March 2015 Kontos Kommentary

Current Used Vehicle Market Conditions

Summary

Wholesale used vehicle prices were up on both a month-over-month and year-over-year basis in March. Though this is indicative of both seasonal and secular market strength, supply growth is nevertheless exerting downward pressure on prices as witnessed by lower conversion rates and price weakness in particular age, sale type, and model class segments.

A problem with relying on sales prices for assessing market conditions, even based on the robust data set available through the millions of auction transactions we analyze in this space, is that this data set omits the vehicles that no-sold. A large portion of off-rental program vehicles that would have been sold in late-2014 and whose sale was curtailed until early 2015 were no-sale'd in March in hopes of better prices in forthcoming sales. Ignoring this factor leads to a false sense of confidence in the strength of wholesale values.

Another factor that should be considered, and which has been repeatedly stressed here, is that average sales prices continue to be biased upward by a "richer mix" of institutional vehicles this year compared to last year. The late-model off-rental program vehicles mentioned in the previous paragraph have had particular impact in elevating average prices.

In short, average wholesale prices are holding up well, but a deeper analysis indicates that supply growth is putting downward pressure on prices as one would expect.

Details

According to ADESA Analytical Services' monthly analysis of Wholesale Used Vehicle Prices by Vehicle Model Class[1], wholesale used vehicle prices in March averaged $10,646 – up 4.7% compared to February and up 2.0% relative to March 2014. The truck classes, which include vans, SUVs and pickups, performed much stronger than the car and crossover classes.

Prices for used vehicles remarketed by manufacturers were up 4.5% month-over-month but down 8.3% year-over-year. Prices for fleet/lease consignors were up 7.4% sequentially but down 0.6% annually. Dealer consignors registered a 6.0% increase versus February and a 1.7% increase relative to March 2014.

CPO sales were again strong, rising 12.4% month-over-month and 7.4% year-over-year, according to figures from Autodata.

[1] The 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, sale type, model year, etc.

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