

May 2014 Kontos Commentary Current Used Vehicle Market Conditions



Summary

Wholesale prices in May softened from their April spring-market/tax-season peak, although they remain significantly above year-ago levels. Retail demand, particularly for “certifiable” units for record CPO sales, helped absorb off-rental volume and growing off-lease supply without significant price declines. However, there was some hesitancy from a few sellers to accept May’s lower prices, and this was reflected in low conversion rates for those consignors.

May’s downturn could be a precursor to further softening, especially in areas such as the Northeast, where the growth in off-lease supply is expected to be concentrated.

Details

According to ADESA Analytical Services’ monthly analysis of [Wholesale Used Vehicle Prices by Vehicle Model Class](#)¹, wholesale used vehicle prices in May averaged \$10,321 -- down 1.5% compared to April, and up 5.4% relative to May 2013. Truck prices continue to generally hold firmer than car prices.

Prices for used vehicles remarketed by manufacturers were down 1.4% month-over-month and up 5.0% year-over-year, as more off-rental program units entered the market, many of which were no-sold. Prices for fleet/lease consignors were down 1.5% sequentially and up 4.2% annually, as more off-rental risk units entered the market (although in many cases these too were no-sold) along with more off-lease vehicles. Dealer consignors saw a 2.5% average price decrease versus April, and a 3.7% uptick versus May 2013, as they wholesaled units obtained in part from trade-ins generated via May’s strong new vehicle sales.

Based on data from CNW Marketing/Research, retail used vehicle sales in May were up 12.3% month-over-month and 3.9% year-over-year. Sales of certified pre-owned (CPO) vehicles were a record 207,371 units, up 7.4% versus April and up 10.9% 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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