

BUYING YOUR DREAM CAR:

Insider Tips from Premier Financial Services



WORKING WITH A CONSIGNMENT DEALER: FIRST, FIND A GOOD ONE

Whatever your dream car, from a pre-war classic to a modern exotic, today's market makes it easier than ever to find. In our second installment, PFS Midwest Sales Manager Ross Dressel shares his insights on working with consignment dealers. In addition, Spencer Trener of Fantasy Junction, a California-based collector car consignment shop, offers tips on what to expect from a good consignment dealer.

Is Consignment a Good Option?

Understanding the best way to buy a consigned car begins with knowing how and why people consign their cars to those dealers in the first place. (It's also good to know what happens behind the scenes, if you ever want help selling your dream car through a consignment dealer.)

Why choose consignment to sell a modern supercar or classic car? Some sellers see consignment as an easier and safer method than trying to sell individually, and there is also a chance to get more for their car than by trading it in to a dealer.

"With consignment, sellers are essentially leaving their car in the hands of a dealership to expose it to more buyers than they could by yourself," says Ross Dressel, Premier Financial Services Midwest Sales Manager.

For buyers, working with a consignment dealer cuts both ways. Consigned cars are likely to be of higher quality, because most dealers thoroughly check out a car before they accept it on consignment. But the increased visibility raises sellers' expectations for a higher price, and they will also factor in the dealer's commission. So be prepared for tough price negotiations.

Consignment Quick Tips

These guidelines can improve your chances of success when buying or selling your dream car through a consignment dealer:

- Get all fees up front and in writing.
- For late model cars, consider a franchised dealer of your model's marque.
- Look for certified late-model cars.
- For classics, work with a dealer that knows your model well.
- Seek and accept good counsel on market-correct pricing.
- Always get a third-party inspection. *Always.*



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Whether you're buying or selling, your homework starts with finding a dealer who does consignment, which might not be easy.

"Most franchised stores don't do consignment, because they feel it is competing against themselves, and some states have laws restricting it," says Dressel. There are other caveats with consignment, perhaps the biggest being that fees and commission rates can vary widely.

"Look for reasonable fees, and get all fees and terms in writing," says Dressel. Some shops, he adds, might charge 10 percent while others might use a flat fee structure.

"At the shop I once worked at in Michigan, which was not big on allowing dealers to do consignment, we had an agreement with owners that we would sell a car for \$5,000," he explains. "For a \$250,000 car, that's just two percent. However, that dealer would do consignment mainly as a service for a good customer, or to get a car that it otherwise might not be able to have in stock."

In the mainstream car market, the "certified pre-owned" label carries a lot of credibility for buyers, and the same is true in the premium category, Dressel advises.

Certified Cars Move Faster

"For a late-model car, some dealers will only consign certified cars, or will advise you that is the only way it will sell," he says. "That's helpful for both the seller and the buyer. Certifying generally moves the car faster and allows the dealer and seller to ask for a higher price." Buyers need to move more quickly when considering a certified car.

There are, of course, many cars that have aged out of eligibility for their brands' certification programs, but Dressel feels that even without certification, a franchise dealer adds credibility to an offered car, and may expect a premium price on that basis alone.

The Price Is Right ... or Should Be

Setting a price is usually a sensitive area for sellers, Dressel acknowledges. While using consignment might help garner a higher price for their car, this is not a guaranteed outcome. With some exotics, for example, lower-than-anticipated resale value can come as a rude surprise to some sellers, and serve as an opportunity for buyers to benefit from what may be a temporary decline.

Dressel says, "There should be a discussion about the true market value for the car. Putting a too-high price on it doesn't help anybody. Communication is the single biggest thing to make it a good experience for sellers and buyers. Everybody needs to be on the same page."

Unique, or Just Odd?

With factory customization so prevalent among premium marques, many sellers have what they believe to be unique cars that might have higher value than others of their kind. However, a potential buyer may not necessarily find the special-order paint color or carbon fiber trim as appealing as the seller does. A savvy buyer should keep that in mind for leverage in negotiating price.

"The car needs to be priced in line with dealer's other inventory of similar models," says Dressel. "On the other hand, a seller might be offering something the dealer doesn't already have. But getting more than market value is rare. The general rule is, the longer a consignment dealer holds a car [for sale], the more it stands to lose." He cautions that a car can become known for being for sale for a long time, similar to what happens with a house that sits on the market for a long time. Again, a sustained lack of market interest can provide buyers with pricing leverage.



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The Dealer's Advice for Buyers

Following Dressel's advice to find a consignment dealer with plenty of experience, you might want to check out Fantasy Junction in Emmoryville, CA. Bruce Trenery founded the shop 46 years ago, and today runs it with his son, Spencer. The dealership generally keeps about 60 cars in inventory, from pre-war to modern, with prices from \$100,000 to \$3 million. This dealer also carries a few cars under \$100,000, to cater to what it sees as a younger, emerging market.

"From a car buyer's perspective, you want to find a reputable dealer, someone in business with a track record that you can rely on to be knowledgeable about the cars they're selling, and to be around to answer questions after the sale," Spencer Trenery tells Premier. When choosing an older or rare model, Trenery emphasizes the importance of working with a dealer that has handled those types of cars in the past.

"When you work with a dealer that really knows the cars, you won't be relying solely on seller disclosures," he advises. "We've sold particular cars three or more times over the years, and sometimes a seller doesn't know the car as well as we might know it."

What Should the Dealer Do for You?

Trenery says a consignment dealer, in addition to performing the legally required title search and checking the stolen car database, should offer the potential buyer as much information and documentation as possible, including clear and comprehensive photographs. Trenery also underscores the importance of market-correct pricing.

"It behooves us to get the best price for both sides of the transaction, because we are paid a commission," he says, "but the price has to be realistic, so we counsel sellers about the market."

Trenery suggests that buyers work with a dealer that has a deep customer database for marketing new inventory. And he echoes Dressel's advice about getting all fees up front and in writing. Fantasy Junction posts all of its fees, services and commission rates on its website.

There is of course no certified pre-owned program for classics, so Trenery encourages third-party inspections.

"We'll put a car on a hoist so buyers can look in our shop, but we still recommend a third-party inspection and we make that as convenient as possible," he says. Regardless of how or where you purchase your dream car, Premier Financial Services can structure lease financing for any car over \$50,000. Our sales managers have many years of experience funding cars from all sources, including private sellers, franchised dealers, consignment dealers, brokers and auctions. This enables our clients to act on an offered car quickly and confidently.



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