

July 2014 Kontos Kommentary

Current Used Vehicle Market Conditions



Summary

The softening trend in wholesale prices continued in July, as retail used vehicle sales were down on a year-over-year basis (though up month-over-month). Supply also grew as more off-lease and off-rental units entered the online upstream and physical auction channels, and as dealers took more trades from strong new vehicle sales. Growing auction inventories are also exerting downward pressure on wholesale prices.

Details

According to ADESA Analytical Services' monthly analysis of [Wholesale Used Vehicle Prices by Vehicle Model Class](#)¹, wholesale used vehicle prices in July averaged \$9,743 -- down 2.2% compared to June, and up 3.3% relative to July 2013. Prices declined between June and July for virtually all model classes. Minivans and Mini SUVs were particularly hard-hit, with month-over-month price declines of 5.7% and 3.8% respectively.

Prices for used vehicles remarketed by manufacturers were down 1.9% month-over-month and down 4.7% year-over-year, indicating weaker demand for high off-rental program vehicle inventories. Prices for fleet/lease consignors were down 0.9% sequentially but up 2.2% annually, though prices for off-rental "risk" units within this segment were down significantly. Dealer consignors saw a 2.9% average price decrease versus June, and their prices were flat relative to July 2013.

Based on data from CNW Marketing/Research, retail used vehicle sales in July were up 1.2% month-over-month but down 5.2% year-over-year. Sales of certified pre-owned (CPO) vehicles were down 10.4% versus June, though they were up 9.4% 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.

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.