ADESA | ANALYTICAL SERVICES

September/October 2022 Kontos Kommentary

Current Used Vehicle Market Conditions

Summary

Average wholesale used vehicle prices in September were down for the fourth month in a row from their spring/tax-refund seasonal peaks in May, but at a more gradual pace than that seen in the three prior months. Hurricane Ian possibly had a moderating effect on wholesale price deterioration, due to the loss of used vehicle supply and the resulting replacement demand the storm generated. This moderating trend continued into October.

Lack of affordability and availability are hampering used vehicle retail sales, leaving dealers with more inventories, and prompting them to be more selective in their inventory sourcing. This is also evidenced by lower conversion rates at auction.

*Wholesale Market Trends**

According to ADESA US Analytical Services' monthly analysis of auction industry used vehicle prices by vehicle model class, wholesale prices in September averaged $15,543 – down 1.3% compared to August, flat relative to September 2021, and up 39.3% versus pre-pandemic/September 2019, as seen below.

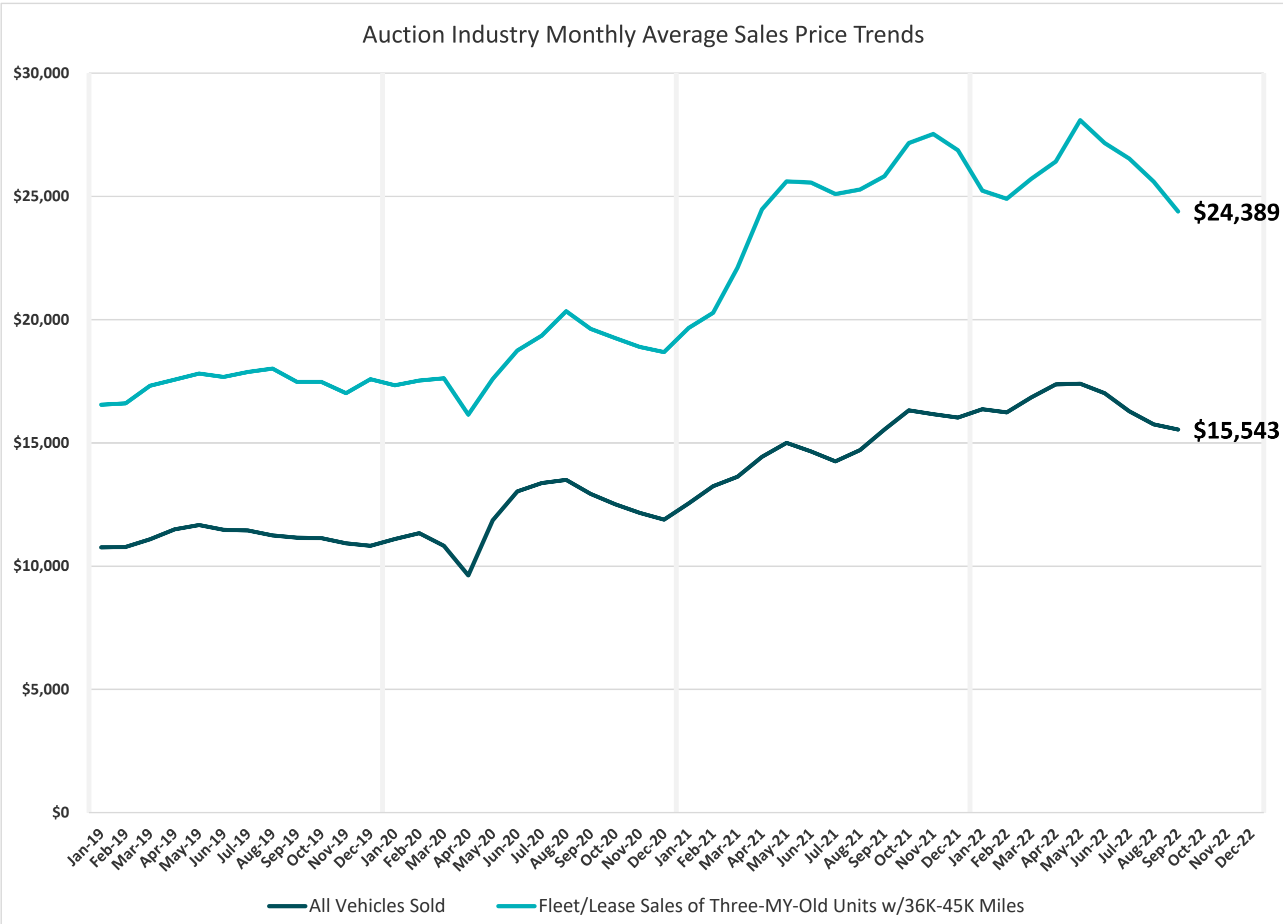
Wholesale Used Vehicle Price Trends

	Average Prices ($/Unit)				Latest Month Versus:		
	Sep-22	Aug-22	Sep-21	Sep-19	Prior Month	Prior Year	Pre-pandemic
Total All Vehicles	**$15,543**	**$15,754**	**$15,546**	**$11,155**	**-1.3%**	**0.0%**	**39.3%**
Total Cars	**$11,624**	**$11,779**	**$11,832**	**$8,369**	**-1.3%**	**-1.8%**	**38.9%**
Compact Car	$8,987	$8,996	$8,597	$6,387	-0.1%	4.5%	40.7%
Midsize Car	$10,130	$10,209	$9,825	$7,201	-0.8%	3.1%	40.7%
Fullsize Car	$10,054	$10,346	$10,430	$7,653	-2.8%	-3.6%	31.4%
Luxury Car	$17,515	$17,863	$18,456	$13,005	-1.9%	-5.1%	34.7%
Sporty Car	$20,306	$20,560	$22,784	$14,170	-1.2%	-10.9%	43.3%
Total Trucks	**$17,949**	**$18,209**	**$18,017**	**$13,257**	**-1.4%**	**-0.4%**	**35.4%**
Mini Van	$11,480	$11,249	$11,446	$8,201	2.1%	0.3%	40.0%
Fullsize Van	$21,288	$22,147	$20,659	$14,019	-3.9%	3.0%	51.8%
Compact SUV/CUV	$13,563	$13,735	$13,721	$10,981	-1.3%	-1.2%	23.5%
Midsize SUV/CUV	$16,431	$16,676	$15,921	$11,678	-1.5%	3.2%	40.7%
Fullsize SUV/CUV	$20,384	$20,393	$22,090	$14,435	0.0%	-7.7%	41.2%
Luxury SUV/CUV	$25,662	$26,079	$26,863	$18,351	-1.6%	-4.5%	39.8%
Compact Pickup	$19,095	$19,600	$17,596	$10,958	-2.6%	8.5%	74.3%
Fullsize Pickup	$22,217	$22,390	$21,705	$16,488	-0.8%	2.4%	34.7%

Average prices continued to soften in October and stood at $15,282 for the week ending October 16.

****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.

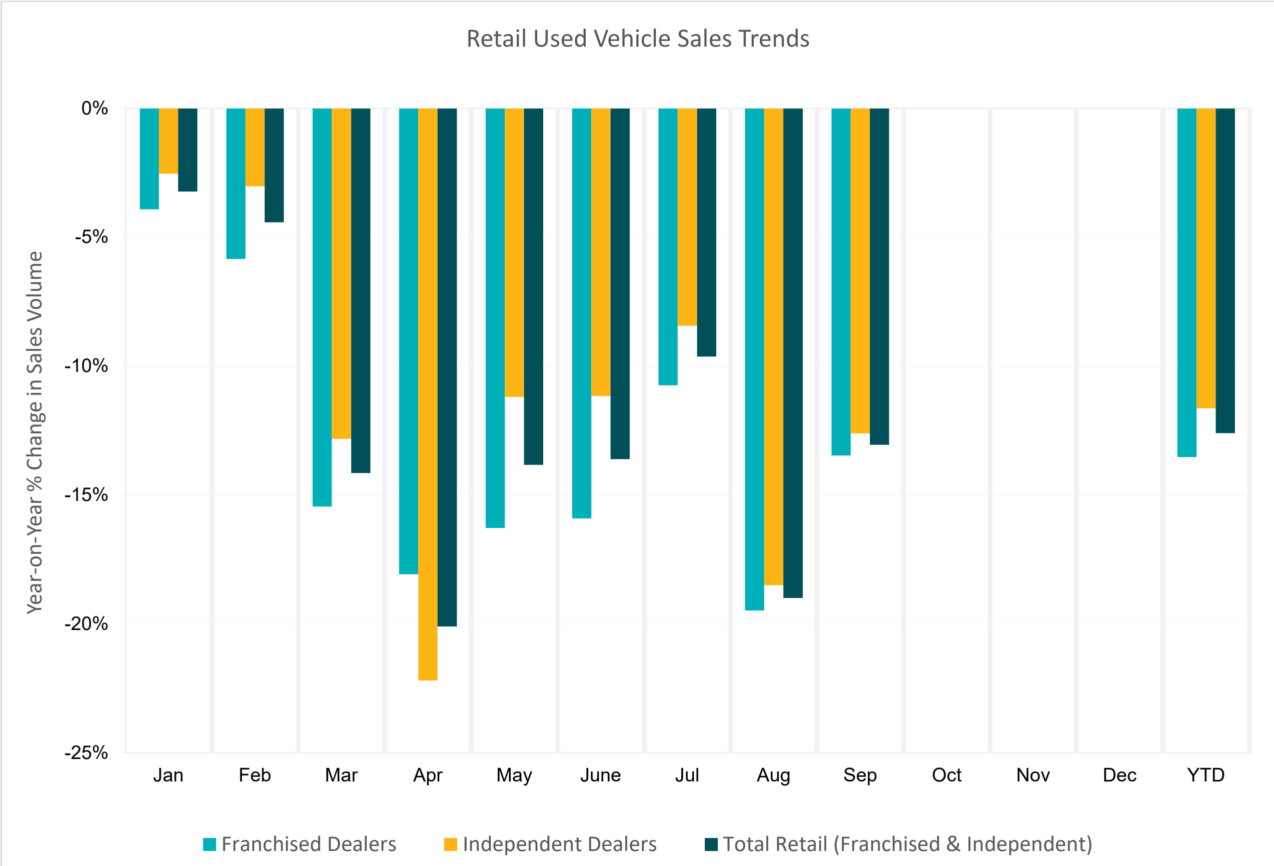
Further insights on wholesale price trends can be gained by holding constant for auction sale type, model-year age and mileage (the upper line in the following graph), as well as price trends for all vehicles sold (the lower line in the graph below). Prices continued to fall for both groups from their spring/tax-refund seasonal peaks, although the drop for the late-model units shown in the top line has been more precipitous.



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 September based on ADESA US Analytical Services analysis of data from NADA and Motor Intelligence, respectively.



YTD Sep	Franchised	Independent	Total Retail	CPO Sales
2019	11,644,234	10,773,336	22,417,570	2,106,295
2020	10,474,624	10,084,881	20,559,505	1,959,411
2021	11,609,312	11,157,234	22,766,546	2,163,444
2022	10,038,473	9,859,383	19,897,856	1,836,056
Var - Amt				
vs. 2019	(1,605,760)	(913,953)	(2,519,713)	(270,239)
vs. 2020	(436,151)	(225,498)	(661,649)	(123,355)
vs. 2021	(1,570,839)	(1,297,851)	(2,868,689)	(327,388)
Var - %				
vs. 2019	-13.8%	-8.5%	-11.2%	-12.8%
vs. 2020	-4.2%	-2.2%	-3.2%	-6.3%
vs. 2021	-13.5%	-11.6%	-12.6%	-15.1%

As the graph shows, September and year-to-date retail used vehicle sales were down by double-digits versus 2021 and 2019. The table also shows CPO sales, which similarly showed double-digit year-to-date declines compared to last year and pre-pandemic/2019. Average auction conversion rates have fallen to under 60% as a result of slow retail sales, as dealers become more selective when adding to their inventories.

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