

August/September 2023 Kontos Kommentary

Current Used Vehicle Market Conditions

Summary

Average wholesale used vehicle prices rose in August after dropping for three months in a row and have continued to increase modestly so far in September. Preliminary estimates indicate that total retail used vehicle sales and Certified Pre-Owned (CPO) sales were also strong in August. One can speculate that concerns about the possibility of a protracted UAW strike played a role in these trends, but just as important, if not more so, has been the desire of consumers to find more affordable alternatives to new vehicles in light of high inflation and interest rates.

Wholesale Market Trends*

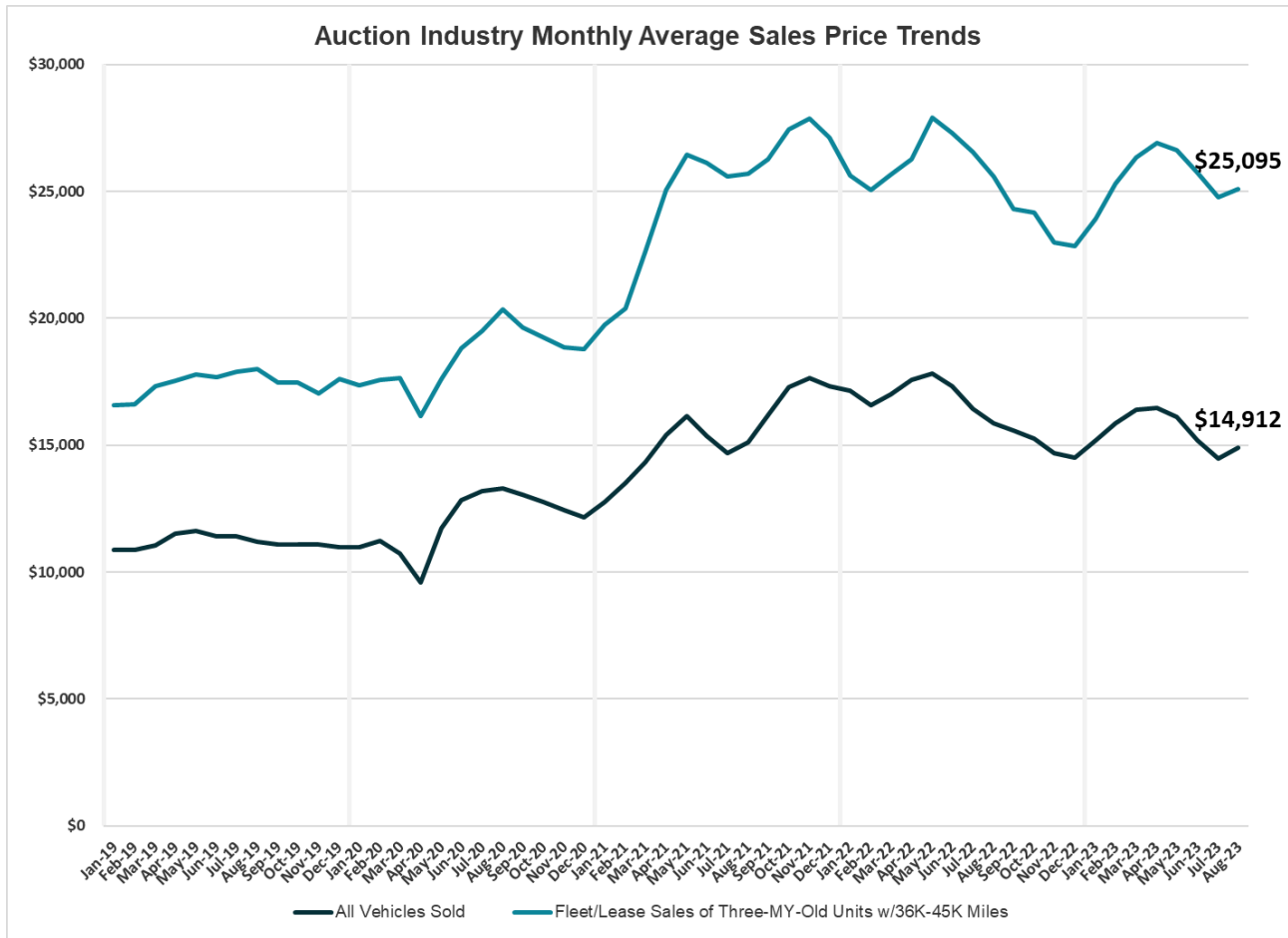
According to ADESA US Analytical Services' monthly analysis of auction industry used vehicle prices by vehicle model class, wholesale prices in August averaged \$14,912 — up 3.0% compared to July, down 6.0% relative to August 2022, and up 33.1% versus pre-pandemic/August 2019, as seen below.

	Average Prices (\$/Unit)				Latest Month Versus:		
	Aug-23	Jul-23	Aug-22	Aug-19	Prior Month	Prior Year	Pre-pandemic
Total All Vehicles	\$14,912	\$14,483	\$15,867	\$11,203	3.0%	-6.0%	33.1%
Total Cars	\$10,720	\$10,304	\$11,797	\$8,465	4.0%	-9.1%	26.6%
Compact Car	\$8,127	\$7,730	\$9,072	\$6,516	5.1%	-10.4%	24.7%
Midsize Car	\$8,824	\$8,589	\$10,116	\$7,309	2.7%	-12.8%	20.7%
Fullsize Car	\$9,530	\$9,349	\$10,324	\$7,595	1.9%	-7.7%	25.5%
Luxury Car	\$15,779	\$15,483	\$17,543	\$13,097	1.9%	-10.1%	20.5%
Sporty Car	\$20,407	\$19,940	\$21,138	\$14,220	2.3%	-3.5%	43.5%
Total Trucks	\$17,441	\$17,185	\$18,613	\$13,404	1.5%	-6.3%	30.1%
Mini Van	\$10,859	\$10,290	\$11,454	\$8,130	5.5%	-5.2%	33.6%
Fullsize Van	\$20,032	\$19,216	\$22,806	\$13,873	4.2%	-12.2%	44.4%
Compact SUV/CUV	\$12,198	\$12,184	\$13,769	\$10,387	0.1%	-11.4%	17.4%
Midsize SUV/CUV	\$15,721	\$15,323	\$16,904	\$12,243	2.6%	-7.0%	28.4%
Fullsize SUV/CUV	\$21,333	\$20,909	\$20,237	\$14,274	2.0%	5.4%	49.5%
Luxury SUV/CUV	\$24,001	\$24,022	\$26,216	\$18,871	-0.1%	-8.5%	27.2%
Compact Pickup	\$20,121	\$19,802	\$19,876	\$11,177	1.6%	1.2%	80.0%
Fullsize Pickup	\$22,751	\$22,488	\$23,518	\$17,084	1.2%	-3.3%	33.2%

Average prices have risen modestly so far in September and stood at \$15,210 for the week ending September 17.

*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).

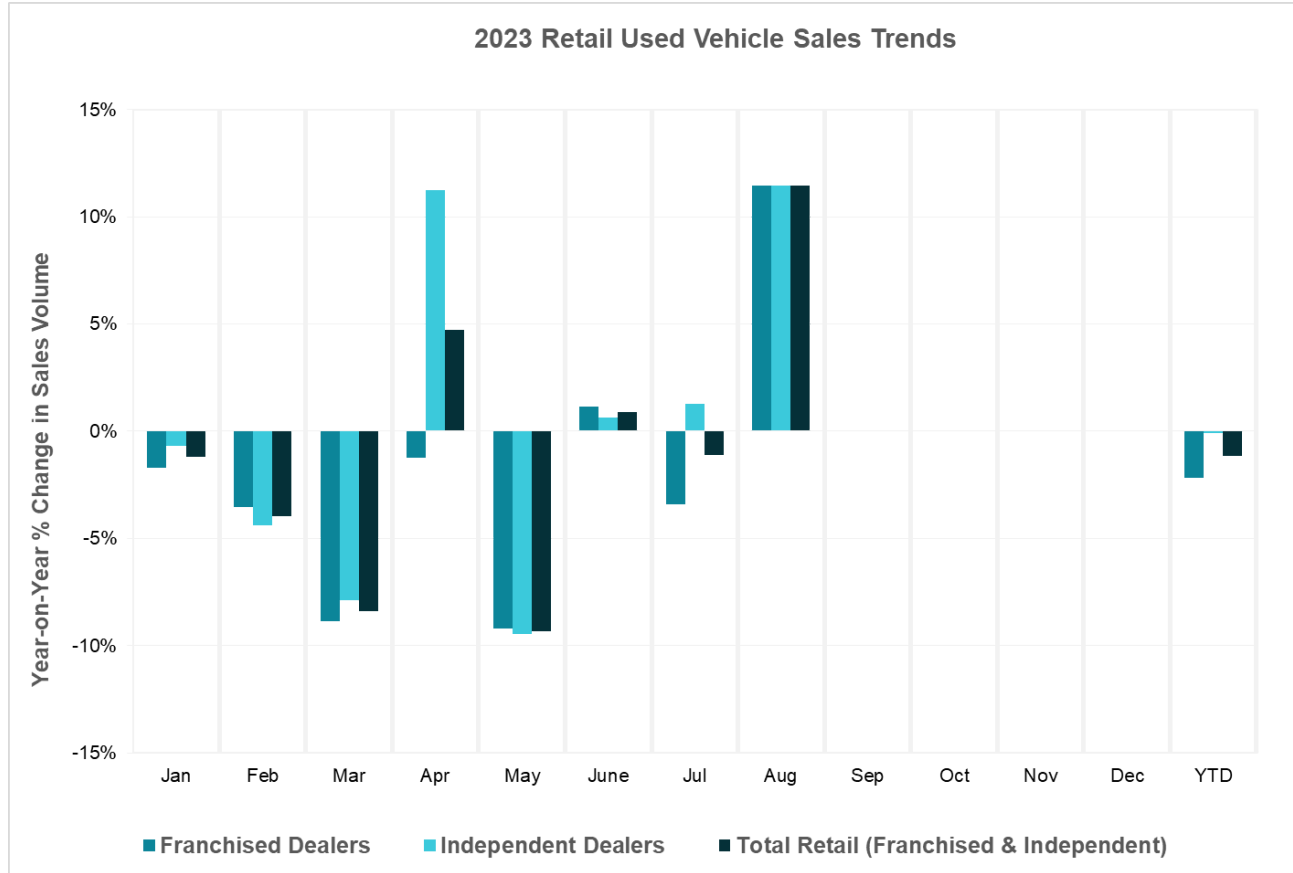


Average prices for “Late-Model” used vehicles as defined here have also risen modestly in September and stood at \$25,244 for the week ending September 17.

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.

Retail Market Trends

The following graph and table summarize data on retail used vehicle and 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	8,981,400	8,848,561	17,829,961	1,635,149
2023	8,785,232	8,840,245	17,625,478	1,769,780

Var - Amt				
vs. 2019	(1,668,458)	(769,160)	(2,437,618)	(131,255)
vs. 2020	(450,656)	(50,595)	(501,251)	35,021
vs. 2021	(1,602,462)	(1,160,331)	(2,762,792)	(165,546)
vs. 2022	(196,167)	(8,316)	(204,483)	134,631

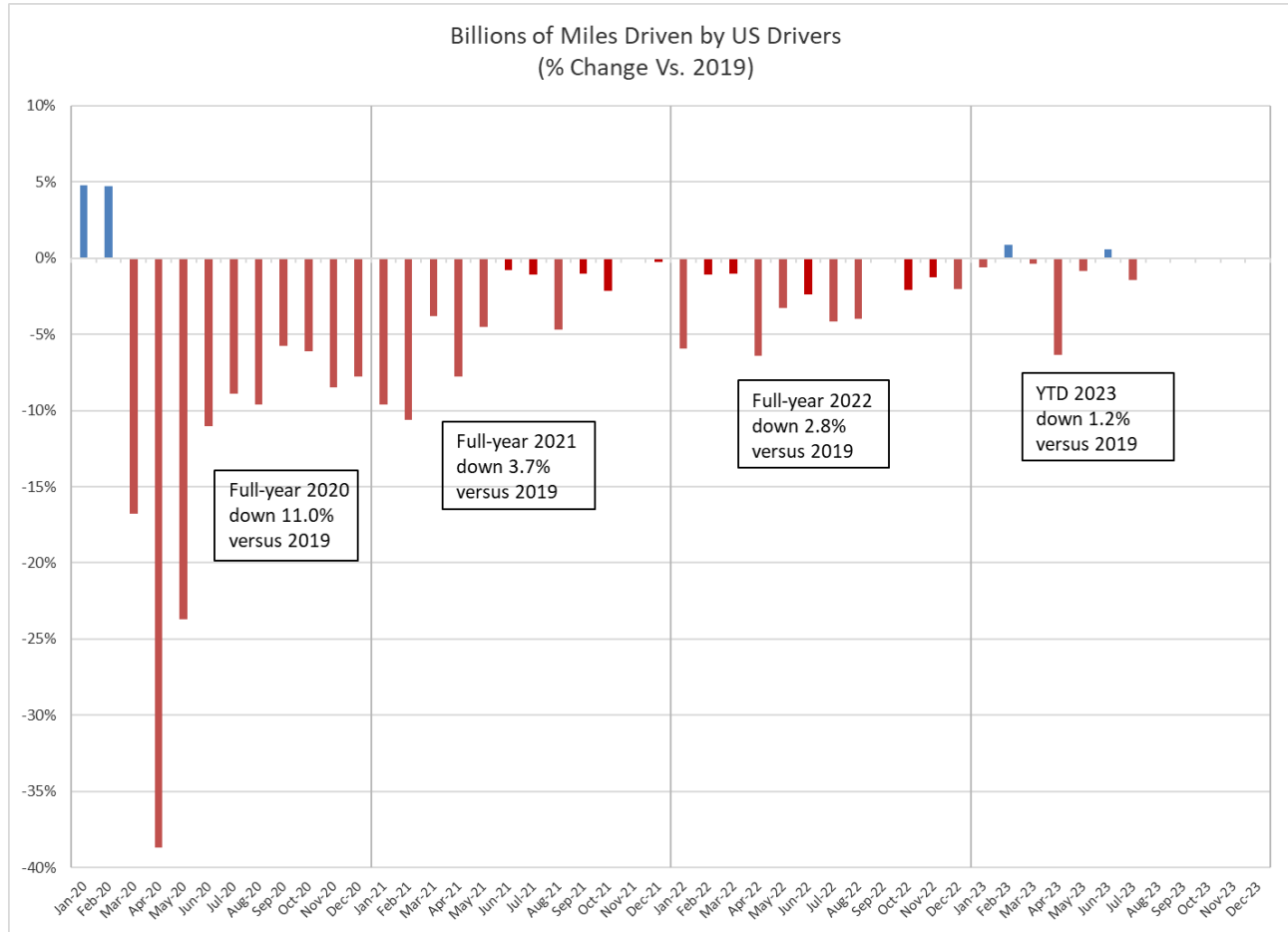
Var - %				
vs. 2019	-16.0%	-8.0%	-12.1%	-6.9%
vs. 2020	-4.9%	-0.6%	-2.8%	2.0%
vs. 2021	-15.4%	-11.6%	-13.6%	-8.6%
vs. 2022	-2.2%	-0.1%	-1.1%	8.2%

Preliminary results indicate strong retail used vehicle sales in August, but year-to-date sales continue to be down. CPO sales remain a bright spot, as consumers seek more affordable alternatives to new vehicles.

#TrendSpotter

One of the reports I have been monitoring for many years is “Traffic Volume Trends” issued monthly by the U.S. Department of Transportation. The report estimates the number of miles driven by U.S. drivers, which I consider a fundamental determinant of vehicle replacement demand and therefore sales.

The graph below shows my analysis of driving trends that I have been tracking since the pandemic began.



The graph shows that driving in 2020, 2021 and 2022 was considerably below the levels seen in 2019. The inflection point of the more typical pre-pandemic pattern of year-over-year increases in billions of vehicle-miles driven to the extreme decline in that metric is shown clearly in March 2020, when the economy was first locked down. The gradual recovery from that unprecedented low is also well-captured in this graph.

Nevertheless, it must be noted that this recovery is not complete, as year-to-date miles driven in 2023 remain below pre-pandemic levels. This has important ramifications for new and used vehicle sales, as consumers are more able to curtail their vehicle purchases if they feel that vehicle prices, interest rates and general inflation are too high since they have put fewer miles on their vehicles over the last three-plus years. Points made elsewhere in this report about consumers being highly sensitive to affordability issues are supported by these trends in driving.

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