

## Wholesale Prices Increase in June and Manheim Report on First Half of 2013



After declining in each of the first five months of the year, wholesale used vehicle prices (on a mix-, mileage-, and seasonally adjusted basis) rose in June. This brought the Manheim Used Vehicle Value Index to a level of 119.7, which was 3% lower than a year ago. On a quarterly basis, wholesale prices declined 0.8% in the first quarter of 2013 and 2.1% in second quarter.

The pattern of wholesale pricing during the first half of 2013 was influenced by the delayed, and light, tax refund season and by “payback” for price hikes in late 2012 resulting from Hurricane Sandy. Nevertheless, total market activity was consistent with earlier expectations and helped bring wholesale prices in better alignment with retail new and used vehicle prices.

Continued healthy used vehicle sales and profits should enable wholesale prices to show only a modest easing in the face of higher supplies in the back half of 2013.

***New vehicle sales beat expectations in June.*** New cars and light-duty trucks sold at a seasonally adjusted annual rate (SAAR) of 16 million in June. It was the strongest pace since November 2007. Although the outdated notion of trading day adjustments likely boosted the June sales rate somewhat, there is clearly an underlying strength in new vehicle sales. That should keep inventory levels in check and lessen the need for aggressive incentive activity during model year closeout.

One should not conclude, however, that the industry’s goal of achieving 15.5 million in sales in 2013 will be cakewalk. As witnessed by the large (and varying) market reactions to an innocuous Federal Reserve statement regarding future policy, the economic recovery remains susceptible to random shocks.

***Used vehicle sales steady, and profits strong.*** Used vehicles sold by dealers increased 3.6% in June, after falling in both April and May. Although CNW reported that second-quarter used unit sales by dealers were down 1 percent relative to 2012, our channel checks continue to indicate that dealers are satisfied with their unit volumes and profits.

CarMax, the largest used vehicle retailer, reported a strong 17% jump in retail unit sales on a same-store basis during its fiscal quarter ending May 31. It is likely that the other public dealers will also report higher used vehicle sales for the calendar quarter ending June 30.

***Rental risk prices strong in June.*** Prices for rental risk units sold at auction, unadjusted for market class and mileage, increased 4.8% in June, relative to a year ago. After adjusting for broad shifts in market classes and mileage, rental risk prices in June were basically unchanged from both May and a year ago. Volumes were down for the month.

***Mid-priced vehicles show some weakness.*** An analysis of mileage changes by wholesale price tiers shows that vehicles in the \$11,000 to \$13,000 price range remained the weakest segment of the auction market in June. This hurt the overall resale performance of some commercial fleet managers (since that is their primary price range), but many makes and models popular with commercial fleets continue to perform very well in the auction market.

***Pickup prices remain strong.*** Among the market classes, pickups have been the best-performing segment, both in recent months and over the past year. Wholesale pricing for

compact and midsize cars remained pressured by competition from the new vehicle market and increased wholesale supplies.

## **MANHEIM REPORTS USED VEHICLE SALES FOR FIRST HALF OF 2013; REFLECTS ECONOMIC RECOVERY**

### *Chief Economist Tom Webb Links Sales of Used Vehicles to Improving Employment*

**ATLANTA** – Manheim today reported that the used vehicle market in the U.S. remained strong in the second quarter of 2013. Although wholesale prices fell three percent year-over-year, the movement was consistent with prior expectations and it brought wholesale values in better alignment with retail new and used vehicle prices. The company reported its findings during its quarterly Used Vehicle Value Index presentation call held earlier today.

“Wholesale vehicle prices are returning to a more normal level after having been elevated the past several years due to low supply and high demand,” said Tom Webb, chief economist. “Moderating pricing is being driven, in part, by strong sales of new retail vehicles. As sales of new vehicles increase, more used vehicles are coming into the wholesale market through trade-ins and lease returns. Wholesale vehicle pricing should continue to moderate in the second half of 2013, though the overall strength of the market should be unaffected.”

Strength in the retail market is evidenced by the same-store used vehicle unit volumes for the seven publicly-traded vehicle dealership groups, which have seen year-over-year growth for the past 16 consecutive quarters.

Employment growth is a major factor driving sales, as consumers have greater need for personal transportation and have the means to pay for it. Some other emerging trends in the used car market based on the first-half results for 2013 include:

- **Pickup trucks** continued to outperform all other used vehicle segments during the first half of 2013. Wholesale prices increased 3.6 percent year-over-year due to increased demand from the improvement in the housing industry, combined with limited supplies in the wholesale market, especially for units with less than 100,000 miles.
- **Midsize and compact cars** experienced the largest drop in prices year-over-year at 4.0 percent and 5.4 percent respectively, due to the attractive offerings, pricing and financing options available on midsize and compact cars in the new vehicle market. This hurt the overall resale performance of some commercial fleet managers whose primary price range is \$11,000 - \$13,000, but many makes and models popular with commercial fleets continued to perform very well in the auction market.
- **Rental risk prices were** strong in June. Prices for rental risk units sold at auction, unadjusted for market class and mileage, increased 4.8 percent in June compared to a year ago, though volumes were down for the month. Rental risk prices in June were basically unchanged from both May and a year ago, after adjusting for broad shifts in market classes and mileage.

- **“Buy Here Pay Here” is showing growth** in lower-priced cars. Lower-priced cars also are in demand, boosted by increased employment as more people are earning the income necessary for a vehicle purchase. Dealers are creating additional demand by offering more flexible financing to consumers at the low end of the market due to enhanced credit availability from lenders.

“The subprime and leasing markets performed very well in the first half of 2013,” Webb said. “The strong performance of ‘Buy Here Pay Here’ dealers has attracted competition to the market, among both other used vehicle dealers as well as from established lenders that until recently had avoided this higher risk category. Our outlook for this industry segment is positive for the next 12 to 24 months.”

### **About Manheim ([www.manheim.com](http://www.manheim.com))**

Manheim is the leading global provider of vehicle remarketing services, connecting buyers and sellers of used vehicles to the largest wholesale used-vehicle marketplace. The company helps dealer and commercial customers achieve results by providing physical and digital auction channels, data analysis, financing, transportation and mobile products and solutions.

Manheim pioneered in-lane vehicle auctions and has been an innovator in both digital and mobile auction platforms. Manheim registers nearly 8 million used vehicles annually, facilitating transactions representing more than \$50 billion in value. Manheim’s research and consulting arm, Manheim Consulting, provides industry-leading market intelligence and publishes the widely recognized annual Used Car Market Report. The company offers dealer financing through [NextGear Capital, Inc.](#), and transportation services through [Ready Auto Transport](#).

Headquartered in Atlanta, Manheim has more than 20,000 employees in 106 worldwide sites and generates annual revenues of more than \$2.5 billion. A subsidiary of Cox Enterprises, Manheim participates in “Go Green with Manheim,” the company’s sustainability program.