

# December 2023/January 2024 Kontos Kommentary

## Current Used Vehicle Market Conditions

### Summary

Average wholesale used vehicle prices fell for the third month in a row in December but have clawed their way back up a bit so far in January. On a year-over-year basis, however, used vehicle prices are continuing their “correction” to more-normal historical patterns relative to: 1) their MSRPs (i.e., depreciation), 2) new vehicle prices (i.e., discounting), and 3) the time of year (i.e., seasonality). Nevertheless, prices remain more than 25% higher than pre-pandemic levels.

### Wholesale Market Trends\*

According to ADESA US Analytical Services’ monthly analysis of auction industry used vehicle prices by vehicle model class, wholesale prices in December averaged \$13,776 — down 1.7% compared to November, down 5.2% relative to December 2022, and up 25.4% versus pre-pandemic/December 2019, as seen below.

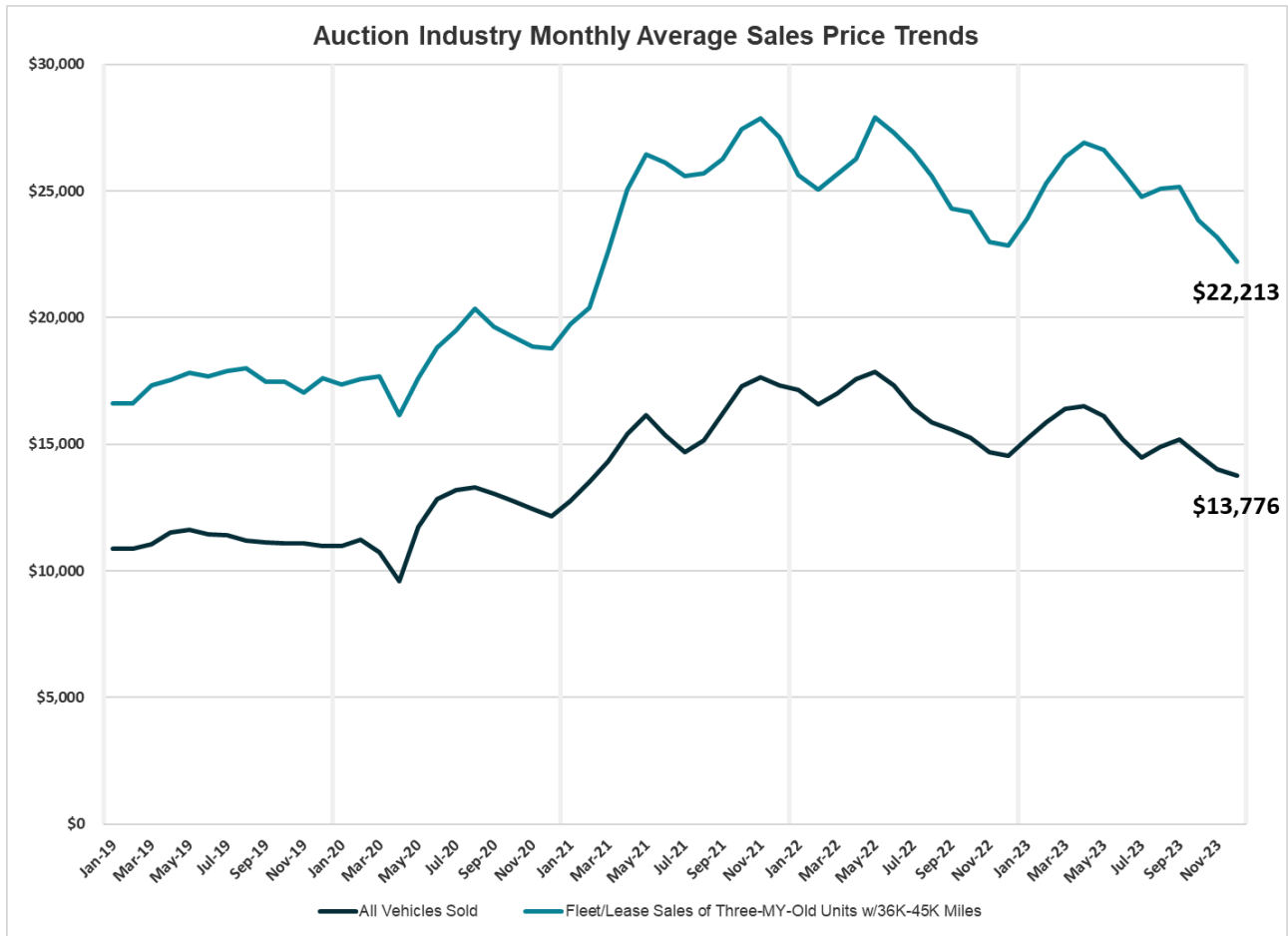
**Wholesale Used Vehicle Price Trends**

	Average Prices (\$/Unit)				Latest Month Versus:		
	Dec-23	Nov-23	Dec-22	Dec-19	Prior Month	Prior Year	Pre-pandemic
<b>Total All Vehicles</b>	<b>\$13,776</b>	<b>\$14,012</b>	<b>\$14,527</b>	<b>\$10,989</b>	<b>-1.7%</b>	<b>-5.2%</b>	<b>25.4%</b>
<b>Total Cars</b>	<b>\$9,964</b>	<b>\$10,106</b>	<b>\$10,505</b>	<b>\$8,307</b>	<b>-1.4%</b>	<b>-5.2%</b>	<b>19.9%</b>
Compact Car	\$7,620	\$7,833	\$8,154	\$6,180	-2.7%	-6.6%	23.3%
Midsize Car	\$8,165	\$8,320	\$9,125	\$7,278	-1.9%	-10.5%	12.2%
Fullsize Car	\$8,247	\$8,621	\$9,422	\$7,476	-4.3%	-12.5%	10.3%
Luxury Car	\$14,769	\$14,563	\$15,445	\$12,967	1.4%	-4.4%	13.9%
Sporty Car	\$18,336	\$18,983	\$18,824	\$13,734	-3.4%	-2.6%	33.5%
<b>Total Trucks</b>	<b>\$15,946</b>	<b>\$16,198</b>	<b>\$17,355</b>	<b>\$13,131</b>	<b>-1.6%</b>	<b>-8.1%</b>	<b>21.4%</b>
Mini Van	\$9,493	\$9,727	\$10,932	\$7,760	-2.4%	-13.2%	22.3%
Fullsize Van	\$17,071	\$17,442	\$21,386	\$12,151	-2.1%	-20.2%	40.5%
Compact SUV/CUV	\$11,136	\$11,323	\$12,313	\$10,123	-1.7%	-9.6%	10.0%
Midsize SUV/CUV	\$14,248	\$14,538	\$15,301	\$12,094	-2.0%	-6.9%	17.8%
Fullsize SUV/CUV	\$19,488	\$20,363	\$20,084	\$13,926	-4.3%	-3.0%	39.9%
Luxury SUV/CUV	\$22,518	\$22,577	\$24,097	\$19,273	-0.3%	-6.6%	16.8%
Compact Pickup	\$19,867	\$19,780	\$18,657	\$11,081	0.4%	6.5%	79.3%
Fullsize Pickup	\$20,552	\$20,997	\$22,801	\$16,224	-2.1%	-9.9%	26.7%

Average prices have recovered modestly so far in January and stood at \$14,044 for the week ending January 14.

\*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).

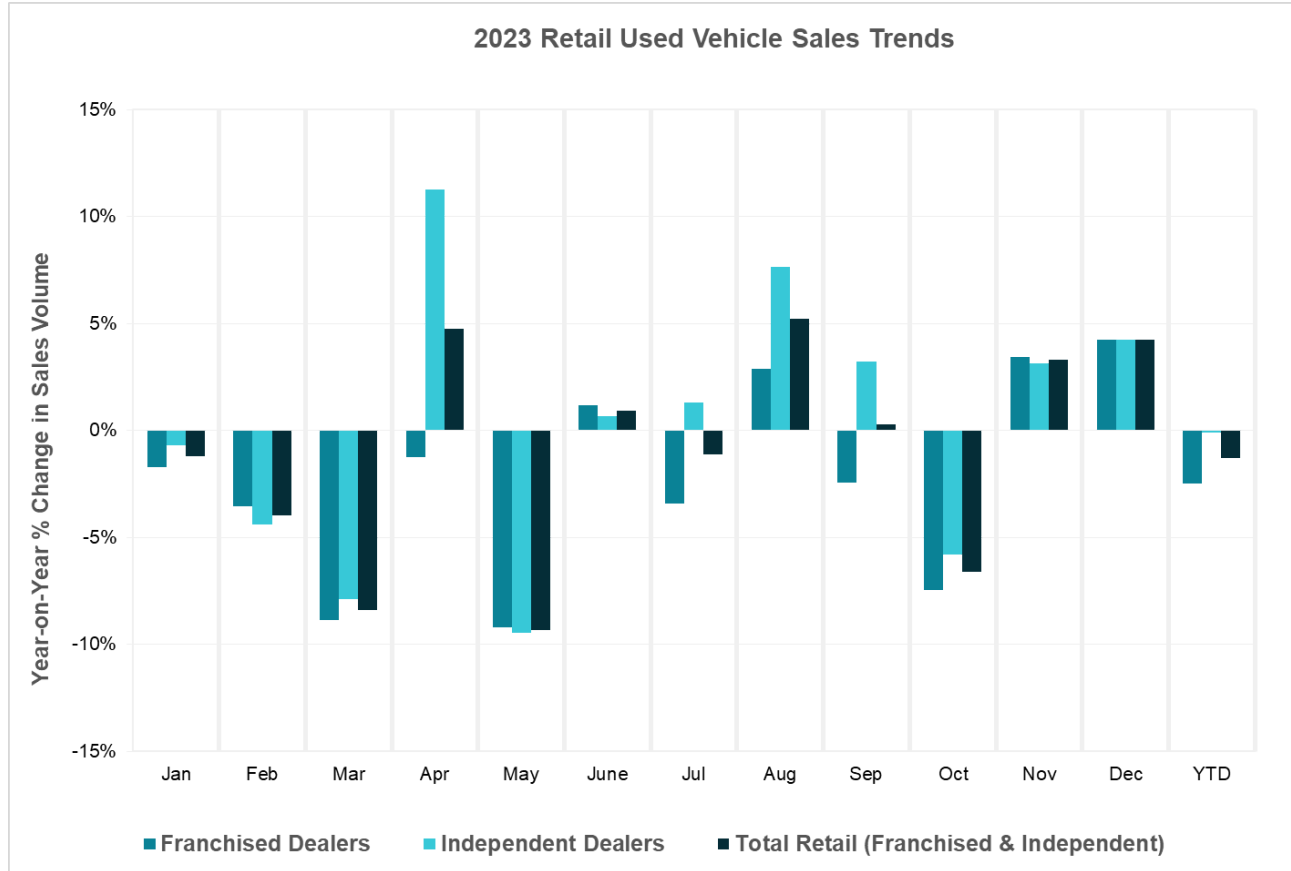


As the graph shows, average prices for “Late-Model” used vehicles as defined here fell at a clip that was steeper than the fall in overall prices in December. Prices for these late-model vehicles have strengthened in January and stood at \$23,757 for the week ending January 14.

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 certified pre-owned (CPO) sales through December based on ADESA US Analytical Services’ analysis of data from NADA and Motor Intelligence, respectively.



YTD December	Franchised	Independent	Total Retail	CPO Sales
2019	14,937,110	13,982,455	28,919,565	2,809,194
2020	13,681,786	13,195,399	26,877,184	2,607,121
2021	14,714,858	14,208,095	28,922,954	2,748,132
2022	12,882,938	12,653,573	25,536,511	2,468,721
2023	12,562,277	12,641,773	25,204,050	2,642,131

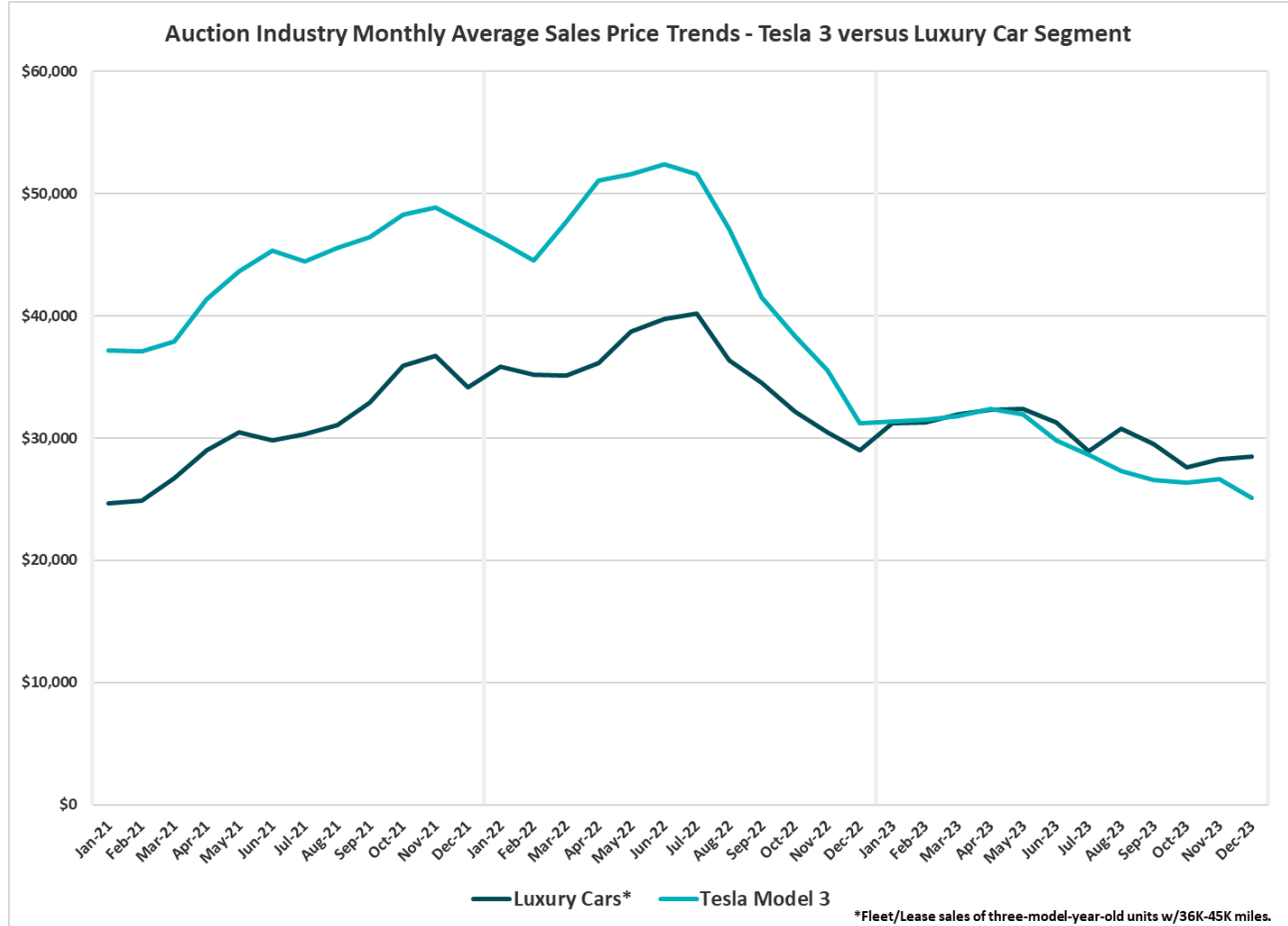
2023 Variance (Units)				
vs. 2019	(2,374,833)	(1,340,682)	(3,715,515)	(167,063)
vs. 2020	(1,119,509)	(553,626)	(1,673,135)	35,010
vs. 2021	(2,152,581)	(1,566,323)	(3,718,904)	(106,001)
vs. 2022	(320,661)	(11,800)	(332,461)	173,410

2023 Variance (%)				
vs. 2019	-15.9%	-9.6%	-12.8%	-5.9%
vs. 2020	-8.2%	-4.2%	-6.2%	1.3%
vs. 2021	-14.6%	-11.0%	-12.9%	-3.9%
vs. 2022	-2.5%	-0.1%	-1.3%	7.0%

As the table shows, CPO sales outperformed total used vehicle sales in 2023, as consumers sought affordable substitutes for high-priced new vehicles.

## #Trendspotter

[Carvana recently reported](#) that its #1-selling EV in 2023 was the Tesla Model 3. Based on my analysis of auction data, it turns out that the Model 3 was also the #1-selling EV in the wholesale market. I thought it would also be interesting to share recent wholesale price trends for this popular EV model. Below is a graph of auction sales prices for the Model 3 in comparison to average sales prices for the luxury car model class segment in which it competes.



As the graph indicates, wholesale prices for the Model 3 were outperforming its segment's through the pandemic run-up in wholesale prices that peaked in mid-2022. (I reported on this trend based on the Tesla Model S in the #Trendspotter section of my [August 2022 Kontos Kommentary](#).) As the "correction" in wholesale prices began taking place in the second half of 2022, along with the pandemic-driven bloom coming off the EV rose, Model 3 prices fell faster than the market as a whole until the two reached near-parity in early 2023. Elon Musk's October announcement of price cuts on new Teslas has put further downward pressure on used EV values, including those of the Model 3.

I will continue to monitor these trends going forward. I hope you find this information useful and welcome your feedback.

**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.

**Forward-Looking Statements:** The statements contained in this report and statements that ADESA US, its management, its subsidiaries or its parent companies may make orally in connection with this report that are not historical facts (including, but not limited to, expectations, estimates, assumptions and projections regarding the industry and business) may be forward-looking statements. Words such as "could," "should," "may," "will," "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "promises," "likely to," "outlook," "potential," "project" and similar expressions identify forward-looking statements. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from the results projected, expressed or implied by the forward-looking statements. Factors that could cause or contribute to such differences include those matters disclosed in the "Risk Factors" identified in Carvana Co.'s Securities and Exchange Commission filings. Neither ADESA US nor its subsidiaries or parent companies undertakes any obligation to update any forward-looking statements.

Copyright © 2024 ADESA US Auction LLC. All Rights Reserved.