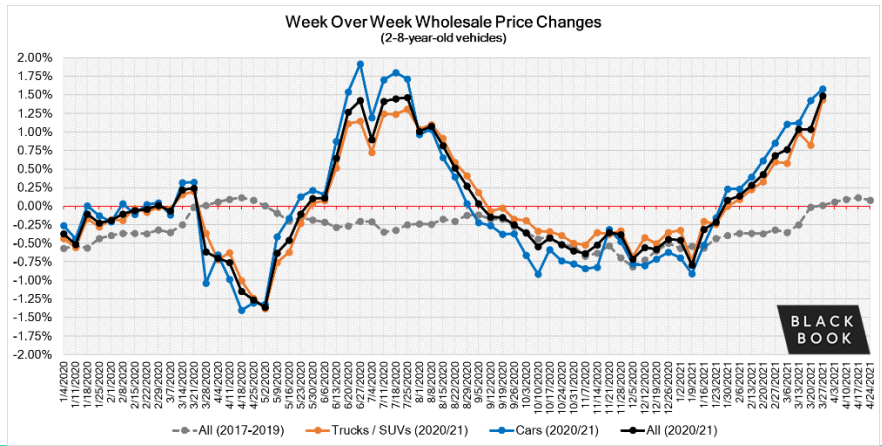


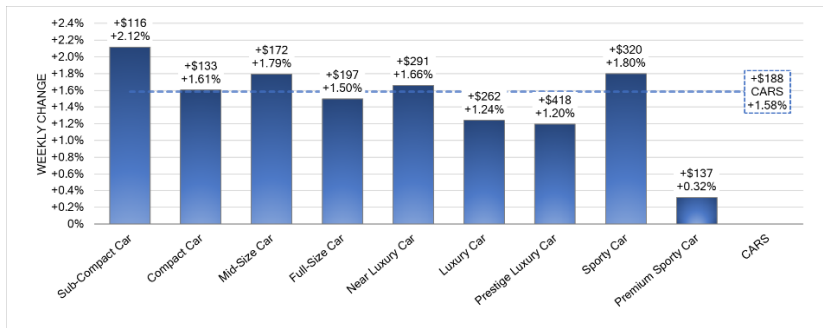
# Wholesale Prices, Week Ending March 27<sup>th</sup>

The market experienced record-breaking price increases this past week, as the supply and demand imbalance continued to drive up wholesale prices. We have been tracking these week-over-week price changes since 2009 and last week's overall increase of 1.49% was larger than the previously held record of 1.46% from the week ending July 25<sup>th</sup> of last year.

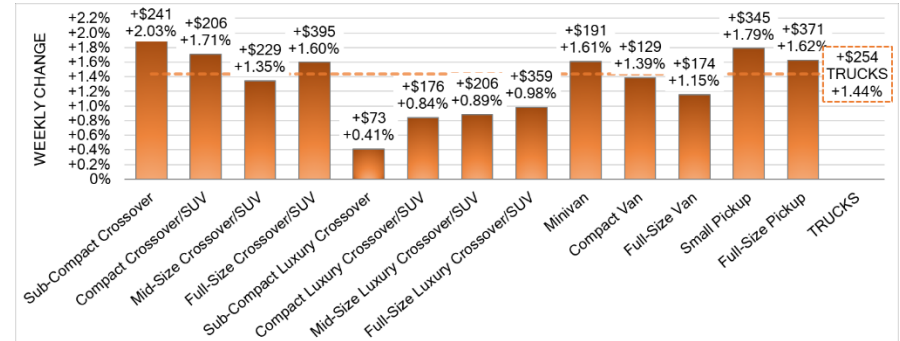
	This Week	Last Week	2017-2019 Average (Same Week)
Car segments	+1.58%	+1.42%	+0.16%
Truck & SUV segments	+1.44%	+0.82%	-0.10%
Market	+1.49%	+1.03%	+0.01%



## Car Segments



## Truck Segments



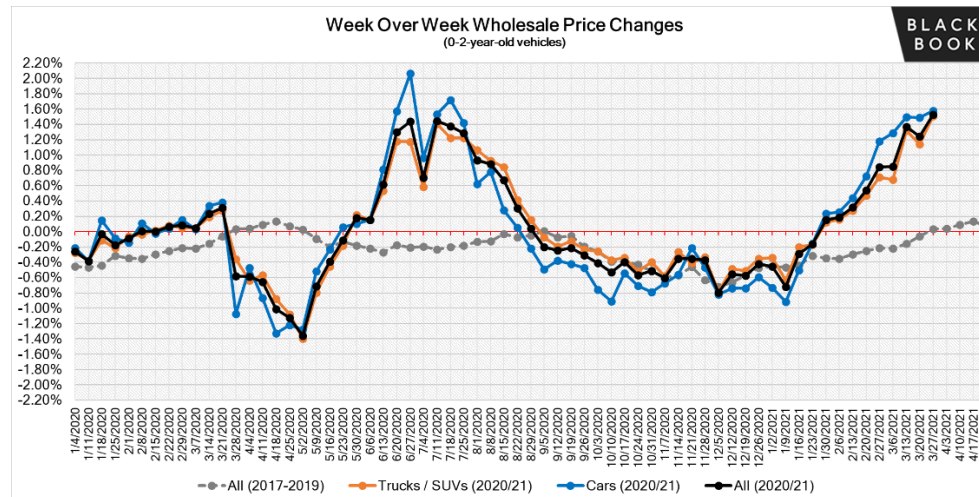
- Car segments continued their ascent this past week, with an overall weekly increase of +1.58%, compared to +1.42% the week prior.
- All nine Car segments had gains exceeding +1.00%, except Premium Sporty Car (+0.32%).
- Sub-Compact Cars broke the 2% mark with an increase of +2.12%. The price point of this segment and the Compact Car segment (+1.61%) make them attractive buys for dealers looking to sell to consumers with stimulus and tax return money.
- The Prestige Luxury Car segment had its largest single week increase ever recorded and it was the first time this segment broke the 1% mark at a gain of +1.20%.

- Truck segments had a large gain this past week of +1.44%, compared to +0.82% the week prior.
- The Luxury segments were the only segments to not see increases over 1%. Of the Truck segments, Sub-Compact Luxury Crossovers were the only segment to not see a larger gain compared to the prior week.
- The mainstream Sub-Compact segment had the largest Truck segment weekly gain at +2.03%.
- Full-Size Trucks gained additional momentum last week with an increase of +1.62%, compared to the prior week's +1.04%.
- The high-volume Compact Crossover segment also had a large gain this past week (+1.71%) compared to the prior (+0.93%).

### Newer Used Vehicles (0-2-year-old)

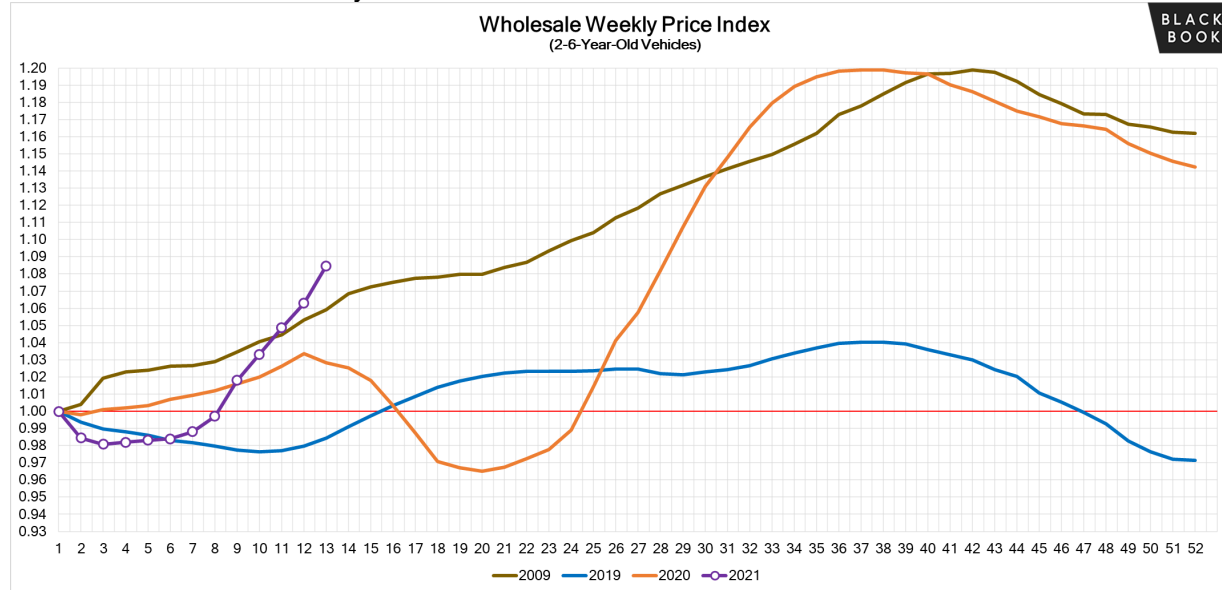
Driven by an extreme shortage of rental returns and limited inventory of new vehicles, the price trends of newer used vehicles have started to diverge from older units. The table below shows the average weekly price changes for 0-2-year-old vehicles.

	This Week	Last Week	2017-2019 Average (Same Week)
Car segments	+1.57%	+1.49%	+0.16%
Truck & SUV segments	+1.51%	+1.14%	-0.02%
Market	+1.53%	+1.24%	+0.03%



## Weekly Wholesale Index

2020 ended with used wholesale prices at elevated levels. With economic patterns (including the automotive market) driven by the pandemic, normal seasonal patterns (e.g. 2019 calendar year) in the wholesale market were not observed for most of the year. We saw a similar picture in 2009, at the end of the Great Recession. It appears that 2021 will not have typical seasonality patterns. So far, the spring market arrived about 7 weeks earlier and with much stronger price increases compared to a typical pre-COVID year. The graph below looks at trends in wholesale prices of 2-6-year old vehicles, indexed to the first week of the year.



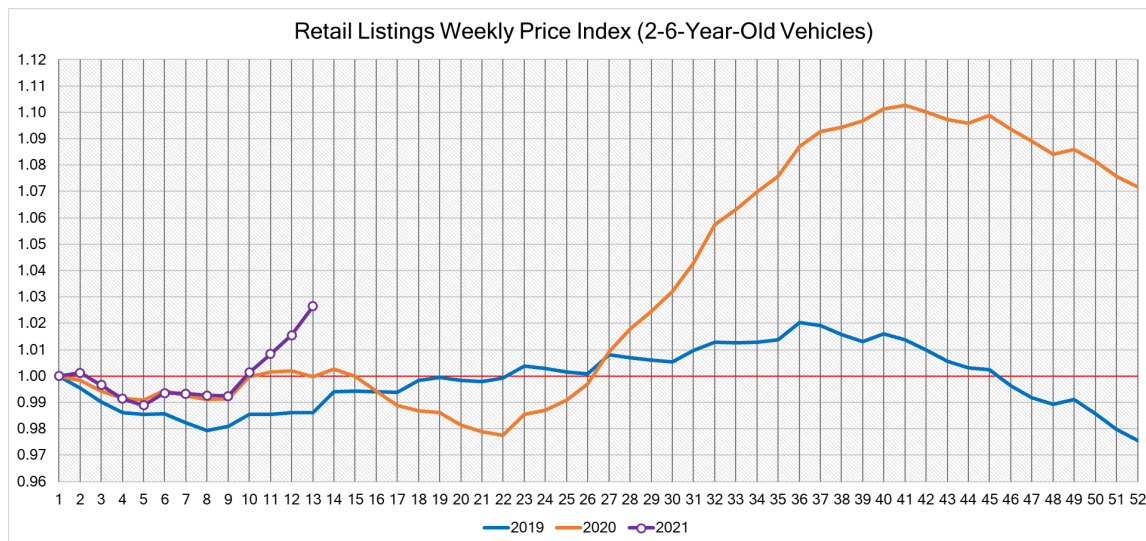
## Retail (Used and New) Insights

- The global microchip shortage continues to plague the auto industry with more discouraging news coming out from OEMs this past week.
  - GM has now had another plant impacted, this time in Missouri with their mid-size trucks that will be down through April 12.
  - A fire at the Renesas Electronics plant, one of the microchip producers (responsible for roughly 30% of chip manufacturing), could put additional strain on the already short supply of this critical input to auto production.
  - Ford experienced shutdowns and shift reductions in their full-size truck and SUV plants last week. In some cases, they are assembling the vehicles and storing them until the necessary chips are available for completion.

- The Canadian auto industry is looking at the potential for another new inventory supply disruptor, this time in the form of a dockworkers strike at the Port of Montreal. It is unclear at this time what the exact impact will be, but there is potential for this strike to further restrict vehicle supply.

## Used Retail Prices

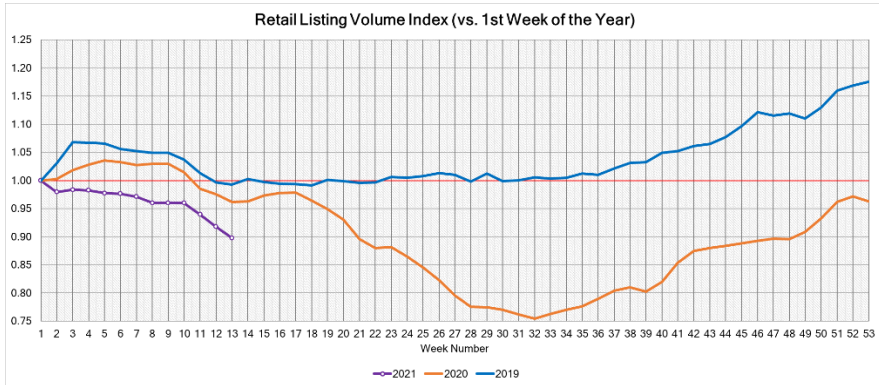
With the proliferation of ‘no-haggle pricing’ for used-vehicle retailing, asking prices accurately measure trends in the retail space. Retail demand slowed down leading up to the December holidays, and thus resulted in declining retail asking prices over the last several weeks of 2020. As demand rebounded in January, retail prices seemed to lag wholesale prices - retail asking prices continued to decline throughout January and remained stable in February. March is showing an accelerated growth in retail prices (index jumped by about one point last week), but the rate of growth is still lower compared to the increases of wholesale prices. This analysis is based on approximately two million vehicles listed for sale on US dealer lots. The graph below looks at 2-6-year-old vehicles (similar to our wholesale price index).



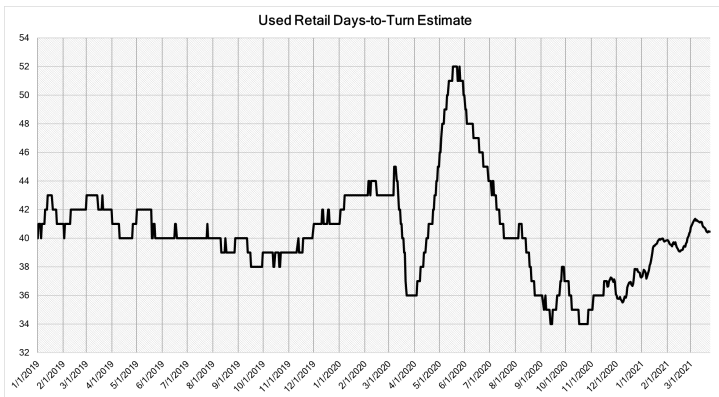
# Volume

## Used Retail

Used retail listing volume stayed essentially flat since the beginning of the year but remains at levels above where the industry was in January, during the pre-COVID time of 2019.

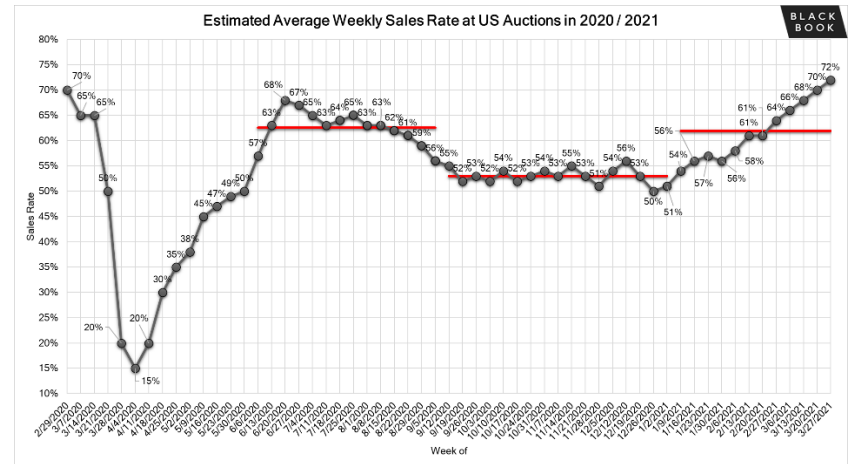


Days-to-turn have been increasing since November and is approaching historic average level. Recently, the trend is starting to show signs of reversing as retail demand picks up across the country as a result of tax returns and the additional round of \$1,400 stimulus checks being deposited into consumers' bank accounts.



## Wholesale

- The imbalance of supply and demand in the market right now is continuing to push up the conversion rates, especially as available wholesale inventory each week tracks lower.



- Sellers continue to report that available inventory is dwindling, especially on those in-demand 0-2 year old vehicles that are being kept in fleet and rental longer due to delays in replacement inventory.
- Buyers are reporting that the lack of inventory is pushing them to purchase higher mileage and “edgier” units and requiring them to put more into reconditioning. With this increase in reconditioning cost, along with the increased time and cost for transportation, the final transaction cost in many cases is seeing a larger increase than the base wholesale value changes reflect.
- The McConkey Auction Group is resuming the physical running of cars in the lanes this week at both the Seattle and Spokane locations.