

## June/July 2024 Kontos Kommentary

### Current Used Vehicle Market Conditions

#### Summary

Wholesale prices fell for the third consecutive month in June, but stabilized in July and actually increased for hard-to-find late-model units. Retail used vehicle sales fell dramatically in June, both sequentially and annually, impacted in part from CDK Global's dealer management system disruption, along with consumer hesitancy from 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 June averaged \$14,036 — down 2.0% compared to May, down 7.6% relative to June 2023, and up 22.8% versus pre-pandemic/June 2019, as shown below.

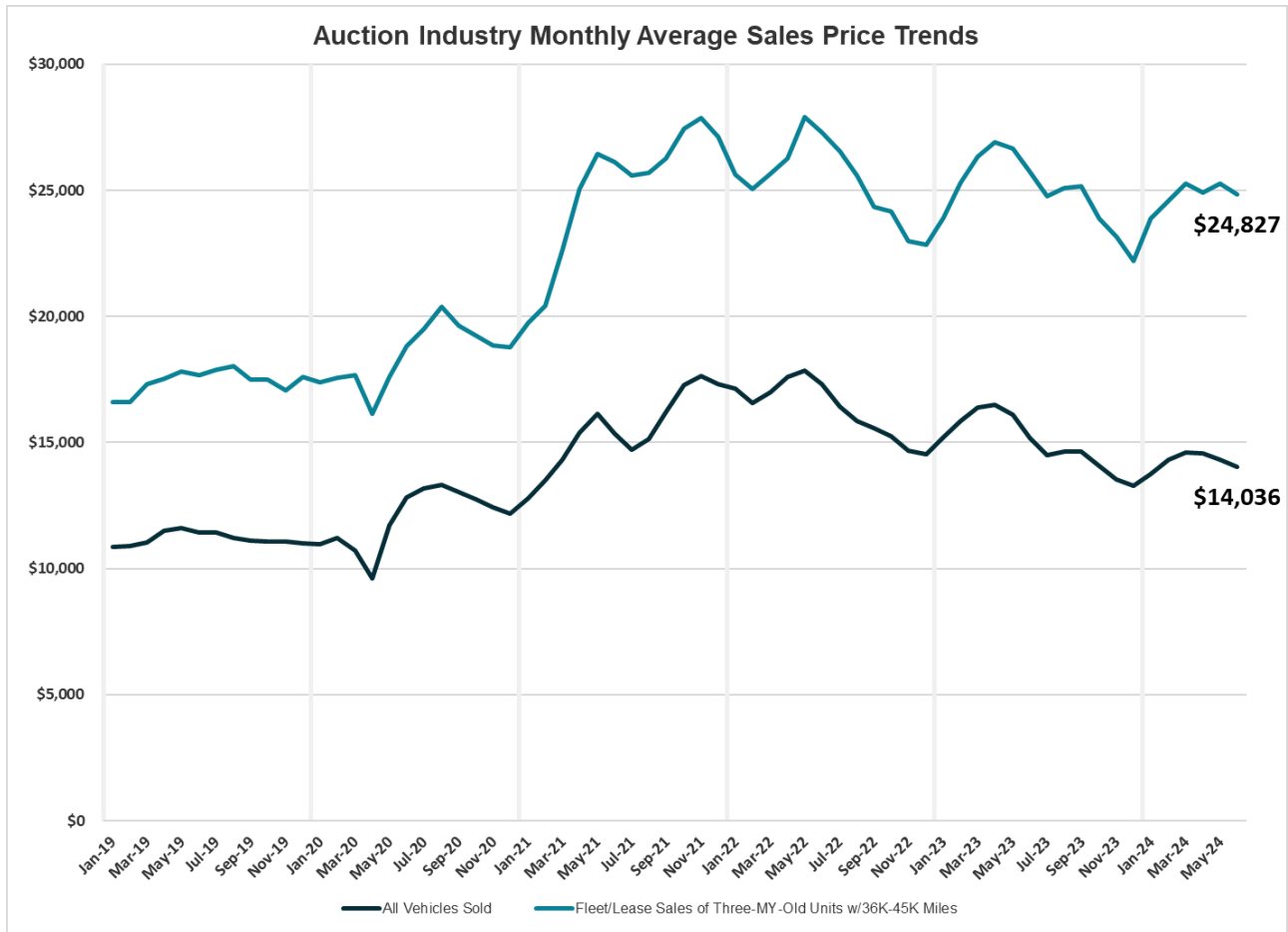
#### Wholesale Used Vehicle Price Trends

	Average Prices (\$/Unit)				Latest Month Versus:		
	Jun-24	May-24	Jun-23	Jun-19	Prior Month	Prior Year	Pre-pandemic
<b>Total All Vehicles</b>	<b>\$14,036</b>	<b>\$14,329</b>	<b>\$15,182</b>	<b>\$11,427</b>	<b>-2.0%</b>	<b>-7.6%</b>	<b>22.8%</b>
<b>Total Cars</b>	<b>\$9,856</b>	<b>\$10,116</b>	<b>\$10,829</b>	<b>\$8,689</b>	<b>-2.6%</b>	<b>-9.0%</b>	<b>13.4%</b>
Compact Car	\$6,908	\$7,062	\$8,138	\$6,550	-2.2%	-15.1%	5.5%
Midsize Car	\$8,205	\$8,492	\$9,103	\$7,477	-3.4%	-9.9%	9.7%
Fullsize Car	\$8,880	\$9,055	\$9,983	\$7,921	-1.9%	-11.1%	12.1%
Luxury Car	\$15,205	\$15,660	\$15,922	\$13,463	-2.9%	-4.5%	12.9%
Sporty Car	\$19,667	\$19,861	\$20,951	\$14,961	-1.0%	-6.1%	31.5%
<b>Total Trucks</b>	<b>\$16,386</b>	<b>\$16,714</b>	<b>\$18,003</b>	<b>\$13,644</b>	<b>-2.0%</b>	<b>-9.0%</b>	<b>20.1%</b>
Mini Van	\$9,951	\$10,222	\$11,103	\$8,626	-2.7%	-10.4%	15.4%
Fullsize Van	\$16,481	\$16,948	\$19,933	\$13,135	-2.8%	-17.3%	25.5%
Compact SUV/CUV	\$11,114	\$11,433	\$12,718	\$10,689	-2.8%	-12.6%	4.0%
Midsize SUV/CUV	\$14,929	\$15,164	\$16,066	\$12,599	-1.5%	-7.1%	18.5%
Fullsize SUV/CUV	\$20,994	\$21,653	\$22,338	\$14,764	-3.0%	-6.0%	42.2%
Luxury SUV/CUV	\$22,775	\$23,434	\$24,799	\$19,419	-2.8%	-8.2%	17.3%
Compact Pickup	\$19,892	\$20,384	\$20,056	\$11,047	-2.4%	-0.8%	80.1%
Fullsize Pickup	\$21,627	\$21,957	\$23,642	\$17,246	-1.5%	-8.5%	25.4%

Note that both the car and truck classes are down 9.0% from last year, but because more trucks were sold this year, the overall Y/Y price drop was 7.6%. Overall average prices have largely leveled off in July and stood at \$14,023 for the week ending July 21.

\*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).

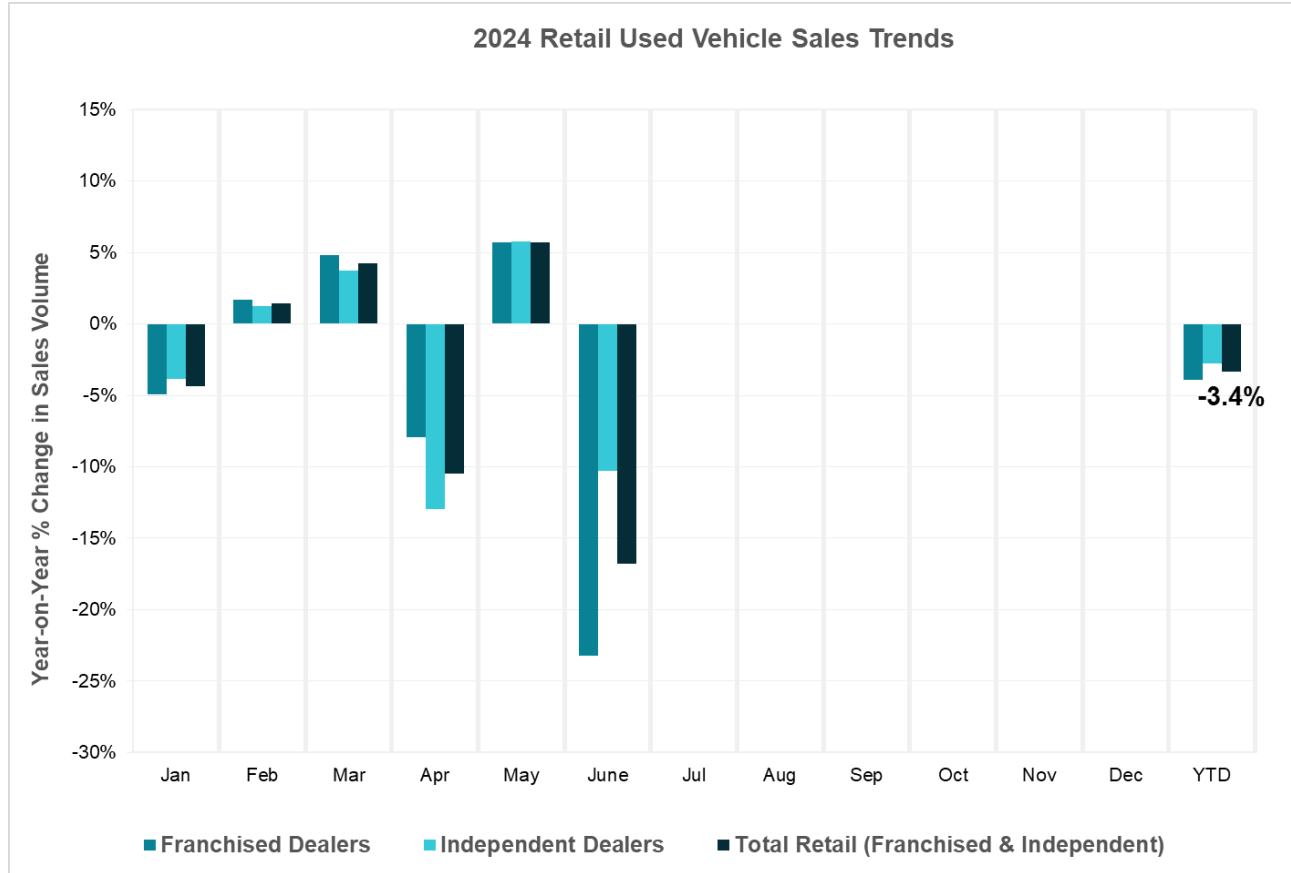


As the graph indicates, average prices for “Late-Model” used vehicles as defined here have not declined as much as overall prices. Moreover, average prices for these late-model vehicles have strengthened in July and stood at \$25,058 for the week ending July 21.

**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 ADESA US Analytical Services’ analysis of NADA and Motor Intelligence data, respectively, on retail used vehicle and certified pre-owned (CPO) sales in June.



YTD June	Franchised	Independent	Total Retail	CPO Sales
2019	7,892,050	7,239,053	15,131,103	1,403,248
2020	6,577,166	6,301,621	12,878,788	1,238,887
2021	7,765,762	7,514,175	15,279,937	1,463,539
2022	6,754,072	6,696,927	13,451,000	1,226,539
2023	6,488,509	6,567,323	13,055,832	1,295,541
2024	6,233,018	6,384,825	12,617,843	1,287,957

2024 Variance (Units)	Franchised	Independent	Total Retail	CPO Sales
vs. 2019	(1,659,032)	(854,228)	(2,513,259)	(115,291)
vs. 2020	(344,148)	83,204	(260,944)	49,070
vs. 2021	(1,532,744)	(1,129,350)	(2,662,094)	(175,582)
vs. 2022	(521,054)	(312,102)	(833,156)	61,418
vs. 2023	(255,490)	(182,498)	(437,988)	(7,584)

2024 Variance (%)	Franchised	Independent	Total Retail	CPO Sales
vs. 2019	-21.0%	-11.8%	-16.6%	-8.2%
vs. 2020	-5.2%	1.3%	-2.0%	4.0%
vs. 2021	-19.7%	-15.0%	-17.4%	-12.0%
vs. 2022	-7.7%	-4.7%	-6.2%	5.0%
vs. 2023	-3.9%	-2.8%	-3.4%	-0.6%

As the figures show, year-to-date retail used vehicle sales are now 3.4% below year-ago levels, and 16.6% below pre-pandemic levels. CPO sales have held up much better, though they too took a hit in June.

## #Trendspotter

As this is the last *Kontos Kommentary*, I thought it fitting to include the following “snippets” from my past work over the last 20-plus years. I hope you enjoy this trip down memory lane as much as I did.

### February 2001

#### ***ADESA Corporation Publishes Inaugural Edition of Global Vehicle Remarketing***

I would like to personally share with you the inaugural edition of ADESA Corporation’s *Global Vehicle Remarketing* — a new series of reports on used vehicle markets. As I indicate in the report’s preface, information and insight on used vehicle markets, and the supply chain infrastructure that supports them, has been difficult to obtain in comparison to new vehicle markets. You are already familiar with my previous work with ADT Automotive, where I authored five editions of ADT’s *Used Car Market Report*. This new report series, *Global Vehicle Remarketing* published by ADESA Corporation — one of the leading players in the wholesale automotive auction industry — represents the natural succession and an expansion in scope to my past reports.

### July 2001

#### ***ADESA Corporation Releases Pulse***

“I believe the soft landing the Fed has been trying to engineer is being achieved, new vehicle sales remain strong and dealers continue to make good money selling new and used inventories,” said Tom Kontos, vice president, industry relations and analytical services for ADESA Corporation and author of *Pulse*. “On the downside, returning off-lease volumes — especially for compact SUV’s along with high new vehicle incentives, are resulting in average price declines at auctions compared to levels one year ago.”

### October 2001

#### ***White Paper: The Impact of War and Recession on Vehicle Remarketing***

Many people are wondering what impact the current economic and political situation may have on new and used vehicle markets in the U.S. To gain some insight, it is worth reviewing what happened to these markets during the 1990-91 Gulf War and recession. *Those* events seem uncannily like the current situation — down to the name of our president!

### December 2001

#### ***Second Pulse Issue***

The events of September 11, and the subsequent military responses and domestic concerns significantly changed the political and economic landscape compared to the relatively tranquil conditions in place at the time of our previous report. As a result, it may be more important than ever to explore economic conditions related to our industry if we are to restore our sense of “business as usual.”

“Dealers got a case of ‘reverse sticker shock’ when they realized their surplus trade-ins had to compete with heavy auction volumes from off-rental units.”

“It appears that Detroit, as much or more than Washington, has been responsible for providing economic stimulus in the aftermath of September 11.”

February 2009

### ***Pulse 2008 Recap***

In our mid-year report, we held out hope that the economy might soon turn a corner on the various issues plaguing it at that point in time. But, the ink on that Pulse was barely dry in September when Fannie Mae, Freddie Mac, Lehman Brothers, Merrill Lynch, AIG and Washington Mutual all made dramatic news on a seemingly daily basis with either the potential or reality of bankruptcy. The Treasury Secretary and Federal Reserve Board Chairman were on Capitol Hill stressing the dire circumstances requiring a \$700 billion rescue plan for the U.S. financial system — sending shock waves around the world. As if that wasn't enough, Americans were treated during the Thanksgiving and Christmas holiday season to the sight of the chief executives from the institutions known for generations as the Big Three asking the government for rescue funds.

August 2009

### ***Kontos Commentary***

Retail sales of used vehicles were relatively flat overall and down modestly for franchised dealers, which was likely due to a bias towards new vehicles in August as a result of Cash for Clunkers. With the end of C4C on August 24, we expect resumption in strong used vehicle demand as witnessed in the months preceding that program.

February 2012

### ***Pulse 2011 Recap***

With used car supply still tight, wholesale prices remained high, and we expect much of the same in 2012. However, coincident with stronger new vehicle sales and improving credit availability, leasing is also making a comeback, which should help ease tight used vehicle supplies in later years, as will higher trade-in volumes and potentially, other sources of supply such as rental and commercial fleet vehicles and repos.

In other words, there is no “new normal” in the used vehicle market.

February 2013

### ***Pulse 2012 Recap***

During the discussions of the impending “fiscal cliff” in late-2012, I was reminded of another over-dramatized event that was expected to cause major disruption that never materialized: Y2K.

August 2013

### ***Pulse 2013 Mid-Year***

As anticipated in previous editions, we are currently seeing the softening wholesale price environment one would expect with the increase in supply we predicted for 2013. For the business planning purposes of dealers and institutional consignors alike, the growth in supply has thankfully been gradual and manageable, mirroring the recovery in new vehicle sales since the recession's end. Coupled with still-strong used vehicle demand, the negative impact of supply growth on wholesale prices for consignors has thus been minimized, while providing increased availability and selection for buyers.

April 2020

## **Kontos Commentary: COVID-19 Special Edition**

Just as the pandemic pattern is likely to worsen before it gets better (though as a nation we are trying to “flatten the curve”), used vehicle values (when auctions resume some semblance of pre-March level of sales and conversion rates) are likely to fall by the sorts of double-digit year-on-year levels we saw both post-9/11 and during the Great Recession.

And, it's best to expect that upticks in used vehicle values are several months down the road, though strong demand for used vehicles in tough times, supportive government fiscal and monetary policies, and low oil prices should help limit the damage.

### **Closing Thoughts**

Though I am retiring from my role as Chief Economist at ADESA, I know I will see many of you in upcoming conferences and meetings. I wish you continued success. This is a great industry, and I have been privileged to serve it and you for over 30 years. Thank you for your interest in my efforts over the years.

**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.