

February 2010 Kontos Commentary Current Used Vehicle Market Conditions and Outlook

Summary

As anticipated in our recent *Pulse* report, used vehicle prices have continued their firming pattern of year-over-year price increases, subject to seasonal fluctuations. Tight supply and solid demand are behind this trend, which only severe weather in late January and early February seemed to briefly interrupt.

Despite great concerns that the Toyota recall would have detrimental impacts on Toyota wholesale values, results thus far at auction are inconclusive. Remarketers, dealers and industry analysts would do well to wait for additional data to come in before passing judgment. As experienced analysts of used vehicle market trends know, it is exceedingly difficult to disentangle the impact of sales disruptions, volumes, new vehicle incentives, variations in vehicle mix, etc. in order to isolate the impact of a single factor such as a recall on wholesale values. ADESA Analytical Services will continue to closely monitor results and share our findings as they become clearer.

Details

According to ADESA Analytical Services' monthly analysis of [Wholesale Used Vehicle Prices by Vehicle Model Class](#)¹, wholesale used vehicle prices in February averaged \$10,138 -- a 3.0% increase from November and an 8.3% increase from prior year. This is the first time since July that average prices have topped \$10,000.

Prices for all car and truck categories except full-size cars were up for the month, and all categories were up versus prior year. (Full-size cars are a relatively small-volume segment at auction and small changes in factors such as seller type and vehicle condition month-to-month can have disproportional impacts on average prices.) Demand for passenger vans for spring break may be driving higher prices for full-size vans, although weak comps last year are also behind the strong year-over-year price change for this segment.

By seller type, manufacturers registered a 0.5% month-over-month price decrease and a 14.8% year-over-year rise; fleet/lease consignors experienced a 5.6% sequential price decrease and a 13.2% annual increase. Dealers saw a 3.0% average price increase versus January and a 14.2% uptick versus February 2009.

ADESA Analytical Services estimates that auction industry inventory levels stood at 33 days at month-end compared to 50 days last February -- an indication of tight supply. Conversion rates (units sold as a percentage of units offered) were above the 60% industry norm, as demand remains strong for available units.

Based on data from CNW Marketing/Research, retail used vehicle sales in February were down 2.7% year-over-year for franchised dealers, but up 8.6% for independent dealers and 2.5% overall. Certified used vehicle sales were up 4.7% versus January, although down 9.9% compared to February 2008, according to Autodata. The consumer price index for used vehicles rose by 11.5% year-over-year in January (latest available) based on data from the Bureau of Labor Statistics.

¹The analysis is based on nearly seven million annual sales transactions from over 170 of the largest U.S. wholesale auto auctions, including those of ADESA as well as other auction companies. ADESA Analytical Services segregates these transactions using the J.D. Power and Associates Vehicle Segmentation Guide to study trends by model class.

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