

October 2014 Kontos Commentary

Current Used Vehicle Market Conditions



Summary

As in September, a large proportion of higher priced, late-model manufacturer off-lease program vehicles, some of which were sold after delays due to recalls, biased average wholesale prices upward and masked the inherent softness of a wholesale used vehicle market facing high incoming supply. Retail used vehicle demand did not provide quite the support to auction prices it had in previous months, as franchised dealers did well simply to retail the many units they have been taking from off-lease purchases and in trade on strong new vehicle sales.

Details

According to ADESA Analytical Services' monthly analysis of [Wholesale Used Vehicle Prices by Vehicle Model Class](#)¹, wholesale used vehicle prices in October averaged \$9,678 -- up 1.3% compared to September and up 0.9% relative to October 2013. As in September, 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.

Prices for used vehicles remarketed by manufacturers were down 11.3% month-over-month and 8.6% year-over-year, as manufacturers sold off elevated program vehicle inventories, including recalled units. Prices for fleet/lease consignors were down 3.7% sequentially and 2.2% annually. Prices for off-lease "risk" units within this segment were again down significantly. Dealer consignors were the only seller group that saw average price increases in October, registering a 1.4% increase versus September and a 0.7% increase relative to October 2013. This bodes well for the wholesale market's ability to absorb excess dealer trades.

Retail used vehicle sales in October were down 18.0% month-over-month and 3.8% year-over-year, based on data from CNW Marketing/Research. However, franchised dealers saw a 2.2% year-over-year increase, indicating they are having success in retailing the many trade-ins they are taking in light of strong new vehicle sales. According to Autodata, sales of certified pre-owned (CPO) vehicles were up 7.5% versus September and 13.8% from the prior year. Strong CPO sales have been particularly useful in absorbing high incoming lease volumes.

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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