

March 2010 Kontos Commentary

Current Used Vehicle Market Conditions and Outlook

Summary

Wholesale used vehicle prices maintained their growth pattern in March, as dealers continue to bid aggressively for available units needed to meet solid retail demand in the midst of tight supplies.

Stronger new vehicle sales recorded in March -- both retail sales to consumers and fleet sales to rental companies and corporations -- bode well for near term and longer term used vehicle supply in the form of trade-ins and off-rental/fleet units. In the meantime, institutional and dealer consignors can capitalize on strong selling prices in-lane and online at auction.

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 \$10,549 -- a 4.0% increase from February and a 6.8% increase from prior year. The rising tide has been lifting virtually all ships; most model class segments have been moving in tandem with the market regardless of size or configuration.

Prices were up for all seller types. Manufacturers registered a 4.2% month-over-month price increase and a 13.5% year-over-year rise; fleet/lease consignors experienced a 5.4% sequential price increase and an 11.9% annual increase. Dealers saw a 7.7% average price increase versus February and a 14.2% uptick versus March 2009.

ADESA Analytical Services estimates that auction industry inventory levels stood at 31 days at month-end compared to 44 days last March -- an indication of tight supply and high auction throughput.

Based on data from CNW Marketing/Research, retail used vehicle sales in March were up 3.5% year-over-year for franchised dealers, 18.7% for independent dealers and 10.5% overall. The consumer price index for used vehicles rose by 14.1% year-over-year in February (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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