

Appraiser Blog

Automotive Key Insights from the NIADA Conference



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The COVID-19 pandemic had a profound impact on the automobile industry, presenting unprecedented challenges for professionals. As the world slowly recovers, market analysts and industry experts are closely studying the market trends and sharing valuable insights. In a recent National Independent Automobile Dealers Association (NIADA) conference, experts shed light on the post-pandemic landscape of the wholesale and used retail market. This article delves into the key takeaways and predictions from the conference, highlighting the crucial factors that will shape the future of the industry.

1. Retail's Influence on Wholesale Pricing Trends

A deeper analysis of market trends reveals that retail plays a pivotal role in driving wholesale market dynamics. Although the first half of the past six months witnessed a notable increase, the market is now plateauing and heading toward a decline. The reduction in used inventory has contributed to this shift, with dealers needing to adapt their strategies accordingly.

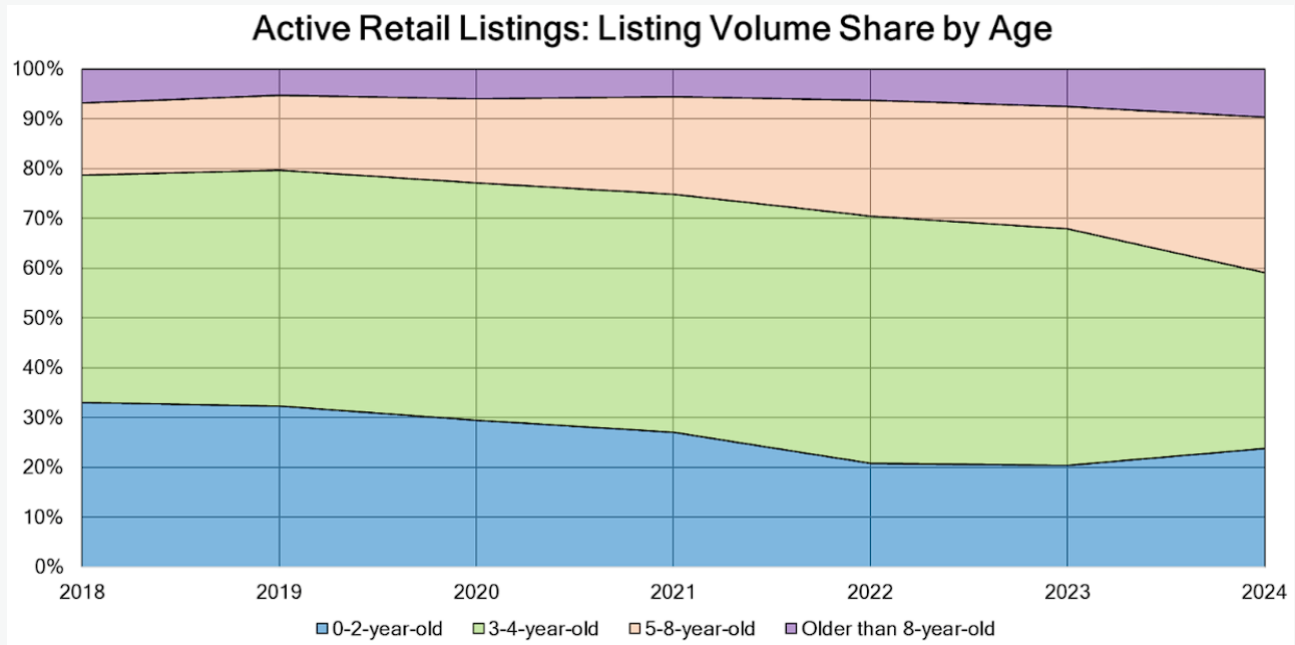
2. Consumer Confidence and Demand

Despite a robust labor market, prevailing uncertainties have kept consumer confidence low, which is reflected in their cautious approach towards significant purchases. However, projections indicate that new vehicle sales will recover in 2023, with 2022 being the lowest point. This positive trend suggests that dealers are on the right track to bounce back.

3. Affordability and Used Inventory

Affordability remains a major factor in the market, as used vehicles continue to command high prices. Independent dealers have gained market share from franchise dealers due to a lower influx of trade-ins or lease returns, resulting in lower inventory.

Moreover, the aging of used inventory has led to higher prices for older vehicles, making affordability a challenge for consumers.



4. Wholesale Market and Depreciation

The available used inventory in the wholesale market is expected to remain low, reaching its lowest point around 2025. Wholesale prices experienced an increase in the first half of 2023, albeit varying by segment. Expectations indicate a higher-than-normal depreciation in the second half of 2023, moving closer to pre-pandemic levels. These dynamics will require industry players to adapt their pricing strategies accordingly.

5. Rollercoaster Ride and Retention Index

The market has witnessed erratic week-over-week changes, but stability has emerged in the past two months. Although the seasonally adjusted retention index has experienced declines, it remains 40% above pre-pandemic levels. This suggests that prices will stay high for the foreseeable future. While the average retention of three-year-old vehicles is expected to drop, it will not reach pre-pandemic levels.

6. Electric Vehicle Market

The electric vehicle (EV) market has undergone significant changes, with a more diverse and richer group of EVs becoming available. One notable development this year was the overnight 10% drop in used EV prices due to Tesla's price reduction, which had a significant impact on the entire market. This trend highlights the need for industry players to closely monitor the evolving dynamics of the EV segment.

Considerations for Success in the Post-Pandemic Automotive Market

The post-pandemic wholesale and used retail market presents both challenges and opportunities for industry players. While wholesale prices are declining, they are not expected to return to pre-pandemic levels soon, primarily due to the reduced availability of inventory. Consumers continue to face hurdles related to overpriced vehicles, limited trade-in opportunities, and higher interest rates. However, by staying informed and adapting to these changes, industry players can position themselves strategically for success in the future. Keeping a close eye on consumer confidence, affordability, wholesale market trends, retention index, and the evolving electric vehicle market will be vital to navigating this transformed landscape successfully.