USED CAR AND LIGHT TRUCK GUIDELINES

JUNE 2019 INDUSTRY REVIEW
J.D. Power Valuation Services
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USED MARKET

USED VEHICLE PRICE INDEX

After abnormally strong March and April performances, the used vehicle market cooled slightly in May. However, the month’s performance was better than historic May figures. As a result, the J.D. Power Valuation Services’ Seasonally Adjusted Used Vehicle Price Index increased by 1.2 points – relative to April – to 121.0. May’s result was significantly stronger than how the period typically performs and marked the third consecutive month of used price increases. Year-to-date, used vehicle prices are now 1.9% greater relative to the same period in 2018.

Wholesale prices of used units up to 8 years in age declined by an average of 0.7% in May. The period’s result was significantly better than the previous 5-year average 1.9% decline and the best May performance since 2011. Looking back, prices in May 2011 were bolstered by a shortage of used units resulting from depressed new vehicle sales in 2009. Declining new vehicle sales during this period in addition to the Car Allowance Rebate System (CARS), also known as "cash for clunkers" created a situation where there were significantly fewer used units available in May 2011.
At the segment level, similar to April, mainstream SUV and pickup segment prices were some of the strongest in the industry in May. Affordable mainstream passenger segments didn’t see the same strength they have in recent months, however, the outlook for these segments remains positive for the remainder of the year. On the luxury side, results were mixed. Midsize premium cars turned in their best performance for the May period since 1996. Prices for remaining premium segments were depressed, due in part to continuing increases in wholesale volume.

**AUCTION VOLUME TRENDS**

Auction volume for units up to 5 years in age increased by 1% relative to April 2019, however, year-over-year volume declined by 1.8%. As a result, CYTD volume is now 5.4% above 2018’s level. In 2019, the largest volume increases are still being observed among SUV segments. This is a trend that will continue as more of these models are sold on the new side of the market. Compact SUV volume is up by 27.1% and midsize SUV is up 14.1% so far this year. In terms of volume share, truck share represents 51.7% while car share represents 48.3%. Used supply for units up to 5 years in age is expected to increase and peak in 2019, before leveling off in 2020 and 2021. The anticipated increase will be fueled by increases in off-lease volume. Retail, rental and commercial volumes are also expected to increase in 2019, however, not nearly to the same degree as off-lease volume.
2019 FORECAST

In terms of full-year 2019 expectations, with March, April and to some degree May’s stronger than anticipated performances used vehicle prices are expected to increase in 2019 relative to 2018. J.D. Power Valuation Services’ 2019 forecast expects used prices for vehicles up to 8 years in age to increase by approximately 0.2% to 0.7%. As new vehicle prices rise, and affordability concerns increase, consumers will continue turning to used vehicles as alternatives to their new counterparts. Even with increasing levels of used supply, healthy consumer appetite for used vehicles will help keep used values strong.

NEW VEHICLE SALES

In May, the new vehicle market turned in a performance that was relatively flat with May 2018’s result. New sales reached 1.58 million units for the period, down a slight 0.5%. The seasonally adjusted annual rate (SAAR) was grew to 17.31 million. May’s performance was driven by a 1.4% increase in non-retail deliveries, which helped offset the 0.3% decline in retail. Ultimately, the month’s result brought 2019’s tally to 6.89 million units, down 2.1% compared to the same period in 2018.
Incentive Spending

In May, automakers increased incentive spending for the first time in 11 months. According to Power Information Network (PIN) data from J.D. Power, incentive spending per unit rose 0.3% to $3,816 per unit. Incentive spending as a percent of MSRP fell to 9.6%.
INVENTORY

According to WardsAuto total supply decreased to 64 days in May, a figure flat with May 2018. On a month-over-month basis, supply fell by 12 days relative to April.

General Motors’ inventory fell 7 days to 80 in May. Ford Motor Company’s supply fell 15 days to 75, while FCA’s fell 12 days to 70. On the import side, Toyota Motor Sales’ supply fell 11 days to 55, while inventory for American Honda Motors fell 10 days to 76 and Nissan North America’s declined by 24 days to 54.

Subaru’s 31 days of supply remained lowest on the mainstream side of the industry, however, Kia supply was also lean at 32 days.
WHAT’S NEW

You already use NADA Values Online to see all sides of every vehicle’s story. Now you can gain even greater insight with our new VIN Based Option feature, which provides a precise, uniquely adjusted valuation for specific used cars and light-duty trucks. The VIN Based Option utilizes packaging, content and descriptive features specific to each 17-character VIN, rather than just the 11-character VIN, to enhance and customize a vehicle’s valuation. This way, you can understand the valuable differences between two identical-seeming vehicles of the same year, make and model. Rely on the new VIN Based Option to:

- Reveal valuable vehicle equipment, trim and options
- Increase valuation accuracy and reduce risk
- Make more-informed business decisions

ABOUT J.D. POWER

J.D. Power is a global leader in consumer insights, advisory services, and data and analytics to help clients measure and improve the key performance metrics that drive growth and profitability. J.D. Power's industry benchmarks, robust proprietary data, advanced analytics capabilities, and reputation for independence and integrity has established the company as one of the world's most well-known and trusted providers of consumer and market insights for more than a dozen industries. Established in 1968, J.D. Power is headquartered in Costa Mesa, California, and has 17 global locations serving North/South America, Asia Pacific, and Europe.

ABOUT J.D. POWER VALUATION SERVICES (FORMERLY NADA USED CAR GUIDE)

J.D. Power Valuation Services, formerly NADA Used Car Guide, is a leading provider of vehicle valuation products, services and information to businesses. Its team collects and analyzes over 1 million combined automotive and truck wholesale and retail transactions per month, and delivers a range of guidebooks, auction data, analysis and data solutions. J.D. Power acquired NADA Used Car Guide in 2015, forming a powerful combination that brings the automotive industry rich data sets, strong analytics and over 130 years of market experience.

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CONSULTING SERVICES

J.D. Power Valuation Services’ market intelligence team leverages a database of nearly 200 million automotive transactions and more than 100 economic and automotive market-related series to describe the factors driving current trends to help industry stakeholders make more informed decisions. Analyzing data at both wholesale and retail levels, the team continuously provides content that is both useful and usable to the automotive industry, financial institutions, businesses and consumers.

Complemented by J.D. Power Valuation Services’ analytics team, which maintains and advances its internal forecasting models and develops customized forecasting solutions for automotive clients, the market intelligence team is responsible for publishing white papers, special reports and the Used Car & Truck Blog. Throughout every piece of content, the team strives to go beyond what is happening in the automotive industry to confidently answer why it is happening and how it will impact the market in the future.

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ADDITIONAL RESOURCES

Guidelines
Updated monthly with a robust data set from various industry sources and J.D. Power Valuation Service’s proprietary analysis, Guidelines provides the insight needed to make decisions in today’s market.

Used Car & Truck Blog
Written and managed by the Market Intelligence team, the Used Car & Truck Blog analyzes market data, lends insight into industry trends and highlights relevant events.

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