

Spring wholesale “bounce” declining over the past 2 years: the best time to sell vehicles is now!

December 2016

Introduction

Historically, wholesale vehicle values experience seasonality; prices increase during the spring and decrease during the rest of the year, particularly in the fall. Due to this seasonality, some consignors hold vehicles at the end of each calendar year in anticipation of achieving higher price retention in the spring. To assess how this strategy might work in 2017, we analyzed wholesale vehicle values for 3-year-old vehicles over the course of calendar years 2014-2016. We found that spring season price “bounces” have become successively smaller and fall season depreciation successively larger over the past two years. If these trends continue into 2017, then consignors should consider selling vehicles now rather than waiting for the spring.

Findings:

- Auction volumes have been increasing year-over-year since 2013 (Figure A1)
- Spring price “bounce” has decreased over the past two years – **2016 spring “bounce” averaged 1.3%** between Jan-April for 3-year-old models (Figure 1)
- Fall depreciation has accelerated over the past two years – **2016 fall depreciation averaged -7.1%** between Sept-Dec for 3-year-old models, **equivalent to -2.4% per month**
- If these price trends continue into 2017, then there are two key implications for consignors:
 - Vehicle depreciation may be greater in 2017 than in recent years
 - Holding vehicles for the 2017 spring season may be detrimental to consignor performance

Recommendations:

To avoid the current market’s accelerated vehicle depreciation, consignors should consider these strategies:

- **Do not hold vehicles for spring 2017** – the best time to sell is now!
- **Price vehicles to sell** – vehicles depreciate every day that they sit on the lot
- **List vehicles online in between physical sale events** – minimize offer downtime and expose vehicles to an expanded buyer base
- **Reduce prices on repeated no-sale vehicles** – if a vehicle isn’t selling, it’s likely over-priced

Figure 1(a)

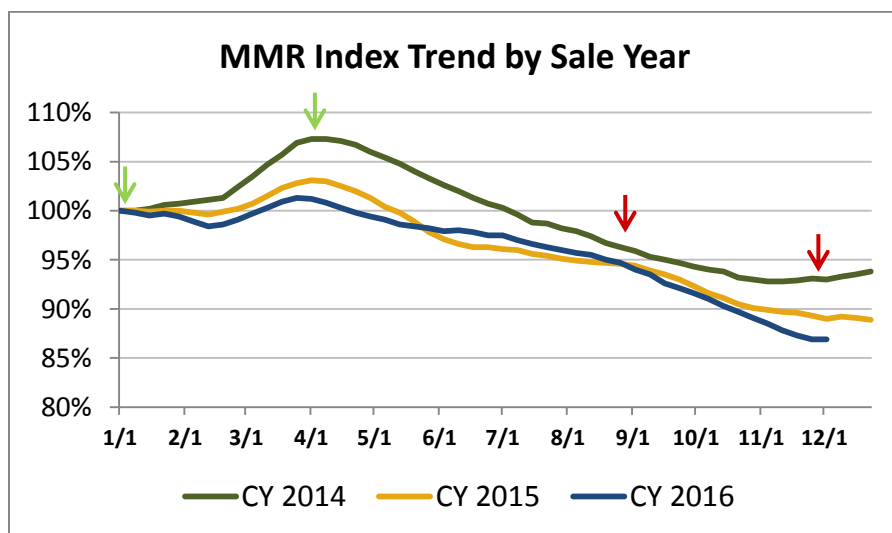


Figure 1(b)

	% Price Change	
	1/1 to 4/1	9/1 to 12/1
CY 2014	7.3%	-2.8%
CY 2015	3.0%	-5.3%
CY 2016	1.3%	-7.1%

Figure 1: (a) Weighted average MMR trend for 500 highest-volume 3-year-old models/trimms across CY 2014-2016, indexed to January 1 (b) Percent price change during the CY 2014-2016 spring season (Jan 1 – price peak, as indicated by green arrows in (a)) and fall season (Sept 1 – Dec 1, as indicated by red arrows in (a))

Appendix

Figure A1: Annual Manheim auction volume for 3 year-old units

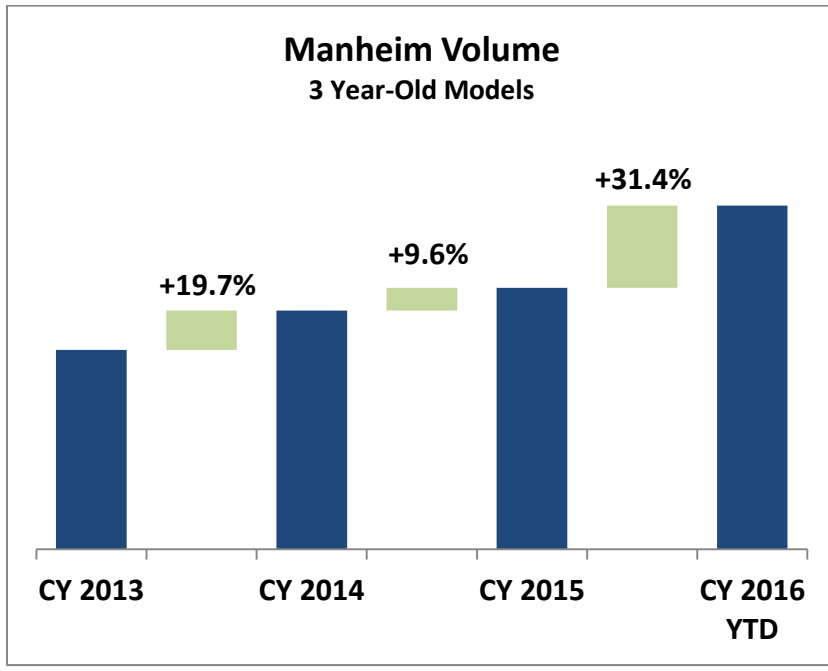


Figure A2: Absolute auction prices for 3 year-old units

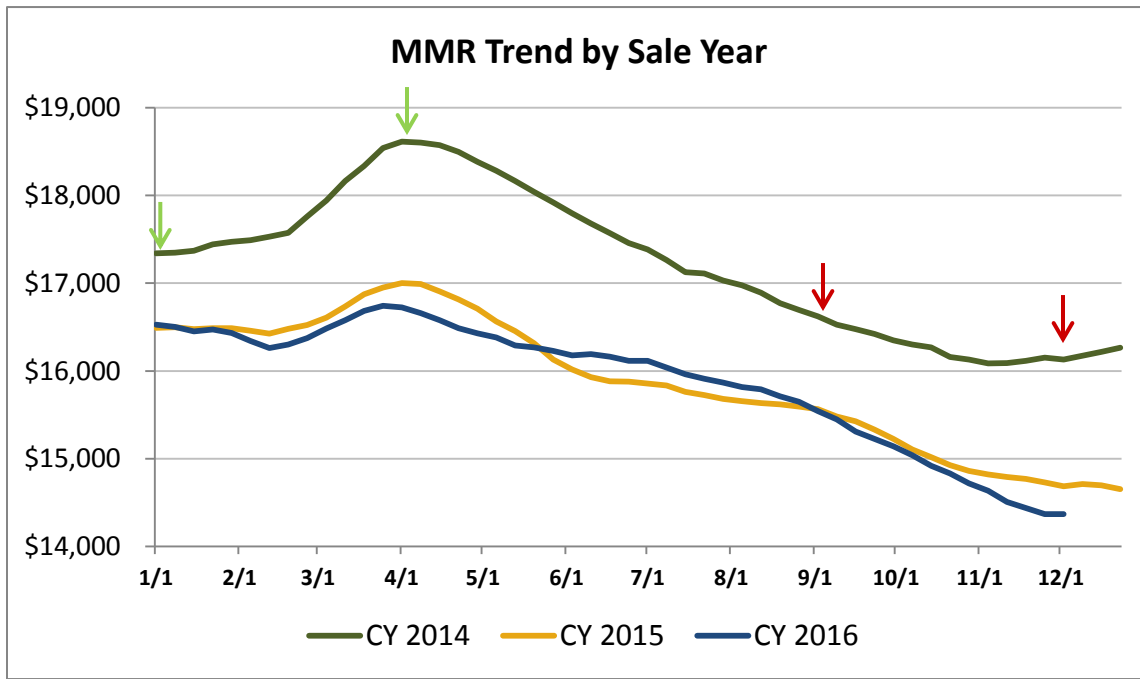


Figure A2: Absolute auction price change for 3 year-old units

	Price Change	
	1/1 to 4/1	9/1 to 12/1
CY 2014	\$1,274	-\$492
CY 2015	\$510	-\$876
CY 2016	\$197	-\$1,176

Methodology:

- We identified the top 500 year/make/model/trim combinations (MID) by sold volume each calendar year for three year-old units – for example, for CY 2015 we included MY 2012 vehicles only
- For each MID, we calculated an MMR value each week using that MID’s average mileage across the entire calendar year
 - Since mileage was kept constant, time was the only variable driving each MID’s depreciation
 - We excluded any MIDs that, due to small sample size, were missing an MMR value for any given week
- For each week of each calendar year, we calculated the average MMR across all MIDs, weighted by each MID’s annual volume
- We plotted weekly trends of this average MMR across the entire calendar year, indexing each year’s values to the average MMR value on 1/1