

August 2022 Kontos Commentary

Current Used Vehicle Market Conditions

Summary

Average wholesale used vehicle prices in August were down for the third month in a row from their spring/tax-refund seasonal peaks. Cumulatively, prices have dropped by over 9%, or roughly three times the typical pre-pandemic May-August seasonal drop. The supply “drought” continues to limit the erosion of wholesale values that otherwise might have been more severe given the softness of used vehicle demand.

Year-to-date retail used vehicle and certified pre-owned (CPO) sales continue to be down by double-digit levels compared to last year and 2019, leaving dealers with more inventories and prompting them to be more selective in their inventory sourcing.

Wholesale Market Trends*

According to ADESA US Analytical Services’ monthly analysis of auction industry used vehicle prices by vehicle model class, wholesale prices in August averaged \$15,754 – down 3.3% compared to July, but up 7.1% relative to August 2021, and up 40.1% versus pre-pandemic/August 2019, as seen in the table below.

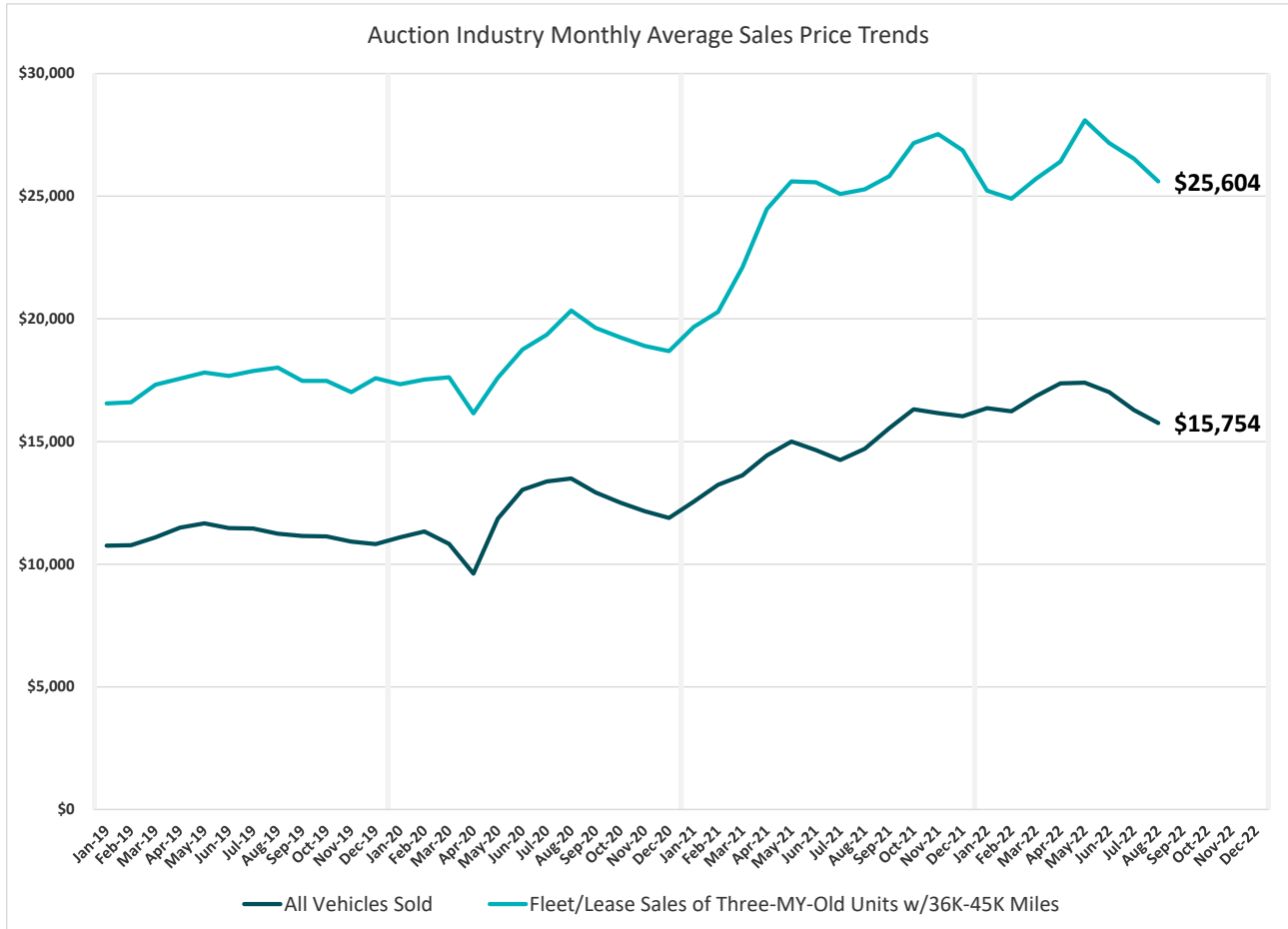
Wholesale Used Vehicle Price Trends

	Average Prices (\$/Unit)				Latest Month Versus:		
	Aug-22	Jul-22	Aug-21	Aug-19	Prior Month	Prior Year	Pre-pandemic
Total All Vehicles	\$15,754	\$16,284	\$14,712	\$11,244	-3.3%	7.1%	40.1%
Total Cars	\$11,778	\$12,240	\$11,046	\$8,465	-3.8%	6.6%	39.1%
Compact Car	\$8,996	\$9,109	\$7,984	\$6,530	-1.2%	12.7%	37.8%
Midsized Car	\$10,209	\$10,529	\$9,167	\$7,312	-3.0%	11.4%	39.6%
Fullsize Car	\$10,346	\$10,694	\$9,631	\$7,592	-3.3%	7.4%	36.3%
Luxury Car	\$17,863	\$18,908	\$17,342	\$13,080	-5.5%	3.0%	36.6%
Sporty Car	\$20,549	\$21,804	\$21,333	\$14,219	-5.8%	-3.7%	44.5%
Total Trucks	\$18,205	\$18,800	\$17,162	\$13,382	-3.2%	6.1%	36.0%
Mini Van	\$11,249	\$11,640	\$10,084	\$8,118	-3.4%	11.6%	38.6%
Fullsize Van	\$22,147	\$23,713	\$20,048	\$13,748	-6.6%	10.5%	61.1%
Compact SUV/CUV	\$13,670	\$14,344	\$12,978	\$10,923	-4.7%	5.3%	25.1%
Midsized SUV/CUV	\$16,745	\$17,359	\$14,985	\$11,548	-3.5%	11.7%	45.0%
Fullsize SUV/CUV	\$20,390	\$20,530	\$20,181	\$14,248	-0.7%	1.0%	43.1%
Luxury SUV/CUV	\$26,059	\$27,316	\$25,722	\$18,465	-4.6%	1.3%	41.1%
Compact Pickup	\$19,600	\$20,061	\$17,430	\$11,080	-2.3%	12.4%	76.9%
Fullsize Pickup	\$22,390	\$22,749	\$21,246	\$17,061	-1.6%	5.4%	31.2%

As in July, average prices in August were down on a month-over-month basis for all model class segments.

*Source: Analysis in this section is based on over six million annual sales transactions from over 250 of the largest U.S. wholesale auto auctions, including those of ADESA US as well as other auction companies. ADESA US Analytical Services segregates these transactions to study trends by vehicle model class, sale type, model year, etc.

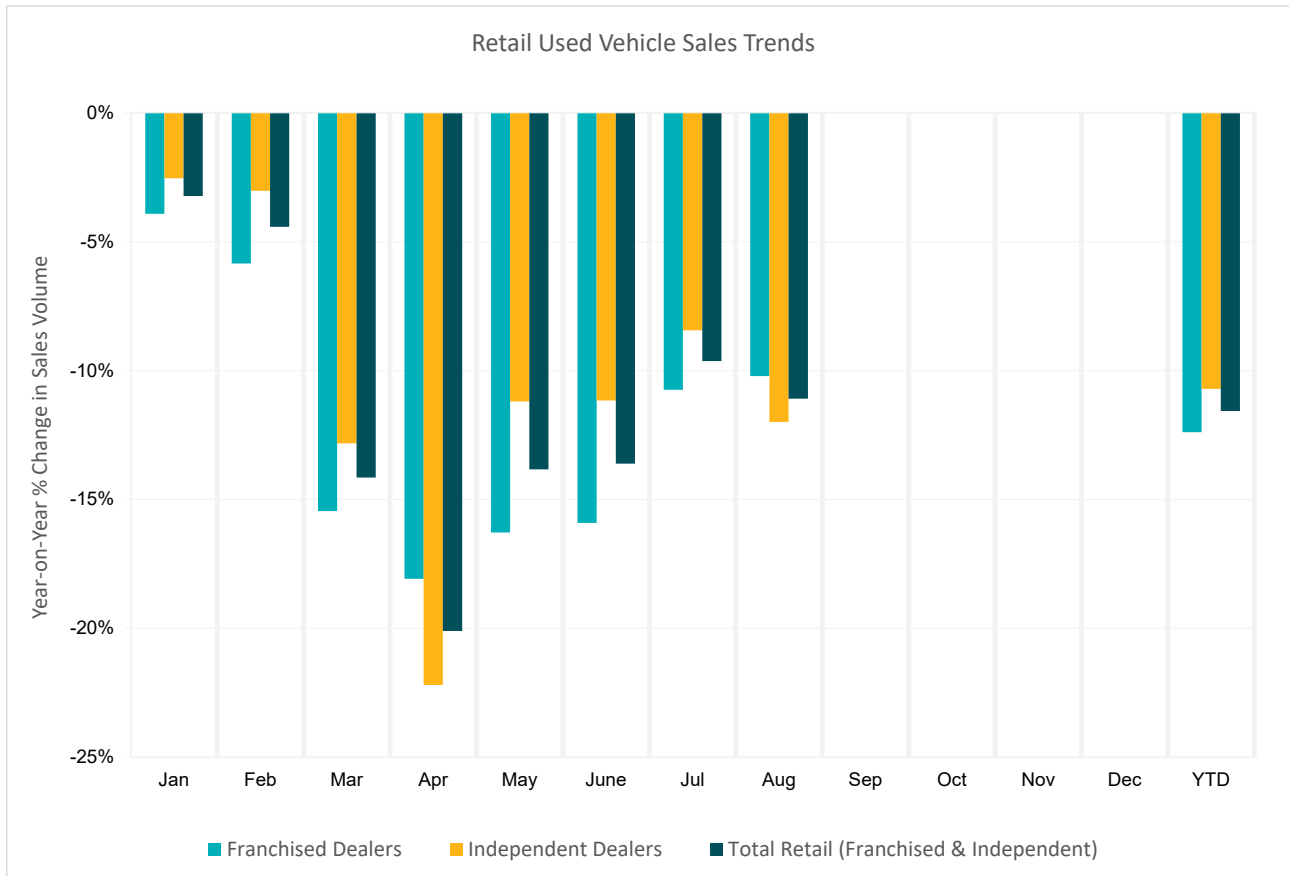
Further insights on wholesale price trends can be gained by holding constant for auction sale type, model-year age and mileage (the upper line in the following graph), as well as price trends for all vehicles sold (the lower line in the graph below). Prices continued to fall for both groups from their spring/tax-refund seasonal peaks, though they remain at historically high levels.



A [spreadsheet](#) with historical data broken out by model class for the table and graph in this section has been provided with this report for your convenience in tracking these trends going forward.

Retail Market Trends

The following graph and table summarize data on retail used vehicle and certified pre-owned (CPO) sales through August based on ADESA US Analytical Services analysis of data from NADA and Motor Intelligence, respectively.



YTD Aug	Franchised	Independent	Total Retail	CPO Sales
2019	10,453,691	9,609,405	20,063,096	1,901,035
2020	9,235,888	8,890,840	18,126,728	1,734,759
2021	10,387,694	10,000,576	20,388,270	1,935,326
2022	9,101,255	8,929,386	18,030,640	1,634,349

Var - Amt				
vs. 2019	(1,352,436)	(680,019)	(2,032,455)	(266,686)
vs. 2020	(134,633)	38,545	(96,088)	(100,410)
vs. 2021	(1,286,439)	(1,071,190)	(2,357,629)	(300,977)

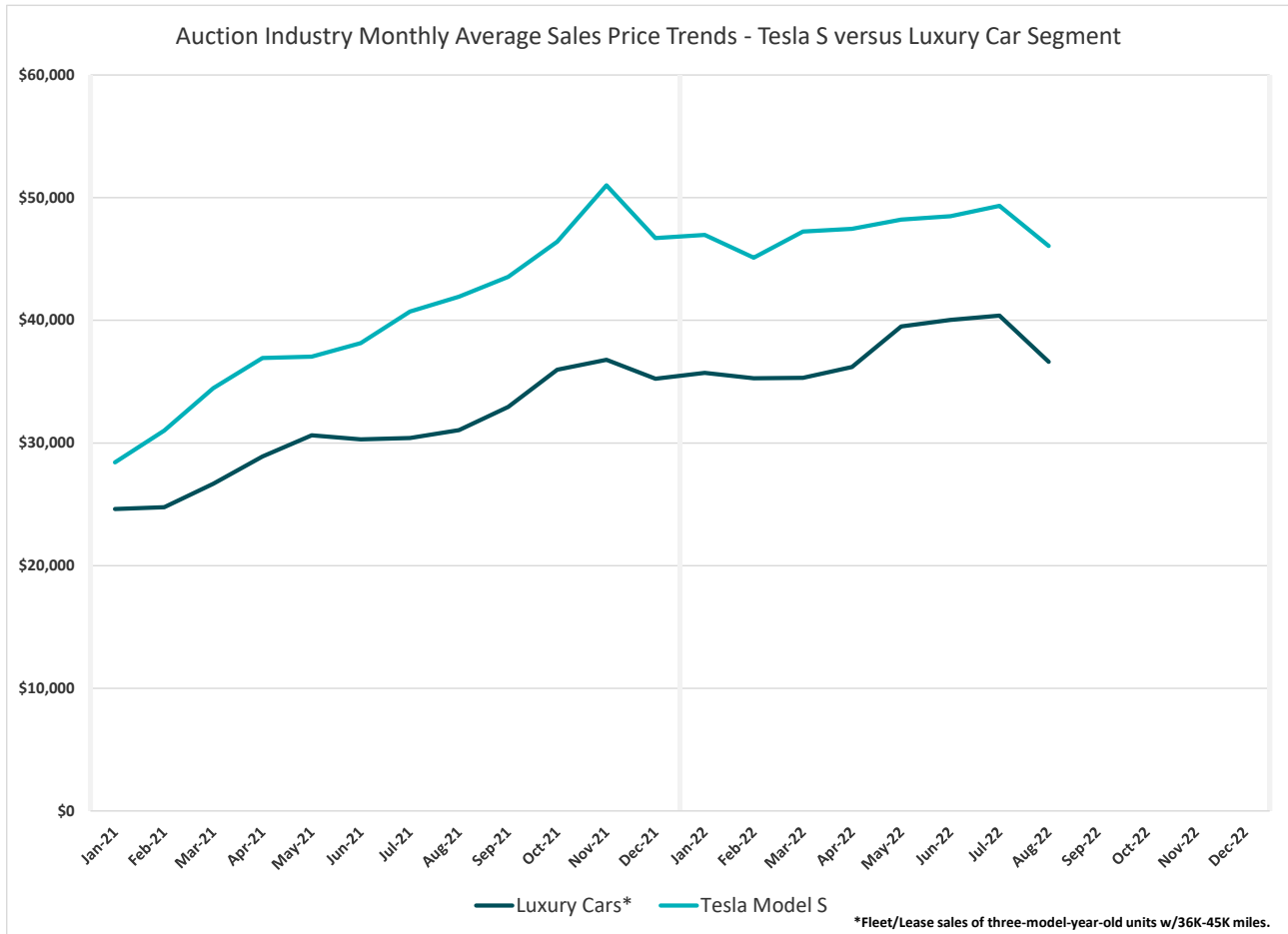
Var - %				
vs. 2019	-12.9%	-7.1%	-10.1%	-14.0%
vs. 2020	-1.5%	0.4%	-0.5%	-5.8%
vs. 2021	-12.4%	-10.7%	-11.6%	-15.6%

As the graph shows, August and year-to-date retail used vehicle sales were down by double-digits. The table also shows CPO sales, which similarly showed double-digit year-to-date declines compared to last year and pre-pandemic/2019.

#Trendspotter

Electric vehicles, or EVs, have dominated automotive and even national news in recent years. Although they currently stand in the mid-single-digits in terms of new vehicle market share, that percentage has roughly doubled during the pandemic. Despite this growth, EVs remain a small fraction (less than one percent) of the vehicles sold at auction. Nevertheless, the auction industry is gearing up to handle more EVs in the future, and I have been studying EV trends with increasingly keen interest.

Below is a graph of auction sales prices for the historically popular Tesla S model in comparison to average sales prices for the luxury car model class segment that I include in the spreadsheet that accompanies this report (i.e., Fleet/Lease Sales of Three-MY-Old Units w/36K-45K Miles).



As the graph indicates, auction prices for the Tesla S rose a bit more rapidly than prices for luxury cars in 2021 and have generally held up well in 2022.

I will periodically update this graph in future reports. Moreover, as auction volumes increase for other models, I will look to expand this analysis. I hope you will find this new information insightful.

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