

March 2014 Kontos Commentary

Current Used Vehicle Market Conditions



Summary

Wholesale prices strengthened in March -- above both seasonal and year-ago levels. Off-rental units, which were in greater abundance last March, were a driving factor in this March's results. Delayed off-rental supply translated into higher off-rental prices, which in turn contributed to higher overall average wholesale used vehicle prices. On top of that, retail used vehicle sales rebounded strongly in March, after being depressed by severe weather in January and February. The resulting strong demand also contributed to higher overall prices.

To the extent off-rental volume was hindered by winter conditions and a late Easter, this volume should be forthcoming soon and, along with expected off-lease volume growth, will put downward pressure on prices as seen in previous months.

Details

According to ADESA Analytical Services' monthly analysis of [Wholesale Used Vehicle Prices by Vehicle Model Class](#)¹, wholesale used vehicle prices in March averaged \$10,429 -- up 6.0% compared to February, and up 4.0% relative to March 2013. All segments except minivans registered month-over-month increases. Pickups and SUVs experienced particularly strong year-over-year price increases.

Prices for used vehicles remarketed by manufacturers were up 3.9% month-over-month and up 8.2% year-over-year, as manufacturers capitalized on strong demand for certifiable units and lower supply of off-rental program cars. Prices for fleet/lease consignors were up 8.8% sequentially and up 4.5% annually -- in part due to tight supplies and strong demand for off-rental risk units. Dealer consignors saw a 7.5% average price increase versus February, and a 4.5% uptick versus March 2013, indicating solid wholesale absorption of high trade-in volume from strong March new vehicle sales.

Based on data from CNW Marketing/Research, retail used vehicle sales were up almost 50% month-over-month, as severe weather conditions eased. Sales of certified pre-owned (CPO) vehicles in March were up 15.3% from the prior month and up 8.6% from the prior year, based on figures from Autodata.

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.

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