

January/February 2023 Kontos Kommentary

Current Used Vehicle Market Conditions

Summary

Average wholesale used vehicle prices in January were solidly up relative to December, ending a streak of seven monthly declines in the latter part of 2022. These price increases have continued into February.

Retail used vehicle sales in January were up versus December, but down year-over-year. Conversely, Certified pre-owned (CPO) sales were down versus December, but up year-over-year. Retail used vehicle sales remain soft compared to prior years.

Wholesale Market Trends*

According to ADESA US Analytical Services' monthly analysis of auction industry used vehicle prices by vehicle model class, wholesale prices in January averaged \$14,733 – up 4.2% compared to December, down 10.0% relative to January 2022, and up 36.9% versus pre-pandemic/January 2019, as seen below. All model class segments showed average price increases for the month.

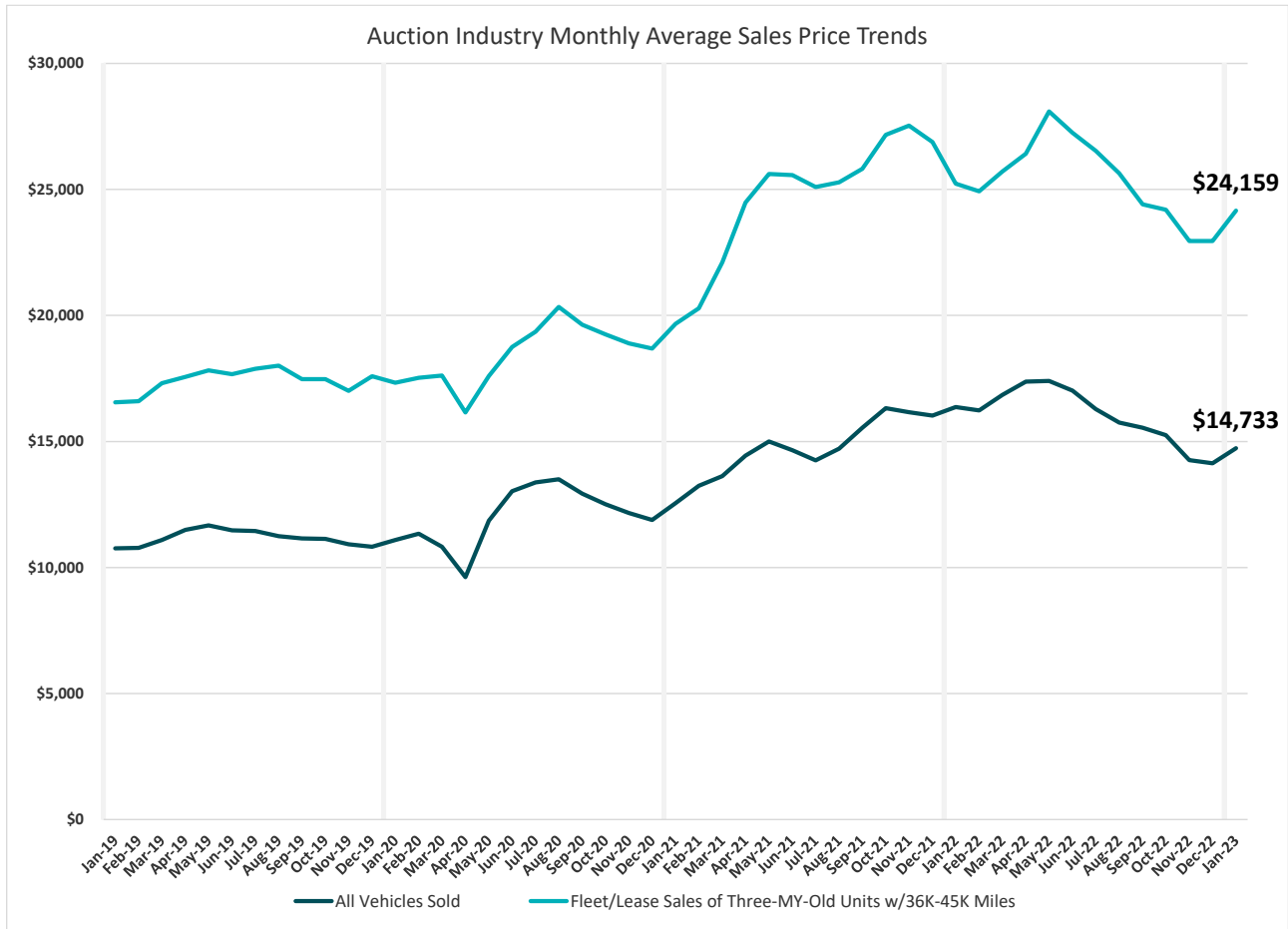
Wholesale Used Vehicle Price Trends

	Average Prices (\$/Unit)				Latest Month Versus:		
	Jan-23	Dec-22	Jan-22	Jan-19	Prior Month	Prior Year	Pre-pandemic
Total All Vehicles	\$14,733	\$14,136	\$16,363	\$10,761	4.2%	-10.0%	36.9%
Total Cars	\$10,587	\$10,238	\$12,356	\$8,374	3.4%	-14.3%	26.4%
Compact Car	\$8,081	\$7,884	\$9,021	\$6,495	2.5%	-10.4%	24.4%
Midsize Car	\$9,087	\$8,854	\$10,713	\$7,394	2.6%	-15.2%	22.9%
Fullsize Car	\$9,476	\$9,115	\$11,031	\$7,729	4.0%	-14.1%	22.6%
Luxury Car	\$15,880	\$15,373	\$19,266	\$12,771	3.3%	-17.6%	24.3%
Sporty Car	\$19,291	\$18,331	\$21,469	\$13,044	5.2%	-10.1%	47.9%
Total Trucks	\$17,289	\$16,583	\$19,076	\$12,793	4.3%	-9.4%	35.1%
Mini Van	\$11,033	\$10,534	\$12,590	\$8,496	4.7%	-12.4%	29.9%
Fullsize Van	\$21,860	\$20,956	\$24,621	\$12,585	4.3%	-11.2%	73.7%
Compact SUV/CUV	\$12,197	\$11,818	\$14,746	\$10,962	3.2%	-17.3%	11.3%
Midsize SUV/CUV	\$15,208	\$14,532	\$17,310	\$11,192	4.7%	-12.1%	35.9%
Fullsize SUV/CUV	\$20,723	\$19,236	\$23,296	\$13,957	7.7%	-11.0%	48.5%
Luxury SUV/CUV	\$23,921	\$23,403	\$28,724	\$17,613	2.2%	-16.7%	35.8%
Compact Pickup	\$18,446	\$17,919	\$19,229	\$9,734	2.9%	-4.1%	89.5%
Fullsize Pickup	\$22,606	\$21,563	\$21,314	\$15,552	4.8%	6.1%	45.4%

Average prices have increased so far in February and stood at \$15,161 for the week ending February 12.

*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, which represents late-model units), as well as price trends for all vehicles sold (the lower line in the graph below).



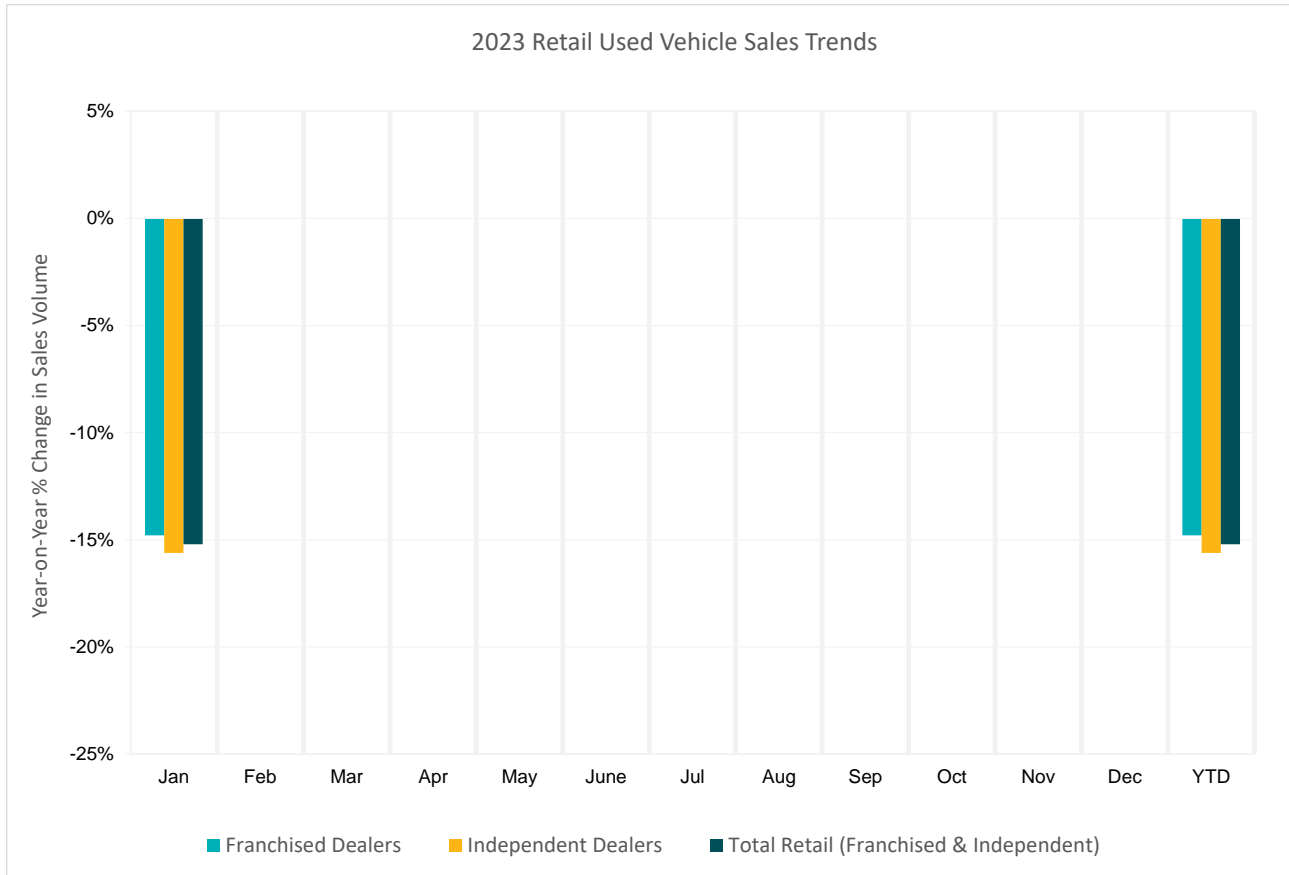
Please note that the increase in late-model prices was a bit steeper than for all vehicles, perhaps indicating strong demand for CPO-eligible units.

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 CPO sales through January based on ADESA US Analytical Services' analysis of data from NADA and Motor Intelligence, respectively.

2023 Retail Used Vehicle Sales Trends



YTD Jan	Franchised	Independent	Total Retail	CPO Sales
2019	1,136,187	1,082,160	2,218,347	199,634
2020	1,154,628	1,145,734	2,300,362	215,953
2021	1,113,892	1,111,868	2,225,760	201,016
2022	1,070,287	1,083,711	2,153,998	166,309
2023	912,038	914,521	1,826,560	202,074

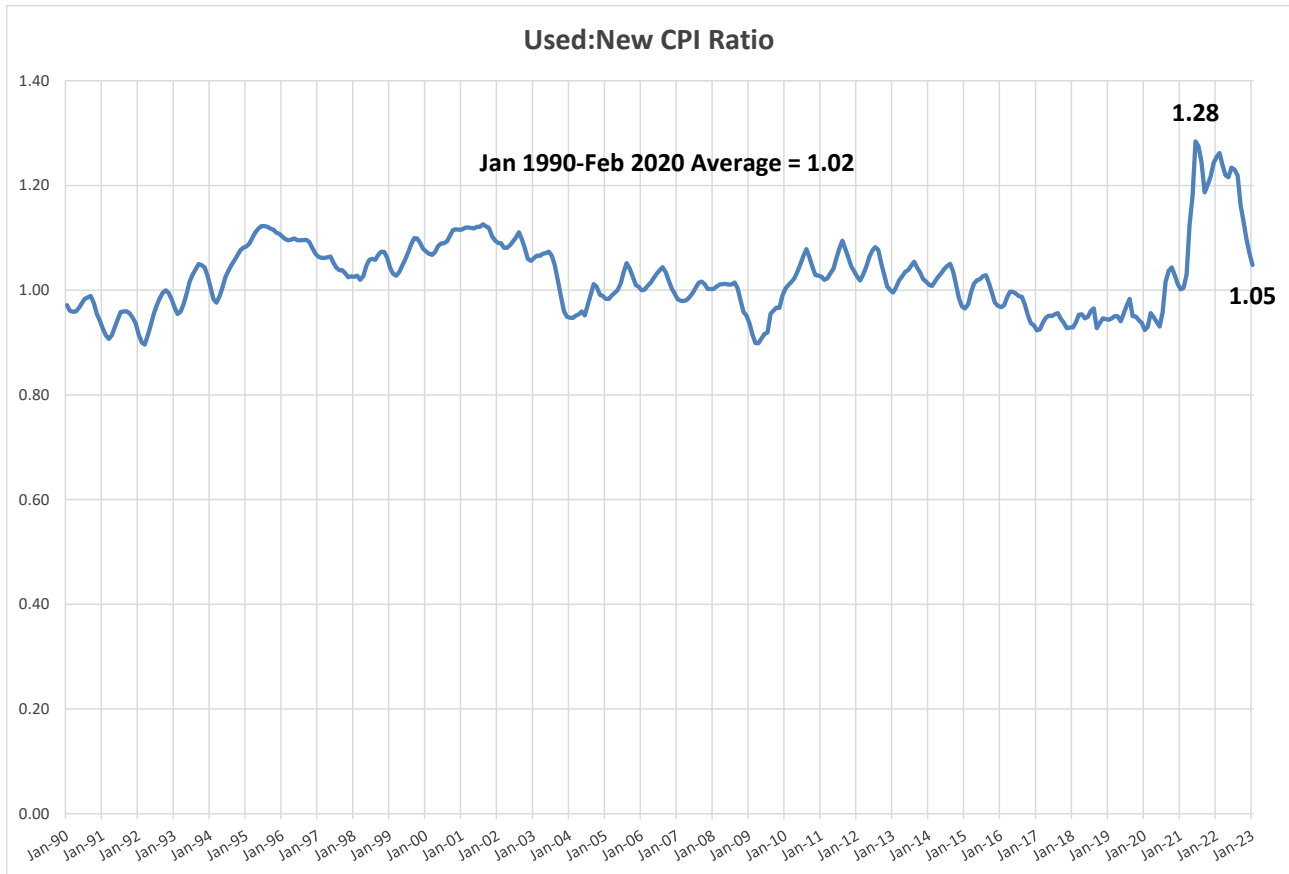
Var - Amt				
vs. 2019	(224,149)	(167,639)	(391,788)	2,440
vs. 2020	(242,589)	(231,213)	(473,803)	(13,879)
vs. 2021	(201,854)	(197,347)	(399,200)	1,058
vs. 2022	(158,249)	(169,190)	(327,439)	35,765

Var - %				
vs. 2019	-19.7%	-15.5%	-17.7%	1.2%
vs. 2020	-21.0%	-20.2%	-20.6%	-6.4%
vs. 2021	-18.1%	-17.7%	-17.9%	0.5%
vs. 2022	-14.8%	-15.6%	-15.2%	21.5%

Although January retail used vehicle sales were up relative to December 2022 (not shown), they were down by double digits on a year-over-year basis. Conversely, CPO sales were down relative to December, but up by double digits on a year-over-year basis. Retail used vehicle sales were down versus prior years as well.

#Trendspotter

At this time last year, I provided an analysis of the historical relationship between the used and new vehicle consumer price indexes, using figures from the U.S. Bureau of Labor Statistics. In that analysis, I pointed out that the historical ratio of the used vehicle CPI to the new vehicle CPI averaged about 1:1 before the pandemic (please see updated graph below). This made sense, since used vehicle price increases are generally limited to the growth rate in new vehicle prices; ultimately, new vehicle prices represent a ceiling on used vehicle prices because new and used vehicles are substitute goods. However, the ratio jumped to 1.28:1 in June 2021 and remained elevated in early-2022 in large part due to the chip shortage and other supply chain bottlenecks that limited new vehicle availability.



Last February, I suggested in this #Trendspotter section that as new vehicle supply improved, used vehicle price growth would return closer to its typical one-to-one relationship with new. That price normalization appears to have indeed been taking place since mid-2022. This could mean that the “correction” in used vehicle prices may be nearing an end, which, along with resumption of the typical spring/tax season uptick, could help explain the increases in wholesale prices we’ve seen since the beginning of the year.

I welcome your thoughts on this analysis.

Disclaimer: The views and analysis provided herein relate to the vehicle remarketing industry as a whole and may not relate directly to ADESA US. The views and analysis are not the views of ADESA US, its management, its subsidiaries or its parent companies; and their accuracy is not warranted.

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