

August 2014 Kontos Kommentary

Current Used Vehicle Market Conditions



Summary

The softening trend in wholesale prices continued in August, and for the first time since January, prices were down on a year-over-year basis. This should come as no surprise, as this has been an outcome we have anticipated for quite some time based primarily on our predicted growth in off-lease volume. Retail used vehicle sales, especially for certified pre-owned units, have actually been providing a demand-side extension to the strong sellers market that consignors have generally enjoyed since late 2009. But with the focus on new vehicle sales in the current retail automotive market, those used vehicle sales have had a temporary lull (although not for CPO units).

Given an improving economy and employment growth, retail used vehicle sales should resume full bore in coming months, especially considering the high trade-in volume the strong new vehicle sales are generating. Nevertheless, used vehicle prices should continue to trend down as supply outpaces demand.

Details

According to ADESA Analytical Services' monthly analysis of [Wholesale Used Vehicle Prices by Vehicle Model Class](#)¹, wholesale used vehicle prices in August averaged \$9,592 -- down 1.6% compared to July, and down 0.4% relative to August 2013. Prices for compact cars, fullsize vans and mini, midsize and large SUVs were up on a month-over-month basis, while all other segments were down.

Prices for used vehicles remarketed by manufacturers were down 1.0% month-over-month and down 4.3% year-over-year, indicating weaker demand for high off-rental program vehicle inventories. Prices for fleet/lease consignors were down 2.4% sequentially and down 1.5% annually. Prices for off-rental "risk" units within this segment were again down significantly. Dealer consignors saw a 2.2% average price decrease versus July, and were also down 2.2% relative to August 2013.

Based on data from CNW Marketing/Research, retail used vehicle sales in August were down 14.8% month-over-month and down 9.4% year-over-year. However, sales of certified pre-owned (CPO) vehicles were up 11.4% versus July and up 11.1% 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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