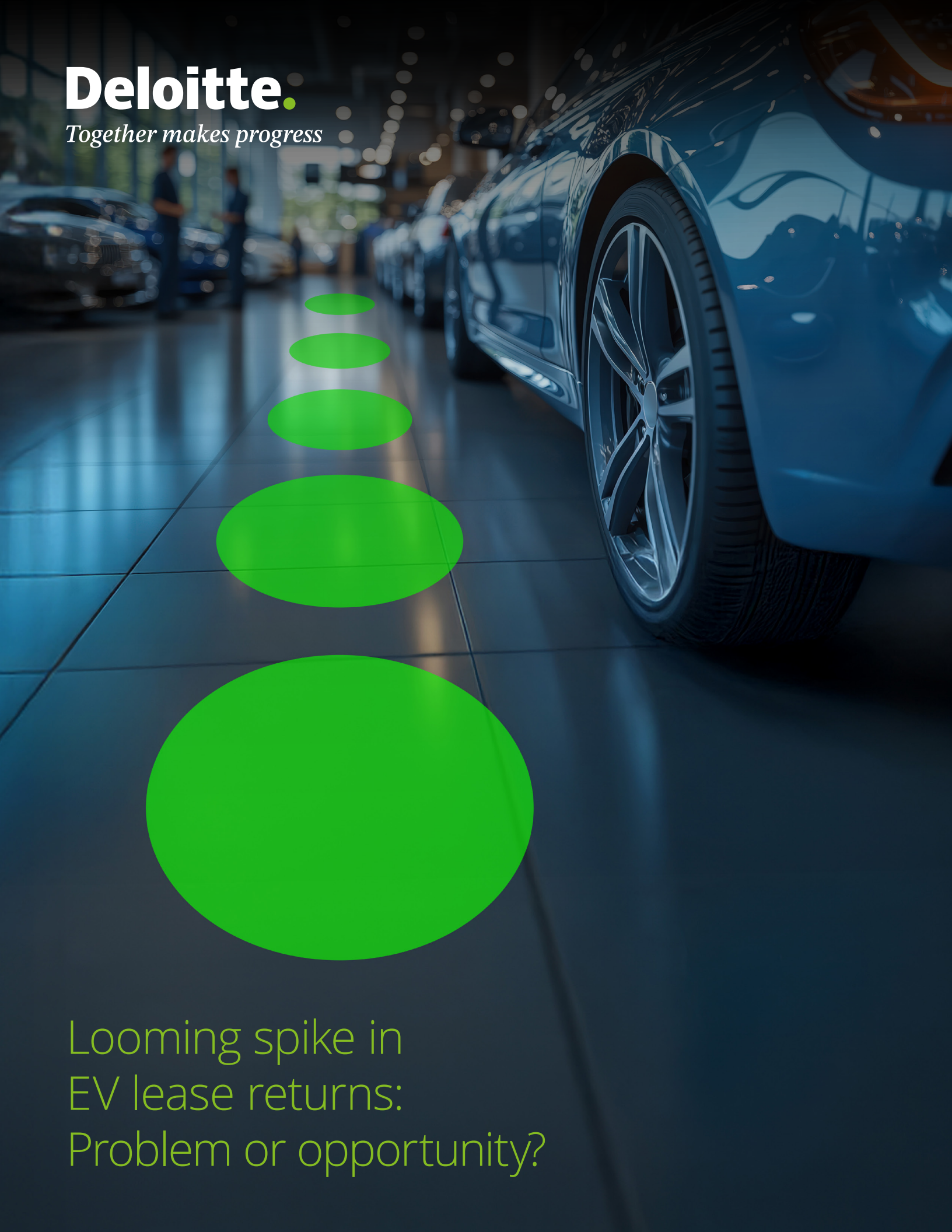

Looming spike in EV lease returns: Problem or opportunity?

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Introduction

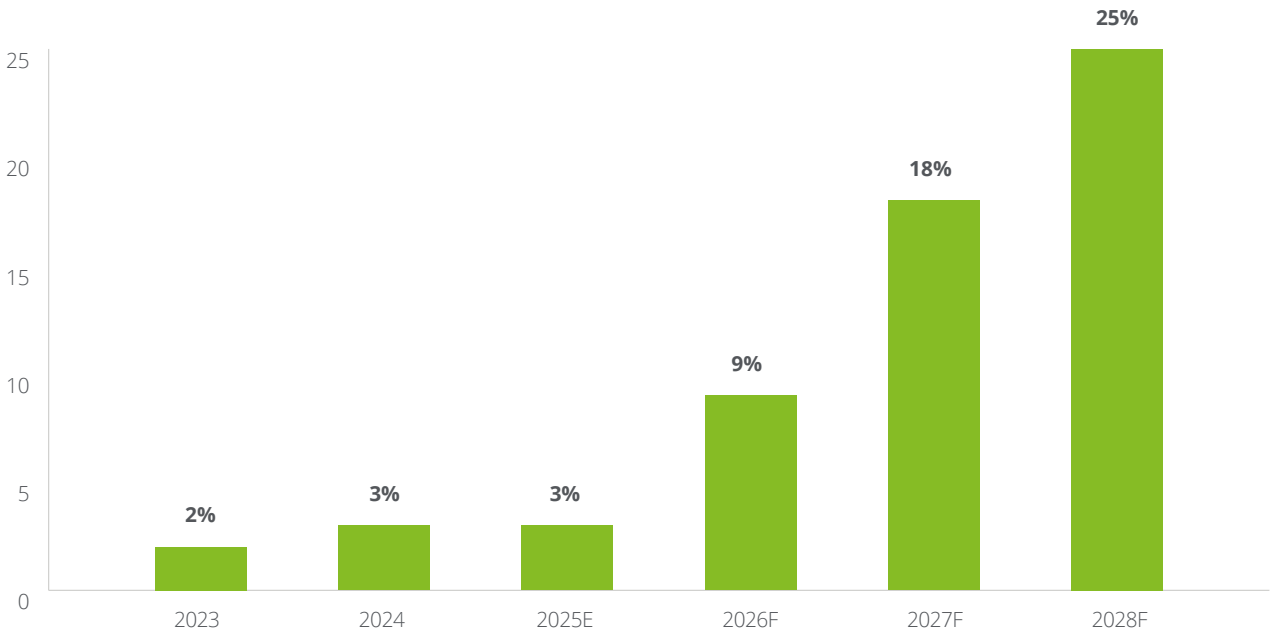
The number of electric vehicle leases in the United States has been strong in recent years, driven in part by original equipment manufacturers (OEM) incentives and federal, state, and local incentive programs. As these leases come to an end, a large pipeline of off-lease returns is arriving on the secondary market, with significant growth expected through 2028.

To date, the volume of off-lease battery electric vehicles (BEVs) entering the used market has been relatively low. However, forward projections suggest BEVs will represent nearly 10 percent of all lease maturities in 2026 and roughly 25 percent in 2028 (figure 1).[1] This rapid increase in secondhand BEV supply is happening at a time when used BEVs are already underperforming residual value expectations,[2] creating a potential problem for OEMs and their captive finance companies.

History shows that when supply growth exceeds demand within a vehicle segment, residual values can deteriorate quickly. The shift away from passenger cars toward trucks and SUVs a decade ago led to a sustained decline in passenger car residuals. In 2018, it was reported wholesale compact car prices fell by about 3 percent year over year while wholesale truck prices rose nearly 10 percent, reflecting a shift in consumer preference rather than overall market weakness.[3] Today, a similar dynamic is occurring in the used BEV market. Recent reports indicate projected wholesale values for BEVs remain materially below contractual residuals,[4] even before the projected surge in off-lease BEV maturities.

The implications extend beyond near-term used vehicle pricing. Residual performance can affect both captive and new vehicle profitability through incentive requirements, dealer inventory risk, and long-term consumer confidence in BEV value. As off-lease volumes rise, residual outcomes are expected to be shaped not only by macro demand, but also by how effectively OEMs, captives, and dealer networks manage customer retention, remarketing channels, and value perception across the vehicle life cycle.

Figure 1: EV share of US light vehicle lease maturities (2023–2028F)



Source: Experian Velocity Vehicle Registration Database as of January 2026; Deloitte analysis.

Early and coordinated action is important for value management

A fragmented lease-end strategy can amplify residual value losses and risks, driving away loyal customers. OEMs and captives should consider building an integrated lease-end process that prioritizes customer engagement and retention. The goal of which should include: (1) transitioning customers into new vehicles, or (2) extending the lease tenure when that preserves value, or (3) converting leases to retail loans or buyouts, or (4) leveraging alternative disposition channels before sending the vehicle to open auction.

When a vehicle is likely to be returned, organizations should act quickly to define the appropriate channel strategy and tailored incentives for the customer or the originating dealer. For vehicles with a large gap between market value and contracted residual, targeted programs can help keep the vehicle with the customer, convert it to retail, or move it into alternative channels such as corporate or fleet placement where an economic outcome may be more favorable. These interventions require enterprise visibility into expected residual outcomes and alignment across product, finance, and retail functions.

Used BEV demand should be created, not assumed

Scaling the used BEV market is expected to require expanding the buyer pool beyond prior EV owners. Many US consumers remain cautious about range, charge time, price, battery replacement cost, and public charging access.[5] Yet current BEV ranges, improving infrastructure,[6] and lower maintenance costs[7] are shifting those perceptions. Recent model-year BEVs now average well over 250 miles of range,[8] and modern battery degradation rates are materially lower than early-market estimates.[9] Communicating these facts clearly to prospective used vehicle buyers is important.

Winning over buyers could include product education, appropriate warranty and ancillary products that mitigate battery risk, and a purchase experience that mirrors expectations set by new EV channels. Direct-to-consumer digital sales models are setting a new standard for transparency and confidence in used vehicle purchases. Creating demand can be as important as protecting residuals. A stable used market reassures new car buyers, helps keep monthly payments competitive with traditional internal combustion alternatives, and can build a pipeline of future new EV customers.

Always-on software updates can be a value lever

BEVs introduce the ability to improve the post-sale ownership experience through over-the-air (OTA) software updates. OTAs can deliver driver assistance enhancements, user experience improvements, and vehicle performance updates without requiring a service visit. While not all updates can be monetized, the capability to reduce perceived obsolescence matters.

Consumer research indicates many buyers are more likely to keep a vehicle longer if it receives regular software updates that add features, safety enhancements, or performance improvements.[10] Longer ownership terms leading to lower off-lease return volume can materially influence used vehicle supply dynamics and help moderate residual pressure.

However, the market does not consistently price OTA capability today. Transferable, VIN-linked software assets are increasingly recognized in wholesale and retail pricing, but non-transferable, subscription-based services are rarely capitalized.[11] Therefore, OTA capability can be a residual risk-mitigation lever, not a guaranteed source of uplift. It can work well when brands deliver meaningful updates and clearly communicate those benefits to subsequent owners.

Treat used BEVs as a strategic capability

Used BEV performance over the next few years is expected to influence both short-term residual outcomes and the long-term viability of BEV leasing and sales. As off-lease volumes scale, effective outcomes will likely depend on cross-enterprise coordination rather than any single tactic. Fragmented approaches to customer engagement, lease-end decisions, incentives, and remarketing could amplify losses. Organizations that align earlier, with clear visibility into expected residual outcomes and a shared plan to manage risk are expected to be better positioned to stabilize used BEV performance.

Beyond loss mitigation, organizations can treat used BEV performance as a strategic capability. As BEVs engender a perception of lower operating and maintenance costs, companies can design remarketing efforts to attract new, value-seeking consumers.[12] These efforts can also be used to strengthen brand retention and maintain leasing competitiveness while supporting sustained BEV growth. Used BEVs can also offer a platform to experiment with alternative ownership and subscription models, digital retailing, and data-driven product refinements. A strong used BEV channel can build consumer confidence and create a pipeline of future buyers.

How Deloitte can help

Deloitte works with automotive leaders to align OEM, captive, and dealer organizations around a coordinated used vehicle strategy. By combining analytics, customer journey design, pricing and incentive governance, and operating model alignment, we advise clients so they can proactively manage used BEV supply and demand dynamics. This includes: (1) strengthening residual value-setting methodologies, (2) improving lease-end decision frameworks, and (3) building more disciplined remarketing capabilities across multiple vehicle life cycle paths.

We also support clients in operationalizing these strategies through scalable, technology-enabled solutions. This includes subscription and flexible ownership models, end-to-end process design and mapping, targeted market segmentation and campaign execution, and modular platforms that integrate with existing systems to help accelerate deployment while managing investment risk. The result is a more repeatable, enterprise-wide capability that can help manage residual exposure, attract new customer segments, and stabilize used BEV performance over time.

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