

September 2014 Kontos Kommentary

Current Used Vehicle Market Conditions



Summary

Wholesale used vehicle prices softened again in September, their fifth monthly decrease in a row. September's modest year-over-year increase in average prices reflects a higher percentage of institutional sales of late-model vehicles this year versus last and therefore masks the softness in prices seen by looking at those sales on a disaggregated basis. Improved retail sales of used vehicles after a tough summer cushioned the blow to wholesale prices from growing supply.

Details

According to ADESA Analytical Services' monthly analysis of [Wholesale Used Vehicle Prices by Vehicle Model Class](#)¹, wholesale used vehicle prices in September averaged \$9,557 -- down 0.4% compared to August, but up 0.8% relative to September 2013. Average prices for minivans were up significantly, but this reflects an increase in the percentage of current and one-year-old models sold in factory sales in September. Trucks and cars moved in opposite directions, with prices for trucks rising significantly on a month-over-month and year-over-year basis, while cars showed major sequential and annual price declines. Crossovers also showed price declines.

Prices for used vehicles remarketed by manufacturers were down 4.2% month-over-month and down 3.3% year-over-year, as manufacturers sold off elevated program vehicle inventories. Prices for fleet/lease consignors were down 2.0% sequentially and down 1.1% annually. Prices for off-rental "risk" units within this segment were again down significantly. Dealer consignors saw a 1.9% average price decrease versus August, although prices were up a modest 0.3% relative to September 2013.

Retail used vehicle sales in September were up 4.1% month-over-month and up 4.6% year-over-year, based on data from CNW Marketing/Research. According to Autodata, sales of certified pre-owned (CPO) vehicles were down 15.4% versus August, but that was based on three fewer selling days. A better reflection of certified used vehicle demand is that September CPO sales were up 19.7% from the prior year.

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.