

December 2014 Kontos Kommentary

Current Used Vehicle Market Conditions



Summary

Average wholesale used vehicle prices fell modestly in December but remained up on a year-over-year basis. These results reflect the ongoing growth and change in the composition of wholesale supply towards greater “institutional” volume (off-lease, off-rental, off-fleet, repos, etc.) versus dealer consignment volume yielding a “richer mix” that elevates average prices even as supply growth applies downward pressure to those prices.

This is by no means the only factor that has supported used vehicle prices in a year of supply growth, as new vehicle incentives have been relatively benign; used vehicle retail sales, especially of certified vehicles, have been strong; supply curtailments and disruptions due to weather and recalls occurred throughout the year; and redistribution of volume into multiple remarketing channels, all have diffused the significant impact that supply normally has on wholesale values.

(More information on annual results and trends in 2014 will be provided in the year-end edition of *Pulse*.)

Details

According to ADESA Analytical Services’ monthly analysis of [Wholesale Used Vehicle Prices by Vehicle Model Class](#)¹, wholesale used vehicle prices in December averaged \$9,844 -- down 0.3% compared to November and up 2.0% relative to December 2013. Luxury and sporty cars experienced healthy average price increases, perhaps as dealers looked to stock these cars on their lots for in time for the holidays.

Prices for used vehicles remarketed by manufacturers were up 9.6% month-over-month but down 2.8% year-over-year. Sale curtailments due to recalls were a factor in these December results, and “factory” inventories were relatively high entering 2015. Thus, the tailwind to prices that might have been provided by the absence of units due to these sale curtailments could turn into a headwind as these units are released in early 2015.

Prices for fleet/lease consignors were up 1.3% sequentially but down 0.3% annually. Prices for off-rental “risk” units within this segment held up well, rewarding rental companies that capitalized on the absence of factory units mentioned in the previous paragraph.

Dealer consignors registered a 1.7% increase versus November and a 3.0% increase relative to December 2013, indicating the wholesale market is readily absorbing excess dealer trades generated from strong new vehicle sales.

Retail used vehicle sales in December were down 0.3% month-over-month and 4.1% year-over-year, based on data from CNW Marketing/Research. Despite these December declines, retail used vehicle sales in 2014 reached a respectable 29.6 million units, very close to last year’s total. Moreover, the composition of those sales included a higher percentage of higher priced, and typically higher grossing, certified pre-owned (CPO) vehicles, which totaled 2.3 million units

in 2014 versus 2.1 million the year before. CPO sales were particularly strong in December, rising 3.9% month-over-month and 17.2% year-over-year, according to 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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