

Midsize Car and Truck Performance Accelerated a Slow Start to 2019

The start of 2019 could have been described as worrisome, in terms of wholesale values. The start of a year is a time when the industry expects stable wholesale values, but through the first seven weeks of 2019, wholesale values saw accelerated depreciation.

“Nervousness about tax refund season made dealers more cautious about loading up used inventory in the early months of 2019,” said Zo Rahim, manager of Economic and Industry Insights at Cox Automotive. “Plus, prices had risen so much in the second half of 2018 that there was room for decline in early 2019.”

Rahim also noted that sinking consumer confidence, a government shutdown, and the polar vortex hurt the wholesale market at the start of the year.

The spring bounce was late to start this year, but come March, values began to improve, as the year approached April, the spring bounce was in full-force.

Three-year-old vehicle values in aggregate experienced gains in the first two weeks of April, noted Rahim. Weekly values continued to perform well through most of April and through May.

The best-performing vehicles through this strong season reinforced the fact that the market is continuing to see strong demand for truck segment vehicles, but also showed that sedans still aren't out of the fight.

“Midsize cars and pickups outperformed the overall market, while all other major segments underperformed the overall market,” said Rahim.

Data from Cox Automotive shows that there is a disparity between the new-vehicle market and used vehicle market. SUVs lead the new-vehicle market, accounting for roughly 48% of all new sales while cars account for 32%. In the used market, those places are essentially reversed, as cars account for 48% of the market and SUVs account for 38%.

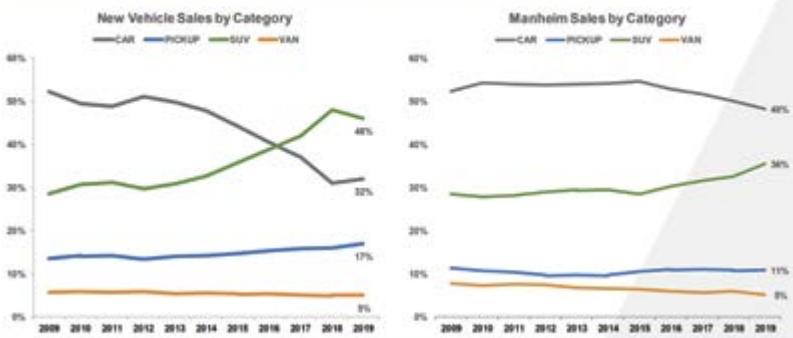
One factor pushing this shift in vehicle segment demand is price.

Prices in the new-vehicle segment are continuing to reach record-high levels, and late-model (3-year-old) cars in the used market present buyers with a more affordable option with many of the same features of a new-model. **AF**

Market Share of SUVs and Cars in the Used and New Vehicle Markets

DECLINE OF CARS NOT REFLECTED IN WHOLESALE MARKET VOLUMES

The SUV reigns supreme in new vehicle sales while cars still dominated the used car market



SOURCE: COX AUTOMOTIVE

Year-Over-Year Performance of Manheim Used Vehicle Value Index

USED VEHICLE VALUES CONTINUE TO STAY ABOVE AVERAGE

Year-over-year price performance on Manheim Used Vehicle Value Index has been stronger than average for 2 years

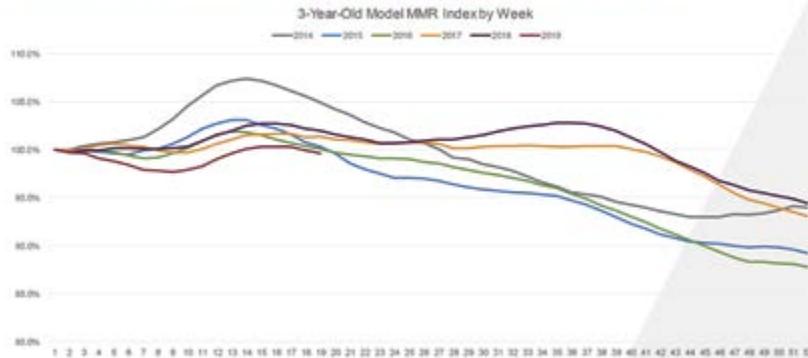


SOURCE: COX AUTOMOTIVE

Weekly Price Trends for 3-Year-Old Vehicles

2019 WEEKLY PRICE TREND STARTED WEAK BUT STRONG BOUNCE

Much higher than normal depreciation for start of year led to lower prices but prices strongly bounced



SOURCE: COX AUTOMOTIVE

Q1 2019 Data Shows Reduction in Fleet Segment's Time to Sell

Looking at data from the first quarter of 2019 shows a few interesting remarketing trends for 2019.

The most noteworthy of which is a reduction in time to sell over the past three years for commercial remarketers.

Over the past three years, commercial remarketers have cut the time it takes to sell a vehicle from the moment it arrives at auction by five days, according to Joe Miller, VP client experience for AutoIMS.

“The old adage ‘time is money’ is as true now as its ever been in the used vehicle space,” said Miller. “A bevy of services introduced in recent years add data science to the art of selecting the right auction, performing the right repairs, and placing a minimum value expected (floor price) for each vehicle headed to auction. These decisions all impact a key metric — ‘days to sell.’”

Miller noted that while a five day reduction is a positive metric, it's not as big of a reduction as the industry could still stand to see.

“The fleet segment follows a similar, cyclical pattern for days to sell throughout the year, but has not experienced the overall downward trend in total days that many would tout as success over the past few years,” said Miller.

AutoIMS' also compares commercial remarketer performance with the overall industry. Comparing commercial time to sell versus the overall industry shows that commercial vehicles sell nearly 10 days faster than the rest of the industry.

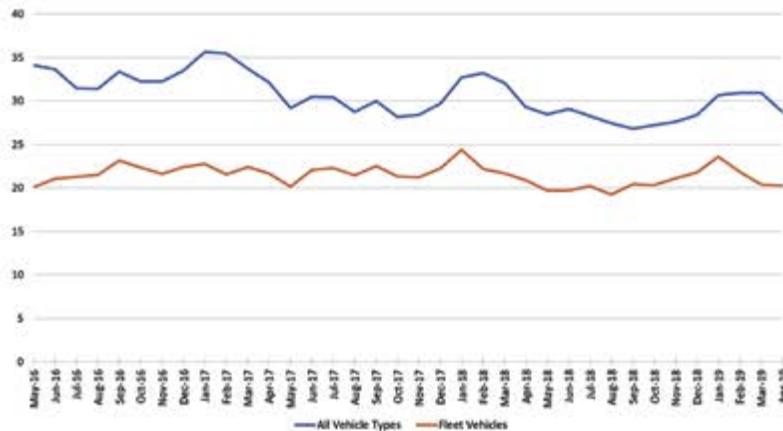
Vehicle grade plays a large part in days to sell outcome in the fleet segment, noted Miller. Vehicles in poor to rough condition take an average of 25 days to sell while vehicles in better condition take less time.

Cost/time benefit trade-off should be calculated carefully and constantly re-examined based on depreciation rates, buyer preferences, and so forth, Miller added.

In terms of average sale price at auction, fleet segment vehicles tend to sell for \$1,500 and \$2,000 less than the overall industry. One reason for lower fleet pricing is due to the high number of off-lease vehicles returning to the consumer market, which are often times more feature-equipped and lower mileage than fleet cars. **AF**

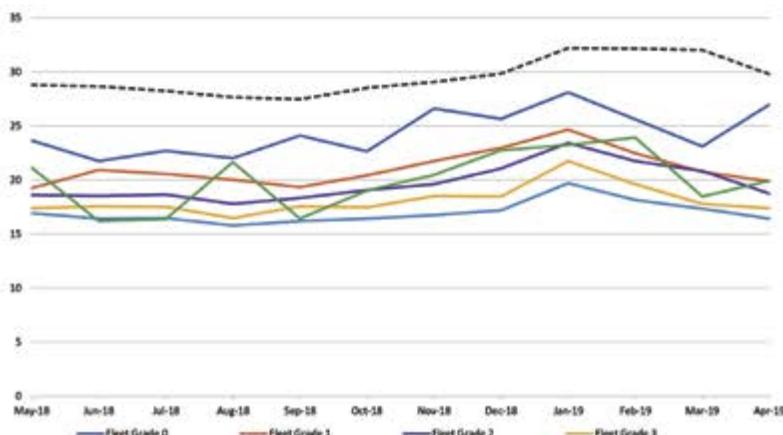
AutoIMS Fleet Vehicle Data Reported through April 2019

AVERAGE # DAYS AT AUCTION BY MONTH - 3 YEARS



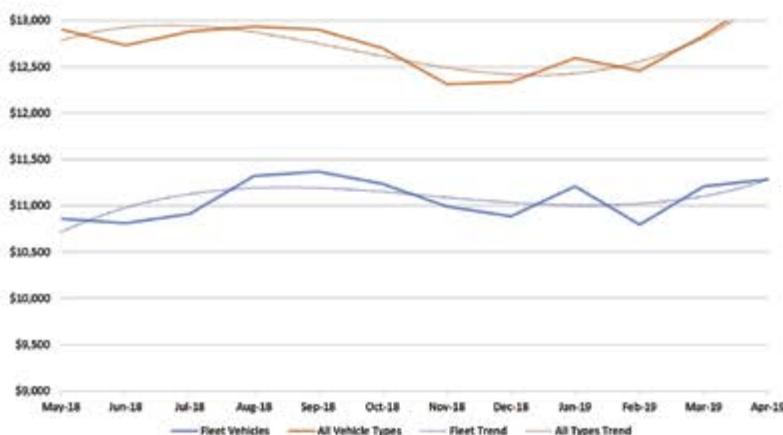
SOURCE: AUTOIMS

DAYS AT AUCTION SECURED TO SOLD



SOURCE: AUTOIMS

AVERAGE VEHICLE SALE PRICE - GRADES 2-5



SOURCE: AUTOIMS