

December 2013 Kontos Kommentary

Current Used Vehicle Market Conditions



Summary

After a one-month hiatus, wholesale used vehicle prices resumed their softening in December, as average prices declined on both a month-over-month and year-over-year basis. The softening price trend was evident throughout much of 2013, with some reversals at the beginning of the year due to lingering supply shortages arising from Superstorm Sandy, and later in the year due to strong retail used vehicle demand.

As stated many times in past reports, the overriding dynamic in today's used vehicle market is rebounding supply, which is putting downward pressure on wholesale prices. However, strong retail demand is restricting this downside, as is the gradual nature of the supply increase itself. Still, for the year, average wholesale prices fell nearly two percent as volumes grew by an estimated five percent. Lessening the impact was growth in retail used vehicle sales of over three percent. (More information on annual results and trends will be provided in the year-end edition of *Pulse*.)

Details

According to ADESA Analytical Services' monthly analysis of [Wholesale Used Vehicle Prices by Vehicle Model Class](#)¹, wholesale used vehicle prices in December averaged \$9,661, -- down 0.9% compared to November, and down 1.3% relative to December 2012. Luxury cars and SUVs and sporty cars were the only segments that showed monthly upticks.

Prices for used vehicles remarketed by manufacturers were up 3.4% month-over-month and up 3.3% year-over-year, primarily due to tight supplies for this portion of the market (largely late-model off-rental program units). Prices for fleet/lease consignors were down 0.3% sequentially, although up 1.0% annually. Dealer consignors saw a 1.5% average price increase versus November 2013, but a 2.6% downturn versus December 2012.

Based on data from CNW Marketing/Research, retail used vehicle sales were up 4.8% month-over-month and up 7.5% on a year-over year basis in December. This allowed total retail sales (i.e., sales by franchised and independent dealers) to reach close to 30 million units, and total used vehicle sales (including private sales) to reach nearly 42 million units, in 2013 – increases of 3.4% and 3.6%, respectively. Sales of certified pre-owned (CPO) vehicles in December were down 3.0% from the prior month but up 9.4% from the prior year, based on figures from Autodata. Total certified pre-owned (CPO) sales exceeded two million units for the first time in 2013 and were up 15.1% from 2012.

¹The analysis is based on over six million annual sales transactions from over 150 of the largest U.S. wholesale auto auctions, including those of ADESA as well as other auction companies. ADESA Analytical Services segregates these transactions to study trends by vehicle model class.

The views and analysis provided herein relate to the vehicle remarketing industry as a whole and may not relate directly to KAR Auction Services, Inc. The views and analysis are not the views of KAR Auction Services, its management or its subsidiaries; and their accuracy is not warranted. The statements contained in this report and statements that the company may make orally in

connection with this report that are not historical facts are forward-looking statements. Words such as “should,” “may,” “will,” “anticipates,” “expects,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “bode”, “promises”, “likely to” and similar expressions identify forward-looking statements. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from the results projected, expressed or implied by the forward-looking statements. Factors that could cause or contribute to such differences include those matters disclosed in the company’s Securities and Exchange Commission filings. The company does not undertake any obligation to update any forward-looking statements.